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## Financial Results for the Six Months Ended September 30, 2021

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Nippon Life Insurance Company (the “Company,” President: Hiroshi Shimizu) announces financial results for the six months ended September 30, 2021.

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Attached: Supplementary Materials for the Six Months Ended September 30, 2021

## 1. Business Highlights

### (1) Annualized Premium

- Policies in Force

(100 Million Yen, %)

	As of September 30, 2021		As of March 31, 2021
		As a percentage of March 31, 2021	
Individual insurance	26,344	99.4	26,492
Individual annuities	10,951	100.6	10,889
Total	37,295	99.8	37,382
Medical coverages, living benefits, and others	6,694	100.9	6,638

- New Policies

(100 Million Yen, %)

	Six months ended September 30, 2021		Six months ended September 30, 2020
		As a percentage of six months ended September 30, 2020	
Individual insurance	849	159.1	533
Individual annuities	308	150.0	205
Total	1,157	156.6	739
Medical coverages, living benefits, and others	250	155.3	161

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

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

### • Policies in Force

	As of September 30, 2021				As of March 31, 2021	
	Number of policies		Amount of policies		Number of policies (thousands)	Amount of policies (100 million yen)
	(thousands)	As a percentage of March 31, 2021 (%)	(100 million yen)	As a percentage of March 31, 2021 (%)		
Individual insurance	30,110	101.3	1,284,453	99.0	29,714	1,296,936
Individual annuities	4,149	100.3	253,536	100.8	4,137	251,483
Group insurance	—	—	996,729	100.9	—	987,791
Group annuities	—	—	138,505	101.5	—	136,490

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

	Six months ended September 30, 2021						Six months ended September 30, 2020			
	Number of policies		Amount of policies				Number of policies (thousands)	Amount of policies		
	(thousands)	As a percentage of six months ended September 30, 2020 (%)	(100 million yen)	As a percentage of six months ended September 30, 2020 (%)	New policies	Net increase by conversion		(100 million yen)	New policies	Net increase by conversion
Individual insurance	2,182	156.7	30,231	154.1	30,494	(262)	1,392	19,611	19,328	282
Individual annuities	97	146.8	7,048	149.4	7,021	26	66	4,717	4,701	16
Group insurance	—	—	1,476	73.9	1,476		—	1,997	1,997	
Group annuities	—	—	1	334.4	1		—	0	0	

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 represent annuity resources at the start of annuity payments.  
4. The amount of new policies for group annuities represents the first-time premium.

## 2. Overview of General Accounts Asset Management for the Six Months Ended September 30, 2021

### (1) Investment Environment

In the six months ended September 30, 2021, conditions became severe as the Japanese economy consumer spending and capital investments weakened, due to the effects of the extension of the state of emergency declaration and supply constraints which, included a shortage of semiconductors.

- The Nikkei Stock Average at the start of the fiscal year was ¥29,388. It remained largely in a flat range, supported by expectations for an economic recovery and the Bank of Japan's accommodative monetary policies. The index finished at ¥29,452 at the end of September 2021.
- The yield rate on 10-year government bonds at the start of the fiscal year was 0.12%. Thereafter, with the Bank of Japan continuing to implement accommodative monetary policies, the yield rate remained largely in a flat range. The yield rate stood at 0.07% at the end of September 2021.
- The yen-dollar exchange rate at the start of the fiscal year was at the ¥110 level. Thereafter, expectations strengthened for a normalization of monetary policies in the U.S., reflecting an economic recovery driven by accelerated vaccinations (the number of fully vaccinated people). As a result, the yen weakened against the dollar and finished at ¥111.92 at the end of September. The yen-euro exchange rate at the start of the fiscal year was at the ¥130 level. Subsequently, the yen strengthened slightly against the euro based on an outlook for an accommodative monetary policy to be maintained in the euro zone, despite a generally firm exchange-rate trend reflecting the normalization of economic activities. This normalization of economic activities was driven by factors, such as progress on vaccinations. The yen-euro exchange rate was ¥129.86 at the end of September 2021.

### (2) Investment Policy

Based on the Company's Asset Liability Management philosophy of comprehensively controlling assets and liabilities, the Company has built a portfolio geared towards medium- to long-term investment and formulated an investment plan considering the outlook of the investment environment.

