
Financial Results for the Fiscal Year Ended March 31, 2021

Nippon Life Insurance Company (the “Company”; President: Hiroshi Shimizu) announces financial results for the fiscal year ended March 31, 2021.

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Attached: Supplementary Materials for the Fiscal Year Ended March 31, 2021

I. Financial Summary for the Fiscal Year Ended March 31, 2021

The Company will submit the financial results for the fiscal year ended March 31, 2021 (draft), for discussion at the 74th annual meeting of the representatives of policyholders to be held on July 2, 2021. A summary of the results is provided below.

1. Business Highlights

(1) Annualized Premium

• Policies in Force

(100 Million Yen, %)

	As of March 31, 2021		As of March 31, 2020	
		As a percentage of March 31, 2020		As a percentage of March 31, 2019
Individual insurance	26,492	98.1	27,001	98.6
Individual annuities	10,889	102.6	10,616	105.2
Total	37,382	99.4	37,618	100.4
Medical coverages, living benefits, and others	6,638	101.0	6,571	103.0

• New Policies

(100 Million Yen, %)

	Year ended March 31, 2021		Year ended March 31, 2020	
		As a percentage of March 31, 2020		As a percentage of March 31, 2019
Individual insurance	1,456	89.7	1,624	66.0
Individual annuities	643	73.1	880	135.1
Total	2,099	83.8	2,504	80.5
Medical coverages, living benefits, and others	431	75.7	570	121.1

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, 2021				As of March 31, 2020			
	Number of policies		Amount of policies		Number of policies		Amount of policies	
	(thousands)	As a percentage of March 31, 2020 (%)	(100 million yen)	As a percentage of March 31, 2020 (%)	(thousands)	As a percentage of March 31, 2019 (%)	(100 million yen)	As a percentage of March 31, 2019 (%)
Individual insurance	29,714	102.1	1,296,936	97.9	29,111	104.3	1,325,065	97.9
Individual annuities	4,137	101.2	251,483	101.4	4,088	103.1	248,128	103.7
Group insurance	—	—	987,791	100.9	—	—	978,894	100.8
Group annuities	—	—	136,490	102.0	—	—	133,871	101.6

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, 2021						Year ended March 31, 2020					
	Number of policies		Amount of policies				Number of policies		Amount of policies			
	(thousands)	As a percentage of March 31, 2020 (%)	(100 million yen)	As a percentage of March 31, 2020 (%)	New policies	Net increase (decrease) by conversion	(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
Individual insurance	3,796	80.5	57,374	89.6	56,413	960	4,716	100.8	64,046	92.5	63,749	296
Individual annuities	202	73.2	14,674	71.9	14,580	94	277	120.6	20,398	135.3	20,166	232
Group insurance	—	—	2,704	135.1	2,704		—	—	2,001	34.4	2,001	
Group annuities	—	—	20	765.7	20		—	—	2	45.4	2	

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, 2021		Year ended March 31, 2020	
		As a percentage of March 31, 2020		As a percentage of March 31, 2019
Revenues from insurance and reinsurance	42,646	94.2	45,261	94.8
Investment income	20,830	117.2	17,768	107.7
Benefits and other payments	38,034	104.8	36,293	99.3
Investment expenses	2,274	44.7	5,087	147.4
Ordinary profit	4,310	122.7	3,512	91.6

(4) Proposed Appropriations of Surplus

(100 Million Yen, %)

	Year ended March 31, 2021		Year ended March 31, 2020	
		As a percentage of March 31, 2020		As a percentage of March 31, 2019
Unappropriated surplus at the year-end	3,291	178.5	1,844	72.0
Provision of reserve for dividends to policyholders	2,760	149.1	1,851	87.4
Net surplus after deduction	556	390.1	142	20.4

(5) Total Assets

(100 Million Yen, %)

	As of March 31, 2021		As of March 31, 2020	
		As a percentage of March 31, 2020		As a percentage of March 31, 2019
Total assets	739,742	107.1	690,711	101.4

2. Overview of General Accounts Asset Management for the Fiscal Year Ended March 31, 2021

(1) Investment Environment

In the fiscal year ended March 31, 2021, the Japanese economy experienced substantial negative economic growth due to the impact of • voluntary restraint on economic activities in response to the coronavirus disease 2019 (COVID-19) pandemic. Although the economy showed some signs of improvement, supported by the government's economic measures and the Bank of Japan's monetary policies, the level of economic activities remained at a level lower than the one prior to the COVID-19 pandemic, and thus economic recovery is only halfway complete.

- The Nikkei Stock Average at the start of the fiscal year was ¥18,065. Subsequently, stock prices rose atop higher expectations for an economic recovery, underpinned by the Japanese government's economic measures and the Bank of Japan's accommodative monetary policies. In the second half of the fiscal year, the index rose once again, spurred by factors such as the conclusion of the US presidential election, and the development and distribution of the COVID-19 vaccine, resulting in an average of ¥29,178 at the end of March 2021.
- The yield rate on 10-year Japanese government bonds at the start of the fiscal year was 0.00%. Thereafter, with the Bank of Japan continuing to implement accommodative monetary policies, the yield rate remained largely in a flat range. Although the yield rate temporarily rose to 0.16%, reflecting factors such as an increase in US long-term interest rates and speculation regarding the Bank of Japan's policy review, it stood at 0.09% at the end of March 2021.
- The yen-dollar exchange rate at the start of the fiscal year was at the ¥107 level. Thereafter, the yen continued to strengthen against the weakening dollar, backed by factors such as the COVID-19 pandemic in the US. Due to a sense of uncertainty extending to announcements about the US Senate election results, the yen temporarily rose against the dollar to the ¥102 level in the first half of January 2021. Subsequently, dollar purchases increased due to increases in US long-term interest rates spurred by factors such as the announcement of large-scale economic measures led by the Biden administration. The yen weakened against the dollar and finished at ¥110.71 at the end of March 2021.
- The yen-euro exchange rate at the start of the fiscal year was at the ¥118 level. Subsequently, the yen depreciated against the euro based on expectations for an economic recovery driven by fiscal support within the European Union. This fiscal support was underpinned by developments, such as an agreement on the European Recovery Fund. The yen-euro exchange rate was ¥129.80 at the end of March 2021.

(2) Investment Summary

The Company's general account assets increased by ¥4,878.2 billion compared with the fiscal year ended March 31, 2020, totaling ¥72,746.9 billion as of March 31, 2021 (7.2% 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 ¥1,964.8 billion, an increase from ¥1,776.8 billion in the fiscal year ended March 31, 2020. The increase mainly reflected an increase in gain on sales of securities.

Investment expenses amounted to ¥227.4 billion, a decrease from ¥466.3 billion in the fiscal year ended March 31, 2020.

As a result, the Company's net investment income increased by ¥426.8 billion, compared with the fiscal year ended March 31, 2020, to ¥1,737.3 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.

To manage credit risk, the Company has built a system in which the Assessment Management Department, which is independent of the departments handling investment and financial activities, conducts analysis of creditworthiness through thorough monitoring, etc.

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. To manage credit risk, the Company has built a system to perform credit analysis, including strict assessment of individual transactions by 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 portfolio of the Company as a whole, and monitor 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 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, 2021		As of March 31, 2020	
	Amount	%	Amount	%
Cash, deposits, and call loans	9,843	1.4	9,965	1.5
Receivables under resale agreements	—	—	—	—
Receivables under securities borrowing transactions	—	—	—	—
Monetary receivables purchased	1,726	0.2	2,190	0.3
Proprietary trading securities	—	—	—	—
Assets held in trust	1	0.0	337	0.0
Investments in securities:	615,058	84.5	564,276	83.1
Domestic bonds	262,254	36.1	246,581	36.3
Domestic stocks	105,782	14.5	78,582	11.6
Foreign securities:	212,641	29.2	204,714	30.2
Foreign bonds	137,670	18.9	141,910	20.9
Foreign stocks and other securities	74,970	10.3	62,803	9.3
Other securities	34,379	4.7	34,398	5.1
Loans:	74,307	10.2	74,118	10.9
Policy loans	4,908	0.7	5,542	0.8
Industrial and consumer loans	69,398	9.5	68,575	10.1
Real estate:	16,866	2.3	16,587	2.4
Investment property	10,707	1.5	10,613	1.6
Deferred tax assets	—	—	—	—
Other assets	9,748	1.3	11,238	1.7
Allowance for doubtful accounts	(82)	(0.0)	(26)	(0.0)
Total assets (general account):	727,469	100.0	678,687	100.0
Foreign currency-denominated assets	206,757	28.4	196,873	29.0

Note: 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, 2021	Year ended March 31, 2020
Cash, deposits, and call loans	(121)	(828)
Receivables under resale agreements	—	—
Receivables under securities borrowing transactions	—	—
Monetary receivables purchased	(464)	(249)
Proprietary trading securities	—	—
Assets held in trust	(336)	206
Investments in securities:	50,781	9,132
Domestic bonds	15,672	11,305
Domestic stocks	27,200	(10,972)
Foreign securities:	7,927	6,118
Foreign bonds	(4,239)	3,200
Foreign stocks and other securities	12,167	2,918
Other securities	(18)	2,680
Loans:	188	(269)
Policy loans	(634)	(284)
Industrial and consumer loans	823	15
Real estate:	278	91
Investment property	93	129
Deferred tax assets	—	—
Other assets	(1,489)	2,319
Allowance for doubtful accounts	(55)	17
Total assets (general account):	48,782	10,419
Foreign currency-denominated assets	9,883	9,678

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

(3) Investment Income

(100 Million Yen)

	Year ended March 31, 2021	Year ended March 31, 2020
Interest, dividends, and other income:	13,819	14,261
Interest on deposits and savings	8	65
Interest on securities and dividends	11,746	11,954
Interest on loans	1,086	1,218
Real estate rental income	880	885
Other income	97	139
Gain on proprietary trading securities	—	—
Gain from assets held in trust, net	—	177
Gain on trading securities	—	—
Gain on sales of securities:	5,072	3,282
Gain on sales of domestic bonds, including national government bonds	507	411
Gain on sales of domestic stocks and other securities	893	684
Gain on sales of foreign securities	3,671	2,179
Other gains	—	5
Gain on redemptions of securities	36	21
Gain on derivative financial instruments, net	—	—
Foreign exchange gains, net	684	—
Reversal of allowance for doubtful accounts	—	12
Reversal of allowance for investment loss	21	—
Other investment income	11	13
Total	19,648	17,768

(4) Investment Expenses

(100 Million Yen)

	Year ended March 31, 2021	Year ended March 31, 2020
Interest expenses	284	332
Loss on proprietary trading securities	—	—
Loss from assets held in trust, net	341	—
Loss on trading securities	—	—
Loss on sales of securities:	401	487
Loss on sales of domestic bonds, including national government bonds	23	2
Loss on sales of domestic stocks and other securities	338	262
Loss on sales of foreign securities	40	222
Other losses	0	0
Loss on valuation of securities:	49	2,023
Loss on valuation of domestic bonds, including national government bonds	—	—
Loss on valuation of domestic stocks and other securities	18	1,424
Loss on valuation of foreign securities	30	598
Other losses	0	0
Loss on redemptions of securities	147	127
Loss on derivative financial instruments, net	480	839
Foreign exchange losses, net	—	294
Provision for allowance for doubtful accounts	59	—
Provision for allowance for investment loss	—	54
Write-offs of loans	—	—
Depreciation of real estate for rental use and other assets	178	175
Other investment expenses	332	329
Total	2,274	4,663

(5) Investment Indicators

1) Yield on primary assets

(%)

	Year ended March 31, 2021	Year ended March 31, 2020
Cash, deposits, and call loans	0.24	0.03
Receivables under resale agreements	—	—
Receivables under securities borrowing transactions	—	—
Monetary receivables purchased	1.84	1.77
Proprietary trading securities	—	—
Assets held in trust	(251.94)	84.23
Investments in securities:	3.24	2.25
Domestic bonds	1.98	1.68
Domestic stocks	4.72	2.73
Foreign securities	4.91	2.98
Foreign bonds	4.13	2.50
Foreign stocks and other securities	6.39	4.03
Loans:	1.31	1.51
Industrial and consumer loans	1.11	1.26
Real estate:	2.76	2.78
Investment property	4.29	4.39
General account total:	2.72	2.11
Overseas investments	4.60	2.82

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, 2021	Year ended March 31, 2020
Cash, deposits, and call loans	8,494	9,584
Receivables under resale agreements	—	—
Receivables under securities borrowing transactions	—	—
Monetary receivables purchased	1,945	2,168
Proprietary trading securities	—	—
Assets held in trust	135	210
Investments in securities:	515,355	497,807
Domestic bonds	255,583	236,702
Domestic stocks	46,367	48,088
Foreign securities	181,203	181,952
Foreign bonds	118,740	125,066
Foreign stocks and other securities	62,462	56,886
Loans:	74,983	74,540
Industrial and consumer loans	69,579	68,886
Real estate:	16,643	16,560
Investment property	10,472	10,573
General account total:	638,321	619,803
Overseas investments	197,591	197,842

