

---

## Financial Results for the Fiscal Year Ended March 31, 2020

---

Nippon Life Insurance Company (the “Company”; President: Hiroshi Shimizu) announces financial results for the fiscal year ended March 31, 2020.

### [Contents]

#### I. Financial Summary for the Fiscal Year Ended March 31, 2020

1. Business Highlights.....	1
2. Overview of General Accounts Asset Management for the Fiscal Year Ended March 31, 2020 .....	4
3. Investment Management Performance (General Account) .....	8
(1) Asset Composition .....	8
(2) Increases/Decreases in Assets .....	9
(3) Investment Income .....	10
(4) Investment Expenses .....	11
(5) Investment Indicators .....	12
(6) Net Valuation Gains/Losses on Trading Securities .....	13
(7) Fair Value Information of Securities .....	14
(8) Fair Value Information of Assets Held in Trust .....	15
4. Policies in Force by Types of Benefits as of March 31, 2020 .....	16
5. Nonconsolidated Balance Sheets .....	17
6. Nonconsolidated Statements of Income .....	39
7. Nonconsolidated Statements of Changes in Net Assets .....	44
8. Details of Ordinary Profit (Core Operating Profit) .....	48
9. Nonconsolidated Proposed Appropriations of Surplus .....	50
10. Status of Nonperforming Assets According to Borrower’s Classification .....	51
11. Status of Risk-Monitored Loans .....	52
12. Breakdown of Allowance for Doubtful Accounts .....	53
13. Solvency Margin Ratio .....	54
14. Status of Separate Accounts as of March 31, 2020 .....	55
15. Status of the Company, Subsidiaries, and Affiliates .....	60

Attached: Supplementary Materials for the Fiscal Year Ended March 31, 2020

# 1. Financial Summary for the Fiscal Year Ended March 31, 2020

The Company will submit the financial results for the fiscal year ended March 31, 2020, for discussion at the 73<sup>rd</sup> annual meeting of the representatives of policyholders to be held on July 2, 2020. A summary of the results is provided below.

## 1. Business Highlights

### (1) Annualized Premium

#### • Policies in Force

(100 Million Yen, %)

	As of March 31, 2020		As of March 31, 2019	
		As a percentage of March 31, 2019		As a percentage of March 31, 2018
Individual insurance	27,001	98.6	27,383	101.9
Individual annuities	10,616	105.2	10,096	103.1
Total	37,618	100.4	37,479	102.2
Medical coverages, living benefits, and others	6,571	103.0	6,383	101.7

#### • New Policies

(100 Million Yen, %)

	Year ended March 31, 2020		Year ended March 31, 2019	
		As a percentage of March 31, 2019		As a percentage of March 31, 2018
Individual insurance	1,624	66.0	2,460	93.8
Individual annuities	880	135.1	651	108.9
Total	2,504	80.5	3,112	96.6
Medical coverages, living benefits, and others	570	121.1	470	112.1

Notes: 1. The amount of annualized premium is the annualized premium amount calculated by multiplying a single premium payment by a factor according to the premium payment method (for lump-sum payment 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 premium includes net increases due to conversions.

## (2) Amount of Policies in Force and New Policies

### • Policies in Force

	As of March 31, 2020				As of March 31, 2019			
	Number of policies		Amount of policies		Number of policies		Amount of policies	
	(thousands)	As a percentage of March 31, 2019 (%)	(100 million yen)	As a percentage of March 31, 2019 (%)	(thousands)	As a percentage of March 31, 2018 (%)	(100 million yen)	As a percentage of March 31, 2018 (%)
Individual insurance	29,111	104.3	1,325,065	97.9	27,907	106.5	1,353,326	98.0
Individual annuities	4,088	103.1	248,128	103.7	3,964	102.0	239,372	101.5
Group insurance	—	—	978,894	100.8	—	—	971,022	101.7
Group annuities	—	—	133,871	101.6	—	—	131,770	102.5

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

	Year ended March 31, 2020						Year ended March 31, 2019					
	Number of policies		Amount of policies				Number of policies		Amount of policies			
	(thousands)	As a percentage of March 31, 2019 (%)	(100 million yen)	As a percentage of March 31, 2019 (%)	New policies	Net increase (decrease) by conversion	(thousands)	As a percentage of March 31, 2018 (%)	(100 million yen)	As a percentage of March 31, 2018 (%)	New policies	Net increase (decrease) by conversion
Individual insurance	4,716	100.8	64,046	92.5	63,749	296	4,679	140.8	69,212	132.7	69,398	(186)
Individual annuities	277	120.6	20,398	135.3	20,166	232	229	103.5	15,081	110.2	14,993	88
Group insurance	—	—	2,001	34.4	2,001		—	—	5,808	190.9	5,808	
Group annuities	—	—	2	45.4	2		—	—	5	162.9	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 amount of new policies for group annuities represents the first-time premium.

### (3) Major Profit and Loss Items

(100 Million Yen, %)

	Year ended March 31, 2020		Year ended March 31, 2019	
		As a percentage of March 31, 2019		As a percentage of March 31, 2018
Revenues from insurance and reinsurance	45,261	94.8	47,751	106.4
Investment income	17,768	107.7	16,495	99.8
Benefits and other payments	36,293	99.3	36,545	99.8
Investment expenses	5,087	147.4	3,451	106.5
Ordinary profit	3,512	91.6	3,835	93.4

### (4) Proposed Appropriations of Surplus

(100 Million Yen, %)

	Year ended March 31, 2020		Year ended March 31, 2019	
		As a percentage of March 31, 2019		As a percentage of March 31, 2018
Unappropriated surplus at the year-end	1,844	72.0	2,560	103.2
Provision of reserve for dividends to policyholders	1,851	87.4	2,118	97.0
Net surplus after deduction	142	20.4	699	100.6

### (5) Total Assets

(100 Million Yen, %)

	As of March 31, 2020		As of March 31, 2019	
		As a percentage of March 31, 2019		As a percentage of March 31, 2018
Total assets	690,711	101.4	680,847	102.4

## 2. Overview of General Accounts Asset Management for the Fiscal Year Ended March 31, 2020

### (1) Investment Environment

In the fiscal year ended March 31, 2020, the Japanese economy remained on a gradual recovery path, underpinned by firm domestic demand. Meanwhile, there were some signs of weakness in foreign demand due to factors such as trade friction between the United States (U.S.) and China. In the second half of the fiscal year, economic activities slowed partly because of a hike in the consumption tax rate and the spread of coronavirus disease 2019 (COVID-19).

- The Nikkei Stock Average at the start of the fiscal year was ¥21,509. Subsequently, the index temporarily declined due to factors such as trade friction between the U.S. and China. Thereafter, the U.S. and China reached an agreement that paved the way for easing tensions, causing the index to rise to ¥24,083 in late January. In March 2020, the index momentarily decreased to the ¥16,000 level in step with the spread of COVID-19. However, with the announcement of support through robust fiscal and monetary policies in various countries, the index recovered to ¥18,917 at the end of March 2020.
- The yield rate on 10-year government bonds at the start of the fiscal year was minus 0.09% and then temporarily decreased to minus 0.29% due to factors such as trade friction between the U.S. and China. Thereafter, the yield rate rose to positive territory in December 2019, reflecting factors such as an agreement reached between the U.S. and China that paved the way for easing tensions. In March 2020, the spread of COVID-19 caused some volatility in interest rates in Japan and abroad. With the Bank of Japan continuing to implement its yield curve control policy, the yield rate stood at 0.01% at the end of March 2020.
- The yen-dollar exchange rate at the start of the fiscal year was at ¥111 level. Thereafter, the Federal Reserve System, the central bank of the U.S., decided to shift course and lower the policy interest rate. As a result, the spread between Japanese and U.S. interest rates narrowed and the yen strengthened to the ¥105 level in August 2019. After that, the yen depreciated to the ¥110 level against the backdrop of factors such as the easing of U.S.-China tensions. In March 2020, significant volatility in the yen-dollar exchange rate was observed at times in response to the spread of COVID-19. The yen-dollar exchange rate was ¥108.83 at the end of March 2020.

The yen-euro exchange rate at the start of the fiscal year was at ¥124 level. Subsequently, the yen temporarily strengthened to the ¥116 level owing to concerns about a slowdown in the European economy and uncertainty about the withdrawal of the United Kingdom from the European Union. Afterwards, as uncertainty over the global economic outlook was dispelled, the yen depreciated to the ¥122 level in January 2020. In March 2020, volatility in the yen-euro exchange rate was observed at times in response to the spread of COVID-19. The yen-euro exchange rate was ¥119.55 at the end of March 2020.

## (2) Investment Summary

The Company's general account assets increased by ¥1,041.9 billion compared with the end of the fiscal year ended March 31, 2019, totaling ¥67,868.7 billion as of March 31, 2020 (1.6% increase compared with the previous fiscal year-end).

The Company has positioned yen-denominated assets that can be expected to provide stable income, such as government and corporate bonds, as its core assets. From the perspective of improving profits in the mid- to long-term, the Company invested in stocks and foreign securities within the scope of acceptable risk, while taking into account business stability.

The Company captured the opportunity of rising interest rates and accumulated additional outstanding domestic bond balances, taking into consideration the advantages against other yen interest rate assets.

- The Company focused on safe and stable prime lending by accurately assessing credit risks.
- For domestic stocks, the Company strove to enhance the profitability of its portfolio by replacing certain stocks, while focusing the Company's attention on corporate profitability and dividends from the mid- to long-term investing perspective.

Regarding foreign securities, the Company invested in government and corporate bonds denominated in foreign currencies based on currency movements. Also, the Company invested in foreign bonds with foreign exchange hedges, taking into consideration the advantages against other yen interest rate assets.

## (3) Status of Investment Income/Expense

Investment income was ¥1,776.8 billion, an increase from ¥1,632.6 billion in the fiscal year ended March 31, 2019. The increase mainly reflected an increase in gain on sales of securities.

Investment expenses amounted to ¥466.3 billion, an increase from ¥345.1 billion in the fiscal year ended March 31, 2019. The decrease mainly reflected an increase in loss on valuation of securities.

As a result, the Company's net investment income increased by ¥22.8 billion, compared with the fiscal year ended March 31, 2019, to ¥1,310.4 billion.

#### (4) Investment Risk Management

Investment risk refers to risk of incurring losses when the value of the Company's assets and liabilities fluctuates. It can be categorized into market risk, credit risk, and real estate investment risk. The long-term nature of life insurance policies requires a long-term approach based on liability characteristics to manage risks associated with investment. Hence, the Company seeks to manage its portfolio efficiently based on risk-return analyses that emphasize the importance of generating investment returns over the medium to long terms.

The Company has, therefore, established the Investment Risk Management Department within the Risk Management Department and, by maintaining and upgrading its rigorous system for managing risks, the Company strives to limit losses to acceptable levels, while pursuing stable returns.

##### a. Market risk management

Market risk refers to risk of incurring losses when the fair value of invested assets and liabilities fluctuates due to factors, such as fluctuations in interest rates, exchange rates, or stock prices. To avoid excessive losses from financing and investment transactions, the Company manages market risk by setting and monitoring investment limits for each type of asset and holding purpose as necessary. Through these measures, the Company strives to build a portfolio with due consideration to the diversification of risk. In addition, to control the market risk of the Company's portfolio, the Company reasonably calculates the market value-at-risk and appropriately allocates assets within acceptable boundaries of risk.

##### b. Credit risk management

Credit risk refers to risk of incurring losses when the value of assets, primarily loans and bonds, declines due to deterioration of the financial condition of a party to whom credit has been extended. In managing credit risk, the Company continues to build a sound portfolio by rigorous examinations of each transaction by the Credit Department, which is independent of the departments handling investment and finance activities; appropriate terms to the level of credit risk involved; and credit ceilings, including those monitoring, to ensure that credit risk is not excessively concentrated in a particular company, group, or country. In addition, the Company calculates credit value-at-risk as a measurement of the magnitude of credit risk across the Company's portfolio as a whole and monitors whether the magnitude of risk stays within an appropriate range.

c. Real estate investment risk management

Real estate investment risk refers to risk of reduced returns caused by factors, such as rent decline, as well as incurring losses when real estate values decline due to market deterioration and other factors. The Company's approach to manage real estate investment risk involves the rigorous examination of each investment by the Credit Department, which is independent of the departments handling investment and finance activities. The Company also adheres to a policy involving thresholds for investment returns and prices. This enables the Company to appropriately focus management efforts on properties with low profitability.

(5) Asset Liability Management

For life insurance companies to carry out stable management in the long term, it is crucial to use the Asset Liability Management (ALM) approach as a basis for understanding the status of liabilities for payments of future insurance benefits (policy reserves) and investment assets as well as for adjusting investment periods. The Company analyzes and evaluates liability cash flows, risk of falling short of assumed interest rates, and level of allowed risk for each product, and decides the mid- to long-term investment plan at the Managing Directors' meetings and the Risk Management Committee meetings.



### 3. Investment Management Performance (General Account)

#### (1) Asset Composition

(100 Million Yen, %)

	As of March 31, 2020		As of March 31, 2019	
	Amount	%	Amount	%
Cash, deposits, and call loans	9,965	1.5	10,793	1.6
Receivables under resale agreements	—	—	—	—
Receivables under securities borrowing transactions	—	—	—	—
Monetary receivables purchased	2,190	0.3	2,440	0.4
Proprietary trading securities	—	—	—	—
Assets held in trust	337	0.0	131	0.0
Investments in securities:	564,276	83.1	555,143	83.1
Domestic bonds	246,581	36.3	235,275	35.2
Domestic stocks	78,582	11.6	89,554	13.4
Foreign securities:	204,714	30.2	198,595	29.7
Foreign bonds	141,910	20.9	138,710	20.8
Foreign stocks and other securities	62,803	9.3	59,884	9.0
Other securities	34,398	5.1	31,717	4.7
Loans:	74,118	10.9	74,387	11.1
Policy loans	5,542	0.8	5,827	0.9
Industrial and consumer loans	68,575	10.1	68,559	10.3
Real estate:	16,587	2.4	16,496	2.5
Investment property	10,613	1.6	10,484	1.6
Deferred tax assets	—	—	—	—
Other assets	11,238	1.7	8,919	1.3
Allowance for doubtful accounts	(26)	(0.0)	(44)	(0.0)
Total assets (general account):	678,687	100.0	668,267	100.0
Foreign currency-denominated assets	196,873	29.0	187,195	28.0

Notes: 1. The assets above 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 March 31, 2020 and 2019, respectively).

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

## (2) Increases/Decreases in Assets

(100 Million Yen)

	Year ended March 31, 2020	Year ended March 31, 2019
Cash, deposits, and call loans	(828)	159
Receivables under resale agreements	—	—
Receivables under securities borrowing transactions	—	—
Monetary receivables purchased	(249)	(341)
Proprietary trading securities	—	—
Assets held in trust	206	27
Investments in securities:	9,132	17,700
Domestic bonds	11,305	11,462
Domestic stocks	(10,972)	(4,033)
Foreign securities:	6,118	4,884
Foreign bonds	3,200	(5,624)
Foreign stocks and other securities	2,918	10,509
Other securities	2,680	5,386
Loans:	(269)	(295)
Policy loans	(284)	(362)
Industrial and consumer loans	15	66
Real estate:	91	422
Investment property	129	379
Deferred tax assets	—	—
Other assets	2,319	(1,168)
Allowance for doubtful accounts	17	(20)
Total assets (general account):	10,419	16,481
Foreign currency-denominated assets	9,678	7,037

Notes: 1. Increases/decreases in cash received as collateral under securities lending transactions are as follows:

¥(32.6) billion and ¥(298.1) billion for the fiscal years ended March 31, 2020 and 2019, respectively.

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

### (3) Investment Income

(100 Million Yen)

	Year ended March 31, 2020	Year ended March 31, 2019
Interest, dividends, and other income:	14,261	14,276
Interest on deposits and savings	65	48
Interest on securities and dividends	11,954	11,985
Interest on loans	1,218	1,245
Real estate rental income	885	829
Other income	139	166
Gain on proprietary trading securities	—	—
Gain from assets held in trust, net	177	—
Gain on trading securities	—	—
Gain on sales of securities:	3,282	1,949
Gain on sales of domestic bonds, including national government bonds	411	299
Gain on sales of domestic stocks and other securities	684	1,186
Gain on sales of foreign securities	2,179	463
Other gains	5	—
Gain on redemptions of securities	21	61
Gain on derivative financial instruments, net	—	—
Foreign exchange gains, net	—	21
Reversal of allowance for doubtful accounts	12	—
Reversal of allowance for investment loss	—	—
Other investment income	13	17
Total	17,768	16,326

#### (4) Investment Expenses

(100 Million Yen)

	Year ended March 31, 2020	Year ended March 31, 2019
Interest expenses	332	308
Loss on proprietary trading securities	—	—
Loss from assets held in trust, net	—	25
Loss on trading securities	—	—
Loss on sales of securities:	487	1,387
Loss on sales of domestic bonds, including national government bonds	2	18
Loss on sales of domestic stocks and other securities	262	100
Loss on sales of foreign securities	222	1,269
Other losses	0	0
Loss on valuation of securities:	2,023	213
Loss on valuation of domestic bonds, including national government bonds	—	—
Loss on valuation of domestic stocks and other securities	1,424	109
Loss on valuation of foreign securities	598	103
Other losses	0	0
Loss on redemptions of securities	127	80
Loss on derivative financial instruments, net	839	931
Foreign exchange losses, net	294	—
Provision for allowance for doubtful accounts	—	40
Provision for allowance for investment loss	54	14
Write-offs of loans	—	—
Depreciation of real estate for rental use and other assets	175	163
Other investment expenses	329	284
Total	4,663	3,451

## (5) Investment Indicators

### 1) Yield on primary assets

(%)

	Year ended March 31, 2020	Year ended March 31, 2019
Cash, deposits, and call loans	0.03	0.16
Receivables under resale agreements	—	—
Receivables under securities borrowing transactions	—	—
Monetary receivables purchased	1.77	1.83
Proprietary trading securities	—	—
Assets held in trust	84.23	(13.74)
Investments in securities:	2.25	2.33
Domestic bonds	1.68	1.85
Domestic stocks	2.73	6.57
Foreign securities	2.98	1.94
Foreign bonds	2.50	1.37
Foreign stocks and other securities	4.03	3.55
Loans:	1.51	1.53
Industrial and consumer loans	1.26	1.26
Real estate:	2.78	2.70
Investment property	4.39	4.29
General account total:	2.11	2.14
Overseas investments	2.82	1.88

Notes: 1. Yields are calculated by dividing investment income, less investment expenses, by the daily average book value balance.  
2. The amount of overseas investments is the sum of assets denominated in foreign currencies and yen.

## 2) Daily average balance

(100 Million Yen)

	Year ended March 31, 2020	Year ended March 31, 2019
Cash, deposits, and call loans	9,584	9,880
Receivables under resale agreements	—	—
Receivables under securities borrowing transactions	—	—
Monetary receivables purchased	2,168	2,529
Proprietary trading securities	—	—
Assets held in trust	210	186
Investments in securities:	497,807	481,479
Domestic bonds	236,702	228,073
Domestic stocks	48,088	47,222
Foreign securities	181,952	179,711
Foreign bonds	125,066	132,345
Foreign stocks and other securities	56,886	47,366
Loans:	74,540	74,675
Industrial and consumer loans	68,886	68,671
Real estate:	16,560	16,244
Investment property	10,573	10,228
General account total:	619,803	602,886
Overseas investments	197,842	192,409

## (6) Net Valuation Gains/Losses on Trading Securities

(100 Million Yen)

	As of March 31, 2020		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
Trading securities	331	279	110	(15)

Notes: 1. The balance sheet amounts of assets held in trust included in trading securities and valuation gains (losses) included in profit and loss include net gains/losses on derivative transactions.

2. Figures above do not include cash, deposits, and call loans held within assets held in trust that are included in trading.

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

(100 Million Yen)

		As of March 31, 2020					As of March 31, 2019				
		Book value	Fair value	Net gains/losses			Book value	Fair value	Net gains/losses		
					Gains	Losses				Gains	Losses
	Policy-reserve-matching bonds*	217,703	255,132	37,429	37,657	(227)	206,963	247,738	40,774	40,777	(2)
	Held-to-maturity debt securities	—	—	—	—	—	—	—	—	—	—
	Investments in subsidiaries and affiliates	1,342	1,904	562	563	(0)	640	1,368	728	728	—
	Available-for-sale securities:	275,572	333,416	57,843	64,110	(6,267)	269,616	337,085	67,469	70,368	(2,898)
	Domestic bonds	30,008	31,930	1,922	2,007	(85)	28,953	31,307	2,353	2,364	(10)
	Domestic stocks	41,421	73,202	31,780	34,749	(2,968)	42,682	84,459	41,777	43,862	(2,084)
	Foreign securities:	170,827	192,868	22,041	25,114	(3,073)	166,482	187,236	20,753	21,533	(780)
	Foreign bonds	121,223	140,688	19,465	20,943	(1,478)	123,905	137,743	13,837	14,350	(512)
	Foreign stocks and other securities	49,603	52,180	2,576	4,170	(1,594)	42,576	49,492	6,916	7,183	(267)
	Other securities	31,223	33,320	2,096	2,231	(134)	28,270	30,854	2,584	2,606	(22)
	Monetary receivables purchased	462	465	2	8	(5)	434	434	0	1	(0)
	Negotiable certificates of deposit	1,629	1,628	(0)	0	(0)	2,793	2,792	(0)	0	(0)
Total		494,618	590,453	95,835	102,331	(6,495)	477,219	586,192	108,972	111,874	(2,901)
	Domestic bonds	244,659	283,859	39,199	39,467	(268)	232,921	275,912	42,990	43,001	(10)
	Domestic stocks	41,421	73,202	31,780	34,749	(2,968)	42,682	84,459	41,777	43,862	(2,084)
	Foreign securities:	173,487	196,153	22,665	25,784	(3,118)	168,103	189,618	21,515	22,297	(782)
	Foreign bonds	122,550	142,079	19,528	21,051	(1,522)	124,895	138,767	13,871	14,386	(514)
	Foreign stocks and other securities	50,936	54,073	3,137	4,732	(1,595)	43,207	50,851	7,643	7,911	(267)
	Other securities	31,232	33,330	2,097	2,232	(134)	28,279	30,864	2,585	2,607	(22)
	Monetary receivables purchased	2,187	2,278	91	97	(6)	2,439	2,544	104	106	(1)
	Negotiable certificates of deposit	1,629	1,628	(0)	0	(0)	2,793	2,792	(0)	0	(0)

Note: The table above 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 (JICPA).