Specifically, to provide the stable rate of return that the Company promised to policyholders in the long term, 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. Also, while focusing on improving its profitability and increasing profits for policyholders from a medium- to long-term viewpoint and taking into account business stability, the Company has invested in stocks and foreign securities within the scope of acceptable risk. From the perspective of diversifying profit-making opportunities, while continuously paying enough attention to asset allocation and risks, the Company is steadily pursuing investments that can yield surplus income, such as corporate bonds and securitized products, and investment areas, such as private equities and hedge funds.

(3) Status of Investment Income/Expense

Investment income was ¥1,157.8 billion, an increase from ¥1,030.1 billion in the six months ended September 30, 2020. The main factor behind this increase was an increase in interest, dividends, and other income.

Investment expenses amounted to ¥88.7 billion, a decrease from ¥129.3 billion in the six months ended September 30, 2020. The main factor behind this decrease was a decline in loss on derivative financial instruments, net.

As a result, the Company's net investment income increased by ¥168.2 billion, compared with the same period of the previous fiscal year, to ¥1,069.0 billion.

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

#### (1) Asset Composition

(100 Million Yen, %)

	As of September 30, 2021		As of March 31, 2021	
	Amount	%	Amount	%
Cash, deposits, and call loans	7,914	1.1	9,843	1.4
Receivables under resale agreements	—	—	—	—
Receivables under securities borrowing transactions	—	—	—	—
Monetary receivables purchased	1,585	0.2	1,726	0.2
Proprietary trading securities	—	—	—	—
Assets held in trust	0	0.0	1	0.0
Investments in securities:	629,435	85.2	615,058	84.5
Domestic bonds	272,742	36.9	262,254	36.1
Domestic stocks	104,548	14.2	105,782	14.5
Foreign securities:	217,346	29.4	212,641	29.2
Foreign bonds	138,054	18.7	137,670	18.9
Foreign stocks and other securities	79,292	10.7	74,970	10.3
Other securities	34,798	4.7	34,379	4.7
Loans:	73,965	10.0	74,307	10.2
Policy loans	4,724	0.6	4,908	0.7
Industrial and consumer loans	69,240	9.4	69,398	9.5
Real estate:	16,968	2.3	16,866	2.3
Investment properties	10,859	1.5	10,707	1.5
Deferred tax assets	—	—	—	—
Other assets	9,079	1.2	9,748	1.3
Allowance for doubtful accounts	(103)	(0.0)	(82)	(0.0)
Total assets (general account):	738,846	100.0	727,469	100.0
Foreign currency-denominated assets	208,707	28.2	206,757	28.4

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

## (2) Increases/Decreases in Assets

(100 Million Yen)

	Six months ended September 30, 2021	Six months ended September 30, 2020
Cash, deposits, and call loans	(1,929)	619
Receivables under resale agreements	—	—
Receivables under securities borrowing transactions	—	—
Monetary receivables purchased	(140)	(211)
Proprietary trading securities	—	—
Assets held in trust	(0)	(304)
Investments in securities:	14,377	27,581
Domestic bonds	10,488	11,620
Domestic stocks	(1,234)	10,947
Foreign securities:	4,705	5,169
Foreign bonds	383	(1,247)
Foreign stocks and other securities	4,321	6,416
Other securities	418	(155)
Loans:	(341)	926
Policy loans	(184)	(77)
Industrial and consumer loans	(157)	1,003
Real estate:	102	(27)
Investment properties	152	(219)
Deferred tax assets	—	—
Other assets	(669)	(1,598)
Allowance for doubtful accounts	(21)	(12)
Total assets (general account):	11,377	26,972
Foreign currency-denominated assets	1,949	6,104

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

### (3) Investment Income

(100 Million Yen)

	Six months ended September 30, 2021	Six months ended September 30, 2020
Interest, dividends, and other income:	7,557	6,821
Interest on deposits and savings	2	5
Interest on securities and dividends	6,456	5,779
Interest on loans	525	542
Real estate rental income	537	444
Other income	35	50
Gain on proprietary trading securities	—	—
Gain from assets held in trust, net	—	—
Gain on trading securities	—	—
Gain on sales of securities:	3,971	3,362
Gain on sales of domestic bonds, including national government bonds	96	119
Gain on sales of domestic stocks and other securities	3,603	694
Gain on sales of foreign securities	272	2,548
Other gains	—	—
Gain on redemptions of securities	45	21
Gain on derivative financial instruments, net	—	—
Foreign exchange gains, net	—	93
Reversal of allowance for doubtful accounts	—	—
Reversal of allowance for investment loss	—	—
Other investment income	2	2
Total	11,578	10,301