(6) Net Valuation Gains/Losses on Trading Securities

(100 Million Yen)

	As of March 31, 2021		As of March 31, 2020	
	Balance sheet amount	Valuation gains (losses) included in profit and loss	Balance sheet amount	Valuation gains (losses) included in profit and loss
Trading securities	0	(253)	331	279

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, 2021					As of March 31, 2020				
		Book value	Fair value	Net gains/losses			Book value	Fair value	Net gains/losses		
					Gains	Losses				Gains	Losses
	Policy-reserve-matching bonds*	236,738	266,508	29,770	31,228	(1,457)	217,703	255,132	37,429	37,657	(227)
	Held-to-maturity debt securities	—	—	—	—	—	—	—	—	—	—
	Investments in subsidiaries and affiliates	1,286	2,832	1,545	1,545	—	1,342	1,904	562	563	(0)
	Available-for-sale securities:	269,257	360,966	91,708	93,577	(1,868)	275,572	333,416	57,843	64,110	(6,267)
	Domestic bonds	26,563	28,422	1,858	1,928	(70)	30,008	31,930	1,922	2,007	(85)
	Domestic stocks	41,173	99,816	58,642	59,650	(1,008)	41,421	73,202	31,780	34,749	(2,968)
	Foreign securities:	169,025	198,193	29,168	29,808	(639)	170,827	192,868	22,041	25,114	(3,073)
	Foreign bonds	116,729	136,239	19,510	19,968	(457)	121,223	140,688	19,465	20,943	(1,478)
	Foreign stocks and other securities	52,295	61,953	9,658	9,840	(181)	49,603	52,180	2,576	4,170	(1,594)
	Other securities	31,136	33,167	2,031	2,181	(150)	31,223	33,320	2,096	2,231	(134)
	Monetary receivables purchased	218	225	6	7	(0)	462	465	2	8	(5)
	Negotiable certificates of deposit	1,140	1,139	(0)	0	(0)	1,629	1,628	(0)	0	(0)
Total		507,282	630,307	123,024	126,351	(3,326)	494,618	590,453	95,835	102,331	(6,495)
	Domestic bonds	260,395	291,846	31,450	32,976	(1,526)	244,659	283,859	39,199	39,467	(268)
	Domestic stocks	41,173	99,816	58,642	59,650	(1,008)	41,421	73,202	31,780	34,749	(2,968)
	Foreign securities:	171,708	202,532	30,823	31,465	(641)	173,487	196,153	22,665	25,784	(3,118)
	Foreign bonds	118,136	137,757	19,620	20,080	(459)	122,550	142,079	19,528	21,051	(1,522)
	Foreign stocks and other securities	53,572	64,775	11,203	11,384	(181)	50,936	54,073	3,137	4,732	(1,595)
	Other securities	31,145	33,178	2,033	2,183	(150)	31,232	33,330	2,097	2,232	(134)
	Monetary receivables purchased	1,719	1,793	74	74	(0)	2,187	2,278	91	97	(6)
	Negotiable certificates of deposit	1,140	1,139	(0)	0	(0)	1,629	1,628	(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, 2021	As of March 31, 2020
Policy-reserve-matching bonds	—	—
Held-to-maturity debt securities:	—	—
Unlisted foreign bonds	—	—
Others	—	—
Investments in subsidiaries and affiliates	11,795	10,182
Available-for-sale securities:	6,967	5,583
Unlisted domestic stocks (excluding over-the-counter stocks)	611	600
Unlisted foreign stocks (excluding over-the-counter stocks)	3	2
Unlisted foreign bonds	0	0
Others	6,353	4,980
Total	18,763	15,766

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

¥29.5 billion and ¥(37.6) billion as of March 31, 2021 and 2020, respectively.

(8) Fair Value Information of Assets Held in Trust

(100 Million Yen)

	As of March 31, 2021					As of March 31, 2020				
	Balance sheet amount	Fair value	Net gains/losses			Balance sheet amount	Fair value	Net gains/losses		
			Gains	Losses				Gains	Losses	
Assets held in trust	1	1	—	—	—	337	337	—	—	—

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, 2021		As of March 31, 2020	
	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	1	(253)	337	279

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, 2021 and 2020.

4. Policies in Force by Types of Benefits as of March 31, 2021

		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	29,319	1,286,595	—	—	27,581	987,655	56,900	2,274,250
	Disaster	2,056	250,418	65	1,473	2,676	31,133	4,799	283,026
	Others	140	1,635	—	—	68	1,242	208	2,878
Pure endowment		395	10,341	4,137	251,483	7	136	4,540	261,961
Hospitalization coverage	Disaster	6,406	417	216	9	1,320	13	7,943	440
	Illness	6,399	417	215	9	—	—	6,614	427
	Others	5,426	376	48	2	57	0	5,532	378
Disability coverage		6,986	—	55	—	2,595	—	9,637	—
Surgical coverage		9,572	—	215	—	—	—	9,787	—

	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	8,805	136,490	156	4,443	8,961	140,933

	Medical care insurance	
	Number of policies (thousands)	Amount (100 million yen)
Hospitalization coverage	843	37

	Disability income insurance	
	Number of policies (thousands)	Amount (100 million yen)
Disability income coverage	1,459	573

- 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 37,000 and ¥33.4 billion, respectively.

5. Nonconsolidated Balance Sheets

(Million Yen)

	As of March 31, 2021	As of March 31, 2020
Assets:		
Cash and deposits:	861,580	1,020,742
Cash	54	132
Deposits	861,526	1,020,609
Call loans	540,086	422,906
Monetary receivables purchased	172,601	219,068
Assets held in trust	135	33,779
Investments in securities:	62,230,764	57,108,802
National government bonds	23,352,796	22,096,083
Local government bonds	908,416	779,033
Corporate bonds	2,270,187	2,114,396
Domestic stocks	10,640,573	7,901,082
Foreign securities	21,470,903	20,651,209
Other securities	3,587,886	3,566,997
Loans:	7,430,704	7,411,809
Policy loans	490,826	554,285
Industrial and consumer loans	6,939,877	6,857,523
Tangible fixed assets:	1,710,689	1,681,851
Land	1,148,601	1,124,273
Buildings	515,676	518,409
Lease assets	7,038	7,772
Construction in progress	22,337	16,047
Other tangible fixed assets	17,035	15,346
Intangible fixed assets:	189,726	192,824
Software	92,795	100,009
Other intangible fixed assets	96,930	92,815
Reinsurance receivables	350	379
Other assets:	807,455	941,616
Accounts receivable	90,895	119,601
Prepaid expenses	20,764	21,276
Accrued income	283,709	291,473
Money on deposit	33,678	33,559
Deposits for futures transactions	58,114	55,062
Futures transactions' variation margin	1	484
Derivative financial instruments	232,039	362,848
Suspense payments	2,990	4,756
Other assets	85,260	52,554
Customers' liability for acceptances and guarantees	71,228	75,110
Allowance for doubtful accounts	(8,219)	(2,686)
Allowance for investment loss	(32,879)	(35,068)
Total assets	73,974,223	69,071,135

5. Nonconsolidated Balance Sheets (Continued)

(Million Yen)

	As of March 31, 2021	As of March 31, 2020
Liabilities:		
Policy reserves and other reserves:	58,646,060	57,454,671
Reserve for outstanding claims	179,010	190,602
Policy reserves	57,420,217	56,220,282
Reserve for dividends to policyholders	1,046,832	1,043,785
Reinsurance payables	413	403
Corporate bonds	1,321,512	1,155,320
Other liabilities:	2,730,767	2,550,660
Payables under repurchase agreements	1,014,978	1,051,931
Loans payable	538,317	408,248
Income taxes payable	37,088	65,352
Accounts payable	125,869	276,297
Accrued expenses	63,731	67,334
Deferred income	15,804	16,094
Deposits received	120,618	113,736
Guarantee deposits received	86,263	86,630
Futures transactions' variation margin	540	31
Derivative financial instruments	652,612	363,716
Cash collateral received for financial instruments	51,026	76,303
Lease obligations	6,756	7,481
Asset retirement obligations	5,426	5,330
Suspense receipts	11,714	11,973
Other liabilities	17	197
Accrued bonuses for directors, and audit and supervisory board members	433	92
Accrued retirement benefits	375,693	374,460
Accrued retirement benefits for directors, and audit and supervisory board members	—	4,304
Reserve for program points	8,528	8,864
Reserve for price fluctuations in investments in securities	1,521,916	1,448,014
Deferred tax liabilities	877,504	98,548
Deferred tax liabilities for land revaluation	101,894	103,072
Acceptances and guarantees	71,228	75,110
Total liabilities	65,655,953	63,273,522

5. Nonconsolidated Balance Sheets (Continued)

(Million Yen)

	As of March 31, 2021	As of March 31, 2020
Net assets:		
Foundation funds	100,000	100,000
Reserve for redemption of foundation funds	1,300,000	1,300,000
Reserve for revaluation	651	651
Surplus:	494,556	353,780
Legal reserve for deficiencies	18,993	18,394
Other surplus reserves:	475,563	335,386
Contingency funds	71,917	71,917
Reserve for social public welfare assistance	351	351
Reserve for reduction entry of real estate	71,855	63,729
Reserve for reduction entry of real estate to be purchased	2,069	14,790
Other reserves	170	170
Unappropriated surplus	329,199	184,426
Total foundation funds and others	1,895,208	1,754,431
Net unrealized gains on available-for-sale securities	6,642,100	4,165,946
Deferred losses on derivatives under hedge accounting	(161,590)	(68,056)
Land revaluation losses	(57,447)	(54,706)
Total valuations, conversions, and others	6,423,062	4,043,182
Total net assets	8,318,270	5,797,613
Total liabilities and net assets	73,974,223	69,071,135

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” (ASBJ¹ 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 Japanese Institute of Certified Public Accountants (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.
- (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

¹ ASBJ: The Accounting Standards Board of Japan

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 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.
An allowance for loans to borrowers whose future business results are expected to worsen in case of a sudden event that has a large impact on economic conditions is recognized based on the estimated amount of impact on credit risk that has not yet been reflected in the borrowers' financial information and other disclosures.
- (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 ¥2,514 million (including ¥64 million of credits secured and/or guaranteed) as of March 31, 2021.
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, 2021, 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. A resolution was passed at the Meeting of Representatives held on July 2, 2020, to abolish the retirement benefit plan for directors, and audit and supervisory board members. As a result of this resolution, the payment prescribed under this plan was finalized. Accordingly, the unpaid amount of ¥4,432 million in accrued retirement benefits for directors, and audit and supervisory board members was reversed, and transferred to accounts payable.
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. 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. These reserves are accumulated in order to prepare for payments of future obligations based on insurance policies.
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 for additional policy reserves over a five-year period to cover a possible deficiency in the reserve for certain individual annuity policyholders. In the fiscal year ended March 31, 2021, the Company provided for these additional policy reserves in a lump sum. Moreover, 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, 2021, and similar policies (including lump-sum payment policies), the Company had previously decided to successively provide additional policy reserves over a six-year period. The Company has now decided to successively provide these additional policy reserves over the next three years. As a result, the policy reserves increased by

¥369,175 million, while ordinary profit and surplus before income taxes decreased by ¥369,175 million, compared with amounts that would have been recorded had the additional policy reserves not been provided in the fiscal year ended March 31, 2021.

18. The Company has applied the Accounting Standard for Disclosure of Accounting Estimates (ASBJ Statement No. 31) as of March 31, 2021.

Significant accounting estimates identified based on this Accounting Standard comprise valuations of investments in subsidiaries and affiliates.

The value of investments in subsidiaries and affiliates recorded in the balance sheet as of March 31, 2021, was ¥1,308,172 million. If the actual value of the investments in subsidiaries and affiliates without market prices decreases sharply due to a deterioration in their financial condition, the Company would need to record a considerable impairment loss. For the valuation of investments in subsidiaries and affiliates that are life insurance companies, the Company uses the corporate valuation amounts for such subsidiaries and other entities as the actual value. The calculations of the corporate valuation amounts include assumptions about factors pertaining to the subsidiaries and other entities, such as their future business performance and how long they will be impacted by the COVID-19 pandemic. Accordingly, if those assumptions change, the value of the investments in subsidiaries and affiliates could be significantly impacted. For details, please see Note 2 in the notes to the consolidated statement of income for the fiscal year ended March 31, 2021.

19. 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, the Company mainly uses derivative transactions for controlling asset or liability 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 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 system to perform credit analysis, including strict assessment of individual transactions by 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.