[Book Value of Securities of which the Fair Value is Extremely Difficult to be Determined]

(100 Million Yen)

	As of March 31, 2020	As of March 31, 2019
Policy-reserve-matching bonds	—	—
Held-to-maturity debt securities:	—	—
Unlisted foreign bonds	—	—
Others	—	—
Investments in subsidiaries and affiliates	10,182	10,251
Available-for-sale securities:	5,583	5,398
Unlisted domestic stocks (excluding over-the-counter stocks)	600	532
Unlisted foreign stocks (excluding over-the-counter stocks)	2	1,200
Unlisted foreign bonds	0	—
Others	4,980	3,665
Total	15,766	15,650

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:

¥(37.6) billion and ¥3.6 billion as of March 31, 2020 and 2019, respectively.

(8) Fair Value Information of Assets Held in Trust

(100 Million Yen)

	As of March 31, 2020					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	337	337	—	—	—	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 March 31, 2020		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	337	279	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 March 31, 2020 and 2019.



#### 4. Policies in Force by Types of Benefits as of March 31, 2020

		Individual insurance		Individual annuities		Group insurance		Total	
		Number of policies (thousands)	Amount (100 million yen)	Number of policies (thousands)	Amount (100 million yen)	Number of policies (thousands)	Amount (100 million yen)	Number of policies (thousands)	Amount (100 million yen)
Death protection	General	28,742	1,315,500	—	—	27,414	978,754	56,156	2,294,254
	Disaster	2,292	270,215	72	1,572	2,729	31,630	5,094	303,419
	Others	147	1,723	—	—	68	1,245	216	2,968
Pure endowment		368	9,565	4,088	248,128	8	139	4,465	257,832
Hospitalization coverage	Disaster	6,472	418	229	10	1,353	13	8,056	441
	Illness	6,465	417	227	10	—	—	6,693	427
	Others	5,852	403	51	2	57	0	5,960	406
Disability coverage		7,085	—	58	—	2,566	—	9,710	—
Surgical coverage		9,660	—	228	—	—	—	9,888	—

	Group annuities		Workers' asset-formation insurance/annuities		Total	
	Number of policies (thousands)	Amount (100 million yen)	Number of policies (thousands)	Amount (100 million yen)	Number of policies (thousands)	Amount (100 million yen)
Pure endowment	8,845	133,871	163	4,468	9,008	138,340

	Medical care insurance	
	Number of policies (thousands)	Amount (100 million yen)
Hospitalization coverage	837	36

	Disability income insurance	
	Number of policies (thousands)	Amount (100 million yen)
Disability income coverage	1,113	557

- Notes: 1. The number of policies for "Group insurance," "Group annuities," "Workers' asset-formation insurance/annuities," "Medical care insurance," and "Disability income insurance" represents the number of insureds.
2. The amount of "Pure endowment" for "Individual annuities," "Group insurance" (annuity riders), and "Workers' asset-formation annuities" (excluding workers' asset-formation savings annuities) represents the total of (a) annuity resources at the start of the annuities for policies bound prior to the start of the annuity payments and (b) policy reserves for policies bound after the start of the annuity payments; and for "Group annuities," "Workers' asset-formation insurance," and workers' asset-formation savings annuities, which are included in "Workers' asset-formation insurance," it represents the amount of corresponding policy reserves.
3. The amount of "Hospitalization coverage" represents the amount of daily hospitalization benefits. General hospitalization insurance represents the coverage per day.
4. The amount of "Hospitalization coverage" for medical care insurance represents the amount related to hospitalization from illness.
5. The amount of disability income insurance represents the amount of monthly disability benefits.
6. The number of insureds and amount of policies for reinsurance written were 26,000 and ¥24.5 billion, respectively.

## 5. Nonconsolidated Balance Sheets

(Million Yen)

	As of March 31, 2020	As of March 31, 2019
Assets:		
Cash and deposits:	1,020,742	977,580
Cash	132	229
Deposits	1,020,609	977,351
Call loans	422,906	429,912
Monetary receivables purchased	219,068	244,043
Assets held in trust	33,779	13,157
Investments in securities:	57,108,802	56,383,725
National government bonds	22,096,083	21,140,721
Local government bonds	779,033	790,372
Corporate bonds	2,114,396	1,969,571
Domestic stocks	7,901,082	9,110,036
Foreign securities	20,651,209	20,121,556
Other securities	3,566,997	3,251,467
Loans:	7,411,809	7,438,736
Policy loans	554,285	582,774
Industrial and consumer loans	6,857,523	6,855,961
Tangible fixed assets:	1,681,851	1,680,589
Land	1,124,273	1,121,375
Buildings	518,409	512,736
Lease assets	7,772	9,798
Construction in progress	16,047	15,496
Other tangible fixed assets	15,346	21,182
Intangible fixed assets:	192,824	192,502
Software	100,009	105,693
Other intangible fixed assets	92,815	86,808
Reinsurance receivables	379	587
Other assets:	941,616	688,042
Accounts receivable	119,601	68,757
Prepaid expenses	21,276	16,219
Accrued income	291,473	304,988
Money on deposit	33,559	34,203
Deposits for futures transactions	55,062	37,303
Futures transactions' variation margin	484	23
Derivative financial instruments	362,848	173,657
Suspense payments	4,756	4,417
Other assets	52,554	48,472
Customers' liability for acceptances and guarantees	75,110	69,893
Allowance for doubtful accounts	(2,686)	(4,463)
Allowance for investment loss	(35,068)	(29,597)
Total assets	69,071,135	68,084,710

## 5. Nonconsolidated Balance Sheets (Continued)

(Million Yen)

	As of March 31, 2020	As of March 31, 2019
Liabilities:		
Policy reserves and other reserves:	57,454,671	56,347,264
Reserve for outstanding claims	190,602	238,428
Policy reserves	56,220,282	55,088,621
Reserve for dividends to policyholders	1,043,785	1,020,213
Reinsurance payables	403	624
Corporate bonds	1,155,320	1,028,889
Other liabilities:	2,550,660	1,694,384
Payables under repurchase agreements	1,051,931	709,062
Cash received as collateral under securities lending transactions	—	32,610
Loans payable	408,248	243,668
Income taxes payable	65,352	40,348
Accounts payable	276,297	94,895
Accrued expenses	67,334	69,349
Deferred income	16,094	16,543
Deposits received	113,736	109,790
Guarantee deposits received	86,630	83,367
Futures transactions' variation margin	31	169
Derivative financial instruments	363,716	178,821
Cash collateral received for financial instruments	76,303	92,597
Lease obligations	7,481	9,341
Asset retirement obligations	5,330	4,850
Suspense receipts	11,973	8,481
Other liabilities	197	486
Accrued bonuses for directors, and audit and supervisory board members	92	106
Accrued retirement benefits	374,460	365,897
Accrued retirement benefits for directors, and audit and supervisory board members	4,304	4,225
Reserve for program points	8,864	9,203
Reserve for price fluctuations in investments in securities	1,448,014	1,381,653
Deferred tax liabilities	98,548	496,857
Deferred tax liabilities for land revaluation	103,072	103,748
Acceptances and guarantees	75,110	69,893
Total liabilities	63,273,522	61,502,747

## 5. Nonconsolidated Balance Sheets (Continued)

(Million Yen)

	As of March 31, 2020	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:	353,780	434,526
Legal reserve for deficiencies	18,394	17,578
Other surplus reserves:	335,386	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	184,426	256,070
Total foundation funds and others	1,754,431	1,785,178
Net unrealized gains on available-for-sale securities	4,165,946	4,882,692
Deferred losses on derivatives under hedge accounting	(68,056)	(31,216)
Land revaluation losses	(54,706)	(54,690)
Total valuations, conversions, and others	4,043,182	4,796,785
Total net assets	5,797,613	6,581,963
Total liabilities and net assets	69,071,135	68,084,710

1. (1) Securities (including items, such as deposits and monetary receivables purchased, which are treated as securities based on the “Accounting Standard for Financial Instruments” (ASBJ<sup>1</sup> Statement No. 10) and securities within assets held in trust) are valued as follows:
  - 1) Trading securities are stated at fair value at the balance sheet date. The moving average method is used for calculating cost of securities sold.
  - 2) Held-to-maturity debt securities are measured at amortized cost using the moving average method. The cost of securities is amortized on a straight-line basis.
  - 3) Policy-reserve-matching bonds are measured at amortized cost using the moving average method. The cost of bonds is amortized on a straight-line basis in accordance with the Industry Audit Committee Report No. 21, “Temporary Treatment of Accounting and Auditing Concerning Policy-Reserve-Matching Bonds in the Insurance Industry,” issued by the JICPA.
  - 4) Investments in subsidiaries and affiliates (stocks issued by subsidiaries prescribed in Article 2, Paragraph 12 of the Insurance Business Act or subsidiaries prescribed in Article 13-5-2, Paragraph 3 of the Order for Enforcement of the Insurance Business Act and stocks issued by affiliates prescribed in Article 13-5-2, Paragraph 4 of the Order for Enforcement of the Insurance Business Act) are stated at cost using the moving average method.
  - 5) Available-for-sale securities
    - a. Regarding securities with fair value, stocks (including foreign stocks) are measured at the average fair value based on quoted market prices during the period of one month before the balance sheet date (cost of securities sold is calculated using the moving average method). Other securities with fair value are measured at the fair value at the balance sheet date (cost of securities sold is calculated using the moving average method).
    - b. Of securities of which their fair value is extremely difficult to be determined, bonds (including foreign bonds) for which the difference between the purchase price and face value is due to an interest rate adjustment are measured at amortized cost using the moving average method. The cost of those bonds is amortized on a straight-line basis. Other securities without readily determinable fair values are stated at cost using the moving average method.

---

<sup>1</sup> ASBJ: The Accounting Standards Board of Japan

- (2) Unrealized gains/losses of available-for-sale securities are recorded as a separate component of net assets.
2. Securities that are held for the purpose of matching the duration of outstanding liabilities within the subgroups classified by insurance type, payment method, maturity period, currency, and investment policy are classified as policy-reserve-matching bonds in accordance with the Industry Audit Committee Report No. 21, “Temporary Treatment of Accounting and Auditing Concerning Policy-Reserve-Matching Bonds in the Insurance Industry,” issued by the JICPA.
- The Company has specified the following types of insurance policies and set those as subcategories:
- (1) All insurance policies for products other than single payment products and group annuities
  - (2) All insurance policies for single payment products (denominated in yen) other than variable assumed rate-type insurance
  - (3) All insurance policies for group annuities other than guaranteed fixed-term rate products
  - (4) All single payment products (denominated in U.S. dollars) other than the foregoing
  - (5) All single payment products (denominated in Australian dollars) other than the foregoing
  - (6) All single payment products (denominated in euros) other than the foregoing
3. Derivative financial instruments and derivative financial instruments within assets held in trust are stated at fair value based on quoted market prices.
4. (1) Tangible fixed assets are depreciated based on the following methods:
- a. Tangible fixed assets (except for lease assets)
    - (i) Buildings  
Straight-line method
    - (ii) Assets other than the above  
Declining-balance method  
Certain other tangible fixed assets with an acquisition cost of less than ¥200,000 are depreciated over three years on a straight-line basis.
  - b. Lease assets
    - (i) Lease assets related to financial leases that transfer ownership of the leased property to the lessee  
The same depreciation method applied to fixed assets owned by the Company
    - (ii) Lease assets related to financial leases that do not transfer ownership of the leased property to the lessee  
Straight-line method over the lease term
- (2) Software, which is included in intangible fixed assets, is amortized using the straight-line method.
5. Assets and liabilities denominated in foreign currencies are translated into Japanese yen in accordance with the “Accounting Standards for Foreign Currency Transactions” (Business Accounting Council).

Foreign currency-denominated available-for-sale securities with exchange rates that have significantly fluctuated and where those recoveries are not expected are converted to Japanese yen using either the rate at the balance sheet date or the one-month average rate prior to the balance sheet date, whichever indicates a weaker yen. The translation difference is recorded as a loss on valuation of securities.

6. (1) An allowance for doubtful accounts is recognized in accordance with the Company's internal Asset Valuation Regulation and Write-off/Provision Rule as follows:
    - 1) An allowance for loans to borrowers who are legally or substantially bankrupt, such as being bankrupt or being in the process of civil rehabilitation proceedings, is recognized based on the amount of credit remaining after directly deducting amounts expected to be collected through the disposal of collateral or the execution of guarantees from the balance of loans (as mentioned at (3) below).
    - 2) An allowance for loans to borrowers who are not currently legally bankrupt but have a high possibility of bankruptcy is recognized at the amounts deemed necessary considering the borrowers' overall solvency and the amounts remaining after deduction of amounts expected to be collected through the disposal of collateral or the execution of guarantees.
    - 3) An allowance for loans to borrowers other than the above is provided based on the borrowers' balance multiplied by the historical average percentage of bad debt for a certain period.
  - (2) All credits are assessed by responsible sections in accordance with the Company's internal Asset Valuation Regulation. The assessments are verified by the independent Asset Auditing Department. The results of the assessments are reflected in the calculation of the allowance for doubtful accounts.
  - (3) The estimated uncollectible amount calculated by subtracting the amount of collateral value or the amount collectible by the execution of guarantees from the balance of loans is directly deducted from the balance of loans (including loans with credits secured and/or guaranteed) made to legally or substantially bankrupt borrowers. The estimated uncollectible amount was ¥2,106 million (including ¥70 million of credits secured and/or guaranteed) as of March 31, 2020.
7. To provide for losses on investments, an allowance for investment loss is recognized for the securities of which the fair value is extremely difficult to be determined, but expected to have loss in future and measured at the amount of the estimated losses that could arise in the future in accordance with the Company's internal Asset Valuation Regulation and Write-off/Provision Rule.
8. Accrued bonuses for directors, and audit and supervisory board members are recognized based on amounts estimated to be paid.
9. (1) Accrued retirement benefits are recognized based on the estimated amount of projected benefit obligations in excess of the fair value of pension plan assets as of March 31, 2020, for future severance payments to employee that have been accrued as of the balance sheet date.

- (2) The accounting methods used for retirement benefit obligations and benefit costs are as follows:
- 1) Attribution method for estimated retirement benefits: Benefit formula basis
  - 2) Period of amortizing actuarial gains/losses: Five years
  - 3) Period of amortizing prior service costs: Five years
10. Accrued retirement benefits for directors, and audit and supervisory board members are recognized based on estimated payment amounts under internal rules.
11. A reserve for program points is recognized based on the amount projected to be incurred for expenses from the use of points granted to policyholders.
12. A reserve for price fluctuations in investments in securities is recognized based on Article 115 of the Insurance Business Act.
13. Hedge accounting is applied based on the following methods:
- 1) The Company mainly applies the following hedge accounting methods:
    - The exceptional accounting treatment (“*Tokurei-shori*”) is applied to interest rate swaps to hedge the cash flow volatility of certain loans denominated in Japanese yen and foreign currencies;
    - Deferred hedge accounting is applied to interest rate swaps to hedge the interest rate fluctuation exposures on certain insurance policies, based on the Industry Audit Committee Report No. 26, “Accounting and Auditing Treatments Related to Application of Accounting for Financial Instruments in the Insurance Industry” issued by the JICPA;
    - Deferred hedge accounting and designated hedge accounting (“*Furiate-shori*”) are applied to currency swaps to hedge the cash flow volatility caused by foreign exchange rate fluctuations on certain foreign currency-denominated bonds, loans, and subordinated corporate bonds issued by the Company;
    - Fair value hedge accounting is applied to foreign exchange forward contracts to hedge the price fluctuation exposures related to foreign exchange rate fluctuations on certain foreign currency-denominated bonds and other instruments; and
    - Fair value hedge accounting is applied to equity forward contracts to hedge the price fluctuation exposures on certain domestic stocks.
  - 2) Hedging instruments and hedged items
 

Hedging instruments	Hedged items
Interest rate swaps	Loans, foreign currency-denominated loans, and insurance policies
Currency swaps	Foreign currency-denominated bonds, foreign currency-denominated loans, and foreign currency-denominated subordinated corporate bonds
Foreign exchange forward contracts	Foreign currency-denominated bonds and other instruments



- 3) Effectiveness of hedging activities is mainly evaluated by a ratio analysis of fair value movement comparisons of the hedging instruments and hedged items in accordance with the Company's internal risk management policies.
14. All transactions are accounted for exclusive of consumption taxes and local consumption taxes; however, consumption taxes paid on certain asset transactions, which are not deductible from consumption taxes withheld and are stipulated to be deferred under the Consumption Tax Act, are deferred as prepaid expenses and amortized over a five-year period on a straight-line basis. Consumption taxes other than deferred consumption taxes are expensed as incurred.
15. Effective from the fiscal year ended March 31, 2020, the Company has applied the consolidated taxation system as the parent company for consolidated taxation purposes.
16. In accordance with the "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (ASBJ Practical Issues Task Force (PITF) No. 39, March 31, 2020), the Company calculates the amounts of deferred tax assets and liabilities based on tax laws and regulations before the revision.

17. Policy reserves are reserves set forth in accordance with Article 116 of the Insurance Business Act. Insurance premiums reserves are recognized based on the following methodology. In accordance with Article 69, Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act, policy reserves include those that are reserved for certain individual annuity policies and for certain whole life insurance policies.
- 1) Reserves for policies subject to the standard policy reserve are computed in accordance with the method prescribed by the Commissioner of the Financial Services Agency (Ordinance No. 48 issued by the Ministry of Finance in 1996).
  - 2) Reserves for other policies are computed based on the net level premium method.  
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. Effective from the fiscal year ended March 31, 2020, the Company has provided additional policy reserves to cover a possible deficiency in the reserve for paid-up insurance policies and similar policies among certain whole life insurance policies (including lump-sum payment policies). For such policies with premiums that have been paid as of March 31, 2020, and similar policies (including lump-sum payment policies), the Company will successively provide additional policy reserves over a six-year period. As a result, the policy reserves increased by ¥186,113 million, while ordinary profit and surplus before income taxes decreased by ¥186,113 million, compared with amounts that would have been recorded had the additional policy reserves not been provided in the fiscal year ended March 31, 2020.
18. Regarding the investment of the general accounts (except for separate accounts as provided in Article 118, Paragraph 1 of the Insurance Business Act), in light of the characteristics of life insurance policies, the Company has built a portfolio geared toward mid- to long-term investment and formulated an investment plan, considering the outlook of the investment environment.

Based on the plan above, in order to reliably perform benefits and other payments in the future, the Company has positioned yen-denominated assets that can be expected to provide stable income, such as bonds and loans, as the Company's core assets, and from the viewpoint of improving profit in the mid- to long-term, the Company invests in stocks and foreign securities. Also, from the perspective of effective investment, the Company mainly uses derivative transactions for controlling asset investment risks. Specifically, the Company uses interest rate swaps and interest rate swaptions for interest rate-related investments; foreign exchange forward contracts, currency options, and currency swaps for currency-related investments; and equity forward contracts, equity index futures, and equity index options for equity-related investments. The Company applies hedge accounting to certain derivative transactions above.

Primarily, securities are exposed to market risk and credit risk, loans are exposed to credit risk, and derivative transactions are exposed to market risk and credit risk. Market risk refers to risk of incurring losses when the fair value of investment assets declines due to factors, such as fluctuations in interest rates, exchange rates, or stock prices. Credit risk refers to risk of incurring losses when the value of assets, primarily loans and bonds, declines

due to deterioration of the financial condition of a party to whom credit has been extended. Credit risk includes country risk. These risks are managed according to internal rules regarding investment risk management.

To manage market risk, the Company has set investment limits based on the nature of the assets in order to avoid excessive losses from financing and investment transactions. In addition, the Company monitors and regularly reports on the status of compliance to the Risk Management Committee, the advisory body of the Management Committee, and has developed a framework to control risk within acceptable levels in the event of a breach of the internal rules. Also, to control market risk in the Company's portfolio, it uses a statistical analysis method to rationally calculate the market value-at-risk of the portfolio as a whole and appropriately allocates assets within acceptable boundaries of risk.

To manage credit risk, the Company has built a thorough monitoring system involving the Assessment Management Department, which is independent of the departments handling investment and finance activities. The Company also continues to build a sound portfolio through the establishment and monitoring of interest guidelines to ensure the returns that the Company obtains are commensurate with the risk, a system of internal ratings for classifying the creditworthiness of borrowers, and credit ceilings to ensure that credit risk is not excessively concentrated in a particular company, group, or country. In addition, the Company calculates credit value-at-risk as a measurement of the magnitude of credit risk across the Company's portfolio as a whole and monitors whether the magnitude of risk stays within an appropriate range.

19. (1) Balance sheet amounts and fair values of major financial instruments, and their differences are as follows:

(Million Yen)

	Balance sheet amount (*1)	Fair value (*2)	Difference
Cash and deposits (negotiable certificates of deposit):	162,898	162,898	—
Available-for-sale securities	162,898	162,898	—
Monetary receivables purchased:	219,068	227,881	8,813
Policy-reserve-matching bonds	172,487	181,301	8,813
Available-for-sale securities	46,580	46,580	—
Assets held in trust:	33,779	33,779	—
Trading securities	33,779	33,779	—
Investments in securities:	55,534,752	59,335,710	3,800,958
Trading securities	681,159	681,159	—
Policy-reserve-matching bonds	21,587,246	25,331,983	3,744,736
Investments in subsidiaries and affiliates	134,202	190,424	56,222
Available-for-sale securities	33,132,143	33,132,143	—
Loans (*3):	7,410,198	7,647,131	236,933
Policy loans	554,120	554,120	—
Industrial and consumer loans	6,856,077	7,093,011	236,933
Derivative financial instruments (*4):	(868)	(868)	—
Hedge accounting not applied	51,018	51,018	—
Hedge accounting applied	(51,886)	(51,886)	—
Corporate bonds (*3 and *5)	(1,155,320)	(1,105,967)	(-49,352)
Payables under repurchase agreements (*5)	(1,051,931)	(1,051,931)	—
Loans payable (*5)	(408,248)	(404,001)	(-4,247)

(\*1) For transactions for which an allowance for doubtful accounts was recorded, the amounts are presented net of the allowance.

(\*2) For securities for which impairment losses were recognized in the fiscal year ended March 31, 2020, the fair value is the balance sheet amount net of the impairment losses recognized.

(\*3) The fair values of derivative financial instruments that are interest rate swaps to which exceptional accounting treatment (“Tokurei-shori”) is applied or currency swaps to which designated hedge accounting (“Furiate-shori”) is applied are included in the fair values of loans and corporate bonds because they are accounted for as an integral part of the loans and corporate bonds that are the hedged items.

(\*4) Receivables and payables generated by derivative financial instruments are offset and presented in net amounts. Net payables are presented in parentheses.

(\*5) Corporate bonds, payables under repurchase agreements, and loans payable are recorded in liabilities and presented in parentheses.

(2) Fair value measurement methods for major financial instruments are as follows:

- 1) Securities, deposits, and monetary receivables purchased that are treated as securities based on the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10)

- a. Items with a market price

Fair value is measured based on the closing market price at the balance sheet date. However, the fair values of available-for-sale domestic and foreign equity securities are based on the average market price over a one-month period prior to the balance sheet date.

- b. Items without a market price

Fair value is measured by discounting future cash flows to present value or valuations obtained from external parties.

- 2) Loans

- a. Policy loans

Fair value is measured at the book value of policy loans as the fair value is deemed to approximate book value due to expected repayment periods, interest rate requirements, and other conditions.

These loans have no repayment date based on characteristics, such as the loan amount being limited to the extent of the surrender benefit.

- b. Industrial and consumer loans

Fair value of variable interest rate loans is deemed to approximate their book value because market interest rates are reflected in future cash flows over the short term. Thus, book value is used as fair value for variable interest rate loans. Fair value of fixed interest rate loans is measured mainly by discounting future cash flows to present value.

Fair value of loans to legally or substantially bankrupt borrowers or borrowers who are not currently legally bankrupt but have a high probability of bankruptcy are measured by deducting the estimated uncollectible amount from the book value prior to direct write-offs.

- 3) Derivative financial instruments

- a. Fair value of futures and other market transactions is measured by the liquidation value or closing market price at the balance sheet date.

- b. Fair value of equity options is measured mainly based on liquidation value or closing market price at the balance sheet date or valuations obtained from external parties.

- c. Fair value of interest rate swaps, interest rate swaptions, foreign exchange contracts, currency options, currency swaps, and forward contracts is measured mainly based on valuations obtained from external parties.

- 4) Assets held in trust

Fair value is based on a reasonably calculated price by the trustee of the assets held in trust in accordance with the calculation methods set forth in 1) and 3) above.

5) Corporate bonds

Corporate bonds are stated at fair value at the balance sheet date.

6) Payables under repurchase agreements

Fair value is measured at the book value of payables under repurchase agreements due to their short-term settlement terms.

7) Loans payable

Fair value of variable interest rate loans payable is deemed to approximate their book value because market interest rates are reflected in future cash flows over the short term. Thus, book value is used as fair value for variable interest rate loans payable. Fair value of fixed interest rate loans payable is measured, in principle, by discounting future cash flows to present value; however, loans payable financed by means of public offerings employing securitization schemes are measured at the fair value of the corporate bonds issued to back the loans payable.

- (3) Unlisted equity securities, investments in partnerships whereby partnership assets consist of unlisted equity securities, and other items of which the fair value is extremely difficult to be determined are not included in investments in securities in table (1). Balance sheet amounts by holding purpose were ¥1,018,274 million for stocks of subsidiaries and affiliates, and ¥555,775 million for available-for-sale securities as of March 31, 2020.

- (4) Matters regarding securities and others by holding purpose are as follows:

1) Trading securities

Derivative financial instruments within assets held in trust and investments in securities for separate accounts are classified as trading securities. Valuation gains/losses of those instruments included in profit and loss were gains of ¥(24,044) million for the current fiscal year.

2) Held-to-maturity debt securities

There were no balances as of March 31, 2020.

3) Policy-reserve-matching bonds

Balance sheet amounts and fair values, and their differences by type are as follows:

(Million Yen)

	Type	Balance sheet amount	Fair value	Difference
Fair value exceeds the balance sheet amount	Monetary receivables purchased	167,756	176,621	8,864
	Domestic bonds	19,923,010	23,669,097	3,746,087
	Foreign securities	122,048	139,006	16,957
	Subtotal	20,212,815	23,984,725	3,771,909
Fair value does not exceed the balance sheet amount	Monetary receivables purchased	4,731	4,680	(50)
	Domestic bonds	1,542,115	1,523,808	(18,306)
	Foreign securities	73	71	(2)
	Subtotal	1,546,919	1,528,559	(18,359)
Total		21,759,734	25,513,284	3,753,550

4) Available-for-sale securities

Acquisition cost or amortized cost, and balance sheet amounts, and their differences by type are as follows:

(Million Yen)

	Type	Acquisition cost or amortized cost	Balance sheet amount	Difference
Balance sheet amount exceeds acquisition cost or amortized cost	Cash and deposits (negotiable certificates of deposit)	108,900	108,900	0
	Monetary receivables purchased	11,046	11,929	882
	Domestic bonds	2,542,492	2,743,196	200,704
	Domestic stocks	2,996,001	6,470,935	3,474,933
	Foreign securities	11,733,841	14,245,292	2,511,450
	Other securities	2,615,637	2,838,742	223,105
	Subtotal	20,007,920	26,418,996	6,411,076
Balance sheet amount does not exceed acquisition cost or amortized cost	Cash and deposits (negotiable certificates of deposit)	54,000	53,998	(1)
	Monetary receivables purchased	35,237	34,651	(586)
	Domestic bonds	458,344	449,840	(8,503)
	Domestic stocks	1,146,157	849,276	(296,881)
	Foreign securities	5,348,906	5,041,600	(307,306)
	Other securities	506,694	493,259	(13,435)
	Subtotal	7,549,340	6,922,626	(626,714)
Total		27,557,260	33,341,622	5,784,361

\* Securities totaling ¥555,775 million, whose fair value is extremely difficult to determine, are not included in the table above. Impairment losses of ¥141,564 million were recognized for securities with a fair value during the fiscal year ended March 31, 2020.

Regarding stocks (including foreign stocks) with fair values, impairment losses are recognized for stocks whose fair value has declined significantly from the acquisition cost based on the average fair value of the month preceding March 31, 2020, in principle. However, in the case of a security that meets certain criteria, such as a security for which the fair value has declined significantly and the decline in the fair value in the month preceding March 31, 2020, is significant, impairment losses are recognized based on the fair value as of March 31, 2020.

The criteria by which the fair value of a stock is deemed to have declined significantly are as follows:

- a. A security for which the average fair value in the month preceding March 31, 2020, is 50% or less of the acquisition cost.
- b. A security that meets both of the following criteria:



- i) The average fair value in the month preceding March 31, 2020, exceeds 50% but equal to or less than 70% of the acquisition cost.
- ii) The historical market price, the business conditions of the issuing company, and other aspects are subject to certain requirements.

(5) Scheduled repayment amounts for the major monetary claims and liabilities, and redemption amounts for securities with maturities are as follows:

(Million Yen)

	Within one year	Over one year within five years	Over five years within 10 years	Over 10 years
Cash and deposits (negotiable certificates of deposit):	162,900	—	—	—
Available-for-sale securities	162,900	—	—	—
Monetary receivables purchased:	29,111	1,978	41,513	145,922
Policy-reserve-matching bonds	100	1,946	41,513	128,802
Available-for-sale securities	29,010	32	—	17,120
Investments in securities:	894,542	4,874,712	12,322,873	26,426,952
Policy-reserve-matching bonds	186,232	2,293,195	4,598,004	14,448,861
Available-for-sale securities	708,309	2,581,517	7,724,868	11,978,090
Loans	995,286	2,348,271	1,694,499	1,815,895
Corporate bonds	—	—	—	1,155,320
Payables under repurchase agreements	1,051,931	—	—	—
Loans payable	242	18,005	—	390,000

\* Financial instruments, such as policy loans, which do not have a stated maturity date, are not included in the table above. Also, loans to legally or substantially bankrupt borrowers, and borrowers who are not currently legally bankrupt but have a high probability of bankruptcy, amounting to ¥4,758 million, are not included.

20. The balance sheet amount for investment and rental properties was ¥1,169,555 million, with a fair value of ¥1,549,658 million as of March 31, 2020. The Company owns rental office buildings and commercial facilities, and the fair value of those properties as of March 31, 2020, is measured based mainly on the “Real Estate Appraisal Standards” in Japan. The amount corresponding to asset retirement obligations that was included in the balance sheet amount of investment and rental properties was ¥3,384 million as of March 31, 2020.

21. (1) The total amount of loans to bankrupt borrowers, delinquent loans, loans that are delinquent for over three months, and restructured loans, which were included in loans, was ¥29,154 million as of March 31, 2020. The details of those balances were as follows:

- 1) The balances of loans to bankrupt borrowers and delinquent loans were ¥1,532 million and ¥26,057 million, respectively, as of March 31, 2020.

Loans to bankrupt borrowers are loans for which interest is not accrued as income, except for a portion of loans written off, and to which any event specified in Article 96, Paragraph 1, Item 3 (a) to

(e) or Item 4 of the Order for Enforcement of the Corporation Tax Act has occurred. Interest is not accrued as income for such loans since the recovery of principal or interest on the loans is unlikely due to the fact that principal repayments or interest payments are overdue for a significant period of time or for other reasons.

Delinquent loans are loans for which interest is not accrued other than the loans to bankrupt borrowers and those with interest payments extended with the objective of restructuring or supporting the borrowers.

- 2) There were no loans delinquent for over three months as of March 31, 2020.

Loans that are delinquent for over three months are loans with principal or interest unpaid for over three months beginning one day after the due date based on the loan agreement other than the loans to bankrupt borrowers and delinquent loans.

- 3) The balance of restructured loans was ¥1,563 million as of March 31, 2020.

Restructured loans are loans that provide certain concessions favorable to borrowers with the intent of supporting the borrowers' restructuring, such as by reducing or exempting interest, postponing principal or interest payments, releasing credits, or providing other benefits to the borrowers other than the loans to bankrupt borrowers, delinquent loans, and loans delinquent for over three months.

- (2) Direct write-offs of loans decreased the balances of loans to bankrupt borrowers and delinquent loans by ¥2,027 million and ¥78 million, respectively as of March 31, 2020.

22. The amount of accumulated depreciation of tangible fixed assets was ¥1,134,894 million as of March 31, 2020.

23. Separate account assets as provided in accordance with Article 118, Paragraph 1 of the Insurance Business Act were ¥1,202,426 million as of March 31, 2020, and a corresponding liability is recorded in the same amount.

24. The total amounts of receivables from and payables to subsidiaries and affiliates were ¥49,059 million and ¥7,462 million, respectively, as of March 31, 2020.

25. Changes in the reserve for dividends to policyholders for the fiscal year ended March 31, 2020, were as follows:

	Million Yen
	Year ended March 31, 2020
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 fiscal year	¥209,969
d. Increase in interest	¥21,722

e. Balance at the end of the current fiscal year (a+b-c+d)	¥1,043,785
--	------------

26. Corporate bonds within liabilities are subordinated corporate bonds with special provisions that subordinate the fulfillment of obligations on the bonds to all other debt obligations.

The corporate bond issuance dates and callable dates for currency swaps under designated hedge accounting are as follows:

Issue date	Callable date
October 2012	Each interest payment date on or after October 2022
October 2014	Tenth anniversary date after the issue date and on each fifth anniversary date thereafter
January 2016	Tenth anniversary date after the issue date and on each fifth anniversary date thereafter
September 2017	Tenth anniversary date after the issue date and on each fifth anniversary date thereafter
January 2020	Tenth anniversary date after the issue date and on each fifth anniversary date thereafter

27. Other liabilities include subordinated loans payable of ¥390,000 million with special provisions that the fulfillment of obligations on the loans payable is subordinate to all other debt obligations.

28. Assets pledged as collateral in the form of investments in securities, land, and buildings as of March 31, 2020, were ¥1,979,845 million, ¥252 million, and ¥43 million, respectively. The total amount of liabilities covered by the assets pledged was ¥1,052,132 million as of March 31, 2020.

These amounts included ¥1,037,938 million of sale of securities under repurchase agreements, and ¥1,051,931 million of payables under repurchase agreements.

29. The Company has offered foundation funds (kikin) of ¥50,000 million as provided in Article 60 of the Insurance Business Act during the fiscal year ended March 31, 2020.

30. 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.

31. The total amount of stocks and investments in subsidiaries and affiliates was ¥1,152,476 million as of March 31, 2020.

32. The amount of securities lent under lending agreements was ¥3,462,922 million as of March 31, 2020.

33. Assets that the Company has a free disposal right to sell or re-pledge are marketable securities borrowed under lending agreements. These assets were held without being sold or re-pledged and totaled ¥397,399 million at fair value as of March 31, 2020.

34. The unused amount of commitments related to loans and similar loans agreements was ¥340,430 million as of March 31, 2020.

35. Of the maximum borrowing amount from the Life Insurance Policyholders Protection Corporation of Japan, which is provided for in Article 37-4 of the Order for Enforcement of the Insurance Business Act, the amount applied to the Company was estimated to be ¥75,368 million as of March 31, 2020. The amount contributed to the corporation above was recorded as operating expenses.

36. Information relating to retirement benefits is as follows:

(1) Summary of retirement benefit plans

The Company has a defined benefit corporate pension plan and a lump-sum retirement payment plan, which are both defined benefit plans, for non-sales personnel and sales management personnel.

The Company also has a defined contribution pension plan.

In addition, the Company has a lump-sum retirement payment plan and an in-house pension plan for sales representatives as a defined benefit plan.

In March 2020, the Company reached an agreement with the workforce on amending the retirement benefit plans for non-sales personnel, sales representatives, and certain other personnel in connection with the extension of the mandatory retirement age from 60 to 65, which will be implemented in April 2021. Accordingly, prior service costs of ¥6,589 million were accrued based on the amended retirement plans.

(2) Defined benefit plans

1) Reconciliation of retirement benefit obligations between the beginning and end of the fiscal year

	Million Yen
a. Retirement benefit obligations at the beginning of the year	¥631,844
b. Service costs	26,338
c. Interest cost	3,791
d. Actuarial losses accrued during the year	17,230
e. Retirement benefit payments	(41,542)
f. Prior service costs accrued during the year	(6,589)
g. Retirement benefit obligations at the end of the year (a+b+c+d+e+f)	¥631,072

2) Reconciliation of pension plan assets between the beginning and end of the fiscal year

	Million Yen
a. Pension plan assets at the beginning of the year	¥250,029
b. Expected return on plan assets	3,375
c. Actuarial gains incurred during the year	(4,487)
d. Contributions by the Company	6,569
e. Retirement benefit payments	(16,878)
f. Pension plan assets at the end of the year (a+b+c+d+e)	¥238,608

3) Reconciliation of retirement benefit obligations, plan assets, and accrued retirement benefits on the nonconsolidated balance sheet

	Million Yen
a. Retirement benefit obligations for funded plans	¥253,120
b. Plan assets	(238,608)
	14,511
c. Retirement benefit obligations for nonfunded plans	377,952
d. Unrecognized actuarial gains	(24,593)
e. Unrecognized prior service costs	6,589
f. Accrued retirement benefits (a+b+c+d+e)	¥374,460

4) Losses (gains) relating to retirement benefits

	Million Yen
a. Service costs	¥26,338
b. Interest cost	3,791
c. Expected return on plan assets	(3,375)
d. Amortization of actuarial losses for the period	13,043
e. Benefit cost for defined benefit plans (a+b+c+d)	¥39,797

5) Plan assets consist of the following major asset categories:

a. General account of life insurance	52.3%
b. Domestic bonds	20.1%
c. Cash and deposits	14.2%
d. Foreign securities	9.4%
e. Domestic stocks	4.0%
f. Total (a+b+c+d+e)	100.0%

6) Calculation for long-term expected rate of return on plan assets

To determine the long-term expected rate of return on plan assets, the Company takes into consideration present and forecasted allocation of the plan assets, and present and long-term rates of return that are expected from the portfolio of assets that comprise the plan assets.

7) Matters relating to the basis for actuarial calculations

The major items in the basis for actuarial calculations as of March 31, 2020, are as follows:

a. Discount rate	0.6%
b. Long-term expected rate of return on plan assets	1.4%

(3) Defined contribution plans

The Company contributed ¥2,246 million to the defined contribution plans during the fiscal year ended March 31, 2020.

37. (1) Total deferred tax assets were ¥1,702,014 million and total deferred tax liabilities were ¥1,715,607 million as of March 31, 2020. The deferred tax assets were reduced by the valuation allowance of ¥84,956 million. The major components resulting in deferred tax assets were policy reserves and other reserves of ¥955,429 million, reserve for price fluctuations in investments in securities of ¥403,995 million, and accrued retirement benefits of ¥104,474 million. The major component resulting in deferred tax liabilities was net unrealized gains on available-for-sale securities of ¥1,613,944 million.

The main reasons for the change in the valuation allowance that reduced the deferred tax assets were the recognition of a valuation allowance related to loss on valuation of shares of subsidiaries and affiliates, and an increase in the valuation allowance in line with a decline in the value of available-for-sale securities.

- (2) The effective statutory tax rate was 27.9% for the fiscal year ended March 31, 2020. The major factors for the difference between the effective statutory tax rate and the effective income tax rate after application of tax effect accounting were a decrease of 25.2% due to the amount of reserve for dividends to policyholders and an increase of 9.3% due to loss on valuation of shares of subsidiaries and affiliates.

38. Revaluation of land used in the operations is performed based on the Act on Revaluation of Land. The tax effect of the amount related to the valuation difference between the book value and the revalued amount for land revaluation is recognized as a deferred tax liability within the liability section. The valuation differences, net of tax, are recognized as land revaluation losses within the net assets section.

Revaluation date	March 31, 2002
Revaluation methodology	The amount is calculated by using the listed value of the land and road rate as prescribed by Article 2, Item 1 and 4 of the Order for Enforcement of the Act on Revaluation of Land.

39. The amount of policy reserves provided for the portion of reinsurance (the “policy reserves for ceded reinsurance”) as defined in Article 71, Paragraph 1 of the Ordinance for Enforcement of the Insurance Business Act was ¥254 million as of March 31, 2020.

40. The amount per Article 30, Paragraph 2 of the Ordinance for Enforcement of the Insurance Business Act was ¥4,098,540 million as of March 31, 2020.