20. (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):	113,998	113,998	—
Available-for-sale securities	113,998	113,998	—
Monetary receivables purchased:	172,601	179,347	6,745
Policy-reserve-matching bonds	150,013	156,759	6,745
Available-for-sale securities	22,588	22,588	—
Assets held in trust:	135	135	—
Trading securities	135	135	—
Investments in securities:	60,339,883	63,462,340	3,122,457
Trading securities	724,950	724,950	—
Policy-reserve-matching bonds	23,526,269	26,494,134	2,967,864
Investments in subsidiaries and affiliates	128,615	283,208	154,592
Available-for-sale securities	35,960,047	35,960,047	—
Loans (*3):	7,423,996	7,629,583	205,587
Policy loans	490,675	490,675	—
Industrial and consumer loans	6,933,320	7,138,907	205,587
Derivative financial instruments (*4):	(420,572)	(420,572)	—
Hedge accounting not applied	42,904	42,904	—
Hedge accounting applied	(463,476)	(463,476)	—
Corporate bonds (*3 and *5)	(1,321,512)	(1,347,344)	(25,832)
Payables under repurchase agreements (*5)	(1,014,978)	(1,014,978)	—
Loans payable (*5)	(538,317)	(539,218)	(901)

(*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, 2021, 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 is 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 ¥1,179,556 million for stocks of subsidiaries and affiliates, and ¥711,324 million for available-for-sale securities as of March 31, 2021.

(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 ¥50,015 million for the current fiscal year.

2) Held-to-maturity debt securities

There were no balances as of March 31, 2021.

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	146,825	153,603	6,777
	Domestic bonds	19,474,557	22,579,362	3,104,804
	Foreign securities	120,625	129,870	9,245
	Subtotal	19,742,009	22,862,836	3,120,827
Fair value does not exceed the balance sheet amount	Monetary receivables purchased	3,188	3,155	(32)
	Domestic bonds	3,908,605	3,763,027	(145,577)
	Foreign securities	22,481	21,873	(607)
	Subtotal	3,934,274	3,788,057	(146,217)
Total		23,676,283	26,650,893	2,974,609

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)	55,000	55,000	0
	Monetary receivables purchased	14,297	15,016	718
	Domestic bonds	2,337,162	2,530,043	192,880
	Domestic stocks	3,579,363	9,544,442	5,965,078
	Foreign securities	15,114,971	18,095,796	2,980,825
	Other securities	2,142,186	2,360,385	218,199
	Subtotal	23,242,981	32,600,684	9,357,702
Balance sheet amount does not exceed acquisition cost or amortized cost	Cash and deposits (negotiable certificates of deposit)	59,000	58,998	(1)
	Monetary receivables purchased	7,596	7,571	(24)
	Domestic bonds	319,236	312,208	(7,028)
	Domestic stocks	538,025	437,210	(100,814)
	Foreign securities	1,787,530	1,723,573	(63,956)
	Other securities	971,416	956,386	(15,029)
	Subtotal	3,682,805	3,495,949	(186,855)
Total		26,925,786	36,096,633	9,170,847

* Securities totaling ¥711,324 million, whose fair value is extremely difficult to determine, are not included in the table above. Impairment losses of ¥308 million were recognized for securities with a fair value during the fiscal year ended March 31, 2021.

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, 2021, 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, 2021, is significant, impairment losses are recognized based on the fair value as of March 31, 2021.

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

- A security for which the average fair value in the month preceding March 31, 2021, is 50% or less of the acquisition cost.
- A security that meets both of the following criteria:

- i) The average fair value in the month preceding March 31, 2021, 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):	114,000	—	—	—
Available-for-sale securities	114,000	—	—	—
Monetary receivables purchased:	6,109	2,522	40,522	122,515
Policy-reserve-matching bonds	109	2,522	40,522	106,758
Available-for-sale securities	6,000	—	—	15,757
Investments in securities:	1,060,176	5,690,269	12,146,617	28,121,646
Policy-reserve-matching bonds	381,021	2,801,548	4,376,996	15,930,462
Available-for-sale securities	679,154	2,888,720	7,769,621	12,191,183
Loans	917,341	2,307,487	1,873,480	1,838,217
Corporate bonds	—	—	—	1,321,512
Payables under repurchase agreements	1,014,978	—	—	—
Loans payable	2,442	15,874	—	520,000

* 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 ¥5,099 million, are not included.

21. The balance sheet amount for investment and rental properties was ¥1,197,817 million, with a fair value of ¥1,607,373 million as of March 31, 2021. The Company owns rental office buildings and commercial facilities, and the fair value of those properties as of March 31, 2021, 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 ¥3,299 million as of March 31, 2021.

22. (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 ¥29,456 million as of March 31, 2021. The details of those balances were as follows:

- 1) The balances of loans to bankrupt borrowers and delinquent loans were ¥1,014 million and ¥25,806 million, respectively, as of March 31, 2021.

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, 2021.

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 ¥2,635 million as of March 31, 2021.

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 ¥2,448 million and ¥66 million, respectively as of March 31, 2021.

23. The amount of accumulated depreciation of tangible fixed assets was ¥1,152,548 million as of March 31, 2021.

24. Separate account assets as provided in accordance with Article 118, Paragraph 1 of the Insurance Business Act were ¥1,227,305 million as of March 31, 2021, and a corresponding liability is recorded in the same amount.

25. The total amounts of receivables from and payables to subsidiaries and affiliates were ¥62,548 million and ¥6,990 million, respectively, as of March 31, 2021.

26. Changes in the reserve for dividends to policyholders for the fiscal year ended March 31, 2021, were as follows:

	Million Yen
	Year ended March 31, 2021
a. Balance at the beginning of the current fiscal year	¥1,043,785
b. Transfer to reserve from surplus for the previous fiscal year	185,145
c. Dividends paid to policyholders during the current fiscal year	203,557
d. Increase in interest	21,458
e. Balance at the end of the current fiscal year (a+b-c+d)	¥1,046,832

27. 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
January 2021	Tenth anniversary date after the issue date and on each fifth anniversary date thereafter

28. Other liabilities include subordinated loans payable of ¥520,000 million with special provisions that the fulfillment of obligations on the loans payable is subordinate to all other debt obligations.

The Company also assumed the following yen-denominated subordinated debt on May 11, 2021.

Principal amount	¥200 billion
Interest rate	Fixed rate of 0.97% per annum until May 11, 2031 Fixed rate with step-up from May 12, 2031 (reset every five years)
Repayment date	The third bank business day preceding May 11, 2051 (The loan is callable on the third bank business day preceding May 11, 2031, and the third bank business day preceding each fifth anniversary date thereafter, until the loan is fully redeemed at the discretion of the Company, subject to prior approval by the regulatory authorities.)
Use of funds	General working capital

29. Assets pledged as collateral in the form of investments in securities, land, and buildings as of March 31, 2021, were ¥2,002,158 million, ¥252 million, and ¥40 million, respectively. The total amount of liabilities covered by the assets pledged was ¥1,014,997 million as of March 31, 2021.

These amounts included ¥946,842 million of sale of securities under repurchase agreements, and ¥1,014,978 million of payables under repurchase agreements.

30. The total amount of stocks and investments in subsidiaries and affiliates was ¥1,308,172 million as of March 31, 2021.

On April 30, 2021, the Company established Nissay Small-Amount and Short-Term Insurance Preparatory Company (the “Preparatory Company”), with a view to establishing a small amount and short-term insurance subsidiary (the “New Company”).

1) Purpose of establishing the New Company

The purpose of establishing the New Company is to flexibly and rapidly supply various insurance products both in the life and non-life insurance fields, in order to address diversifying customer needs against the

backdrop of changing lifestyles, diversifying individual values, and the widespread adoption of digital environments.

2) Overview of the Preparatory Company

- a. Company name: Nissay Small-Amount and Short-Term Insurance Preparatory Company
- b. Head office location: Chiyoda-ku, Tokyo
- c. Capital stock: ¥599.99 million (including legal capital surplus)

3) Scheduled establishment date

April 30, 2021

4) Ownership ratio after the establishment of the Preparatory Company

100%

5) Others

The establishment of the New Company is conditional upon the Company obtaining the approval of the Commissioner of the Financial Services Agency pursuant to Article 272-31, Paragraph 1 of the Insurance Business Act and the permission of the Commissioner of the Financial Services Agency pursuant to Article 106, Paragraph 7 of the Insurance Business Act. It is also conditional upon the Preparatory Company registering as a small amount and short-term insurance business pursuant to Article 272 of the Insurance Business Act.

- 31. The amount of securities lent under lending agreements was ¥2,843,542 million as of March 31, 2021.
- 32. 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 ¥389,126 million at fair value as of March 31, 2021.
- 33. The unused amount of commitments related to loans and similar loans agreements was ¥343,726 million as of March 31, 2021.
- 34. 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 ¥72,187 million as of March 31, 2021. The amount contributed to the corporation above was recorded as operating expenses.
- 35. 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.

(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	¥631,072
b. Service costs	27,316
c. Interest cost	3,786
d. Actuarial losses accrued during the year	4,388
e. Retirement benefit payments	(40,874)
f. Retirement benefit obligations at the end of the year (a+b+c+d+e)	¥625,689

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	¥238,608
b. Expected return on plan assets	3,221
c. Actuarial gains incurred during the year	11,991
d. Contributions by the Company	6,681
e. Retirement benefit payments	(17,002)
f. Pension plan assets at the end of the year (a+b+c+d+e)	¥243,500

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	¥250,573
b. Plan assets	(243,500)
	7,072
c. Retirement benefit obligations for nonfunded plans	375,115
d. Unrecognized actuarial gains	(11,765)
e. Unrecognized prior service costs	5,271
f. Accrued retirement benefits (a+b+c+d+e)	¥375,693

4) Losses (gains) relating to retirement benefits

	Million Yen
a. Service costs	¥27,316
b. Interest cost	3,786
c. Expected return on plan assets	(3,221)
d. Amortization of actuarial losses for the period	5,223
e. Prior service costs accrued during the year	(1,317)
f. Benefit cost for defined benefit plans (a+b+c+d+e)	¥31,787

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

a. General account of life insurance	49.8%
b. Cash and deposits	20.6%
c. Foreign securities	19.9%
d. Domestic bonds	6.0%
e. Domestic stocks	3.7%
f. Total (a+b+c+d+e)	<u>100.0%</u>

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, 2021, 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 ¥2,249 million to the defined contribution plans during the fiscal year ended March 31, 2021.

36. (1) Total deferred tax assets were ¥1,812,734 million and total deferred tax liabilities were ¥2,624,769 million as of March 31, 2021. The deferred tax assets were reduced by the valuation allowance of ¥65,469 million. The major components resulting in deferred tax assets were policy reserves and other reserves of ¥1,084,110 million, reserve for price fluctuations in investments in securities of ¥424,614 million, and accrued retirement benefits of ¥104,818 million. The major component resulting in deferred tax liabilities was net unrealized gains on available-for-sale securities of ¥2,542,367 million.

The main reason for the change in the valuation allowance that reduced the deferred tax assets was a decrease in the valuation allowance in line with a rise in the market value of stocks.

(2) The effective statutory tax rate was 27.9% for the fiscal year ended March 31, 2021. 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 22.4% due to the amount of reserve for dividends to policyholders.

37. 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, Items 1 and 4 of the Order for Enforcement of the Act on Revaluation of Land.

38. 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 ¥213 million as of March 31, 2021.
39. The amount per Article 30, Paragraph 2 of the Ordinance for Enforcement of the Insurance Business Act was ¥6,481,161 million as of March 31, 2021.