## 6. Nonconsolidated Statements of Income

(Million Yen)

	Year ended March 31, 2020	Year ended March 31, 2019
Ordinary income:	6,479,945	6,605,036
Revenues from insurance and reinsurance:	4,526,109	4,775,136
Insurance premiums	4,525,225	4,774,223
Reinsurance revenue	884	912
Investment income:	1,776,868	1,649,502
Interest, dividends, and other income:	1,426,177	1,427,665
Interest on deposits and savings	6,524	4,868
Interest on securities and dividends	1,195,430	1,198,538
Interest on loans	121,811	124,582
Real estate rental income	88,504	82,977
Other income	13,906	16,698
Gain from assets held in trust, net	17,720	—
Gain on sales of securities	328,211	194,922
Gain on redemptions of securities	2,193	6,187
Foreign exchange gains, net	—	2,140
Reversal of allowance for doubtful accounts	1,233	—
Other investment income	1,333	1,784
Gain from separate accounts, net	—	16,803
Other ordinary income:	176,968	180,396
Income from annuity riders	10,005	8,959
Income from deferred benefits	80,784	83,119
Reversal of reserve for outstanding claims	47,825	47,274
Other ordinary income	38,351	41,043



## 6. Nonconsolidated Statements of Income (Continued)

(Million Yen)

	Year ended March 31, 2020	Year ended March 31, 2019
Ordinary expenses:	6,128,707	6,221,517
Benefits and other payments:	3,629,384	3,654,589
Death and other claims	1,019,362	1,048,516
Annuity payments	805,445	791,978
Health and other benefits	691,317	653,486
Surrender benefits	918,833	949,282
Other refunds	192,941	209,971
Reinsurance premiums	1,484	1,354
Provision for policy reserves:	1,153,383	1,369,830
Provision for policy reserves	1,131,660	1,347,596
Provision for interest on reserve for dividends to policyholders	21,722	22,233
Investment expenses:	508,797	345,112
Interest expenses	33,220	30,872
Loss from assets held in trust, net	—	2,563
Loss on sales of securities	48,704	138,790
Loss on valuation of securities	202,393	21,371
Loss on redemptions of securities	12,745	8,097
Loss on derivative financial instruments, net	83,947	93,110
Foreign exchange losses, net	29,408	—
Provision for allowance for doubtful accounts	—	4,002
Provision for allowance for investment loss	5,471	1,459
Depreciation of real estate for rental use and other assets	17,582	16,364
Other investment expenses	32,912	28,480
Loss on separate accounts, net	42,411	—
Operating expenses	598,746	611,973
Other ordinary expenses:	238,395	240,011
Deferred benefit payments	100,987	118,984
Taxes	51,167	49,358
Depreciation	56,691	46,595
Provision for retirement benefits	8,562	4,782
Other ordinary expenses	20,985	20,291

## 6. Nonconsolidated Statements of Income (Continued)

(Million Yen)

	Year ended March 31, 2020	Year ended March 31, 2019
Ordinary profit	351,238	383,518
Extraordinary gains:	1,687	3,904
Gain on disposals of fixed assets	1,687	3,904
Extraordinary losses:	147,759	111,021
Loss on disposals of fixed assets	6,190	6,413
Impairment losses	2,893	2,148
Provision for reserve for price fluctuations in investments in securities	66,361	99,459
Loss on tax purpose reduction entry of real estate	204	—
Contributions for assisting social public welfare	3,000	3,000
Loss on valuation of shares of subsidiaries and affiliates	68,391	—
Other extraordinary losses	718	—
Surplus before income taxes	205,166	276,400
Income taxes — current	154,061	114,690
Income taxes — deferred	(130,304)	(97,658)
Total income taxes	23,756	17,031
Net surplus	181,410	259,369

Notes to the Nonconsolidated Statement of Income for the Fiscal Year Ended March 31, 2020

1. The total income and expenses from transactions with subsidiaries and affiliates were ¥41,607 million and ¥33,148 million, respectively, for the fiscal year ended March 31, 2020.
2. Gain on sales of securities includes gains on sales of domestic bonds, including national government bonds, domestic stocks, and foreign securities of ¥41,199 million, ¥69,048 million, and ¥217,963 million, respectively, for the fiscal year ended March 31, 2020.
3. Loss on sales of securities includes losses on sales of domestic bonds, including national government bonds, domestic stocks, and foreign securities of ¥204 million, ¥26,298 million, and ¥22,201 million, respectively, for the fiscal year ended March 31, 2020.
4. Loss on valuation of securities includes losses on valuation of domestic stocks and foreign securities of ¥142,505 million and ¥59,887 million, respectively, for the fiscal year ended March 31, 2020.
5. Provision for policy reserves for ceded reinsurance that was added to the calculation of provision for policy reserves was ¥24 million for the fiscal year ended March 31, 2020.
6. (1) Gain from assets held in trust, net includes net valuation gains of ¥27,919 million for the fiscal year ended March 31, 2020.  
(2) Loss on derivative financial instruments, net includes net valuation losses of ¥12,466 million for the fiscal year ended March 31, 2020.
7. 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 fiscal year ended March 31, 2020, is as follows:

Purpose of use	Million Yen			
	Land	Leasehold interests in land	Buildings	Total
Real estate for rental use	83	—	—	83
Idle properties	1,900	168	740	2,809
Total	1,984	168	740	2,893

- 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.

8. The Company recorded an impairment loss on its shares of MLC Limited, a consolidated subsidiary of the Company, due to a significant decline in the actual value of the shares compared with the carrying amount of the investment. The decline reflected deteriorating profitability at MLC Limited mainly due to an increase in payments for income-protection insurance. As a result, the Company recorded a loss on valuation of shares of subsidiaries and affiliates of ¥68,391 million as an extraordinary loss.

## 7. Nonconsolidated Statements of Changes in Net Assets

For the Year Ended March 31, 2020

(Million Yen)

	Foundation funds and others												Total foundation funds and others
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Surplus								Total surplus	
				Legal reserve for deficiencies	Other surplus reserves								
					Equalized reserve for dividends to policyholders	Contingency funds	Reserve for social public welfare assistance	Reserve for reduction entry of real estate	Reserve for reduction entry of real estate to be purchased	Other reserves	Unappropriated surplus		
Beginning balance	100,000	1,250,000	651	17,578	10,000	71,917	351	49,836	28,603	170	256,070	434,526	1,785,178
Increase/decrease:													
Issuance of foundation funds	50,000												50,000
Additions to reserve for dividends to policyholders											(211,818)	(211,818)	(211,818)
Additions to legal reserve for deficiencies				816							(816)	—	—
Additions to reserve for redemption of foundation funds		50,000									(50,000)	(50,000)	—
Interest on foundation funds											(355)	(355)	(355)
Net surplus											181,410	181,410	181,410
Redemption of foundation funds	(50,000)												(50,000)
Reversal of the equalized reserve for dividends to policyholders					(10,000)						10,000	—	—
Additions to reserve for social public welfare assistance							3,000				(3,000)	—	—
Reversal of reserve for social public welfare assistance							(3,000)				3,000	—	—
Additions to reserve for reduction entry of real estate								15,163			(15,163)	—	—
Reversal of reserve for reduction entry of real estate								(1,270)			1,270	—	—
Additions to reserve for reduction entry of real estate to be purchased									663		(663)	—	—
Reversal of reserve for reduction entry of real estate to be purchased									(14,476)		14,476	—	—
Reversal of land revaluation losses											16	16	16
Net change, excluding foundation funds and others													
Net change	—	50,000	—	816	(10,000)	—	—	13,893	(13,812)	—	(71,643)	(80,746)	(30,746)
Ending balance	100,000	1,300,000	651	18,394	—	71,917	351	63,729	14,790	170	184,426	353,780	1,754,431

## 7. Nonconsolidated Statements of Changes in Net Assets (Continued)

For the Year Ended March 31, 2020

(Million Yen)

	Valuations, conversions, and others				Total net assets
	Net unrealized gains on available-for-sale securities	Deferred losses on derivatives under hedge accounting	Land revaluation losses	Total valuations, conversions, and others	
Beginning balance	4,882,692	(31,216)	(54,690)	4,796,785	6,581,963
Increase/decrease:					
Issuance of foundation funds					50,000
Additions to reserve for dividends to policyholders					(211,818)
Additions to legal reserve for deficiencies					—
Additions to reserve for redemption of foundation funds					—
Interest on foundation funds					(355)
Net surplus					181,410
Redemption of foundation funds					(50,000)
Reversal of the equalized reserve for dividends to policyholders					—
Additions to reserve for social public welfare assistance					—
Reversal of reserve for social public welfare assistance					—
Additions to reserve for reduction entry of real estate					—
Reversal of reserve for reduction entry of real estate					—
Additions to reserve for reduction entry of real estate to be purchased					—
Reversal of reserve for reduction entry of real estate to be purchased					—
Reversal of land revaluation losses					16
Net change, excluding foundation funds and others	(716,746)	(36,839)	(16)	(753,602)	(753,602)
Net change	(716,746)	(36,839)	(16)	(753,602)	(784,349)
Ending balance	4,165,946	(68,056)	(54,706)	4,043,182	5,797,613

## 7. Nonconsolidated Statements of Changes in Net Assets (Continued)

For the Year Ended March 31, 2019

(Million Yen)

	Foundation funds and others												Total foundation funds and others	
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Surplus										Total surplus
				Legal reserve for deficiencies	Other surplus reserves						Unappropriated surplus			
					Equalized reserve for dividends to policyholders	Contingency funds	Reserve for social public welfare assistance	Reserve for reduction entry of real estate	Reserve for reduction entry of real estate to be purchased	Other reserves	Unappropriated surplus			
Beginning balance	150,000	1,200,000	651	16,804	40,000	71,917	351	49,708	23,422	170	248,227	450,600	1,801,251	
Increase/decrease:														
Additions to reserve for dividends to policyholders											(218,353)	(218,353)	(218,353)	
Additions to legal reserve for deficiencies				774							(774)	—	—	
Additions to reserve for redemption of foundation funds		50,000									(50,000)	(50,000)	—	
Interest on foundation funds											(790)	(790)	(790)	
Net surplus											259,369	259,369	259,369	
Redemption of foundation funds	(50,000)												(50,000)	
Reversal of the equalized reserve for dividends to policyholders					(30,000)						30,000	—	—	
Additions to reserve for social public welfare assistance							3,000				(3,000)	—	—	
Reversal of reserve for social public welfare assistance							(3,000)				3,000	—	—	
Additions to reserve for reduction entry of real estate								3,802			(3,802)	—	—	
Reversal of reserve for reduction entry of real estate								(3,674)			3,674	—	—	
Additions to reserve for reduction entry of real estate to be purchased									11,204		(11,204)	—	—	
Reversal of reserve for reduction entry of real estate to be purchased									(6,023)		6,023	—	—	
Reversal of land revaluation losses											(6,299)	(6,299)	(6,299)	
Net change, excluding foundation funds and others														
Net change	(50,000)	50,000	—	774	(30,000)	—	—	128	5,180	—	7,843	(16,073)	(16,073)	
Ending balance	100,000	1,250,000	651	17,578	10,000	71,917	351	49,836	28,603	170	256,070	434,526	1,785,178	

## 7. Nonconsolidated Statements of Changes in Net Assets (Continued)

For the Year Ended March 31, 2019

(Million Yen)

	Valuations, conversions, and others				Total net assets
	Net unrealized gains on available-for-sale securities	Deferred losses on derivatives under hedge accounting	Land revaluation losses	Total valuations, conversions, and others	
Beginning balance	4,882,103	(59,099)	(60,989)	4,762,014	6,563,265
Increase/decrease:					
Additions to reserve for dividends to policyholders					(218,353)
Additions to legal reserve for deficiencies					—
Additions to reserve for redemption of foundation funds					—
Interest on foundation funds					(790)
Net surplus					259,369
Redemption of foundation funds					(50,000)
Reversal of the equalized reserve for dividends to policyholders					—
Additions to reserve for social public welfare assistance					—
Reversal of reserve for social public welfare assistance					—
Additions to reserve for reduction entry of real estate					—
Reversal of reserve for reduction entry of real estate					—
Additions to reserve for reduction entry of real estate to be purchased					—
Reversal of reserve for reduction entry of real estate to be purchased					—
Reversal of land revaluation losses					(6,299)
Net change, excluding foundation funds and others	588	27,883	6,299	34,770	34,770
Net change	588	27,883	6,299	34,770	18,697
Ending balance	4,882,692	(31,216)	(54,690)	4,796,785	6,581,963



## 8. Details of Ordinary Profit (Core Operating Profit)

(Million Yen)

	Year ended March 31, 2020	Year ended March 31, 2019
Core operating profit (A)	647,453	678,212
Capital gains:	457,453	216,705
Gain on proprietary trading securities	—	—
Gain from assets held in trust, net	17,720	—
Gain on trading securities	—	—
Gain on sales of securities	328,211	194,922
Gain on derivative financial instruments, net	—	—
Foreign exchange gains, net	—	2,140
Other capital gains	111,522	19,643
Capital losses:	462,402	270,492
Loss on proprietary trading securities	—	—
Loss from assets held in trust, net	—	2,563
Loss on trading securities	—	—
Loss on sales of securities	48,704	138,790
Loss on valuation of securities	202,393	21,371
Loss on derivative financial instruments, net	83,947	93,110
Foreign exchange losses, net	29,408	—
Other capital losses	97,947	14,656
Net capital losses (B)	(4,948)	(53,786)
Core operating profit, including net capital losses (A+B)	642,505	624,426
Nonrecurring gains:	1,473	—
Reinsurance revenue	—	—
Reversal of contingency reserve	—	—
Reversal of specific allowance for doubtful accounts	1,473	—
Other nonrecurring gains	—	—
Nonrecurring losses:	292,740	240,907
Reinsurance premiums	—	—
Provision for contingency reserve	101,156	113,751
Provision for specific allowance for doubtful accounts	—	4,405
Provision for allowance for specific overseas loans	—	—
Write-offs of loans	—	—
Other nonrecurring losses	191,584	122,751
Net nonrecurring losses (C)	(291,266)	(240,907)
Ordinary profit (A+B+C)	351,238	383,518

## (Reference) Breakdown of “Other” items

(Million Yen)

	Year ended March 31, 2020	Year ended March 31, 2019
Core operating profit	(13,574)	(4,986)
Interest income and expenses related to swap transactions for foreign currency-denominated insurance products and swap transactions for hedging purposes	18,118	14,656
Impact of market exchange rate movements related to foreign currency-denominated insurance policies	(111,522)	(18,471)
Impact of movements in surrender benefits related to market value adjustment	79,829	(1,171)
Other capital gains	111,522	19,643
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	111,522	18,471
Impact of movements in surrender benefits related to market value adjustment	—	1,171
Other capital losses	97,947	14,656
Interest income and expenses related to swap transactions for foreign currency-denominated insurance products and swap transactions for hedging purposes	18,118	14,656
Impact of market exchange rate movements related to foreign currency-denominated insurance policies	—	—
Impact of movements in surrender benefits related to market value adjustment	79,829	—
Other nonrecurring gains	—	—
Reversal of allowance for investment loss	—	—
Other nonrecurring losses	191,584	122,751
Provision for allowance for investment loss	5,471	1,459
Provision for additional policy reserves	186,113	121,292

## 9. Nonconsolidated Proposed Appropriations of Surplus

(Thousand Yen)

	Year ended March 31, 2020	Year ended March 31, 2019
Unappropriated surplus	184,426,821	256,070,286
Reversal from voluntary surplus reserve:	14,983,278	25,746,117
Reversal of equalized reserve for dividends to policyholders	—	10,000,000
Reversal of reserve for reduction entry of real estate	1,254,517	1,270,042
Reversal of reserve for reduction entry of real estate to be purchased	13,728,761	14,476,074
Total	199,410,100	281,816,403
Appropriations:	199,410,100	281,816,403
Reserve for dividends to policyholders	185,145,971	211,818,691
Net surplus:	14,264,128	69,997,712
Legal reserve for deficiencies	599,000	816,000
Reserve for redemption of foundation funds	—	50,000,000
Interest on foundation funds	277,000	355,000
Voluntary surplus reserve:	13,388,128	18,826,712
Reserve for social public welfare assistance	3,000,000	3,000,000
Reserve for reduction entry of real estate	9,380,761	15,163,274
Reserve for reduction entry of real estate to be purchased	1,007,367	663,437
Surplus carried forward	—	—

## 10. Status of Nonperforming Assets According to Borrower's Classification

(Million Yen, %)

	As of March 31, 2020	As of March 31, 2019
Bankrupt and quasi-bankrupt loans	10,523	10,066
Doubtful loans	17,067	19,678
Substandard loans	1,563	1,930
Subtotal	29,155	31,675
[Percentage of total, %]	[0.27]	[0.29]
Normal loans	10,945,411	10,830,912
Total	10,974,566	10,862,587

Notes: 1. Bankrupt and quasi-bankrupt loans are nonperforming assets and similar loans that have fallen into bankruptcy due to certain reasons, including initiation of bankruptcy proceedings, start of reorganization proceedings, or submission of an application to start rehabilitation proceedings.

2. Doubtful loans are nonperforming assets with a strong likelihood that loan principal and/or interest cannot be recovered according to the loan contract because of difficulties in the financial condition and business performance of debtors who are not yet legally bankrupt.

3. Substandard loans include loans that are delinquent for over three months as well as restructured loans. Loans that are delinquent for over three months are loans with principal or interest being unpaid for over three months following the due date described in loan agreements (excluding 1. and 2. in the notes above). Restructured loans are loans that provide certain concessions favorable to the borrower with the intent of supporting the borrower's restructuring. Examples of such concessions include reducing or exempting interest, postponing principal or interest payments, releasing credits, or providing other benefits to borrowers (excluding 1. and 2. in the notes above and loans that are delinquent for over three months).

4. Normal loans are loans that do not fall under the classifications for 1. to 3. in the notes above and where the debtor has no financial or business performance problems.

### Supplemental information for borrowers' classification

- Classifications and calculation methods used in this table are based on the Ordinance for Enforcement of the Insurance Business Act. The table includes guaranteed private offering loans of financial institutions, loans, securities lending, accrued interest, suspense payments, and customers' liability for acceptances and guarantees.
- For bankrupt and quasi-bankrupt loans, the estimated uncollectible amount calculated by subtracting the amount of collateral value or the amount collectible by the execution of guarantees from the balance of loans is directly deducted from the total loan amount. The estimated uncollectible amounts as of March 31, 2020 and 2019, were ¥2,106 million and ¥2,019 million, respectively.

## 11. Status of Risk-Monitored Loans

(Million Yen, %)

	As of March 31, 2020	As of March 31, 2019
Loans to bankrupt borrowers	1,532	1,289
Delinquent loans	26,057	28,454
Loans that are delinquent for over three months	—	—
Restructured loans	1,563	1,930
Total	29,154	31,673
[Percentage of total loans, %]	[0.39]	[0.43]

- Notes:
1. For loans to bankrupt borrowers and quasi-bankrupt borrowers (including collateralized and guaranteed loans), an estimated uncollectible amount (calculated by subtracting estimated collectible amounts based on collateral and guarantees from total loans) is directly deducted from the total loan amount. Such loans to bankrupt borrowers and delinquent loans were ¥2,027 million and ¥78 million, respectively, as of March 31, 2020 and ¥1,935 million and ¥84 million, respectively, as of March 31, 2019.
  2. Loans to bankrupt borrowers are loans for which interest is not accrued as income since the recovery of principal or interest on the loan is unlikely due to the fact that the principal repayments or interest payments are overdue for a significant period of time or for other reasons; and loans are extended to any of (a) borrowers that are legally bankrupt through filings for proceedings under the Corporate Reorganization Act, Civil Rehabilitation Act, Bankruptcy Act, or Company Act; (b) borrowers that have notes suspended from being traded; or (c) borrowers that have filed for legal proceedings similar to the aforementioned proceedings based on overseas laws.
  3. Delinquent loans are loans for which interest is not accrued other than the loans to bankrupt borrowers and those with interest payments extended with the objective of restructuring or supporting the borrowers.
  4. Loans that are delinquent for over three months are loans with principal or interest unpaid for over three months beginning one day after the due date based on the loan agreement other than the loans to bankrupt borrowers and delinquent loans.
  5. Restructured loans are loans that provide certain concessions favorable to the borrower with the intent of supporting the borrower's restructuring, such as by reducing or exempting interest, postponing principal or interest payments, releasing credits, or providing other benefits to the borrowers other than the loans to bankrupt borrowers, delinquent loans, and loans that are delinquent for over three months.
  6. Accrued interest for the following loans is not recorded as revenue: loans to borrowers who are bankrupt, substantially bankrupt, or potentially bankrupt based on the result of asset self-assessment.

## 12. Breakdown of Allowance for Doubtful Accounts

(Million Yen)

	Year ended March 31, 2020	Year ended March 31, 2019	Difference
(1) Breakdown of allowance for doubtful accounts			
(A) General allowance for doubtful accounts	1,035	794	240
(B) Specific allowance for doubtful accounts	1,651	3,669	(2,018)
(C) Allowance for specific overseas loans	—	—	—
(2) Specific allowance for doubtful accounts			
(A) Provision	3,757	5,689	(1,932)
(B) Reversal	5,231	1,283	3,947
[excluding reversals with write-offs]			
(C) Net provision	(1,473)	4,405	(5,879)
(3) Allowance for specific overseas loans			
(A) Number of countries	—	—	—
(B) Loan amount	—	—	—
(C) Provision	—	—	—
(D) Reversal	—	—	—
(4) Write-offs	—	—	—

### 13. Solvency Margin Ratio

(Million Yen)

	As of March 31, 2020	As of March 31, 2019
Solvency margin gross amount (A):	13,865,444	14,177,668
Foundation funds ( <i>kikin</i> ) and other reserve funds:	5,143,643	4,992,846
Foundation funds and others	1,569,008	1,573,004
Reserve for price fluctuations in investments in securities	1,448,014	1,381,653
Contingency reserve	1,878,267	1,777,111
General allowance for doubtful accounts	1,035	794
Others	247,318	260,282
Net unrealized gains on available-for-sale securities (before tax) and deferred losses on derivatives under hedge accounting (before tax) × 90%	5,025,159	5,995,119
Net unrealized gains on real estate × 85%	479,243	358,288
Excess of continued Zillmerized reserve	1,697,908	1,566,354
Qualifying subordinated debt	1,545,320	1,248,889
Excess of continued Zillmerized reserve and qualifying subordinated debt not included in margin calculations	—	—
Deduction clause	(55,023)	(13,021)
Others	29,191	29,191
Total amount of risk (B):		
$\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$	2,831,718	3,038,049
Underwriting risk (R <sub>1</sub> )	115,290	117,577
Underwriting risk of third-sector insurance (R <sub>8</sub> )	85,115	81,303
Anticipated yield risk (R <sub>2</sub> )	348,663	364,647
Minimum guarantee risk (R <sub>7</sub> )	5,620	5,576
Investment risk (R <sub>3</sub> )	2,410,869	2,597,831
Business management risk (R <sub>4</sub> )	59,311	63,338
Solvency margin ratio		
$\frac{(A)}{(1/2) \times (B)} \times 100$	979.2%	933.3%

Notes: 1. The amounts and figures 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.

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

## Reference

### Policy Reserve Valuation Method and Ratio for Individual Insurance and Annuities

	As of March 31, 2020	As of March 31, 2019
Policies subject to the standard policy reserve	Net level premium method	Net level premium method
Policies not subject to the standard policy reserve	Net level premium method	Net level premium method
Ratio (excluding contingency reserve)	100.0%	100.0%

Notes: 1. Individual insurance and annuities are within the scope of the application of the valuation method and ratio. Policy reserves for group insurance and annuities are not included in the figures above due to the absence of an accumulation method.

2. The valuation ratio for policies subject to the standard policy reserve is calculated in accordance with the method that the Prime Minister prescribed by means of Ordinance No. 48 issued by the Ministry of Finance in 1996. The ratio for policies not subject to the standard policy reserve represents the ratio for the insurance premiums reserve calculated by the net level premium method and unearned premium.

### 14. Status of Separate Accounts as of March 31, 2020

#### (1) Balance of Separate Account Assets

(Million Yen)

	As of March 31, 2020	As of March 31, 2019
Individual variable insurance	94,319	110,135
Individual variable annuities	28,017	41,251
Group annuities	1,080,089	1,106,612
Separate account total	1,202,426	1,257,999



## (2) Status of Separate Accounts for Individual Variable Insurance

### 1) Policies in Force

	As of March 31, 2020		As of March 31, 2019	
	Number of policies	Amount of policies (million yen)	Number of policies	Amount of policies (million yen)
Variable insurance (defined term type)	11,312	4,567	8,395	6,510
Variable insurance (whole life type)	31,271	436,503	31,966	449,867
Total	42,583	441,071	40,361	456,377

### 2) Breakdown of Separate Account Assets' Year-End Balance (Individual Variable Insurance)

(Million Yen, %)

	As of March 31, 2020		As of March 31, 2019	
	Amount	Composition ratio	Amount	Composition ratio
Cash, deposits, and call loans	6,019	6.4	6,013	5.5
Investments in securities:	83,538	88.6	98,282	89.2
Domestic bonds	24,046	25.5	23,550	21.4
Domestic stocks	5,358	5.7	34,351	31.2
Foreign securities:	32,833	34.8	35,043	31.8
Foreign bonds	9,904	10.5	8,661	7.9
Foreign stocks and other securities	22,929	24.3	26,382	24.0
Other securities	21,301	22.6	5,336	4.8
Loans	—	—	—	—
Others	4,761	5.0	5,839	5.3
Allowance for doubtful accounts	—	—	—	—
Total	94,319	100.0	110,135	100.0

### 3) Investment Income and Expenses from Separate Accounts (Individual Variable Insurance)

(Million Yen)

	Year ended March 31, 2020	Year ended March 31, 2019
	Amount	Amount
Interest, dividends, and other income	1,658	1,995
Gain on sales of securities	5,948	7,550
Gain on redemptions of securities	—	—
Gain on valuation of securities	(3,266)	(3,434)
Foreign exchange gains, net	200	176
Gain on derivative financial instruments, net	1,395	1,264
Other investment income	5	6
Loss on sales of securities	6,790	2,697
Loss on redemptions of securities	0	—
Loss on valuation of securities	2,443	2,401
Foreign exchange losses, net	230	164
Loss on derivative financial instruments, net	4,447	886
Other investment expenses	0	1
Net investment income	(7,971)	1,407

### (3) Status of Separate Accounts for Individual Variable Annuities

#### 1) Policies in Force

	As of March 31, 2020		As of March 31, 2019	
	Number of policies	Amount of policies (million yen)	Number of policies	Amount of policies (million yen)
Individual variable annuities	33,818	28,001	33,554	41,240

#### 2) Breakdown of Separate Account Assets' Year-End Balance (Individual Variable Annuities)

(Million Yen, %)

	As of March 31, 2020		As of March 31, 2019	
	Amount	Composition ratio	Amount	Composition ratio
Cash, deposits, and call loans	—	—	—	—
Investments in securities:	27,205	97.1	40,077	97.2
Domestic bonds	6,290	22.5	7,918	19.2
Domestic stocks	—	—	—	—
Foreign securities:	—	—	—	—
Foreign bonds	—	—	—	—
Foreign stocks and other securities	—	—	—	—
Other securities	20,915	74.7	32,158	78.0
Loans	—	—	—	—
Others	811	2.9	1,173	2.8
Allowance for doubtful accounts	—	—	—	—
Total	28,017	100.0	41,251	100.0

### 3) Investment Income and Expenses from Separate Accounts (Individual Variable Annuities)

(Million Yen)

	Year ended March 31, 2020	Year ended March 31, 2019
	Amount	Amount
Interest, dividends, and other income	1,434	1,696
Gain on sales of securities	332	260
Gain on redemptions of securities	—	—
Gain on valuation of securities	(2,320)	(2,874)
Foreign exchange gains, net	—	—
Gain on derivative financial instruments, net	—	—
Other investment income	0	0
Loss on sales of securities	126	21
Loss on redemptions of securities	—	—
Loss on valuation of securities	6,491	1,270
Foreign exchange losses, net	—	—
Loss on derivative financial instruments, net	—	—
Other investment expenses	0	0
Net investment income	(7,169)	(2,210)

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

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

(100 Million Yen)

	Year ended March 31, 2020	Year ended March 31, 2019
Ordinary income	80,506	82,271
Ordinary profit	2,813	4,284
Net surplus attributable to the parent company	1,921	2,787
Comprehensive income	(6,305)	3,073

	As of March 31, 2020	As of March 31, 2019
Total assets	800,811	788,095
Solvency margin ratio	1,047.5%	997.3%

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

	As of March 31, 2020
Number of consolidated subsidiaries	15
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	Please refer to “(3) Policies for Preparing the Consolidated Financial Statements for the Fiscal Year Ended March 31, 2020.”

### (3) Policies for Preparing the Consolidated Financial Statements for the Fiscal Year Ended March 31, 2020

#### 1) Consolidated subsidiaries

Number of consolidated subsidiaries: 15 entities

Nissay Credit Guarantee Co., Ltd. (Japan)

Nissay Leasing Co., Ltd. (Japan)

Nissay Capital Co., Ltd. (Japan)

Nissay Asset Management Corporation (Japan)

Nissay Information Technology Co., Ltd. (Japan)

TAIJU LIFE INSURANCE COMPANY LIMITED

Nippon Wealth Life Insurance Company Limited

HANASAKU LIFE INSURANCE Co., Ltd.

Nippon Life Insurance Company of America

NLI US Investments, Inc.

MLC Limited

Nippon Life India Asset Management Limited

HANASAKU LIFE INSURANCE Co., Ltd., which has started its operation as a life insurance company, has been included in the scope of consolidation starting from the fiscal year ended March 31, 2020, 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 fiscal year ended March 31, 2020, 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 fiscal year ended March 31, 2020, due to their declined significance.

One affiliate of Nippon Life India Asset Management Limited has been excluded from the scope of consolidation from the fiscal year ended March 31, 2020, due to the sale of this affiliate.

Major unconsolidated subsidiaries are Nippon Life Global Investors Americas, Inc.; Nissay Trading Corporation, and Nissay Insurance Agency Co., Ltd. Unconsolidated subsidiaries have minimal balances or amounts of total assets, revenue, net income, and surplus for the fiscal year ended March 31, 2020, which are immaterial enough to be excluded from consolidation given that they would not affect reasonable judgements to be made on the financial position and financial results of Nippon Life Group.

#### 2) Equity method affiliates

Number of unconsolidated equity method affiliates: None

Number of affiliates accounted for under the equity method: 15 entities

Major affiliates accounted for under the equity method as of March 31, 2020, are listed as follows:

The Master Trust Bank of Japan, Ltd. (Japan)  
Corporate-Pension Business Service Co., Ltd. (Japan)  
Great Wall Changsheng Life Insurance Co., Ltd. (China)  
Bangkok Life Assurance Public Company Limited (Thailand)  
Reliance Nippon Life Insurance Company Limited (India)  
Post Advisory Group, LLC (U.S.A.)  
PT Sequis (Indonesia)  
PT Asuransi Jiwa Sequis Life (Indonesia)  
The TCW Group, Inc. (U.S.A)  
Grand Guardian Nippon Life Insurance Company Limited (Myanmar)

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 fiscal year ended March 31, 2020. Meanwhile, one affiliate of RNAM has been included in the scope of application of the equity method from the fiscal year ended March 31, 2020.

Grand Guardian Nippon Life Insurance Company Limited has been included in the scope of application of the equity method due to its increased significance associated with the acquisition of permission from Myanmar financial authorities to operate as a life insurance joint venture after obtaining its equity interests in the fiscal year ended March 31, 2020.

Unconsolidated subsidiaries, including Nippon Life Global Investors Americas, Inc. and Nissay Trading Corporation, as well as affiliates other than those listed above, such as SL Towers Co., Ltd., are not accounted for under the equity method as respective and aggregate effects of such companies on the Company's consolidated net income and surplus for the fiscal year ended March 31, 2020, are immaterial.

### 3) Reporting date for consolidated subsidiaries

The reporting dates for consolidated overseas subsidiaries are December 31 and March 31. In preparing the consolidated financial statements, consolidated overseas subsidiaries with the reporting date of December 31 use the financial statements as of December 31, and necessary adjustments are made to reflect significant transactions that occurred between December 31 and the Company's reporting date of March 31.

### 4) Amortization of goodwill

Goodwill and the equivalent amount of goodwill from affiliates accounted for under the equity method are amortized under the straight-line method over 20 years. However, for items that are immaterial, the total amount of goodwill is fully amortized as incurred.

#### (4) Consolidated Balance Sheets

(Million Yen)

	As of March 31, 2020	As of March 31, 2019
Assets:		
Cash and deposits	1,751,037	1,541,390
Call loans	422,906	429,912
Monetary receivables purchased	375,278	401,938
Assets held in trust	33,779	13,357
Investments in securities	65,084,003	64,458,905
Loans	8,436,650	8,510,520
Tangible fixed assets:	1,913,574	1,907,653
Land	1,261,133	1,262,159
Buildings	582,389	579,064
Lease assets	9,262	7,040
Construction in progress	16,167	15,840
Other tangible fixed assets	44,620	43,548
Intangible fixed assets:	386,396	263,513
Software	126,334	124,250
Goodwill	84,220	44,214
Lease assets	35	—
Other intangible fixed assets	175,805	95,047
Reinsurance receivables	69,533	9,368
Other assets	1,512,525	1,199,998
Deferred tax assets	24,318	9,140
Customers' liability for acceptances and guarantees	76,136	71,016
Allowance for doubtful accounts	(4,969)	(7,198)
Total assets	80,081,170	78,809,517



## (4) Consolidated Balance Sheets (Continued)

(Million Yen)

	As of March 31, 2020	As of March 31, 2019
Liabilities:		
Policy reserves and other reserves:	66,765,636	65,483,705
Reserve for outstanding claims	258,970	302,778
Policy reserves	65,406,129	64,100,386
Reserve for dividends to policyholders (mutual company)	1,043,785	1,020,213
Reserve for dividends to policyholders (limited company)	56,750	60,326
Reinsurance payables	7,519	8,424
Corporate bonds	1,277,620	1,175,589
Other liabilities	3,541,405	2,518,762
Accrued bonuses for directors, and audit and supervisory board members	92	106
Net defined benefit liability	449,594	440,556
Accrued retirement benefits for directors, and audit and supervisory board members	4,970	4,905
Reserve for program points	8,864	9,203
Reserve for price fluctuations in investments in securities	1,531,621	1,460,182
Deferred tax liabilities	157,426	555,094
Deferred tax liabilities for land revaluation	103,072	103,748
Acceptances and guarantees	76,136	71,016
Total liabilities	73,923,960	71,831,296

## (4) Consolidated Balance Sheets (Continued)

(Million Yen)

	As of March 31, 2020	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	554,790	629,555
Total foundation funds and others	1,955,441	1,980,206
Net unrealized gains on available-for-sale securities	4,199,843	4,943,922
Deferred losses on derivatives under hedge accounting	(69,235)	(31,643)
Land revaluation losses	(54,706)	(54,690)
Foreign currency translation adjustments	(26,406)	(4,853)
Remeasurement of defined benefit plans	(15,030)	(13,494)
Total accumulated other comprehensive income	4,034,464	4,839,241
Share acquisition rights	926	—
Noncontrolling interests	166,377	158,772
Total net assets	6,157,210	6,978,221
Total liabilities and net assets	80,081,170	78,809,517

Notes to the Consolidated Balance Sheets as of March 31, 2020

1. (1) Securities of the Company and its certain consolidated subsidiaries (including items, such as deposits and monetary receivables purchased, which are treated as securities based on the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10) and securities within assets held in trust) are valued as follows:
  - 1) Trading securities are stated at fair value at the balance sheet date. The moving average method is used for calculating cost of securities sold.
  - 2) Held-to-maturity debt securities are measured at amortized cost using the moving average method. The cost of securities is amortized on a straight-line basis.
  - 3) Policy-reserve-matching bonds are measured at amortized cost using the moving average method. The cost of bonds is amortized on a straight-line basis in accordance with the Industry Audit Committee Report No. 21, “Temporary Treatment of Accounting and Auditing Concerning Policy-Reserve-Matching Bonds in the Insurance Industry,” issued by the JICPA.
  - 4) Investments in subsidiaries and affiliates that are not consolidated nor accounted for under the equity method (stocks issued by subsidiaries prescribed in Article 2, Paragraph 12 of the Insurance Business Act or subsidiaries prescribed in Article 13-5-2, Paragraph 3 of the Order for Enforcement of the Insurance Business Act and stocks issued by affiliates prescribed in Article 13-5-2, Paragraph 4 of the Order for Enforcement of the Insurance Business Act) are stated at cost using the moving average method.
  - 5) Available-for-sale securities
    - a. Regarding securities with a fair value, stocks (including foreign stocks) are measured at the average fair value based on quoted market prices during the period of one month before the balance sheet date (cost of securities sold is calculated using the moving average method). Other securities with a fair value are measured at the fair value at the balance sheet date (cost of securities sold is calculated using the moving average method).
    - b. Of securities of which fair value is extremely difficult to be determined, bonds (including foreign bonds) for which the difference between the purchase price and face value is due to an interest rate adjustment are measured at amortized cost using the moving average method. The cost of those bonds is amortized on a straight-line basis. Other securities without readily determinable fair values are stated at cost using the moving average method.
- (2) Unrealized gains/losses of available-for-sale securities are recorded as a separate component of net assets.

2. Securities that are held for the purpose of matching the duration of outstanding liabilities within the subgroups classified by insurance type, payment method, maturity period, currency, and investment policy are classified as policy-reserve-matching bonds in accordance with the Industry Audit Committee Report No. 21, “Temporary Treatment of Accounting and Auditing Concerning Policy-Reserve-Matching Bonds in the Insurance Industry,” issued by the JICPA.

The Company has specified the following types of insurance policies and set those as subcategories:

(1) The Company

- 1) All insurance policies for products other than single payment products and group annuities
- 2) All insurance policies for single payment products (denominated in yen) other than variable assumed rate-type insurance
- 3) All insurance policies for group annuities other than guaranteed fixed-term rate products
- 4) All single payment products (denominated in U.S. dollars) other than the foregoing
- 5) All single payment products (denominated in Australian dollars) other than the foregoing
- 6) All single payment products (denominated in euros) other than the foregoing

(2) TAIJU LIFE INSURANCE COMPANY LIMITED

- 1) Whole life insurance and annuity insurance (up to 40 years) (the component of 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) Subcategory 2 for 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) Subcategory 2 for 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)

From the fiscal year ended March 31, 2020, 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.

There has been no impact on profit or loss for the fiscal year ended March 31, 2019, as a result of this revision.

(3) Nippon Wealth Life Insurance Company Limited

- 1) Single payment fixed annuities, single payment fixed whole life insurance, single payment life insurance with living benefits, and single payment insurance against three major diseases (excluding single payment fixed annuities commencing on or after April 1, 2006, and for which the insured was 80 years of age or older as of the date the policy was concluded).
- 2) Single payment fixed whole life insurance (fixed accumulation value type)
- 3) Whole life cancer insurance and endowment insurance
- 4) U.S. dollar-denominated single payment fixed annuities and U.S. dollar-denominated single payment fixed whole life insurance
- 5) Australian dollar-denominated single payment fixed annuities
- 6) Insurance and annuities other than the above (certain types of insurance are excluded)

(4) HANASAKU LIFE INSURANCE Co., Ltd.

From the fiscal year ended March 31, 2020, 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.

3. Derivative financial instruments and derivative financial instruments within assets held in trust are stated at fair value based on quoted market prices.

4. (1) Tangible fixed assets are depreciated based on the following methods:

a. Tangible fixed assets (except for lease assets)

(i) Buildings

Straight-line method.

(ii) Assets other than the above

Primarily, the declining-balance method.

Certain other tangible fixed assets with an acquisition cost of less than ¥200,000 of the Company and its certain consolidated subsidiaries are depreciated over three years on a straight-line basis.

b. Lease assets

(i) Lease assets related to financial leases that transfer ownership of the leased property to the lessee

The same depreciation method applied to self-owned fixed assets.

(ii) Lease assets other than the above

Straight-line method over the lease term

(2) Software, which is included in intangible fixed assets, is amortized using the straight-line method.

5. Assets and liabilities denominated in foreign currencies are translated into Japanese yen in accordance with the “Accounting Standards for Foreign Currency Transactions” (Business Accounting Council).

Foreign currency-denominated available-for-sale securities of the Company with exchange rates that have significantly fluctuated and where those recoveries are not expected are converted to Japanese yen using either the rate at the balance sheet date or the one-month average rate prior to the balance sheet date, whichever indicates a weaker yen. The translation difference is recorded as a loss on valuation of securities.

Translation differences related to bonds included in translation differences of foreign currency-denominated available-for-sale securities held by certain consolidated subsidiaries are recorded as foreign exchange gains/losses in net, while translation differences related to other foreign currency-denominated available-for-sale securities are recorded as a separate component of net assets.