6. Nonconsolidated Statements of Income

(Million Yen)

	Year ended March 31, 2021	Year ended March 31, 2020
Ordinary income:	6,475,334	6,479,945
Revenues from insurance and reinsurance:	4,264,628	4,526,109
Insurance premiums	4,263,255	4,525,225
Reinsurance revenue	1,372	884
Investment income:	2,083,028	1,776,868
Interest, dividends, and other income:	1,381,994	1,426,177
Interest on deposits and savings	874	6,524
Interest on securities and dividends	1,174,673	1,195,430
Interest on loans	108,633	121,811
Real estate rental income	88,036	88,504
Other income	9,776	13,906
Gain from assets held in trust, net	—	17,720
Gain on sales of securities	507,284	328,211
Gain on redemptions of securities	3,690	2,193
Foreign exchange gains, net	68,465	—
Reversal of allowance for doubtful accounts	—	1,233
Reversal of allowance for investment loss	2,188	—
Other investment income	1,177	1,333
Gain from separate accounts, net	118,226	—
Other ordinary income:	127,678	176,968
Income from annuity riders	7,409	10,005
Income from deferred benefits	76,119	80,784
Reversal of reserve for outstanding claims	11,592	47,825
Other ordinary income	32,555	38,351

6. Nonconsolidated Statements of Income (Continued)

(Million Yen)

	Year ended March 31, 2021	Year ended March 31, 2020
Ordinary expenses:	6,044,263	6,128,707
Benefits and other payments:	3,803,456	3,629,384
Death and other claims	999,529	1,019,362
Annuity payments	803,471	805,445
Health and other benefits	661,384	691,317
Surrender benefits	1,108,847	918,833
Other refunds	228,332	192,941
Reinsurance premiums	1,891	1,484
Provision for policy reserves:	1,221,393	1,153,383
Provision for policy reserves	1,199,935	1,131,660
Provision for interest on reserve for dividends to policyholders	21,458	21,722
Investment expenses:	227,482	508,797
Interest expenses	28,437	33,220
Loss from assets held in trust, net	34,144	—
Loss on sales of securities	40,193	48,704
Loss on valuation of securities	4,963	202,393
Loss on redemptions of securities	14,736	12,745
Loss on derivative financial instruments, net	48,004	83,947
Foreign exchange losses, net	—	29,408
Provision for allowance for doubtful accounts	5,968	—
Provision for allowance for investment loss	—	5,471
Depreciation of real estate for rental use and other assets	17,830	17,582
Other investment expenses	33,203	32,912
Loss on separate accounts, net	—	42,411
Operating expenses	575,223	598,746
Other ordinary expenses:	216,707	238,395
Deferred benefit payments	87,842	100,987
Taxes	51,876	51,167
Depreciation	54,314	56,691
Provision for retirement benefits	1,233	8,562
Other ordinary expenses	21,439	20,985

6. Nonconsolidated Statements of Income (Continued)

(Million Yen)

	Year ended March 31, 2021	Year ended March 31, 2020
Ordinary profit	431,070	351,238
Extraordinary gains:	89	1,687
Gain on disposals of fixed assets	89	1,687
Extraordinary losses:	86,867	147,759
Loss on disposals of fixed assets	4,999	6,190
Impairment losses	4,885	2,893
Provision for reserve for price fluctuations in investments in securities	73,902	66,361
Loss on tax purpose reduction entry of real estate	80	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	344,292	205,166
Income taxes — current	134,353	154,061
Income taxes — deferred	(113,520)	(130,304)
Total income taxes	20,832	23,756
Net surplus	323,459	181,410

Notes to the Nonconsolidated Statement of Income for the Fiscal Year Ended March 31, 2021

1. The Company has adopted the following significant accounting principles and procedures in cases where the provisions of the relevant accounting standards, identified in accordance with the Revised Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections (revised ASBJ Statement No. 24) were not clear.
 - (1) Revenues from insurance and reinsurance (excluding revenues from reinsurance) are recorded as the amount of payments that have been received, in principal.
 - (2) Benefits and other payments (excluding reinsurance premiums) are recorded as the amount of payments made with respect to policies for which an event that is a reason for payment of claims or benefits has occurred based on the policy clauses and the amount determined based on those policy clauses was paid.
2. The total income and expenses from transactions with subsidiaries and affiliates were ¥28,938 million and ¥30,342 million, respectively, for the fiscal year ended March 31, 2021.
3. Gain on sales of securities includes gains on sales of domestic bonds, including national government bonds, domestic stocks, and foreign securities of ¥50,774 million, ¥89,320 million, and ¥367,189 million, respectively, for the fiscal year ended March 31, 2021.
4. Loss on sales of securities includes losses on sales of domestic bonds, including national government bonds, domestic stocks, and foreign securities of ¥2,319 million, ¥33,854 million, and ¥4,019 million, respectively, for the fiscal year ended March 31, 2021.
5. Loss on valuation of securities includes losses on valuation of domestic stocks and foreign securities of ¥1,888 million and ¥3,074 million, respectively, for the fiscal year ended March 31, 2021.
6. Provision for policy reserves for ceded reinsurance that was added to the calculation of provision for policy reserves was ¥41 million for the fiscal year ended March 31, 2021.
7.
 - (1) Loss from assets held in trust, net includes net valuation losses of ¥25,339 million for the fiscal year ended March 31, 2021.
 - (2) Loss on derivative financial instruments, net includes net valuation losses of ¥11,658 million for the fiscal year ended March 31, 2021.
8. 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:

(Million Yen)

Purpose of use	Land	Buildings	Total
Real estate for rental use	147	—	147
Idle properties	3,299	1,438	4,738
Total	3,447	1,438	4,885

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.

7. Nonconsolidated Statements of Changes in Net Assets

For the Year Ended March 31, 2021

(Million Yen)

	Foundation funds and others											Total foundation funds and others
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Legal reserve for deficiencies	Surplus						Total surplus	
					Other surplus reserves							
					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	1,300,000	651	18,394	71,917	351	63,729	14,790	170	184,426	353,780	1,754,431
Increase/decrease:												
Additions to reserve for dividends to policyholders										(185,145)	(185,145)	(185,145)
Additions to legal reserve for deficiencies				599						(599)	—	—
Interest on foundation funds										(277)	(277)	(277)
Net surplus										323,459	323,459	323,459
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							9,380			(9,380)	—	—
Reversal of reserve for reduction entry of real estate							(1,254)			1,254	—	—
Additions to reserve for reduction entry of real estate to be purchased								1,007		(1,007)	—	—
Reversal of reserve for reduction entry of real estate to be purchased								(13,728)		13,728	—	—
Reversal of land revaluation losses										2,740	2,740	2,740
Net change, excluding foundation funds and others												
Net change	—	—	—	599	—	—	8,126	(12,721)	—	144,772	140,776	140,776
Ending balance	100,000	1,300,000	651	18,993	71,917	351	71,855	2,069	170	329,199	494,556	1,895,208

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

For the Year Ended March 31, 2021

(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	4,165,946	(68,056)	(54,706)	4,043,182	5,797,613
Increase/decrease:					
Additions to reserve for dividends to policyholders					(185,145)
Additions to legal reserve for deficiencies					—
Interest on foundation funds					(277)
Net surplus					323,459
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					2,740
Net change, excluding foundation funds and others	2,476,154	(93,533)	(2,740)	2,379,880	2,379,880
Net change	2,476,154	(93,533)	(2,740)	2,379,880	2,520,657
Ending balance	6,642,100	(161,590)	(57,477)	6,423,062	8,318,270

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

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	Legal reserve for deficiencies	Surplus							Total 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	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

8. Details of Ordinary Profit (Core Operating Profit)

(Million Yen)

	Year ended March 31, 2021	Year ended March 31, 2020
Core operating profit (A)	656,563	647,453
Capital gains:	596,133	457,453
Gain on proprietary trading securities	—	—
Gain from assets held in trust, net	—	17,720
Gain on trading securities	—	—
Gain on sales of securities	507,284	328,211
Gain on derivative financial instruments, net	—	—
Foreign exchange gains, net	68,465	—
Other capital gains	20,382	111,522
Capital losses:	286,663	462,402
Loss on proprietary trading securities	—	—
Loss from assets held in trust, net	34,144	—
Loss on trading securities	—	—
Loss on sales of securities	40,193	48,704
Loss on valuation of securities	4,963	202,393
Loss on derivative financial instruments, net	48,004	83,947
Foreign exchange losses, net	—	29,408
Other capital losses	159,357	97,947
Net capital losses (B)	309,469	(4,948)
Core operating profit, including net capital losses (A+B)	966,032	642,505

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

(Million Yen)

	Year ended March 31, 2021	Year ended March 31, 2020
Nonrecurring gains:	2,188	1,473
Reinsurance revenue	—	—
Reversal of contingency reserve	—	—
Reversal of specific allowance for doubtful accounts	—	1,473
Other nonrecurring gains	2,188	—
Nonrecurring losses:	537,150	292,740
Reinsurance premiums	—	—
Provision for contingency reserve	166,396	101,156
Provision for specific allowance for doubtful accounts	1,579	—
Provision for allowance for specific overseas loans	—	—
Write-offs of loans	—	—
Other nonrecurring losses	369,175	191,584
Net nonrecurring losses (C)	(534,961)	(291,266)
Ordinary profit (A+B+C)	431,070	351,238

(Reference) Breakdown of “Other” items

(Million Yen)

	Year ended March 31, 2021	Year ended March 31, 2020
Core operating profit	138,975	(13,574)
Interest income and expenses related to swap transactions for foreign currency-denominated insurance products and swap transactions for hedging purposes	18,811	18,118
Impact of market exchange rate movements related to foreign currency-denominated insurance policies	140,545	(111,522)
Impact of movements in surrender benefits related to market value adjustment	(20,382)	79,829
Other capital gains	20,382	111,522
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
Impact of movements in surrender benefits related to market value adjustment	20,382	—
Other capital losses	159,357	97,947
Interest income and expenses related to swap transactions for foreign currency-denominated insurance products and swap transactions for hedging purposes	18,811	18,118
Impact of market exchange rate movements related to foreign currency-denominated insurance policies	140,545	—
Impact of movements in surrender benefits related to market value adjustment	—	79,829
Other nonrecurring gains	2,188	—
Reversal of allowance for investment loss	2,188	—
Other nonrecurring losses	369,175	191,584
Provision for allowance for investment loss	—	5,471
Provision for additional policy reserves	369,175	186,113

9. Nonconsolidated Proposed Appropriations of Surplus

(Thousand Yen)

	Year ended March 31, 2021	Year ended March 31, 2020
Unappropriated surplus	329,199,756	184,426,821
Reversal from voluntary surplus reserve:	2,452,475	14,983,278
Reversal of equalized reserve for dividends to policyholders	—	—
Reversal of reserve for reduction entry of real estate	1,390,319	1,254,517
Reversal of reserve for reduction entry of real estate to be purchased	1,062,156	13,728,761
Total	331,652,232	199,410,100
Appropriations:	331,652,232	199,410,100
Reserve for dividends to policyholders	276,006,182	185,145,971
Net surplus:	55,646,050	14,264,128
Legal reserve for deficiencies	995,000	599,000
Reserve for redemption of foundation funds	50,000,000	—
Interest on foundation funds	277,000	277,000
Voluntary surplus reserve:	4,374,050	13,388,128
Reserve for social public welfare assistance	3,000,000	3,000,000
Reserve for reduction entry of real estate	1,374,050	9,380,761
Reserve for reduction entry of real estate to be purchased	—	1,007,367
Surplus carried forward	—	—

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

(Million Yen, %)

	As of March 31, 2021	As of March 31, 2020
Bankrupt and quasi-bankrupt loans	10,308	10,523
Doubtful loans	16,511	17,067
Substandard loans	2,635	1,563
Subtotal	29,456	29,155
[Percentage of total, %]	[0.28]	[0.27]
Normal loans	10,338,632	10,945,411
Total	10,368,089	10,974,566

- 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, 2021 and 2020, were ¥2,514 million and ¥2,106 million, respectively.

11. Status of Risk-Monitored Loans

(Million Yen, %)

	As of March 31, 2021	As of March 31, 2020
Loans to bankrupt borrowers	1,014	1,532
Delinquent loans	25,806	26,057
Loans that are delinquent for over three months	—	—
Restructured loans	2,635	1,563
Total	29,456	29,154
[Percentage of total loans, %]	[0.40]	[0.39]

- 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 ¥2,448 million and ¥66 million, respectively, as of March 31, 2021 and ¥2,027 million and ¥78 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.

12. Breakdown of Allowance for Doubtful Accounts

(Million Yen)

	Year ended March 31, 2021	Year ended March 31, 2020	Difference
(1) Breakdown of allowance for doubtful accounts			
(A) General allowance for doubtful accounts	5,424	1,035	4,389
(B) Specific allowance for doubtful accounts	2,794	1,651	1,143
(C) Allowance for specific overseas loans	—	—	—
(2) Specific allowance for doubtful accounts			
(A) Provision	5,309	3,757	1,552
(B) Reversal	3,730	5,231	(1,500)
[excluding reversals with write-offs]			
(C) Net provision	1,579	(1,473)	3,053
(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, 2021	As of March 31, 2020
Solvency margin gross amount (A):	17,717,439	13,865,444
Foundation funds (<i>kikin</i>) and other reserve funds:	5,432,807	5,143,643
Foundation funds and others	1,618,924	1,569,008
Reserve for price fluctuations in investments in securities	1,521,916	1,448,014
Contingency reserve	2,044,663	1,878,267
General allowance for doubtful accounts	5,424	1,035
Others	241,878	247,318
Net unrealized gains on available-for-sale securities (before tax) and deferred losses on derivatives under hedge accounting (before tax) × 90%	8,042,164	5,025,159
Net unrealized gains on real estate × 85%	503,035	479,243
Excess of continued Zillmerized reserve	1,973,928	1,697,908
Qualifying subordinated debt	1,841,512	1,545,320
Excess of continued Zillmerized reserve and qualifying subordinated debt not included in margin calculations	—	—
Deduction clause	(105,201)	(55,023)
Others	29,191	29,191
Total amount of risk (B):		
$\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2 + R_4}$	3,516,976	2,831,718
Underwriting risk (R ₁)	114,185	115,290
Underwriting risk of third-sector insurance (R ₈)	88,290	85,115
Anticipated yield risk (R ₂)	321,151	348,663
Minimum guarantee risk (R ₇)	5,378	5,620
Investment risk (R ₃)	3,111,675	2,410,869
Business management risk (R ₄)	72,813	59,311
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	1,007.5%	979.2%

- 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, 2021	As of March 31, 2020
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, 2021

(1) Balance of Separate Account Assets

(Million Yen)

	As of March 31, 2021	As of March 31, 2020
Individual variable insurance	112,908	94,319
Individual variable annuities	32,223	28,017
Group annuities	1,082,174	1,080,089
Separate account total	1,227,305	1,202,426

(2) Status of Separate Accounts for Individual Variable Insurance

1) Policies in Force

	As of March 31, 2021		As of March 31, 2020	
	Number of policies	Amount of policies (million yen)	Number of policies	Amount of policies (million yen)
Variable insurance (defined term type)	10,791	6,271	11,312	4,567
Variable insurance (whole life type)	30,608	425,701	31,271	436,503
Total	41,399	431,973	42,583	441,071

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

(Million Yen, %)

	As of March 31, 2021		As of March 31, 2020	
	Amount	Composition ratio	Amount	Composition ratio
Cash, deposits, and call loans	9,060	8.0	6,019	6.4
Investments in securities:	98,331	87.1	83,538	88.6
Domestic bonds	22,793	20.2	24,046	25.5
Domestic stocks	13,747	12.2	5,358	5.7
Foreign securities:	38,711	34.3	32,833	34.8
Foreign bonds	9,757	8.6	9,904	10.5
Foreign stocks and other securities	28,954	25.6	22,929	24.3
Other securities	23,058	20.4	21,301	22.6
Loans	—	—	—	—
Others	5,536	4.9	4,761	5.0
Allowance for doubtful accounts	—	—	—	—
Total	112,908	100.0	94,319	100.0

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

(Million Yen)

	Year ended March 31, 2021	Year ended March 31, 2020
	Amount	Amount
Interest, dividends, and other income	4,453	1,658
Gain on sales of securities	12,365	5,948
Gain on redemptions of securities	—	—
Gain on valuation of securities	5,778	(3,266)
Foreign exchange gains, net	230	200
Gain on derivative financial instruments, net	1,333	1,395
Other investment income	1	5
Loss on sales of securities	3,322	6,790
Loss on redemptions of securities	0	0
Loss on valuation of securities	(5,939)	2,443
Foreign exchange losses, net	180	230
Loss on derivative financial instruments, net	1,884	4,447
Other investment expenses	0	0
Net investment income	24,714	(7,971)

(3) Status of Separate Accounts for Individual Variable Annuities

1) Policies in Force

	As of March 31, 2021		As of March 31, 2020	
	Number of policies	Amount of policies (million yen)	Number of policies	Amount of policies (million yen)
Individual variable annuities	27,164	33,221	33,818	28,001

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

(Million Yen, %)

	As of March 31, 2021		As of March 31, 2020	
	Amount	Composition ratio	Amount	Composition ratio
Cash, deposits, and call loans	—	—	—	—
Investments in securities:	31,498	97.8	27,205	97.1
Domestic bonds	4,586	14.2	6,290	22.5
Domestic stocks	—	—	—	—
Foreign securities:	—	—	—	—
Foreign bonds	—	—	—	—
Foreign stocks and other securities	—	—	—	—
Other securities	26,912	83.5	20,915	74.7
Loans	—	—	—	—
Others	724	2.2	811	2.9
Allowance for doubtful accounts	—	—	—	—
Total	32,223	100.0	28,017	100.0

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

(Million Yen)

	Year ended March 31, 2021	Year ended March 31, 2020
	Amount	Amount
Interest, dividends, and other income	1,336	1,434
Gain on sales of securities	145	332
Gain on redemptions of securities	—	—
Gain on valuation of securities	3,319	(2,320)
Foreign exchange gains, net	—	—
Gain on derivative financial instruments, net	—	—
Other investment income	0	0
Loss on sales of securities	376	126
Loss on redemptions of securities	—	—
Loss on valuation of securities	(7,814)	6,491
Foreign exchange losses, net	—	—
Loss on derivative financial instruments, net	—	—
Other investment expenses	0	0
Net investment income	12,239	(7,169)

15. Status of the Company, Subsidiaries, and Affiliates

(1) Selected Financial Data for Major Operations

(100 Million Yen)

	Year ended March 31, 2021	Year ended March 31, 2020
Ordinary income	81,609	80,506
Ordinary profit	4,756	2,813
Net surplus attributable to the parent company	3,315	1,921
Comprehensive income	28,379	(6,305)

	As of March 31, 2021	As of March 31, 2020
Total assets	855,899	800,811
Solvency margin ratio	1,075.0%	1,047.5%

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

	As of March 31, 2021
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	Nil

(3) Policies for Preparing the Consolidated Financial Statements for the Fiscal Year Ended March 31, 2021

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

NLI US Investments, Inc. changed its name to Nippon Life Americas, Inc. on May 1, 2021.

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, 2021, 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)

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 in the Company's consolidated net income and surplus for the fiscal year ended March 31, 2021, 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 ("goodwill and other assets") 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, 2021	As of March 31, 2020
Assets:		
Cash and deposits	1,771,810	1,751,037
Call loans	540,086	422,906
Monetary receivables purchased	316,335	375,278
Assets held in trust	135	33,779
Investments in securities	70,741,631	65,084,003
Loans	8,423,975	8,436,650
Tangible fixed assets:	1,941,042	1,913,574
Land	1,284,407	1,261,133
Buildings	579,054	582,389
Lease assets	8,280	9,262
Construction in progress	22,427	16,167
Other tangible fixed assets	46,872	44,620
Intangible fixed assets:	385,669	386,396
Software	122,279	126,334
Goodwill	83,185	84,220
Lease assets	31	35
Other intangible fixed assets	180,172	175,805
Reinsurance receivables	26,705	69,533
Other assets	1,367,177	1,512,525
Net defined benefit asset	468	—
Deferred tax assets	13,538	24,318
Customers' liability for acceptances and guarantees	71,728	76,136
Allowance for doubtful accounts	(10,343)	(4,969)
Total assets	85,589,960	80,081,170

(4) Consolidated Balance Sheets (Continued)

(Million Yen)

	As of March 31, 2021	As of March 31, 2020
Liabilities:		
Policy reserves and other reserves:	68,266,939	66,765,636
Reserve for outstanding claims	249,222	258,970
Policy reserves	66,916,145	65,406,129
Reserve for dividends to policyholders (mutual company)	1,046,832	1,043,785
Reserve for dividends to policyholders (limited company)	54,738	56,750
Reinsurance payables	8,065	7,519
Corporate bonds	1,432,612	1,277,620
Other liabilities	3,871,138	3,541,405
Accrued bonuses for directors, and audit and supervisory board members	433	92
Net defined benefit liability	438,263	449,594
Accrued retirement benefits for directors, and audit and supervisory board members	689	4,970
Reserve for program points	8,528	8,864
Reserve for price fluctuations in investments in securities	1,610,738	1,531,621
Deferred tax liabilities	962,359	157,426
Deferred tax liabilities for land revaluation	101,894	103,072
Acceptances and guarantees	71,728	76,136
Total liabilities	76,773,391	73,923,960

(4) Consolidated Balance Sheets (Continued)

(Million Yen)

	As of March 31, 2021	As of March 31, 2020
Net assets:		
Foundation funds	100,000	100,000
Reserve for redemption of foundation funds	1,300,000	1,300,000
Reserve for revaluation	651	651
Consolidated surplus	709,574	554,790
Total foundation funds and others	2,110,225	1,955,441
Net unrealized gains on available-for-sale securities	6,767,268	4,199,843
Deferred losses on derivatives under hedge accounting	(163,088)	(69,235)
Land revaluation losses	(57,447)	(54,706)
Foreign currency translation adjustments	(25,774)	(26,406)
Remeasurement of defined benefit plans	(6,511)	(15,030)
Total accumulated other comprehensive income	6,514,448	4,034,464
Share acquisition rights	1,349	926
Noncontrolling interests	190,546	166,377
Total net assets	8,816,569	6,157,210
Total liabilities and net assets	85,589,960	80,081,170

Notes to the Consolidated Balance Sheets as of March 31, 2021

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)

(3) Nippon Wealth Life Insurance Company Limited

- 1) Individual insurance and individual annuity products (certain types of insurance are excluded)
- 2) Whole life cancer insurance and endowment insurance products
- 3) Single payment whole life insurance (fixed accumulation value type) products

- 4) Yen-denominated single payment products other than the above (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).
- 5) U.S. dollar-denominated products other than the above (certain types of insurance are excluded)
- 6) Australian dollar-denominated single payment annuity products other than the above

(4) HANASAKU LIFE INSURANCE Co., Ltd.

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.

An allowance for loans to borrowers whose future business results are expected to worsen in case of a sudden event that has a large impact on economic conditions is recognized based on the estimated amount of impact on credit risk that has not yet been reflected in the borrowers' financial information and other disclosures.
- (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 ¥3,784 million (including ¥64 million of credits secured and/or guaranteed) as of March 31, 2021.

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. In order to provide for payments of retirement benefits to directors, and audit and supervisory board members at certain consolidated subsidiaries, accrued retirement benefits for directors, and audit and supervisory board members are recognized based on estimated payment amounts under internal rules.
- The Company passed a resolution at the Meeting of Representatives held on July 2, 2020, to abolish the retirement benefit plan for directors, and audit and supervisory board members. As a result of this resolution, the payment prescribed under this plan was finalized. Accordingly, the unpaid amount of ¥4,432 million in accrued retirement benefits for directors, and audit and supervisory board members was reversed, transferred to accounts payable, and presented in other liabilities.
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
Equity forward contracts	Domestic stocks

- 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. 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. These reserves are accumulated in order to prepare for payments of future obligations based on insurance policies. 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, 2021. As a result, policy reserves increased by ¥382,024 million, while ordinary profit and surplus before income taxes decreased by ¥382,024 million.

a. The Company

Effective from the fiscal year ended March 31, 2019, the Company has provided for additional policy reserves over a five-year period to cover a possible deficiency in the reserve for certain individual annuity policyholders. In the fiscal year ended March 31, 2021, the Company provided for these additional policy reserves in a lump sum. Moreover, 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 and similar policies (including lump-sum payment policies), the Company had previously decided to successively provide additional policy reserves over a six-year period. The Company has now decided to successively provide these additional policy reserves over a three-year period. As a result, the policy reserves increased by ¥369,175 million, while ordinary profit and surplus before income taxes decreased by ¥369,175 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, 2021.

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 ¥12,849 million, while ordinary profit and surplus before income taxes decreased by ¥12,849 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, 2021.

(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. The Company has applied the Accounting Standard for Disclosure of Accounting Estimates (ASBJ Statement No. 31) as of March 31, 2021.

The significant accounting estimates identified based on this Accounting Standard comprise valuations of goodwill and other assets.

Goodwill and other assets recorded in the consolidated balance sheet as of March 31, 2021, comprise the following:

1) Goodwill	¥83,185 million
Nippon Life India Asset Management Limited	83,185 million
2) Goodwill equivalent	77,554 million
Reliance Nippon Life Insurance Company Limited	36,896 million
The TCW Group, Inc.	21,445 million
PT Sequis	19,212 million

For details on the accounting estimates used to record impairment losses on goodwill and other assets, please see Note 2 in the notes to the consolidated statement of income for the fiscal year ended March 31, 2021.

19. 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, the Company and certain consolidated subsidiaries mainly use derivative transactions for controlling asset or liability 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 certain consolidated subsidiaries have built a system to perform credit analysis, including strict assessment of individual transactions by 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.

20. (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):	173,998	173,998	—
Available-for-sale securities	173,998	173,998	—
Monetary receivables purchased:	316,335	326,751	10,415
Held-to-maturity debt securities	29,888	30,191	302
Policy-reserve-matching bonds	219,273	229,386	10,113
Available-for-sale securities	67,173	67,173	—
Assets held in trust:	135	135	—
Trading securities	135	135	—
Investments in securities:	69,552,982	73,044,186	3,491,203
Trading securities	1,440,294	1,440,294	—
Held-to-maturity debt securities	370,358	389,156	18,797
Policy-reserve-matching bonds	27,454,740	30,919,189	3,464,449
Investments in subsidiaries and affiliates	39,211	47,168	7,956
Available-for-sale securities	40,248,377	40,248,377	—
Loans (*3):	8,416,842	8,641,114	224,272
Policy loans	537,918	537,918	—
Industrial and consumer loans	7,878,923	8,103,196	224,272
Derivative financial instruments (*4):	(400,186)	(400,186)	—
Hedge accounting not applied	63,355	63,355	—
Hedge accounting applied	(463,541)	(463,541)	—
Corporate bonds (*3 and *5)	(1,432,612)	(1,458,829)	(26,217)
Cash received as collateral under securities lending transactions (*5)	(1,469,600)	(1,469,600)	—
Loans payable (*3 and *5)	(736,801)	(737,525)	(724)

(*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 is 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 ¥1,188,648 million as of March 31, 2021.
- (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 gains of ¥84,677 million for the current fiscal year ended March 31, 2021.