6. (1) An allowance for doubtful accounts for the Company is recognized in accordance with the Company’s internal Asset Valuation Regulation and Write-off/Provision Rule as follows:

- 1) An allowance for loans to borrowers who are legally or substantially bankrupt, such as being bankrupt or being in the process of civil rehabilitation proceedings, is recognized based on the amount of credit remaining after directly deducting amounts expected to be collected through the disposal of collateral or the execution of guarantees from the balance of loans (as mentioned at (4) below).
  - 2) An allowance for loans to borrowers who are not currently legally bankrupt but have a high possibility of bankruptcy is recognized at the amounts deemed necessary considering the borrowers' overall solvency and the amounts remaining after deduction of amounts expected to be collected through the disposal of collateral or the execution of guarantees.
  - 3) An allowance for loans to borrowers other than the above is provided based on the borrowers' balance multiplied by the historical average percentage of bad debt for a certain period.
- (2) All credits extended by the Company are assessed by responsible sections in accordance with the Company's internal Asset Valuation Regulation. The assessments are verified by the independent Asset Auditing Department. The results of the assessments are reflected in the calculation of the allowance for doubtful accounts.
  - (3) For consolidated subsidiaries, the Company and its consolidated subsidiaries record allowance for doubtful accounts deemed necessary mainly in accordance with the Company's internal Asset Valuation Regulation and Write-off/Provision Rule.
  - (4) The estimated uncollectible amount calculated by subtracting the amount of collateral value or the amount collectible by the execution of guarantees from the balance of loans is directly deducted from the balance of loans (including loans with credits secured and/or guaranteed) made to legally or substantially bankrupt borrowers. The estimated uncollectible amount was ¥3,382 million (including ¥70 million of credits secured and/or guaranteed) as of March 31, 2020.
7. Accrued bonuses for directors, and audit and supervisory board members are recognized based on amounts estimated to be paid.
8. (1) Net defined benefit liability is recognized based on the estimated amount of projected benefit obligations in excess of the fair value of pension plan assets as of March 31, 2020, for future payment of employee retirement benefits that have been accrued.
- (2) Basis used for accounting for retirement benefits of the Company and its certain consolidated subsidiaries are as follows:
- 1) Attribution method for estimated retirement benefits: Benefit formula basis
  - 2) Amortization period for actuarial gains/losses: Five years
  - 3) Amortization period for prior service costs: Five years

9. Accrued retirement benefits for directors, and audit and supervisory board members are recognized based on estimated payment amounts under internal rules.
10. A reserve for program points is recognized based on the amount projected to be incurred for expenses from the use of points granted to policyholders.
11. A reserve for price fluctuations in investments in securities is recognized based on Article 115 of the Insurance Business Act.
12. In finance leases where the Company's consolidated subsidiary is the lessor that do not transfer ownership of the leased property to the lessee, the consolidated subsidiary recognizes sales revenue and cost of sales at the time of receiving the lease payments.
13. Hedge accounting is applied by the Company and its certain consolidated subsidiaries based on the following methods:
  - 1) The Company and its consolidated subsidiaries mainly apply the following hedge accounting methods:
    - The exceptional accounting treatment ("*Tokurei-shori*") is applied to interest rate swaps to hedge the cash flow volatility of certain loans denominated in Japanese yen and foreign currencies;
    - Deferred hedge accounting is applied to interest rate swaps to hedge the interest rate fluctuation exposures on certain insurance policies, based on the Industry Audit Committee Report No. 26, "Accounting and Auditing Treatments related to Application of Accounting for Financial Instruments in the Insurance Industry," issued by the JICPA;
    - Deferred hedge accounting and designated hedge accounting ("*Furiate-shori*") are applied to currency swaps to hedge the cash flow volatility caused by foreign exchange rate fluctuations on certain foreign currency-denominated bonds, loans, and subordinated corporate bonds issued by the Company and its consolidated subsidiaries;
    - Fair value hedge accounting is applied to foreign exchange forward contracts to hedge the price fluctuation exposures related to foreign exchange rate fluctuations on certain foreign currency-denominated bonds and other instruments; and
    - Fair value hedge accounting is applied to equity forward contracts to hedge the price fluctuation exposures on certain domestic stocks.
  - 2) Hedging instruments and hedged items
 

Hedging instruments	Hedged items
Interest rate swaps	Loans, foreign currency-denominated loans, and insurance policies
Currency swaps	Foreign currency-denominated bonds, foreign currency-denominated loans, and foreign currency-denominated subordinated corporate bonds
Foreign exchange forward contracts	Foreign currency-denominated bonds and other instruments



- 3) Effectiveness of hedging activities is mainly evaluated by a ratio analysis of fair value movement comparisons of the hedging instruments and hedged items in accordance with the internal risk management policies of the Company and its certain consolidated subsidiaries.
14. All transactions are accounted for exclusive of consumption taxes and local consumption taxes of the Company and its certain consolidated subsidiaries; however, consumption taxes paid on certain asset transactions, which are not deductible from consumption taxes withheld and are stipulated to be deferred under the Consumption Tax Act, are deferred as prepaid expenses and amortized over a five-year period on a straight-line basis. Consumption taxes other than deferred consumption taxes are expensed as incurred.
15. Effective from the fiscal year ended March 31, 2020, the Company and certain subsidiaries have applied the consolidated taxation system as the parent company for consolidated taxation purposes.
16. In accordance with the “Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System” (ASBJ PITF No. 39, March 31, 2020), the Company and its certain subsidiaries calculate the amounts of deferred tax assets and liabilities based on tax laws and regulations provisions before the revision.
17. (1) Policy reserves of the Company and its consolidated subsidiaries that are domestic life insurance companies are reserves set forth in accordance with Article 116 of the Insurance Business Act. Insurance premium reserves are recognized based on the following methodology. In accordance with Article 69, Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act, policy reserves include those that are reserved for certain individual annuity policies and for certain whole life insurance policies.
- 1) Reserves for policies subject to the standard policy reserve are calculated in accordance with the method prescribed by the Commissioner of the Financial Services Agency (Ordinance No. 48 issued by the Ministry of Finance in 1996).
- 2) Reserves for other policies are calculated based on the net level premium method.
- In addition, the Company and some of its consolidated life insurance companies in Japan provided additional policy reserves in the fiscal year ended March 31, 2020. As a result, policy reserves increased by ¥199,869 million, while ordinary profit and surplus before income taxes decreased by ¥199,869 million.
- 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. Effective from the fiscal year ended March 31, 2020, the Company has provided additional policy reserves to cover a possible deficiency in the reserve for paid-up insurance policies and similar policies among certain whole insurance policies (including single payment policies). For such policies with premiums that have been paid as of March 31, 2020 and similar

policies (including single payment policies), the Company will successively provide additional policy reserves over a six-year period. As a result, the policy reserves increased by ¥186,113 million, while ordinary profit and surplus before income taxes decreased by ¥186,113 million, compared with amounts that would have been recorded if the additional policy reserves had not been provided in the fiscal year ended March 31, 2020.

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 ¥13,756 million, while ordinary profit and surplus before income taxes decreased by ¥13,756 million, compared with amounts that would have been recorded if the additional policy reserves had not been provided in the fiscal year ended March 31, 2020.

(2) Policy reserves of consolidated overseas life insurance companies are recorded as the amounts calculated in accordance with the accounting standards of each country, such as Australian accounting standards.

18. Regarding the investment of the general accounts (except for separate accounts as provided in Article 118, Paragraph 1 of the Insurance Business Act), in light of the characteristics of life insurance policies, the Company and its certain consolidated subsidiaries have built a portfolio geared toward mid- to long-term investment and formulated an investment plan, considering the outlook of the investment environment.

Based on the plan above, in order to reliably perform benefits and other payments in the future, the Company and its certain consolidated subsidiaries have positioned yen-denominated assets that can be expected to provide stable income, such as bonds and loans, as the core assets of the Company and its certain consolidated subsidiaries, and from the viewpoint of improving profit in the mid- to long-term, the Company and its certain consolidated subsidiaries invest in stocks and foreign securities. Also, from the perspective of effective investment, the Company and its certain consolidated subsidiaries mainly use derivative transactions for controlling asset investment risks. Specifically, the Company and its certain consolidated subsidiaries use interest rate swaps and interest rate swaptions for interest rate-related investments; foreign exchange forward contracts, currency options, and currency swaps for currency-related investments; and equity forward contracts, equity index futures, and equity index options for equity-related investments. The Company and its certain consolidated subsidiaries apply hedge accounting to certain derivative transactions above.

Primarily, securities are exposed to market risk and credit risk, loans are exposed to credit risk, and derivative transactions are exposed to market risk and credit risk. Market risk refers to risk of incurring losses when the fair value of investment assets declines due to factors, such as fluctuations in interest rates, exchange rates, or stock prices. Credit risk refers to the risk of incurring losses when the value of assets, primarily loans and bonds, declines due to deterioration of the financial condition of a party to whom credit has been extended. Credit risk includes country risk. These risks are managed according to internal rules regarding investment risk managements.

To manage market risk, the Company and its certain consolidated subsidiaries have set investment limits based on the nature of the assets in order to avoid excessive losses from financing and investment transactions. In addition, the Company and its certain consolidated subsidiaries monitor and regularly report on the status of compliance to the Risk Management Committee, the advisory body of the Management Committee, and have developed a framework to control risk within acceptable levels in the event of a breach of the internal rules. Also, to control market risk in the portfolio of the Company and its certain consolidated subsidiaries, they use a statistical analysis method to rationally calculate the market value-at-risk of the portfolio as a whole and appropriately allocate assets within acceptable boundaries of risk.

To manage credit risk, the Company and its certain consolidated subsidiaries have built a thorough monitoring system involving the Assessment Management Department, which is independent of the departments handling investment and finance activities. The Company and its certain consolidated subsidiaries also continue to build a sound portfolio through the establishment and monitoring of interest guidelines to ensure the returns that the Company and its certain consolidated subsidiaries obtain are commensurate with the risk; a system of internal ratings for classifying the creditworthiness of borrowers; and credit ceilings to ensure that credit risk is not excessively concentrated in a particular company, group, or country. In addition, the Company and its certain consolidated subsidiaries calculate credit value-at-risk as a measurement of the magnitude of credit risk across the portfolio of the Company and its certain consolidated subsidiaries as a whole, and monitor whether the magnitude of risk stays within an appropriate range.

19. (1) Consolidated balance sheet amounts and fair values of major financial instruments, and their differences are as follows:

(Million Yen)			
	Consolidated balance sheet amount (*1)	Fair value (*2)	Difference
Cash and deposits (negotiable certificates of deposit):	224,898	224,898	—
Available-for-sale securities	224,898	224,898	—
Monetary receivables purchased:	375,278	389,099	13,821
Held-to-maturity debt securities	36,243	36,815	572
Policy-reserve-matching bonds	242,515	255,764	13,248
Available-for-sale securities	96,519	96,519	—
Assets held in trust:	33,779	33,779	—
Trading securities	33,779	33,779	—
Investments in securities:	64,096,635	68,593,826	4,497,190
Trading securities	1,260,664	1,260,664	—
Held-to-maturity debt securities	343,588	364,148	20,560
Policy-reserve-matching bonds	25,294,410	29,625,902	4,331,492
Investments in subsidiaries and affiliates	45,285	190,424	145,138
Available-for-sale securities	37,152,686	37,152,686	—
Loans (*3):	8,434,319	8,690,664	256,345
Policy loans	606,203	606,203	—
Industrial and consumer loans	7,828,115	8,084,460	256,345
Derivative financial instruments (*4):	73,958	73,958	—
Hedge accounting not applied	121,383	121,383	—
Hedge accounting applied	(47,425)	(47,425)	—
Corporate bonds (*3 and *5)	(1,277,620)	(1,228,662)	(-48,957)
Cash received as collateral under securities lending transactions (*5)	(1,296,522)	(1,296,522)	—
Loans payable (*3 and *5)	(603,787)	(599,381)	(-4,405)

(\*1) For transactions for which an allowance for doubtful accounts was recorded, the amounts are presented net of the allowance.

(\*2) For securities for which impairment losses were recognized in the fiscal year ended March 31, 2019, the fair value is the consolidated balance sheet amount net of the impairment losses recognized.

(\*3) The fair values of derivative financial instruments that are interest rate swaps to which exceptional accounting treatment (“*Tokurei-shori*”) is applied or currency swaps to which designated hedge accounting (“*Furiate-shori*”) is applied are included in the fair values of loans, corporate

bonds, and loans payable because they are accounted for as an integral part of the loans, corporate bonds, and loans payable that are the hedged items.

(\*4) Receivables and payables generated by derivative financial instruments are offset and presented in net amounts. Net payables in total are presented in parentheses.

(\*5) Corporate bonds, cash received as collateral under securities lending transactions, and loans payable are recorded in liabilities and presented in parentheses.

(2) Fair value measurement methods for the major financial instruments of the Company and its certain consolidated subsidiaries are as follows:

1) Securities, deposits, and monetary receivables purchased that are treated as securities based on the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10)

a. Items with a market price

Fair value is measured based on the closing market price on the balance sheet date. However, the fair values of available-for-sale domestic and foreign equity securities are based on the average market price over a one-month period prior to the balance sheet date.

b. Items without a market price

Fair value is measured by discounting future cash flows to present value or valuations obtained from external parties.

2) Loans

a. Policy loans

Fair value is measured at the book value of policy loans as the fair value is deemed to approximate book value due to expected repayment periods, interest rate requirements, and other conditions. These loans have no repayment date based on characteristics, such as the loan amount being limited to the extent of the surrender benefit.

b. Industrial and consumer loans

Fair value of variable interest rate loans is deemed to approximate their book value because market interest rates are reflected in future cash flows over the short term. Thus, book value is used as fair value for variable interest rate loans. Fair value of fixed interest rate loans is measured mainly by discounting future cash flows to present value.

Fair value of loans to legally or substantially bankrupt borrowers or borrowers who are not currently legally bankrupt, but have a high probability of bankruptcy are measured by deducting the estimated uncollectible amount from the book value prior to direct write-offs.

3) Derivative financial instruments

a. Fair value of futures and other market transactions is measured by the liquidation value or closing market price at the balance sheet date.

b. Fair value of equity options is measured mainly based on liquidation value or closing market price at the balance sheet date or valuations obtained from external parties.

c. Fair value of interest rate swaps, interest rate swaptions, foreign exchange contracts, currency options, currency swaps, and forward contracts is measured mainly based on valuations obtained from external parties.

4) Assets held in trust

Fair value is based on a reasonably calculated price by the trustee of the assets held in trust in accordance with the calculation methods set forth in 1) and 3) above.

5) Corporate bonds

Corporate bonds are stated at fair value at the balance sheet date.

6) Cash received as collateral under securities lending transactions

Fair value is measured at the book value of cash received as collateral under securities lending transactions due to their short-term settlement terms.

7) Loans payable

Fair value of variable interest rate loans payable is deemed to approximate their book value because market interest rates are reflected in future cash flows over the short term. Thus, book value is used as fair value for variable interest rate loans payable. Fair value of fixed interest rate loans payable is measured, in principle, by discounting future cash flows to present value; however, loans payable financed by means of public offerings employing securitization schemes are measured at the fair value of the corporate bonds issued to back the loans payable.

- (3) Unlisted equity securities, investments in partnerships whereby partnership assets consist of unlisted equity securities, and other items of which the fair value is extremely difficult to be determined are not included in investments in securities in table (1). The consolidated balance sheet amount of the foregoing was ¥987,368 million as of March 31, 2020.

(4) Matters regarding securities and others by holding purpose are as follows:

1) Trading securities

Derivative financial instruments within assets held in trust, investments in securities for separate accounts, and certain other securities are classified as trading securities. Valuation gains/losses of those instruments included in profit and loss were losses of ¥20,915 million for the current fiscal year ended March 31, 2020.

2) Held-to-maturity debt securities

Consolidated balance sheet amounts and fair values, and their differences by type are as follows:

(Million Yen)

	Type	Consolidated balance sheet amount	Fair value	Difference
Fair value exceeds the consolidated balance sheet amount	Monetary receivables purchased	21,624	22,403	779
	Domestic bonds	54,915	56,110	1,194
	Foreign securities	229,695	250,320	20,625
	Subtotal	306,235	328,834	22,599
Fair value does not exceed the consolidated balance sheet amount	Monetary receivables purchased	14,618	14,411	(206)
	Domestic bonds	10,232	10,226	(5)
	Foreign securities	48,744	47,490	(1,253)
	Subtotal	73,595	72,129	(1,466)
Total		379,831	400,964	21,132

3) Policy-reserve-matching bonds

Consolidated balance sheet amounts and fair values, and their differences by type are as follows:

(Million Yen)

	Type	Consolidated balance sheet amount	Fair value	Difference
Fair value exceeds the consolidated balance sheet amount	Monetary receivables purchased	232,792	246,109	13,317
	Domestic bonds	22,646,925	26,890,118	4,243,193
	Foreign securities	864,550	980,113	115,562
	Subtotal	23,744,268	28,116,341	4,372,072
Fair value does not exceed the consolidated balance sheet amount	Monetary receivables purchased	9,723	9,655	(68)
	Domestic bonds	1,644,633	1,625,712	(18,921)
	Foreign securities	138,300	129,958	(8,342)
	Subtotal	1,792,657	1,765,325	(27,332)
Total		25,536,925	29,881,666	4,344,740



4) Available-for-sale securities

Acquisition cost or amortized cost, and consolidated balance sheet amounts, and their differences by type are as follows:

(Million Yen)

	Type	Acquisition cost or amortized cost	Consolidated balance sheet amount	Difference
Consolidated balance sheet amount exceeds acquisition cost or amortized cost	Cash and deposits (negotiable certificates of deposit)	108,900	108,900	0
	Monetary receivables purchased	39,173	40,946	1,773
	Domestic bonds	3,472,113	3,716,457	244,344
	Domestic stocks	3,050,997	6,534,697	3,483,700
	Foreign securities	12,728,825	15,308,498	2,579,672
	Other securities	2,706,359	2,932,554	226,194
	Subtotal	22,106,368	28,642,054	6,535,685
Consolidated balance sheet amount does not exceed acquisition cost or amortized cost	Cash and deposits (negotiable certificates of deposit)	116,000	115,998	(1)
	Monetary receivables purchased	56,366	55,572	(793)
	Domestic bonds	729,269	710,798	(18,470)
	Domestic stocks	1,453,691	1,062,333	(391,357)
	Foreign securities	6,746,142	6,331,735	(414,406)
	Other securities	575,250	555,611	(19,638)
	Subtotal	9,676,719	8,832,050	(844,669)
Total		31,783,088	37,474,105	5,691,016

\* Securities totaling ¥627,933 million, whose fair value is extremely difficult to determine, are not included in the table above.

Impairment losses of ¥159,045 million were recognized for securities with a fair value during the current fiscal year ended March 31, 2020. Regarding stocks (including foreign stocks) with fair values of the Company and its certain consolidated subsidiaries, impairment losses are recognized for stocks whose fair value has declined significantly from the acquisition cost based on the average fair value of the month preceding March 31, 2020. However, in the case of a security that meets certain criteria, such as a security for which the fair value has declined significantly and the decline in the fair value in the month preceding March 31, 2020, is significant, impairment losses are recognized based on the fair value as of March 31, 2020.

The criteria by which the fair value of a stock is deemed to have declined significantly are as follows:

- a. A security for which the average fair value in the month preceding March 31, 2019, is 50% or less of the acquisition cost.
- b. A security that meets both of the following criteria:
  - (i) The average fair value in the month preceding March 31, 2020, exceeds 50%, but equal to or less than 70% of the acquisition cost.

- (ii) The historical market price, the business conditions of the issuing company, and other aspects are subject to certain requirements.

- (5) Scheduled repayment amounts for the major monetary claims and liabilities and redemption amounts for securities with maturities are as follows:

(Million Yen)

	One year	Over one year within five years	Over five years within 10 years	Over 10 years
Cash and deposits (negotiable certificates of deposit):	224,900	—	—	—
Available-for-sale securities	224,900	—	—	—
Monetary receivables purchased:	35,811	5,581	43,044	287,685
Held-to-maturity debt securities	—	—	—	35,249
Policy-reserve-matching bonds	100	1,946	41,513	198,801
Available-for-sale securities	35,710	3,635	1,531	53,634
Investment in securities:	1,138,082	5,915,492	13,811,878	30,498,192
Held-to-maturity debt securities	40,257	152,061	74,909	73,699
Policy-reserve-matching bonds	261,103	2,468,496	5,186,953	17,107,408
Available-for-sale securities	836,721	3,294,934	8,550,015	13,317,084
Loans (*1)	1,090,465	2,706,575	1,952,245	2,044,353
Corporate bonds	—	—	—	1,205,320
Cash received as collateral under securities lending transactions	1,296,522	—	—	—
Loans payable (*2)	35,381	73,881	4,525	390,000

(\*1) Assets, such as policy loans, which do not have a stated maturity date, are not included.

Also, ¥6,932 million in loans to legally or substantially bankrupt borrowers or borrowers who are not currently legally bankrupt, but have a high probability of bankruptcy is not included.

(\*2) Liabilities, such as subordinated loans payable, which do not have a stated maturity date, are not included.

20. The balance sheet amount for investment and rental properties was ¥1,290,981 million, with a fair value of ¥1,680,629 million as of March 31, 2020.

The Company and its certain consolidated subsidiaries own rental office buildings and commercial facilities, and the fair value of those properties as of March 31, 2020, is measured based mainly on the “Real Estate Appraisal Standards in Japan.”

The amount corresponding to asset retirement obligations that was included in the balance sheet amounts of investment and rental properties was ¥3,400 million as of March 31, 2020.

21. (1) The total amount of loans to bankrupt borrowers, delinquent loans, loans that are delinquent for over three months, and restructured loans, which were included in loans, was ¥29,462 million as of March 31, 2020. The details of those balances were as follows:

- 1) The balances of loans to bankrupt borrowers and delinquent loans were ¥1,562 million and ¥26,337 million, respectively, as of March 31, 2020.

Loans to bankrupt borrowers are loans for which interest is not accrued as income, except for a portion of loans written off, and to which any event specified in Article 96, Paragraph 1, Item 3 (a) to (e) or Item 4 of the Order for Enforcement of the Corporation Tax Act has occurred. Interest is not accrued as income for such loans since the recovery of principal or interest on the loans is unlikely due to the fact that principal repayments or interest payments are overdue for a significant period of time or for other reasons.

Delinquent loans are loans for which interest is not accrued other than the loans to bankrupt borrowers and those with interest payments extended with the objective of restructuring or supporting the borrowers.

- 2) There were no loans delinquent for over three months as of March 31, 2020. Loans that are delinquent for over three months are loans with principal or interest unpaid for over three months beginning one day after the due date based on the loan agreement other than the loans classified as loans to bankrupt borrowers and delinquent loans.

- 3) The balance of restructured loans was ¥1,563 million as of March 31, 2020.

Restructured loans are loans that provide certain concessions favorable to borrowers with the intent of supporting the borrowers' restructuring, such as by reducing or exempting interest, postponing principal or interest payments, releasing credits, or providing other benefits to the borrowers other than the loans classified as loans to bankrupt borrowers, delinquent loans, and loans delinquent for over three months.

- (2) Direct write-offs of loans decreased the balances of loans to bankrupt borrowers and delinquent loans by ¥3,233 million and ¥149 million, respectively, as of March 31, 2020.

22. The amount of accumulated depreciation of tangible fixed assets was ¥1,176,828 million as of March 31, 2020.

23. Separate account assets as provided in accordance with Article 118, Paragraph 1 of the Insurance Business Act were ¥1,407,066 million as of March 31, 2020, and a corresponding liability is recorded in the same amount.

24. Changes in the reserve for dividends to policyholders of a mutual company for the current fiscal year ended March 31, 2020, were as follows:

	Million Yen
	Year ended March 31, 2020
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 fiscal year	¥209,969
d. Increase in interest	¥21,722
e. Balance at the end of the current fiscal year (a+b—c+d)	¥1,043,785

25. Changes in the reserve for dividends to policyholders of a limited company for the current fiscal year ended March 31, 2020, were as follows:

	Million Yen
	Year ended March 31, 2020
a. Balance at the beginning of the current fiscal year	¥60,326
b. Dividends paid to policyholders of a mutual company during the current fiscal year	¥15,417
c. Increase in interest	¥11
d. Provision for reserve for dividends to policyholders (limited company)	¥11,829
e. Balance at the end of the current fiscal year (a—b+c+d)	¥56,750

26. Corporate bonds within liabilities are subordinated corporate bonds with special provisions that subordinate the fulfillment of obligations on the bonds to all other debt obligations.