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	20,024	20,523	499
	Domestic bonds	56,833	58,059	1,225
	Foreign securities	274,331	292,190	17,859
	Subtotal	351,189	370,773	19,584
Fair value does not exceed the consolidated balance sheet amount	Monetary receivables purchased	9,864	9,667	(196)
	Domestic bonds	3,400	3,398	(1)
	Foreign securities	35,794	35,508	(285)
	Subtotal	49,058	48,574	(484)
Total		400,247	419,348	19,100

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	214,203	224,354	10,150
	Domestic bonds	22,123,969	25,651,315	3,527,346
	Foreign securities	997,047	1,092,943	95,896
	Subtotal	23,335,220	26,968,614	3,633,393
Fair value does not exceed the consolidated balance sheet amount	Monetary receivables purchased	5,069	5,032	(37)
	Domestic bonds	4,171,431	4,018,029	(153,401)
	Foreign securities	162,291	156,899	(5,392)
	Subtotal	4,338,793	4,179,962	(158,831)
Total		27,674,013	31,148,576	3,474,562

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)	55,000	55,000	0
	Monetary receivables purchased	32,897	34,123	1,225
	Domestic bonds	3,292,971	3,528,599	235,627
	Domestic stocks	3,755,368	9,791,532	6,036,164
	Foreign securities	17,032,482	20,192,468	3,159,985
	Other securities	2,232,400	2,463,052	230,651
	Subtotal	26,401,122	36,064,776	9,663,654
Consolidated balance sheet amount does not exceed acquisition cost or amortized cost	Cash and deposits (negotiable certificates of deposit)	119,000	118,998	(1)
	Monetary receivables purchased	33,422	33,050	(372)
	Domestic bonds	536,059	524,379	(11,679)
	Domestic stocks	722,124	574,157	(147,966)
	Foreign securities	2,220,427	2,144,908	(75,519)
	Other securities	1,045,053	1,029,278	(15,774)
	Subtotal	4,676,087	4,424,772	(251,314)
Total		31,077,209	40,489,548	9,412,339

* Securities totaling ¥792,035 million, whose fair value is extremely difficult to determine, are not included in the table above.

Impairment losses of ¥1,502 million were recognized for securities with a fair value during the current fiscal year ended March 31, 2021. 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, 2021. 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, 2021, is significant, impairment losses are recognized based on the fair value as of March 31, 2021.

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, 2021, 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, 2021, 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):	174,000	—	—	—
Available-for-sale securities	174,000	—	—	—
Monetary receivables purchased:	6,109	4,822	48,017	254,861
Held-to-maturity debt securities	—	—	—	29,093
Policy-reserve-matching bonds	109	2,522	42,206	174,309
Available-for-sale securities	6,000	2,300	5,810	51,458
Investment in securities:	1,319,939	6,787,566	13,980,804	32,172,987
Held-to-maturity debt securities	34,145	160,709	107,106	68,082
Policy-reserve-matching bonds	424,632	3,045,759	5,119,545	18,612,509
Available-for-sale securities	861,161	3,581,098	8,754,152	13,492,395
Loans (*1)	1,026,193	2,684,253	2,096,703	2,042,787
Corporate bonds (*2)	—	—	—	1,371,512
Cash received as collateral under securities lending transactions	1,469,600	—	—	—
Loans payable (*3)	32,090	82,261	2,450	520,000

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

Also, ¥6,800 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) Subordinated corporate bonds, and others that do not have a stated maturity date are not included in the table above.

(*3) Subordinated loans payable, which do not have a stated maturity date, are not included.

21. The balance sheet amount for investment and rental properties was ¥1,319,874 million, with a fair value of ¥1,736,904 million as of March 31, 2021.

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, 2021, 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 ¥3,313 million as of March 31, 2021.

22. (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 ¥29,529 million as of March 31, 2021. The details of those balances were as follows:

1) The balances of loans to bankrupt borrowers and delinquent loans were ¥1,044 million and ¥25,849 million, respectively, as of March 31, 2021.

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, 2021.

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 ¥2,635 million as of March 31, 2021.

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 ¥3,653 million and ¥130 million, respectively, as of March 31, 2021.

23. The amount of accumulated depreciation of tangible fixed assets was ¥1,203,751 million as of March 31, 2021.
24. Separate account assets as provided in accordance with Article 118, Paragraph 1 of the Insurance Business Act were ¥1,459,633 million as of March 31, 2021, and a corresponding liability is recorded in the same amount.
25. Changes in the reserve for dividends to policyholders of a mutual company for the current fiscal year ended March 31, 2021, were as follows:

	Million Yen
	Year ended March 31, 2021
a. Balance at the beginning of the current fiscal year	¥1,043,785
b. Transfer to reserve from surplus for the previous fiscal year	185,145
c. Dividends paid to policyholders of a mutual company during the current fiscal year	203,557
d. Increase in interest	21,458
e. Balance at the end of the current fiscal year (a+b-c+d)	¥1,046,832

26. Changes in the reserve for dividends to policyholders of a limited company for the current fiscal year ended March 31, 2021, were as follows:

	Million Yen
	Year ended March 31, 2021
a. Balance at the beginning of the current fiscal year	¥56,750
b. Dividends paid to policyholders of a mutual company during the current fiscal year	13,988
c. Increase in interest	10
d. Provision for reserve for dividends to policyholders (limited company)	11,966
e. Balance at the end of the current fiscal year (a-b+c+d)	¥54,738

27. 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
January 2021	Tenth anniversary date after the issue date and on each fifth anniversary date thereafter

28. Other liabilities include subordinated loans payable of ¥620,000 million with special provisions that the fulfillment of obligations on the bonds is subordinate to all other debt obligations.

The Company also assumed the following yen-denominated subordinated debt on May 11, 2021.

Principal amount	¥200 billion
Interest rate	Fixed rate of 0.97% per annum until May 11, 2031 Fixed rate with step-up from May 12, 2031 (reset every five years)
Repayment date	The third bank business day preceding May 11, 2051 (The loan is callable on the third bank business day preceding May 11, 2031, and the third bank business day preceding each fifth anniversary date thereafter, until the loan is fully redeemed at the discretion of the Company, subject to prior approval by the regulatory authorities.)

Use of funds	General working capital
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29. Assets pledged as collateral in the form of cash and deposits, investments in securities, land, buildings, and lease receivables as of March 31, 2021, were ¥16,227 million, ¥2,465,498 million, ¥252 million, ¥40 million, and ¥3,580 million, respectively. The total amount of liabilities covered by the assets pledged was ¥1,483,501 million as of March 31, 2021.

These amounts included ¥1,342,624 million of sale of securities under repurchase agreements and ¥1,469,600 million of payables under repurchase agreements as of March 31, 2021.

30. At a meeting of the Board of Directors on May 24, 2021, the Company resolved to put forward a proposal to amend part of the Articles of Incorporation in connection with an issuance of foundation funds (*kikin*) of ¥50,000 million during the fiscal year ending March 31, 2022. The proposal will be put forward for approval at the Meeting of Representatives to be held on July 2, 2021.

31. The total amount of stocks and investments in nonconsolidated subsidiaries and affiliates was ¥435,824 million as of March 31, 2021.

32. Matters concerning stock options are as follows:

1) Stock option-related expenses and line items

(Million Yen)

Operating expenses	581
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2) Gains related to the forfeiture of unexercised stock options and line items

(Million Yen)

Gain on reversal of share acquisition rights	13
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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	2019 Second 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	Representative Director: 1 Employees: 31
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	Common shares: 469,772
Grant date	August 8, 2017	April 25, 2018	April 29, 2019	July 29, 2019	June 10, 2020
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.	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	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	From June 10, 2021 to June 9, 2027

(*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	2019 Second Series of Share Acquisition Right
Before vesting					
As of March 31, 2020	2,811,171	3,050,539	10,857,959	17,816,872	—
Granted	—	—	—	—	469,772
Forfeited	154,869	209,797	471,839	550,235	—
Vested	1,767,758	1,015,394	2,714,490	4,520,252	—
Outstanding	888,544	1,825,348	7,671,630	12,746,385	469,772
After vesting					
As of March 31, 2020	1,515,028	990,470	—	—	—
Vested	1,767,758	1,015,394	2,714,490	4,520,252	—
Exercised	1,811,972	145,255	1,321,990	1,113,683	—
Forfeited	49,909	116,442	25,675	74,811	—
Exercisable	1,420,905	1,744,167	1,366,825	3,331,758	—

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	2019 Second Series of Share Acquisition Right
Exercise price	204.25	256.10	202.35	223.32	247.60
Average stock price when exercised	330.13	302.89	322.66	313.13	—
Fair value on the grant date	10.82	45.71	38.94	43.06	65.51

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	2019 Second Series of Share Acquisition Right
Expected volatility (*1)	13.92% to 20.81%	14.21%	16.66%	16.46%	16.17%
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	4.0 to 5.5 years
Expected dividends rates (*3)	3.09%	3.25%	2.97%	3.22%	1.98%
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%	4.37% to 4.88%

(*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. Transactions with noncontrolling shareholders and matters concerning the establishment of a new company are as follows.

(1) TAIJU LIFE INSURANCE COMPANY LIMITED

On March 16, 2021, the Company acquired 2.4% of the shares of TAIJU LIFE INSURANCE COMPANY LIMITED (of which, the Company owns 82.6% of the shares; “TAIJU LIFE”) from the noncontrolling shareholders.

1) Overview of the transaction

a. Name and business of the acquiree

Name: TAIJU LIFE INSURANCE COMPANY LIMITED

Business: Life insurance business

b. Business combination date

March 31, 2021 (deemed acquisition date)

c. Legal form of the business combination

Acquisition of additional shares from the noncontrolling shareholders

d. Name of company after business combination

TAIJU LIFE INSURANCE COMPANY LIMITED

e. Other matters concerning the overview of the transaction

The Company has acquired an additional 2.4% of TAIJU LIFE shares and raised its voting interest in TAIJU LIFE to promote its Group strategy and strengthen its governance framework.

2) Overview of accounting treatment that was applied

The Company has accounted for the transaction as a transaction with the noncontrolling shareholders within the category of transactions under common control. This accounting treatment is based on the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21) and the “Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10).

3) Acquisition cost and breakdown by type of consideration

Consideration for acquisition: Payment in cash ¥8,027 million

Acquisition cost: ¥8,027 million

4) Matters concerning changes in the Company’s equity with respect to the transaction with the noncontrolling shareholders

a. Main reasons for changes in consolidated surplus

Acquisition of additional shares of a subsidiary

b. Increase in consolidated surplus due to the transaction with the noncontrolling shareholders

¥5,530 million

(2) Nissay Small-Amount and Short-Term Insurance Preparatory Company

On April 30, 2021, the Company established Nissay Small-Amount and Short-Term Insurance Preparatory Company (the “Preparatory Company”) with a view to establishing a small amount and short-term insurance subsidiary (the “New Company”).

1) Purpose of establishing the New Company

The purpose of establishing the New Company is to flexibly and rapidly supply various insurance products both in the life and non-life insurance fields, in order to address diversifying customer needs against the backdrop of changing lifestyles, diversifying individual values, and the widespread adoption of digital environments.

2) Overview of the Preparatory Company

a. Company name: Nissay Small-Amount and Short-Term Insurance Preparatory Company

b. Head office location: Chiyoda-ku, Tokyo

c. Capital stock: ¥599.99 million (including legal capital surplus)

3) Scheduled establishment date

April 30, 2021

4) Ownership ratio after the establishment of the Preparatory Company

100%

5) Others

The establishment of the New Company is conditional upon the Company obtaining the approval of the Commissioner of the Financial Services Agency pursuant to Article 272-31, Paragraph 1 of the Insurance Business Act and the permission of the Commissioner of the Financial Services Agency pursuant to Article 106, Paragraph 7 of the Insurance Business Act. It is also conditional upon the Preparatory Company registering as a small amount and short-term insurance business pursuant to Article 272 of the Insurance Business Act.

34. The amount of securities lent under lending agreements was ¥3,028,877 million as of March 31, 2021.
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 ¥389,126 million at fair value as of March 31, 2021.
36. The unused amount of commitments related to loans and similar loan agreements was ¥274,291 million as of March 31, 2021.
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 ¥85,539 million as of March 31, 2021. 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.
- 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.