The corporate bonds are callable at the discretion of the issuer, subject to the pre-approval of the regulatory authorities and other conditions.

The corporate bond issuance dates and callable dates for currency swaps under designated hedge accounting are as follows:

Issue date	Callable date
October 2012	Each interest payment date on or after October 2022
October 2014	Tenth anniversary date after the issue date and on each fifth anniversary date thereafter
January 2016	Tenth anniversary date after the issue date and on each fifth anniversary date thereafter
September 2017	Tenth anniversary date after the issue date and on each fifth anniversary date thereafter
January 2020	Tenth anniversary date after the issue date and on each fifth anniversary date thereafter

27. Other liabilities include subordinated loans payable of ¥490,000 million with special provisions that the fulfillment of obligations on the bonds is subordinate to all other debt obligations.
28. Assets pledged as collateral in the form of cash and deposits, investments in securities, land, buildings, and lease receivables as of March 31, 2020, were ¥152 million, ¥2,257,502 million, ¥252 million, ¥43 million, and ¥2,092 million, respectively. The total amount of liabilities covered by the assets pledged was ¥1,299,050 million as of March 31, 2020.
- These amounts included ¥1,251,602 million of sale of securities under repurchase agreements and ¥1,296,522 million of payables under repurchase agreements as of March 31, 2020.
29. The Company has offered foundation funds (*kikin*) of ¥50,000 million as provided in Article 60 of the Insurance Business Act during the fiscal year ended March 31, 2020.
30. Foundation funds of ¥50,000 million were offered pursuant to Article 56 of the Insurance Business Act during the fiscal year ended March 31, 2020.
31. The total amount of stocks and investments in nonconsolidated subsidiaries and affiliates was ¥404,720 million as of March 31, 2020.

32. Matters concerning stock options are as follows:

1) Stock option-related expenses and line items

(Million Yen)

	From April 1, 2019 to September 30, 2019	From October 1, 2019 to March 31, 2020
Gains on equity method investments	(140)	—
Operating expenses	—	467

2) Gains related to the forfeiture of unexercised stock options and line items

(Million Yen)

	From April 1, 2019 to September 30, 2019	From October 1, 2019 to March 31, 2020
Gains on equity method investments	2	—
Gain on reversal of share acquisition rights	—	6

3) Description of stock options

	Nippon Life India Asset Management Limited			
	2017 First Series of Share Acquisition Rights	2017 Second Series of Share Acquisition Rights	2017 Third Series of Share Acquisition Rights	2019 First Series of Share Acquisition Rights
Title and number of grantees	Representative Director: 1 Employees: 84	Representative Director: 1 Employees: 137	Representative Director: 1 Employees: 157	Representative Director: 1 Employees: 156
Number of stock options granted by class of shares (*1)	Common shares: 4,944,246	Common shares: 4,598,135	Common shares: 11,190,706	Common shares: 18,081,008
Grant date	August 8, 2017	April 25, 2018	April 29, 2019	July 29, 2019
Vesting conditions	25% of the stock options are vested every year after being granted. (*2)	25% of the stock options are vested every year after being granted.	25% of the stock options are vested every year after being granted.	25% of the stock options are vested every year after being granted.
Requisite service period	From the grant date to the date when the vesting conditions are satisfied	From the grant date to the date when the vesting conditions are satisfied	From the grant date to the date when the vesting conditions are satisfied	From the grant date to the date when the vesting conditions are satisfied
Exercise period	From August 8, 2018 to August 7, 2024	From April 25, 2019 to April 24, 2025	From April 29, 2020 to April 28, 2026	From July 29, 2020 to July 28, 2026

(\*1) The number of stock options granted has been converted into the number of shares.

(\*2) The stock options granted to the representative director will vest at once in three years after the grant date.

#### 4) Volume and changes in stock options

##### a. Number of stock options

(Stock)

	Nippon Life India Asset Management Limited			
	2017 First Series of Share Acquisition Rights	2017 Second Series of Share Acquisition Rights	2017 Third Series of Share Acquisition Rights	2019 First Series of Share Acquisition Rights
Before vesting				
As of March 31, 2019	3,880,220	4,464,829	—	—
Granted	—	—	11,190,706	18,081,008
Forfeited	248,586	298,083	332,747	264,136
Vested	820,463	1,116,207	—	—
Outstanding	2,811,171	3,050,539	10,857,959	17,816,872
After vesting				
As of March 31, 2019	884,608	—	—	—
Vested	820,463	1,116,207	—	—
Exercised	84,486	27,381	—	—
Forfeited	105,557	98,356	—	—
Exercisable	1,515,028	990,470	—	—

\*The table above shows changes in Nippon Life India Asset Management Limited from the end of the previous fiscal year.

##### b. Price information

(Rupee)

	Nippon Life India Asset Management Limited			
	2017 First Series of Share Acquisition Rights	2017 Second Series of Share Acquisition Rights	2017 Third Series of Share Acquisition Rights	2019 First Series of Share Acquisition Rights
Exercise price	204.25	256.10	202.35	223.32
Average stock price when exercised	314.45	400.19	—	—
Fair value on the grant date	10.82	45.71	38.94	43.06



5) Method of estimating fair valuation unit price of stock options

a. Method used

Black-Scholes option-pricing model

b. Principal parameters used in the option-pricing model and estimation method

	Nippon Life India Asset Management Limited			
	2017 First Series of Share Acquisition Rights	2017 Second Series of Share Acquisition Rights	2017 Third Series of Share Acquisition Rights	2019 First Series of Share Acquisition Rights
Expected volatility (*1)	13.92% to 20.81%	14.21%	16.66%	16.46%
Expected remaining life (*2)	4.0 to 5.5 years	4.0 to 5.5 years	4.0 to 5.5 years	4.0 to 5.5 years
Expected dividends rates (*3)	3.09%	3.25%	2.97%	3.22%
Risk-free interest rate (*4)	6.20% to 6.34%	7.06% to 7.15%	6.32% to 6.55%	6.22% to 6.45%

(\*1) Calculated based on indices provided by the National Stock Exchange of India.

(\*2) The expected remaining life is calculated as a half of the sum of the shortest and longest exercisable periods after stock options are granted.

(\*3) Expected dividend rates are based on historical dividend performance.

(\*4) The risk-free interest rate is based on the yields on government bonds in India with remaining terms equal to the expected remaining life of the stock options.

6) Method of estimating the number of stock options vested

The estimate basically reflects only the actual number of forfeited stock options because it is difficult to reasonably estimate the actual number of stock options that will be forfeited in the future.

33. Matters concerning business combinations through acquisitions are as follows:

1) Overview of the business combination

a. Name and business of the acquiree

Name: RNAM (Currently, Nippon Life India Asset Management Limited)

Business: Asset management

b. Main reasons for executing the business combination

Nippon Life India Asset Management Limited's trust assets under management have grown steadily, and the Company intends to support Nippon Life India Asset Management Limited'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 Nippon Life India Asset Management Limited held by RCAP (the "Open Offer").

e. Name of the company after business combination

Nippon Life India Asset Management Limited

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 percentage of voting rights due to the exercise of stock options for Nippon Life India Asset Management Limited's 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 financial statements for the fiscal year ended March 31, 2020

From October 1, 2019, to March 31, 2020

In the consolidated statement of income for the fiscal year ended March 31, 2020, profit or loss related to the acquiree from April 1, 2019, to September 30, 2019, is recorded as shares of profit of entities accounted for under the equity method and presented in other ordinary income.

3) Acquisition cost and breakdown

	Million Yen
Consideration for acquisition:	
Fair value of Nippon Life India Asset Management Limited's shares held right before the Open Offer	¥92,940
Additional cash payment for Nippon Life India Asset Management Limited's shares acquired through the Open Offer	¥68,759
Acquisition cost	¥161,699

4) Difference between the acquisition cost and the total cost of individual transactions resulted in obtaining control

Gain on step acquisitions ¥48,730 million

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

Advisory fees and others ¥1,395 million

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

a. Amount of goodwill

¥90,213million

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

	Million Yen
Total assets:	¥119,130

(including the amount allocated to intangible assets other than goodwill of ¥77,754 million)

Total liabilities: ¥23,300

(including deferred tax liabilities of ¥18,595 million)

- 8) Amount of acquisition cost allocated to intangible assets other than goodwill and amortization period

Amount of intangible assets other than goodwill: ¥77,754 million

Amortization period: 19 years

(including contract-related assets of ¥77,754 million and amortization period of 19 years)

- 9) Estimated amount of impact on the consolidated statement of income for the fiscal year ended March 31, 2020, and calculation method, assuming that the business combination was completed as of the beginning of the fiscal year ended March 31, 2020

Ordinary income was ¥18,502 million, ordinary loss was ¥235 million, and net surplus attributable to the parent company was ¥46,504 million.

The estimated amounts of the impact represent the difference between shares of profit of entities accounted for under the equity method and gain on step acquisitions recorded by the Company for the fiscal year ended March 31, 2020, based on Nippon Life India Asset Management Limited's ordinary income, ordinary profit, and net surplus attributable to the parent company for the fiscal year ended March 31, 2020. In addition, amortization and related amounts are calculated based on the assumption that goodwill and intangible assets were recognized at the beginning of the fiscal year ended March 31, 2020. The estimated amounts do not represent Nippon Life India Asset Management Limited'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 fiscal year ended March 31, 2020.

This note has not been audited.

34. The amount of securities lent under lending agreements was ¥3,719,783 million as of March 31, 2020.
35. Assets that the Company has a free disposal right to sell or re-pledge are marketable securities borrowed under lending agreements. These assets were held without being sold or re-pledged and totaled ¥397,399 million at fair value as of March 31, 2020.
36. The unused amount of commitments related to loans and similar loan agreements was ¥274,182 million as of March 31, 2020.
37. Of the maximum borrowing amount from the Life Insurance Policyholders Protection Corporation of Japan, which is provided for in Article 37-4 of the Order for Enforcement of the Insurance Business Act, the amount applied to the Company and its certain consolidated subsidiaries was estimated to be ¥89,563 million as of March 31, 2020. The amount contributed to the corporation above was recorded as operating expenses.
38. Information relating to retirement benefits is as follows:

(1) Summary of retirement benefit plans

The Company has a defined benefit corporate pension plan and a lump-sum retirement payment plan, which are both defined benefit plans, for non-sales personnel and sales management personnel.

The Company also has a defined contribution pension plan as a defined contribution plan.

In addition, the Company has a lump-sum retirement payment plan and an in-house pension plan for sales representatives as a defined benefit plan.

In March 2020, the Company reached an agreement with the workforce on amending the retirement benefit plans for non-sales personnel, sales management personnel, sales representatives, and certain other personnel in connection with the extension of the mandatory retirement age to 65, which will be implemented in April 2021. Accordingly, prior service costs of ¥6,589 million were accrued based on the amended retirement plans.

Certain consolidated subsidiaries mainly have a lump-sum retirement payment plan as a defined benefit plan and a defined contribution pension plan as a defined contribution plan.

Nissay Asset Management Corporation, the Company's consolidated subsidiary, has changed its calculation method for retirement benefit obligations from the simplified method to the principle method. This change was made to calculate the amount of retirement benefit obligations more accurately and to ensure an appropriate periodic allocation of benefit costs to earnings in connection with an increase in the number of employees. In accordance with this change, net defined benefit liability decreased by ¥54 million as of March 31, 2020, and the same amount was recorded as benefit costs.

(2) Defined benefit plans

1) Reconciliation of retirement benefit obligations between the beginning and end of the fiscal year

	Million Yen
	Year ended March 31, 2020
a Retirement benefit obligations at the beginning of the year	¥698,329
b Service costs	¥28,626
c Interest cost	¥4,223
d Actuarial losses accrued during the year	¥17,953
e Retirement benefit payments	¥(47,404)
f Prior service costs accrued during the year	¥(6,596)
g Increase due to changes in the scope of consolidation	¥371
h Transfer from the simplified method to the principle method	¥1,887
i Amortization accompanying the change from the simplified method to the principle method	¥(54)
j Others	¥(20)
k Retirement benefit obligations at the end of the year (a+b+c+d+e+f+g+h+i+j)	¥697,314

2) Reconciliation of pension plan assets between the beginning and end of the fiscal year

	Million Yen
	Year ended March 31, 2020
a. Pension plan assets at the beginning of the year	¥260,132
b. Expected return on plan assets	¥3,690
c. Actuarial gains incurred during the year	¥(4,926)
d. Contributions by the Company	¥7,343
e. Retirement benefit payments	¥(18,100)
f. Increase due to changes in the scope of consolidation	¥301
g. Others	¥(17)
h. Pension plan assets at the end of the year (a+b+c+d+e)	¥248,422

- 3) Reconciliation of net defined benefit liability between the beginning and end of the fiscal year by computational short cut

	Million Yen
	Year ended March 31, 2020
a. Net defined benefit liability at the beginning of the year	¥2,359
b. Benefit costs	¥344
c. Retirement benefit payments	¥(113)
d. Transfer from the simplified method to the principle method	¥(1,887)
e. Net defined benefit liability at the end of the year (a+b+c+d)	¥702

- 4) Reconciliation of retirement benefit obligations, plan assets, and net defined benefit liability and asset on the consolidated balance sheet

	Million Yen
	Year ended March 31, 2020
a. Retirement benefit obligations for funded plans	¥264,083
b. Plan assets	¥(248,422)
	¥15,660
c. Retirement benefit obligations for nonfunded plans	¥433,933
d. Net defined benefit liability recorded in the consolidated balance sheet	¥449,594
e. Net defined benefit liability	¥449,594
f. Net defined benefit liability recorded in the consolidated balance sheet	¥449,594

- 5) Losses (gains) relating to retirement benefits

	Million Yen
	Year ended March 31, 2020
a Service costs	¥28,626
b Interest cost	¥4,223
c Expected return on plan assets	¥(3,690)
d Amortization of actuarial losses for the period	¥14,149
e Amortization of prior service costs for the period	¥(7)
f Benefit cost under the simplified valuation method	¥344
g Amortization accompanying the change from the simplified method to the principle method	¥(54)
h Others	¥(1)
i Benefit cost for defined benefit plans (a+b+c+d+e+f)	¥43,589

- 6) Breakdown of items included in other comprehensive income

The breakdown of items included in other comprehensive income (before tax) is as follows:

	<div> <div>Million Yen</div> <div> <div>Year ended</div> <div>March 31, 2020</div> </div> </div>
a Actuarial losses	¥(8,729)
b Prior service costs	¥6,589
c Total (a+b)	¥(2,140)

7) Breakdown of items included in total accumulated other comprehensive income

The breakdown of items included in total accumulated other comprehensive income (before tax) is as follows:

	<div> <div>Million Yen</div> <div> <div>Year ended</div> <div>March 31, 2020</div> </div> </div>
a Unrecognized actuarial losses	¥28,031
b Unrecognized prior service costs	¥(6,589)
c Total (a+b)	¥21,442

8) Plan assets consist of the following major asset categories:

a General account of life insurance	50.6%
b Domestic bonds	21.6%
c Cash and deposits	13.6%
d Foreign securities	9.9%
e Domestic stocks	4.3%
f Other	0.0%
g Total (a+b+c+d+e+f)	100.0%

9) Calculation for long-term expected rate of return on plan assets

To determine the long-term expected rate of return on plan assets, the Company takes into consideration present and forecasted allocation of the plan assets, and present and long-term rates of return that are expected from the portfolio of assets that comprise the plan assets.

10) Matters relating to the basis for actuarial calculations

The major items in the basis for actuarial calculations of the Company and its certain consolidated subsidiaries as of March 31, 2020, are as follows:

a. Discount rate	0.3~6.8%
b. Long-term expected rate of return on plan assets	1.4~6.8%

(3) Defined contribution plans

The Company and its consolidated subsidiaries contributed ¥4,958 million to the defined contribution plans during the fiscal year ended March 31, 2020.

39. (1) Total deferred tax assets were ¥1,861,242 million and total deferred tax liabilities were ¥1,867,359 million as of March 31, 2020. The deferred tax assets were reduced by the valuation allowance of ¥126,991 million. The major components resulting in deferred tax assets were policy reserves and other reserves of ¥1,002,030 million, reserve for price fluctuations in investments in securities of ¥427,363 million, and net defined benefit liability of ¥125,607 million. The major component resulting in deferred tax liabilities was net unrealized gains on available-for-sale securities of ¥1,660,549 million.

The main reason for the change in the valuation allowance that reduced the deferred tax assets was an increase in the valuation allowance in line with a decline in the fair value of shares.

- (2) The effective statutory tax rate was 27.9% for the fiscal year ended March 31, 2020. The major factors for the difference between the effective statutory tax rate and the effective income tax rate after application of tax effect accounting were a decrease of 26.2% due to the amount of reserve for dividends to policyholders and an increase of 5.8% due to impairment loss.

40. Revaluation of land used in the operations of the Company is performed based on the Act on Revaluation of Land. The tax effect of the amount related to the valuation difference between the book value and the revalued amount for land revaluation is recognized as a deferred tax liability within the liability section. The valuation differences, net of tax, are recognized as land revaluation losses within the net assets section.

Revaluation date	March 31, 2002
Revaluation methodology	The amount is calculated using the listed value of the land and road rate as prescribed by Article 2, Items 1 and 4 of the Order for Enforcement of the Act on Revaluation of Land.

41. TAIJU LIFE INSURANCE COMPANY LIMITED, the Company's consolidated 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).
- In addition, TAIJU LIFE INSURANCE COMPANY LIMITED has concluded a modified coinsurance agreement (commencement date of reinsurance agreement: January 1, 2020) covering foreign currency-denominated single payment whole life insurance (U.S. dollar) and foreign currency-denominated single payment whole life insurance (Australian dollar).



Through the abovementioned modified coinsurance agreements, 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 ¥56,991 million as of March 31, 2020. The outstanding balance of the policy reserve component associated with the modified coinsurance agreement stood at ¥727,932 million as of March 31, 2020.

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

(Million Yen)

	Year ended March 31, 2020	Year ended March 31, 2019
Ordinary income:	8,050,657	8,227,132
Revenues from insurance and reinsurance	5,719,334	6,069,229
Investment income:	2,007,454	1,842,333
Interest, dividends, and other income	1,597,896	1,596,028
Gain from assets held in trust, net	17,720	—
Gain on trading securities	34,737	12,174
Gain on sales of securities	350,794	205,481
Gain on redemptions of securities	2,585	6,430
Reversal of allowance for doubtful accounts	1,023	—
Other investment income	2,697	3,101
Gain on separate accounts, net	—	19,115
Other ordinary income	323,869	315,569

(Million Yen)

	Year ended March 31, 2020	Year ended March 31, 2019
Ordinary expenses:	7,769,300	7,798,687
Benefits and other payments:	4,561,046	4,597,470
Death and other claims	1,262,045	1,323,888
Annuity payments	994,266	975,383
Health and other benefits	873,235	846,807
Surrender benefits	1,111,079	1,169,048
Other refunds	219,474	238,189
Reinsurance premiums	100,944	44,152
Provision for policy reserves:	1,335,682	1,652,662
Provision for policy reserves	1,313,949	1,630,416
Provision for interest on reserve for dividends to policyholders (mutual company)	21,722	22,233
Provision for interest on reserve for dividends to policyholders (limited company)	11	11
Investment expenses:	699,013	371,739
Interest expenses	37,771	35,388
Loss from assets held in trust, net	—	2,563
Loss on sales of securities	61,131	145,635
Loss on valuation of securities	220,341	19,019
Loss on redemptions of securities	12,749	8,165
Loss on derivative financial instruments, net	20,478	83,973
Foreign exchange losses, net	235,504	16,896
Write-offs of loans	14	—
Write-offs of loans	—	6,368
Depreciation of real estate to rental use and other assets	20,370	18,969
Other investment expenses	39,699	34,760
Losses from separate accounts	50,951	—
Operating expenses	816,454	825,455
Other ordinary expenses	357,103	351,361
Ordinary profit	281,357	428,445

[Consolidated Statements of Income] (Continued)

(Million Yen)

	Year ended March 31, 2020	Year ended March 31, 2019
Extraordinary gains:	55,267	17,400
Gain on disposals of fixed assets	6,529	7,053
Gain on bargain purchase	—	10,347
Gain on step acquisitions	48,730	—
Gain on reversal of share acquisition rights	6	—
Extraordinary losses:	127,694	117,815
Loss on disposals of fixed assets	7,275	8,069
Impairment losses	45,057	2,327
Provision for reserve for price fluctuations in investments in securities	71,438	104,418
Loss on reduction entry of real estate	204	—
Contributions for assisting social public welfare	3,000	3,000
Other extraordinary losses	718	—
Provision for reserve for dividends to policyholders (limited company)	11,829	13,837
Surplus before income taxes	197,101	314,192
Income taxes - current	163,519	135,642
Income taxes - deferred	(149,172)	(102,461)
Total income taxes	14,346	33,180
Net surplus	182,754	281,011
Net (deficit) surplus attributable to noncontrolling interests	(9,383)	2,215
Net surplus attributable to the parent company	192,137	278,795

Notes to the Consolidated Statement of Income for the Fiscal Year Ended March 31, 2020

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 on a company basis.