(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, 2021
a . Retirement benefit obligations at the beginning of the year	¥697,314
b . Service costs	29,802
c . Interest cost	4,221
d . Actuarial losses accrued during the year	5,705
e . Retirement benefit payments	(46,476)
f . Others	128
g . Retirement benefit obligations at the end of the year (a+b+c+d+e+f)	¥690,695

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

	Million Yen
	Year ended March 31, 2021
a. Pension plan assets at the beginning of the year	¥248,422
b. Expected return on plan assets	3,527
c. Actuarial gains incurred during the year	12,403
d. Contributions by the Company	7,439
e. Retirement benefit payments	(18,172)
f. Others	18
g. Pension plan assets at the end of the year (a+b+c+d+e+f)	¥253,640

- 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, 2021
a. Net defined benefit liability at the beginning of the year	¥702
b. Benefit costs	94
c. Retirement benefit payments	(57)
d. Net defined benefit liability at the end of the year (a+b+c)	¥739

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

	Million Yen
	Year ended March 31, 2021
a. Retirement benefit obligations for funded plans	¥260,881
b. Plan assets	(253,640)
	7,241
c. Retirement benefit obligations for nonfunded plans	430,553
d. Net defined benefit liability recorded in the consolidated balance sheet	437,795
e. Net defined benefit liability	438,263
f. Net defined benefit asset	(468)
g. Net defined benefit liability recorded in the consolidated balance sheet	¥437,795

5) Losses (gains) relating to retirement benefits

	Million Yen
	Year ended
	March 31, 2021
a . Service costs	¥29,802
b . Interest cost	4,221
c . Expected return on plan assets	(3,527)
d . Amortization of actuarial losses for the period	6,493
e . Amortization of prior service costs for the period	(1,317)
f . Benefit cost under the simplified valuation method	94
g. Others	106
h. Benefit cost for defined benefit plans (a+b+c+d+e+f+g)	¥35,872

6) Breakdown of items included in other comprehensive income

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

	Million Yen
	Year ended
	March 31, 2021
a . Actuarial losses	¥13,191
b . Prior service costs	(1,317)
c . Total (a+b)	¥11,873

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:

	Million Yen
	Year ended
	March 31, 2021
a . Unrecognized actuarial losses	¥14,840
b . Unrecognized prior service costs	(5,271)
c . Total (a+b)	¥9,568

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

a . General account of life insurance	48.1%
b . Foreign securities	20.0%
c . Cash and deposits	19.8%
d . Domestic bonds	8.0%
e . Domestic stocks	4.0%
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	0.3~6.4%
b. Long-term expected rate of return on plan assets	1.4~6.4%

(3) Defined contribution plans

The Company and its consolidated subsidiaries contributed ¥5,069 million to the defined contribution plans during the fiscal year ended March 31, 2021.

39. (1) Total deferred tax assets were ¥1,955,435 million and total deferred tax liabilities were ¥2,796,840 million as of March 31, 2021. The deferred tax assets were reduced by the valuation allowance of ¥107,416 million. The major components resulting in deferred tax assets were policy reserves and other reserves of ¥1,134,764

million, reserve for price fluctuations in investments in securities of ¥449,440 million, and net defined benefit liability of ¥120,652 million. The major component resulting in deferred tax liabilities was net unrealized gains on available-for-sale securities of ¥2,615,062 million.

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

- (2) The effective statutory tax rate was 27.9% for the fiscal year ended March 31, 2021. 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 20.7% due to the amount of reserve for dividends to policyholders.

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 covering foreign currency-denominated single payment endowment insurance (U.S. dollar/Australian dollar) and foreign currency-denominated single payment whole life insurance (U.S. dollar/Australian dollar).

Through this modified co-reinsurance agreement, insurance risk has been transferred, and items including additional policy reserves or reversals associated with market price adjustments upon interest rate fluctuations are recorded as reinsurance revenue. However, in cases where reinsurance revenue related to this modified co-reinsurance agreement is negative, the items are recorded as reinsurance premiums.

The outstanding balance of reinsurance accounts receivable related to this modified coinsurance agreement stood at ¥15,242 million as of March 31, 2021. The outstanding balance of the policy reserve component associated with the modified coinsurance agreement stood at ¥779,013 million as of March 31, 2021.

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

(Million Yen)

	Year ended March 31, 2021	Year ended March 31, 2020
Ordinary income:	8,160,966	8,050,657
Revenues from insurance and reinsurance	5,190,112	5,719,334
Investment income:	2,682,040	2,007,454
Interest, dividends, and other income	1,558,947	1,597,896
Gain from assets held in trust, net	—	17,720
Gain on trading securities	10,488	34,737
Gain on sales of securities	537,390	350,794
Gain on redemptions of securities	3,998	2,585
Foreign exchange gains, net	413,806	—
Reversal of allowance for doubtful accounts	—	1,023
Other investment income	2,535	2,697
Gain on separate accounts, net	154,873	—
Other ordinary income	288,813	323,869

(Million Yen)

	Year ended March 31, 2021	Year ended March 31, 2020
Ordinary expenses:	7,685,338	7,769,300
Benefits and other payments:	4,696,798	4,561,046
Death and other claims	1,233,439	1,262,045
Annuity payments	991,956	994,266
Health and other benefits	847,024	873,235
Surrender benefits	1,278,280	1,111,079
Other refunds	256,135	219,474
Reinsurance premiums	89,962	100,944
Provision for policy reserves:	1,508,211	1,335,682
Provision for policy reserves	1,486,743	1,313,949
Provision for interest on reserve for dividends to policyholders (mutual company)	21,458	21,722
Provision for interest on reserve for dividends to policyholders (limited company)	10	11
Investment expenses:	347,208	699,013
Interest expenses	31,354	37,771
Loss from assets held in trust, net	34,144	—
Loss on sales of securities	47,651	61,131
Loss on valuation of securities	6,766	220,341
Loss on redemptions of securities	14,852	12,749
Loss on derivative financial instruments, net	146,237	20,478
Foreign exchange losses, net	—	235,504
Provision for allowance for doubtful accounts	5,910	—
Write-offs of loans	26	14
Depreciation of real estate to rental use and other assets	20,604	20,370
Other investment expenses	39,660	39,699
Losses from separate accounts	—	50,951
Operating expenses	791,723	816,454
Other ordinary expenses	341,395	357,103
Ordinary profit	475,628	281,357

[Consolidated Statements of Income] (Continued)

(Million Yen)

	Year ended March 31, 2021	Year ended March 31, 2020
Extraordinary gains:	1,550	55,267
Gain on disposals of fixed assets	1,536	6,529
Gain on step acquisitions	—	48,730
Gain on reversal of share acquisition rights	13	6
Extraordinary losses:	93,483	127,694
Loss on disposals of fixed assets	6,201	7,275
Impairment losses	5,084	45,057
Provision for reserve for price fluctuations in investments in securities	79,116	71,438
Loss on reduction entry of real estate	80	204
Contributions for assisting social public welfare	3,000	3,000
Other extraordinary losses	—	718
Provision for reserve for dividends to policyholders (limited company)	11,966	11,829
Surplus before income taxes	371,727	197,101
Income taxes - current	154,691	163,519
Income taxes - deferred	(119,051)	(149,172)
Total income taxes	35,639	14,346
Net surplus	336,087	182,754
Net surplus (deficit) attributable to noncontrolling interests	4,583	(9,383)
Net surplus attributable to the parent company	331,504	192,137

Notes to the Consolidated Statement of Income for the Fiscal Year Ended March 31, 2021

1. The Company has adopted the following significant accounting principles and procedures in cases where the provisions of the relevant accounting standards identified in accordance with the Revised Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections (revised ASBJ Statement No. 24) were not clear.
 - (1) Revenues from insurance and reinsurance (excluding reinsurance revenue) are recorded as the amount of payments that have been received, in principle.
 - (2) Benefits and other payments (excluding reinsurance premiums) are recorded as the amount of payments made with respect to policies for which an event that is a reason for payment of claims or benefits has occurred based on the policy clauses and the amount determined based on those policy clauses was paid.
2. The main notes concerning impairment losses are as follows:
 - 1) Method for grouping the assets
 - a. Real estate and other 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.
 - b. Goodwill and other assets

Goodwill and other assets of the Company are classified as one asset group on a company basis, in principle.

To evaluate the equivalent amount of goodwill related to PT Sequis, PT Sequis and PT Asuransi Jiwa Sequis Life are classified into one asset group because PT Asuransi Jiwa Sequis Life, which is owned by PT Sequis as an intermediate holding company, substantially conducts business operations.
 - 2) Identification of indicators of impairment
 - a. Real estate and other assets

The Company identifies indicators of impairment if the operating activities of an asset group result in loss in consecutive fiscal periods or there are events indicating that the asset may be impaired.

As of March 31, 2021, the Company identified indicators of impairment in certain asset groups because the conditions above were applicable.
 - b. Goodwill and other assets

The Company identifies indicators of impairment if any of the following conditions applies to an asset group:

 - (i) Profit or loss in the current period, or cash flows from operating activities are, or expected to be, negative for two consecutive fiscal periods.
 - (ii) Businesses or management strategies have been substantially revised from initial plans, and a continuing future deterioration in business performance that could lead to a large decline in actual value is expected.

(iii) A continuing future deterioration in business performance that could lead to a large decline in actual value is expected based on the outlook for a drastic or anticipated worsening of the business environment.

As of March 31, 2021, the Company has identified indicators of impairment on goodwill related to Nippon Life India Asset Management Limited, the equivalent amount of goodwill related to Reliance Nippon Life Insurance Company Limited, and the equivalent amount of goodwill related to PT Sequis. The Company has identified indicators of impairment on the goodwill related to Nippon Life India Asset Management Limited because of the large amount of goodwill, in accordance with Paragraph 109 of the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21).

3) Recognition and measurement of impairment losses

a. Real estate and other assets

Asset groups for which indicators of impairment are recognized are treated as follows. If the total amount of undiscounted cash flows from such an asset group is lower than the book value, an impairment loss is recognized and the book value is reduced to the recoverable amount. The recoverable amount is based on either the value in use or net selling price. 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.

As of March 31, 2021, the book values of certain asset groups for which indicators of impairment were recognized were reduced to the recoverable amounts, and impairment losses were recognized under extraordinary losses.

b. Goodwill and other assets

Asset groups for which indicators of impairment are recognized are treated as follows. If the total amount of undiscounted future cash flows from such an asset group is lower than the book value, the book value is reduced to the recoverable amount, with the reduction not to exceed the amount of goodwill and other assets. The recoverable amount is based on either the value in use or net selling price. The value in use is determined as the amount by discounting the future cash flows calculated based on future projections, medium-term management plans and other information for each asset group. Net selling price is determined based on the amount obtained by multiplying the market value of shares by the number of shares held.

In the impairment assessment of life insurance companies, the corporate valuation amount (the sum of Embedded Value (“EV”) and the value of new business) is used as an alternative to the undiscounted future cash flows above and recoverable amount, after ensuring that the requirements of the “Accounting Standard for Impairment of Fixed Assets” (Business Accounting Deliberation Council) are satisfied. EV is the sum of “adjusted net assets, reflecting necessary adjustments to the total amount of the net assets in the balance sheet” and “the value of existing policies that is the present value of future after-tax profits from policies in force.” EV represents corporate value attributable to shareholders. It is used to grasp matters such as the

shareholder value of limited insurance companies and the acquisition price of an acquiree company in M&A deals. Moreover, the value of new business represents “the present value of future after-tax profit from policies to be acquired in the future.”

As of March 31, 2021, the Company conducted an impairment test of the equivalent amount of goodwill related to Reliance Nippon Life Insurance Company Limited and PT Sequis, which are life insurance companies for which indications of impairment had been identified. In this test, the corporate valuation amount was used as an alternative to undiscounted future cash flows and the recoverable amount. The Company used TEV as EV to determine the corporate valuation amounts of those life insurance companies. TEV is a method for calculating EV that evaluates cash flow with a risk-adjusted discount rate. The calculation of the EV of those life insurance companies involves uncertainties in factors, such as future cash flows and based on the projected acquisition of new insurance policies in each sales channel as the basis of the value of new business, discount rates, which is the basis of the calculation of the value of new business, and insurance-related actuarial assumptions, such as the lapse rates and the insurance accident rates, which are the basis for the calculation of EV. No impairment was recognized on the equivalent amount of goodwill related to Reliance Nippon Life Insurance Company Limited because its corporate valuation amount was higher than the book value.

In addition to the foregoing, the equivalent amount of goodwill related to PT Sequis contains assumptions about Indonesia’s economic growth rate and the impact of the COVID-19 pandemic lasting until 2021. If there are any changes in those assumptions, there could be a significant impact on the value of the equivalent amount of goodwill. No impairment, however, was recognized on the equivalent amount of goodwill related to PT Sequis because its corporate valuation amount was higher than the book value.

As of March 31, 2021, the Company conducted an impairment test of goodwill related to Nippon Life India Asset Management Limited, for which indications of impairment had been identified. In this test, the total amount of undiscounted future cash flows and the book value of Nippon Life India Asset Management Limited were compared. The former was higher than the latter. In addition, a comparison of its market capitalization, as Nippon Life India Asset Management Limited is a listed company, and book value showed that its market capitalization was higher than its book value. Considering these and other factors, no impairment loss on goodwill related to Nippon Life India Asset Management Limited was recognized.

- 4) Breakdown of asset groups for which impairment losses were recognized for the fiscal year ended March 31, 2021, is as follows:

Purpose of use	Million Yen		
	Land	Buildings and others	Total
Real estate for rental use	188	116	304
Idle properties	3,315	1,464	4,779
Total	3,503	1,580	5,084

3. Reinsurance premiums of TAIJU LIFE INSURANCE COMPANY LIMITED, the Company's consolidated subsidiary, include ¥49,972 million related to modified coinsurance agreements for foreign currency-denominated single payment endowment insurance (U.S. dollar and Australian dollar) and foreign currency-denominated single payment whole life insurance (U.S. dollar and Australian dollar). These premiums include adjustment to policy reserves for ceded reinsurance (excluding the equivalent amount of policy reserve reversals associated with market price adjustments) of ¥11,398 million and the equivalent amount of policy reserve reversals associated with market price adjustments of ¥49,658 million.

Through this reinsurance, ordinary profit and surplus before income taxes decreased by ¥42,047 million each.

[Consolidated Statements of Comprehensive Income]

(Million Yen)

	Year ended March 31, 2021	Year ended March 31, 2020
Net surplus	336,087	182,754
Other comprehensive income:	2,501,831	(813,268)
Net unrealized gains on available-for-sale securities	2,578,320	(748,619)
Deferred gains on derivatives under hedge accounting	(93,568)	(37,246)
Foreign currency translation adjustments	8,163	(21,320)
Remeasurement of defined benefit plans	8,561	(1,543)
Share of other comprehensive loss of associates accounted for under the equity	354	(4,538)
Comprehensive income:	2,837,919	(630,513)
Comprehensive income attributable to the parent company	2,814,228	(613,811)
Comprehensive income attributable to noncontrolling interests	23,691	(16,702)

Note to the Consolidated Statement of Comprehensive Income for the Fiscal Year Ended March 31, 2021

Breakdown of other comprehensive income is as follows:

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

(Million Yen)

Net unrealized gains on available-for-sale securities:		
Gains arising during the year	4,000,861	
Reclassification adjustments to profit or loss	(455,814)	3,545,047
Deferred losses on derivatives under hedge accounting:		
Losses arising during the year	(148,780)	
Reclassification adjustments to profit or loss	19,070	(129,709)
Foreign currency translation adjustments:		
Gains arising during the year	8,163	
Reclassification adjustments to profit or loss	—	8,163
Remeasurement of defined benefit plans:		
Gains arising during the year	6,698	
Reclassification adjustments to profit or loss	5,175	11,873
Share of other comprehensive income (loss) of associates accounted for under the equity method:		
Gains arising during the year	317	
Reclassification adjustments to profit or loss	36	354
	Amount before income tax effect	3,435,729
	Income tax effect	(933,898)
	Total other comprehensive income	2,501,831

(2) Income tax effect relating to other comprehensive income

(Million Yen)

	Before income tax effect	Income tax effect	After income tax effect
Net unrealized gains on available-for-sale securities	3,545,047	(966,727)	2,578,320
Deferred losses on derivatives under hedge accounting	(129,709)	36,141	(93,568)
Foreign currency translation adjustments	8,163	—	8,163
Remeasurement of defined benefit plans	11,873	(3,312)	8,561
Share of other comprehensive income of associates accounted for under the equity method	354	—	354
Total other comprehensive income	3,435,729	(933,898)	2,501,831

(6) Consolidated Statements of Cash Flows

(Million Yen)

	Year ended March 31, 2021	Year ended March 31, 2020
I. Cash flows from operating activities:		
Surplus before income taxes	371,727	197,101
Depreciation of real estate for rental use and other assets	20,604	20,370
Depreciation	73,296	72,349
Impairment losses	5,084	45,057
Amortization of goodwill	4,259	4,679
Net decrease in reserve for outstanding claims	(10,064)	(43,633)
Net increase in policy reserve	1,499,301	1,311,041
Provision for interest on reserve for dividends to policyholders (mutual company)	21,458	21,722
Provision for interest on reserve for dividends to policyholders (limited company)	10	11
Provision for reserve for dividends to policyholders (limited company)	11,966	11,829
Net increase (decrease) in allowance for doubtful accounts	5,998	(1,353)
Net increase (decrease) increase in accrued bonuses for directors, and audit and supervisory board members	341	(14)
Net (decrease) increase in net defined benefit liability	(645)	6,828
Net (decrease) increase in accrued retirement benefits for directors, and audit and supervisory board members	(4,281)	65
Net increase in reserve for price fluctuations in investments in securities	79,116	71,438
Interest, dividends, and other income	(1,558,947)	(1,597,896)
Losses (gains) from assets held in trust, net	34,144	(17,720)
Net gains on investments in securities	(472,118)	(59,155)
Net losses on policy loans	86,953	99,699
Losses on derivative financial instruments, net	146,237	20,478
Interest expenses	31,354	37,771
Net foreign exchange (gains) losses	(405,762)	233,171
Net losses on tangible fixed assets	5,627	1,295
Gains on equity method investments	(521)	(1,247)
(Gains) losses from separate accounts	(154,873)	50,951
Gain on step acquisitions	—	(48,730)
Net decrease (increase) in reinsurance receivables	43,019	(60,283)
Net (increase) decrease in other assets (excluding those related to investing activities and financing activities)	(6,785)	567
Net increase (decrease) in reinsurance payables	355	(752)
Net increase in other liabilities (excluding those related to investing activities and financing activities)	3,736	5,376
Others, net	(13,582)	(36,144)
Subtotal	(182,988)	344,874
Interest, dividends, and other income received	1,544,272	1,636,593
Interest paid	(32,407)	(36,470)
Dividends paid to policyholders (mutual company)	(168,289)	(176,933)
Dividends paid to policyholders (limited company)	(13,988)	(15,417)

	Year ended March 31, 2021	Year ended March 31, 2020
Others, net	(14,024)	(8,530)
Income taxes paid	(167,444)	(138,536)
Net cash provided by operating activities	965,130	1,605,579

(6) Consolidated Statements of Cash Flows (Continued)

(Million Yen)

	Year ended March 31, 2021	Year ended March 31, 2020
II. Cash flows from investing activities:		
Net increase (decrease) in deposits	2,238	(2,211)
Purchases of monetary receivables purchased	(13,750)	(16,721)
Proceeds from sales and redemptions of monetary receivables purchased	49,027	44,909
Purchases of assets held in trust	(2,000)	(3,000)
Proceeds from decrease in assets held in trust	1,500	298
Purchases of securities	(8,305,269)	(9,312,569)
Proceeds from sales and redemptions of securities	7,439,395	7,255,486
Disbursements for loans	(1,554,232)	(1,514,841)
Proceeds from collections of loans	1,546,870	1,480,523
Net (losses) gains from the settlement of derivative financial instrument	(207,914)	179,466
Net increase in sales under repurchase agreements	167,422	382,239
Net (decrease) increase in cash received as collateral under securities lending transactions	(101,840)	75,490
Others, net	(58,621)	(22,733)
Total of asset management activities	(1,037,173)	(1,453,660)
[Sum of operating activities and asset management activities]	[(72,042)]	[151,918]
Purchases of tangible fixed assets	(73,156)	(60,940)
Proceeds from sales of tangible fixed assets	3,775	13,093
Payments for acquisition of subsidiary's shares resulting in change in the scope of consolidation	—	(61,771)
Others, net	(50,675)	(52,091)
Net cash used in investing activities	(1,157,230)	(1,615,371)
III. Cash flows from financing activities:		
Proceeds from debt borrowing	250,080	274,627
Repayments of debt	(117,391)	(112,229)
Proceeds from issuance of corporate bonds	166,192	126,431
Redemption of bonds	(11,200)	(24,400)
Proceeds from issuance of foundation funds	—	50,000
Redemption of foundation funds	—	(50,000)
Interest payments on foundation funds	(277)	(355)
Payment for acquisition of subsidiary's shares not resulting in change in scope of consolidation	(8,027)	(3,803)
Proceeds from sales of shares of subsidiaries not resulting in change in the scope of consolidation	—	1,386
Others, net	(4,768)	(10,815)
Net cash provided by financing activities	274,607	250,841
IV. Effect of exchange rate changes on cash and cash equivalents	14,044	(20,152)
V. Net increase in cash and cash equivalents	96,552	220,897
VI. Cash and cash equivalents at the beginning of the year	2,226,280	2,011,931
VII. Net 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	2,322,833	2,226,280

Note to the Consolidated Statement of Cash Flows for the Fiscal Year Ended March 31, 2021

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.

(7) Consolidated Statements of Changes in Net Assets

For the Year Ended March 31, 2021

(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	1,300,000	651	554,790	1,955,441
Increase/decrease:					
Additions to reserve for dividends to policyholders (mutual company)				(185,145)	(185,145)
Interest on foundation funds				(277)	(277)
Net surplus attributable to the parent company				331,504	331,504
Reversal of land revaluation losses				2,740	2,740
Change in the parent's ownership interest due to transactions with noncontrolling interests				5,962	5,962
Net change, excluding foundation funds and others					
Net change	—	—	—	154,784	154,784
Ending balance	100,000	1,300,000	651	709,574	2,110,225

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

For the Year Ended March 31, 2021

(Million Yen)

	Accumulated other comprehensive income						Share acquisition rights	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	4,199,843	(69,235)	(54,706)	(26,406)	(15,030)	4,034,464	926	166,377	6,157,210
Increase/decrease:									
Additions to reserve for dividends to policyholders (mutual company)									(185,145)
Interest on foundation funds									(277)
Net surplus attributable to the parent company									351,504
Reversal of land revaluation losses									2,740
Change in the parent's ownership interest due to transactions with noncontrolling interests									5,962
Net change, excluding foundation funds and others	2,567,424	(93,852)	(2,740)	632	8,519	2,479,983	422	24,168	2,504,575
Net change	2,567,424	(93,852)	(2,740)	632	8,519	2,479,983	422	24,168	2,659,359
Ending balance	6,767,268	(163,088)	(57,447)	(25,774)	(6,511)	6,514,448	1,349	190,546	8,816,569

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

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-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	4,943,922	(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

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, 2021
Nippon Life India Asset Management Limited	Share acquisition rights provided as stock options	1,349

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

^(Million Yen, %)

	As of March 31, 2021	As of March 31, 2020
Bankrupt and quasi-bankrupt loans	10,301	10,511
Doubtful loans	16,594	17,388
Substandard loans	2,635	1,563
Subtotal	29,531	29,463
[Percent of total, %]	[0.25]	[0.24]
Normal loans	11,916,685	12,444,652
Total	11,946,216	12,474,115

- 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, 2021 and 2020, were ¥3,782 million and ¥3,382 million, respectively.

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

(Million Yen, %)

	As of March 31, 2021	As of March 31, 2020
Loans to bankrupt borrowers	1,044	1,562
Delinquent loans	25,849	26,337
Loans that are delinquent for over three months	—	—
Restructured loans	2,635	1,563
Total	29,529	29,462
[Percent of total loans, %]	[0.35]	[0.35]

- 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 ¥3,653 million and ¥130 million, respectively, as of March 31, 2021, 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, 2021	As of March 31, 2020
Solvency margin gross amount (A):	18,769,664	14,656,094
Foundation funds (<i>kikin</i>) and other reserve funds:	5,855,281	5,508,422
Foundation funds and others	1,886,255	1,791,393
Reserve for price fluctuations in investments in securities	1,610,738	1,531,621
Contingency reserve	2,108,769	1,934,764
Extraordinary contingency reserve	—	—
General allowance for doubtful accounts	7,024	2,702
Others	242,492	247,939
Net unrealized gains on available-for-sale securities (before tax) and deferred losses on derivatives under hedge accounting (before tax) × 90%	8,205,330	5,080,551
Net unrealized gains on real estate × 85%	525,281	501,626
Total amount of unrecognized actuarial gains/losses and unrecognized prior service cost	(9,105)	(20,848)
Excess of continued Zillmerized reserve	2,222,953	1,935,817
Qualifying subordinated debt	2,052,612	1,767,620
Excess of continued Zillmerized reserve and qualifying subordinated debt not included in margin calculations	—	—
Deduction clause	(194,637)	(206,126)
Others	111,949	89,031
Total amount of risk (B): $\sqrt{(\sqrt{R_1^2 + R_5^2} + R_8 + R_9)^2 + (R_2 + R_3 + R_7)^2} + R_4 + R_6$	3,491,780	2,798,230
Underwriting risk (R ₁)	203,942	171,736
General underwriting risk (R ₅)	—	—
Huge disaster risk (R ₆)	—	—
Underwriting risk of third-sector insurance (R ₈)	100,313	97,389
Underwriting risk related to small amount and short-term insurance providers (R ₉)	—	—
Anticipated yield risk (R ₂)	387,157	415,002
Minimum guarantee risk (R ₇)	8,792	9,295
Investment risk (R ₃)	3,008,094	2,300,790
Business management risk (R ₄)	74,165	59,884
Solvency margin ratio (A) × 100 (1 / 2) × (B)	1,075.0%	1,047.5%

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, 2021 and 2020, 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.