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 fiscal year ended March 31, 2020, is as follows:

Purpose of use	Million Yen				
	Land	Leasehold interests in land	Buildings and others	Goodwill	Total
Real estate for rental use	132	—	1,277	—	1,409
Idle properties	1,900	168	740	—	2,809
Others	—	—	—	40,838	40,838
Total	2,033	168	2,017	40,838	45,057

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 6.5%.

2. Reinsurance premiums included in revenues from insurance and reinsurance of TAIJU LIFE INSURANCE COMPANY LIMITED, the Company's consolidated subsidiary, include reinsurance premiums of ¥119,832 million related to the modified coinsurance agreement for foreign currency-denominated single payment endowment insurance (U.S. dollar), foreign currency-denominated single payment endowment insurance (Australian dollar), foreign currency-denominated single payment whole life insurance (U.S. dollar), and foreign currency-denominated single payment whole life insurance (Australian dollar). The breakdown of these premiums is as follows:

	Million Yen
a. Adjustment to policy reserves for ceded reinsurance (excluding b.):	¥40,340
b. Additional policy reserves associated with market price adjustments:	¥59,315
c. Others:	¥20,176

With the implementation of this reinsurance, ordinary profit and surplus before income taxes increased by ¥56,876 million each.

[Consolidated Statements of Comprehensive Income]

(Million Yen)

	Year ended March 31, 2020	Year ended March 31, 2019
Net surplus	182,754	281,011
Other comprehensive income:	(813,268)	26,303
Net unrealized gains on available-for-sale securities	(748,619)	35,865
Deferred gains on derivatives under hedge accounting	(37,246)	27,544
Foreign currency translation adjustments	(21,320)	(29,212)
Remeasurement of defined benefit plans	(1,543)	5,107
Share of other comprehensive loss of associates accounted for under the equity method	(4,538)	(13,001)
Comprehensive income:	(630,513)	307,315
Comprehensive income attributable to the parent company	(613,811)	303,143
Comprehensive income attributable to noncontrolling interests	(16,702)	4,171

Note to the Consolidated Statement of Comprehensive Income for the Fiscal Year Ended March 31, 2020

Breakdown of other comprehensive income is as follows:

(1) Reclassification adjustments to profit or loss relating to other comprehensive loss

(Million Yen)

Net unrealized gains on available-for-sale securities:

Losses arising during the year	(958,188)	
Reclassification adjustments to profit or loss	(57,273)	(1,015,461)

Deferred losses on derivatives under hedge accounting:

Gains arising during the year	(60,716)	
Reclassification adjustments to profit or loss	9,009	(51,707)

Foreign currency translation adjustments:

Gains arising during the year	(21,689)	
Reclassification adjustments to profit or loss	368	(21,320)

Remeasurement of defined benefit plans:

Losses arising during the year	(16,282)	
Reclassification adjustments to profit or loss	14,141	(2,140)

Share of other comprehensive income (loss) of associates accounted for under the equity method:

Gains arising during the year	(3,561)	
Reclassification adjustments to profit or loss	(976)	(4,538)

Amount before income tax effect (1,095,168)

Income tax effect 281,900

Total other comprehensive loss (813,268)

(2) Income tax effect relating to other comprehensive loss

	(Million Yen)		
	Before income tax effect	Income tax effect	After income tax effect
Net unrealized gains on available-for-sale securities	(1,015,461)	266,841	(748,619)
Deferred losses on derivatives under hedge accounting	(51,707)	14,460	(37,246)
Foreign currency translation adjustments	(21,320)	—	(21,320)
Remeasurement of defined benefit plans	(2,140)	597	(1,543)
Share of other comprehensive income of associates accounted for under the equity method	(4,538)	—	(4,538)
Total other comprehensive loss	(1,095,168)	281,900	(813,268)



# (6) Consolidated Statements of Cash Flows

(Million Yen)

	Year ended March 31, 2020	Year ended March 31, 202019
I. Cash flows from operating activities:		
Surplus before income taxes	197,101	314,192
Depreciation of real estate for rental use and other assets	20,370	18,969
Depreciation	72,349	54,543
Impairment losses	45,057	2,327
Amortization of goodwill	4,679	2,631
Gain on bargain purchase	—	(10,347)
Net decrease in reserve for outstanding claims	(43,633)	(53,246)
Net increase in policy reserve	1,311,041	1,620,992
Provision for interest on reserve for dividends to policyholders (mutual company)	21,722	22,233
Provision for interest on reserve for dividends to policyholders (limited company)	11	11
Provision for reserve for dividends to policyholders (limited company)	11,829	13,837
Net (decrease) increase in allowance for doubtful accounts	(1,353)	6,320
Net (decrease) increase in accrued bonuses for directors, and audit and supervisory board members	(14)	15
Net increase in net defined benefit liability	6,828	2,720
Net increase (decrease) in accrued retirement benefits for directors, and audit and supervisory board members	65	(676)
Net increase in reserve for price fluctuations in investments in securities	71,438	104,418
Interest, dividends, and other income	(1,597,896)	(1,596,028)
(Gains) losses from assets held in trust, net	(17,720)	2,563
Net gains on investments in securities	(59,155)	(39,092)
Net losses on policy loans	99,699	108,744
Losses on derivative financial instruments, net	20,478	83,973
Interest expenses	37,771	35,388
Net foreign exchange losses	233,171	17,461
Net losses on tangible fixed assets	1,295	792
Gains on equity method investments	(1,247)	(3,292)
Losses (gains) from separate accounts	50,951	(19,115)
Gain on step acquisitions	(48,730)	—
Net (increase) decrease in reinsurance receivables	(60,283)	1,949
Net decrease in other assets (excluding those related to investing activities and financing activities)	567	5,128
Net (decrease) increase in reinsurance payables	(752)	2,069
Net increase in other liabilities (excluding those related to investing activities and financing activities)	5,376	7,145
Others, net	(36,144)	(13,765)
Subtotal	344,874	692,867
Interest, dividends, and other income received	1,636,593	1,660,198
Interest paid	(36,470)	(33,667)
Dividends paid to policyholders (mutual company)	(176,933)	(189,333)
Dividends paid to policyholders (limited company)	(15,417)	(19,231)
Others, net	(8,530)	7,302

	Year ended March 31, 2020	Year ended March 31, 202019
Income taxes paid	(138,536)	(155,914)
Net cash provided by operating activities	1,605,579	1,962,221

(6) Consolidated Statements of Cash Flows (Continued)

(Million Yen)

	Year ended March 31, 2020	Year ended March 31, 2019
II. Cash flows from investing activities:		
Net increase in deposits	(2,211)	(888)
Purchases of monetary receivables purchased	(16,721)	(5,394)
Proceeds from sales and redemptions of monetary receivables purchased	44,909	47,366
Purchases of assets held in trust	(3,000)	(5,300)
Proceeds from decrease in assets held in trust	298	—
Purchases of securities	(9,312,569)	(10,731,535)
Proceeds from sales and redemptions of securities	7,255,486	8,800,702
Disbursements for loans	(1,514,841)	(1,583,675)
Proceeds from collections of loans	1,480,523	1,620,988
Net gains from the settlement of derivative financial instrument	179,466	45,636
Net increase in sales under repurchase agreements	382,239	677,033
Net increase (decrease) in cash received as collateral under securities lending transactions	75,490	(566,215)
Others, net	(22,733)	(119,480)
Total of asset management activities	(1,453,660)	(1,820,763)
[Sum of operating activities and asset management activities]	[151,918]	[141,457]
Purchases of tangible fixed assets	(60,940)	(109,143)
Proceeds from sales of tangible fixed assets	13,093	30,610
Payments for acquisition of subsidiary's shares resulting in change in the scope of consolidation	(61,771)	(44,844)
Others, net	(52,091)	(49,706)
Net cash used in investing activities	(1,615,371)	(1,993,848)
III. Cash flows from financing activities:		
Proceeds from debt borrowing	274,627	354,035
Repayments of debt	(112,229)	(135,545)
Proceeds from issuance of corporate bonds	126,431	—
Redemption of bonds	(24,400)	—
Proceeds from issuance of foundation funds	50,000	—
Redemption of foundation funds	(50,000)	(50,000)
Interest payments on foundation funds	(355)	(790)
Payment for acquisition of subsidiary's shares not resulting in change in scope of consolidation	(3,803)	(1,435)
Proceeds from sales of shares of subsidiaries not resulting in change in the scope of consolidation	1,386	—
Others, net	(10,815)	(17,934)
Net cash provided by financing activities	250,841	148,329
IV. Effect of exchange rate changes on cash and cash equivalents	(20,152)	(1,783)
V. Net increase in cash and cash equivalents	220,897	114,919
VI. Cash and cash equivalents at the beginning of the year	2,011,931	1,897,011
VII. Net increase (decrease) in cash and cash equivalents resulting from change in the scope of consolidation	(6,548)	—
VIII. Cash and cash equivalents at the end of the year	2,226,280	2,011,931

## Note to the Consolidated Statement of Cash Flows for the Fiscal Year Ended March 31, 2020

### 1. Cash and cash equivalents

Cash and cash equivalents, for the purpose of reporting consolidated cash flows, are composed of cash in hand, deposits held at call with banks, and all highly liquid short-term investments with a maturity of three months or less when purchased, which are readily convertible into cash and present insignificant risk of change in value.

### 2. Main components of assets and liabilities of newly consolidated subsidiaries due to acquisition of shares

Major assets and liabilities of Nippon Life India Asset Management Limited and its four affiliated companies at the time of acquisition, as well as the acquisition cost and net payment for the acquisition are as follows:

	Million Yen
	Year ended March 31, 2020
Total assets:	¥119,130
(including the amount allocated to intangible assets other than goodwill of ¥77,754 million)	
Goodwill	¥90,213
Total liabilities:	¥(23,300)
(including deferred tax liabilities of ¥(18,595) million)	
Share acquisition rights	¥(515)
Noncontrolling interests	¥(23,828)
Acquisition cost	¥161,699
Gain on step acquisitions	¥(48,730)
Acquisition cost before obtaining control	¥(44,209)
Cash and cash equivalents of the acquire	¥(6,987)
Net payments for the acquisition	¥61,771

## (7) Consolidated Statements of Changes in Net Assets

For the Year Ended March 31, 2020

(Million Yen)

	Foundation funds and others				
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Consolidated surplus	Total foundation funds and others
Beginning balance	100,000	1,250,000	651	629,555	1,980,206
Increase/decrease:					
Issuance of foundation funds	50,000				50,000
Additions to reserve for dividends to policyholders (mutual company)				(211,818)	(211,818)
Additions to reserve for redemption of foundation funds		50,000		(50,000)	—
Interest on foundation funds				(355)	(355)
Net surplus attributable to the parent company				192,137	192,137
Redemption of foundation funds	(50,000)				(50,000)
Reversal of land revaluation losses				16	16
Changes in the scope of consolidation and application of the equity method				(4,977)	(4,977)
Change in the parent's ownership interest due to transactions with noncontrolling interests				232	232
Net change, excluding foundation funds and others					
Net change	—	50,000	—	(74,764)	(24,764)
Ending balance	100,000	1,300,000	651	554,790	1,955,441

## (7) Consolidated Statements of Changes in Net Assets (Continued)

For the Year Ended March 31, 2020

(Million Yen)

	Accumulated other comprehensive income						Share acquisition rights	Non-control ling interests	Total net assets
	Net unrealized gains on available-for-sale securities	Deferred losses on derivatives under hedge accounting	Land revaluation losses	Foreign currency translation adjustments	Remeasur-ements of defined benefit plans	Total accumulated other compre-hensi ve income			
Beginning balance	4,943,922	(31,643)	(54,690)	(4,853)	(13,494)	4,839,241	—	158,772	6,978,221
Increase/decrease:									
Issuance of foundation funds									50,000
Additions to reserve for dividends to policyholders (mutual company)									(211,818)
Additions to reserve for redemption of foundation funds									—
Interest on foundation funds									(355)
Net surplus attributable to the parent company									192,137
Redemption of foundation funds									(50,000)
Reversal of land revaluation losses									16
Changes in the scope of consolidation and application of the equity method									(4,977)
Change in the parent's ownership interest due to transactions with noncontrolling interests									232
Net change, excluding foundation funds and others	(744,078)	(37,592)	(16)	(21,553)	(1,536)	(804,777)	926	7,604	(796,247)
Net change	(744,078)	(37,592)	(16)	(21,553)	(1,536)	(804,777)	926	7,604	(821,011)
Ending balance	4,199,843	(69,235)	(54,706)	(26,406)	(15,030)	4,034,464	926	166,377	6,157,210

## (7) Consolidated Statements of Changes in Net Assets (Continued)

For the Year Ended March 31, 2019

(Million Yen)

	Foundation funds and others				
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Consolidated surplus	Total foundation funds and others
Beginning balance	150,000	1,200,000	651	625,131	1,975,782
Increase/decrease:					
Additions to reserve for dividends to policyholders (mutual company)				(218,353)	(218,353)
Additions to reserve for redemption of foundation funds		50,000		(50,000)	—
Interest on foundation funds				(790)	(790)
Net surplus attributable to the parent company				278,795	278,795
Redemption of foundation funds	(50,000)				(50,000)
Reversal of land revaluation losses				(6,299)	(6,299)
Change in the parent's ownership interest due to transactions with noncontrolling interests				1,071	1,071
Net change, excluding foundation funds and others					
Net change	(50,000)	50,000	—	4,424	4,424
Ending balance	100,000	1,250,000	651	629,555	1,980,206

## (7) Consolidated Statements of Changes in Net Assets (Continued)

For the Year Ended March 31, 2019

(Million Yen)

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Net unrealized gains on available-for-sale securities	Deferred losses on derivatives under hedge accounting	Land revaluation losses	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Beginning balance	4,918,602	(59,092)	(60,989)	28,706	(18,632)	4,808,594	137,996	6,922,373
Increase/decrease:								
Additions to reserve for dividends to policyholders (mutual company)								(218,353)
Additions to reserve for redemption of foundation funds								—
Interest on foundation funds								(790)
Net surplus attributable to the parent company								278,795
Redemption of foundation funds								(50,000)
Reversal of land revaluation losses								(6,299)
Change in the parent's ownership interest due to transactions with noncontrolling interests								1,071
Net change, excluding foundation funds and others	25,320	27,448	6,299	(33,559)	5,138	30,646	20,776	51,423
Net change	25,320	27,448	6,299	(33,559)	5,138	30,646	20,776	55,847
Ending balance	4,943,922	(31,643)	(54,690)	(4,853)	(13,494)	4,839,241	158,772	6,978,221



## Notes to Consolidated Statements of Changes in Net Assets

### 1. Matters concerning share acquisition rights

(Million Yen)

Classification	Breakdown of share acquisition rights	Balance as of March 31, 2020
Nippon Life India Asset Management Limited	Share acquisition rights provided as stock options	926

# (8) Status of Nonperforming Assets According to Borrower's Classification (Consolidated)

(Million Yen, %)

	As of March 31, 2020	As of March 31, 2019
Bankrupt and quasi-bankrupt loans	10,511	10,032
Doubtful loans	17,388	20,290
Substandard loans	1,563	1,930
Subtotal	29,463	32,252
[Percent of total, %]	[0.24]	[0.26]
Normal loans	12,444,652	12,194,419
Total	12,474,115	12,226,672

Notes: 1. Bankrupt and quasi-bankrupt loans are nonperforming assets and similar loans that have fallen into bankruptcy due to certain reasons, including initiation of bankruptcy proceedings, start of reorganization proceedings, or submission of an application to start rehabilitation proceedings.

2. Doubtful loans are nonperforming assets with a strong likelihood that loan principal and/or interest cannot be recovered according to the loan contract because of difficulties in the financial condition and business performance of debtors who are not yet legally bankrupt.

3. Substandard loans include loans that are delinquent for over three months as well as restructured loans. Loans that are delinquent for over three months are loans with principal or interest being unpaid for over three months following the due date described in the loan agreements (excluding 1. and 2. in the notes above). Restructured loans are loans that provide certain concessions favorable to the borrower with the intent of supporting the borrower's restructuring. Examples of such concessions include reducing or exempting interest, postponing principal or interest payments, releasing credits, or providing other benefits to borrowers (excluding 1. and 2. in the notes above and loans that are delinquent for over three months).

4. Normal loans are loans that do not fall under the classifications for 1. to 3. in the notes above and where the debtor has no financial or business performance problems.

## Supplemental information for borrower's classification

- Classifications and calculation methods used in this table are based on the Ordinance for Enforcement of the Insurance Business Act. The table includes guaranteed private offering loans of financial institutions, loans, securities lending, accrued interest, suspense payments, and customer's liability for acceptances and guarantees.
- For bankrupt and quasi-bankrupt loans, the estimated uncollectible amount calculated by subtracting the amount of collateral value or the amount collectible by the execution of guarantees from the balance of loans is directly deducted from the total loan amount. The estimated uncollectible amounts as of March 31, 2020 and 2019, were ¥3,382 million and ¥3,342 million, respectively.

## (9) Status of Risk-Monitored Loans (Consolidated)

(Million Yen, %)

	As of March 31, 2020	As of March 31, 2019
Loans to bankrupt borrowers	1,562	1,284
Delinquent loans	26,337	29,037
Loans that are delinquent for over three months	—	—
Restructured loans	1,563	1,930
Total	29,462	32,251
[Percent of total loans, %]	[0.35]	[0.38]

- Notes:
1. For loans to bankrupt borrowers and quasi-bankrupt borrowers (including collateralized and guaranteed loans), an estimated uncollectible amount (calculated by subtracting estimated collectible amounts based on collateral and guarantees from total loans) is directly deducted from the total loan amount. Such loans to bankrupt borrowers and delinquent loans were ¥3,173 million and ¥168 million, respectively, as of March 31, 2019, and ¥3,233 million and ¥149 million, respectively, as of March 31, 2020.
  2. Loans to bankrupt borrowers are loans for which interest is not accrued as income since the recovery of principal or interest on the loan is unlikely due to the fact that the principal repayments or interest payments are overdue for a significant period of time or for other reasons; and loans are extended to any of (a) borrowers that are legally bankrupt through filings for proceedings under the Corporate Reorganization Act, Civil Rehabilitation Act, Bankruptcy Act, or Company Act; (b) borrowers that have notes suspended from being traded; or (c) borrowers that have filed for legal proceedings similar to the aforementioned proceedings based on overseas laws.
  3. Delinquent loans are loans for which interest is not accrued other than the loans to bankrupt borrowers and those with interest payments extended with the objective of restructuring or supporting the borrowers.
  4. Loans that are delinquent for over three months are loans with principal or interest unpaid for over three months beginning one day after the due date based on the loan agreement other than the loans to bankrupt borrowers and delinquent loans.
  5. Restructured loans are loans that provide certain concessions favorable to the borrower with the intent of supporting the borrower's restructuring, such as by reducing or exempting interest, postponing principal or interest payments, releasing credits, or providing other benefits to the borrowers other than the loans to bankrupt borrowers, delinquent loans, and loans that are delinquent for over three months.
  6. Accrued interest for the following loans is not recorded as revenue: loans to borrowers who are bankrupt, substantially bankrupt, or potentially bankrupt based on the result of asset self-assessment.

# (10) Consolidated Solvency Margin Ratio

(Million Yen)

	As of March 31, 2020	As of March 31, 2019
Solvency margin gross amount (A):	14,656,094	15,040,262
Foundation funds ( <i>kikin</i> ) and other reserve funds:	5,508,422	5,437,605
Foundation funds and others	1,791,393	1,888,331
Reserve for price fluctuations in investments in securities	1,531,621	1,460,182
Contingency reserve	1,934,764	1,825,914
Extraordinary contingency reserve	—	—
General allowance for doubtful accounts	2,702	2,213
Others	247,939	260,963
Net unrealized gains on available-for-sale securities (before tax) and deferred losses on derivatives under hedge accounting (before tax) × 90%	5,080,551	6,083,208
Net unrealized gains on real estate × 85%	501,626	374,311
Total amount of unrecognized actuarial gains/losses and unrecognized prior service cost	(20,848)	(18,717)
Excess of continued Zillmerized reserve	1,935,817	1,798,965
Qualifying subordinated debt	1,767,620	1,512,089
Excess of continued Zillmerized reserve and qualifying subordinated debt not included in margin calculations	—	—
Deduction clause	(260,126)	(249,621)
Others	89,031	102,421
Total amount of risk (B): $\sqrt{(\sqrt{R_1^2 + R_5^2} + R_8 + R_9)^2 + (R_2 + R_3 + R_7)^2} + R_4 + R_6$	2,798,230	3,015,936
Underwriting risk ( $R_1$ )	171,736	164,973
General underwriting risk ( $R_5$ )	—	—
Huge disaster risk ( $R_6$ )	—	—
Underwriting risk of third-sector insurance ( $R_8$ )	97,389	93,010
Underwriting risk related to small amount and short-term insurance providers ( $R_9$ )	—	—
Anticipated yield risk ( $R_2$ )	415,002	432,609
Minimum guarantee risk ( $R_7$ )	9,295	9,302
Investment risk ( $R_3$ )	2,300,790	2,498,757
Business management risk ( $R_4$ )	59,884	63,973
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	1,047.5%	997.3%

- Notes: 1. The amounts and figures 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.
2. The standard method is used for the calculation of the amount equivalent to minimum guarantee risk.

(11) Segment Information

For the fiscal years ended March 31, 2020 and 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.