#### (4) Investment Expenses

(100 Million Yen)

	Six months ended September 30, 2021	Six months ended September 30, 2020
Interest expenses	157	138
Loss on proprietary trading securities	—	—
Loss from assets held in trust, net	0	309
Loss on trading securities	—	—
Loss on sales of securities:	187	120
Loss on sales of domestic bonds, including national government bonds	4	3
Loss on sales of domestic stocks and other securities	143	90
Loss on sales of foreign securities	40	25
Other losses	—	0
Loss on valuation of securities:	18	34
Loss on valuation of domestic bonds, including national government bonds	—	—
Loss on valuation of domestic stocks and other securities	18	34
Loss on valuation of foreign securities	—	—
Other losses	—	—
Loss on redemptions of securities	46	94
Loss on derivative financial instruments, net	13	340
Foreign exchange losses, net	64	—
Provision for allowance for doubtful accounts	25	18
Provision for allowance for investment loss	3	3
Write-offs of loans	—	—
Depreciation of real estate for rental use and other assets	91	88
Other investment expenses	277	146
Total	887	1,293

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

(100 Million Yen)

	As of September 30, 2021		As of March 31, 2021	
	Balance sheet amount	Valuation gains (losses) included in profit and loss	Balance sheet amount	Valuation gains (losses) included in profit and loss
Trading securities	—	42	0	(253)

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 securities.

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

(100 Million Yen)

		As of September 30, 2021					As of March 31, 2021				
		Book value	Fair value	Net gains/losses	Gains	Losses	Book value	Fair value	Net gains/losses	Gains	Losses
	Policy-reserve-matching bonds *	247,444	276,977	29,533	30,863	(1,330)	236,738	266,508	29,770	31,228	(1,457)
	Held-to-maturity debt securities	—	—	—	—	—	—	—	—	—	—
	Investments in subsidiaries and affiliates	1,286	3,428	2,142	2,142	—	1,286	2,832	1,545	1,545	—
	Available-for-sale securities:	274,435	369,534	95,098	96,673	(1,574)	274,542	366,376	91,833	93,716	(1,882)
	Domestic bonds	26,174	28,081	1,906	1,950	(44)	26,563	28,422	1,858	1,928	(70)
	Domestic stocks	39,068	98,610	59,542	60,469	(927)	41,173	99,816	58,642	59,650	(1,008)
	Foreign securities:	176,271	207,708	31,436	31,928	(491)	174,309	203,603	29,293	29,947	(653)
	Foreign bonds	116,264	136,646	20,382	20,687	(305)	116,729	136,239	19,510	19,968	(457)
	Foreign stocks and other securities	60,007	71,061	11,054	11,240	(186)	57,580	67,363	9,783	9,979	(195)
	Other securities	31,333	33,541	2,208	2,319	(111)	31,136	33,167	2,031	2,181	(150)
	Monetary receivables purchased	201	207	5	5	(0)	218	225	6	7	(0)
	Negotiable certificates of deposit	1,385	1,384	(0)	0	(0)	1,140	1,139	(0)	0	(0)
Total		523,166	649,940	126,774	129,679	(2,904)	512,567	635,717	123,150	126,490	(3,340)
	Domestic bonds	270,836	302,118	31,282	32,652	(1,370)	260,395	291,846	31,450	32,976	(1,526)
	Domestic stocks	39,068	98,610	59,542	60,469	(927)	41,173	99,816	58,642	59,650	(1,008)
	Foreign securities:	178,953	212,625	33,672	34,167	(495)	176,993	207,942	30,949	31,604	(655)
	Foreign bonds	117,669	138,146	20,477	20,786	(309)	118,136	137,757	19,620	20,080	(459)
	Foreign stocks and other securities	61,284	74,479	13,194	13,381	(186)	58,856	70,185	11,328	11,524	(195)
	Other securities	31,342	33,552	2,209	2,321	(111)	31,145	33,178	2,033	2,183	(150)
	Monetary receivables purchased	1,580	1,647	67	67	(0)	1,719	1,793	74	74	(0)
	Negotiable certificates of deposit	1,385	1,384	(0)	0	(0)	1,140	1,139	(0)	0	(0)

Notes: 1. The table above includes securities that are deemed appropriate as securities under the Financial Instruments and Exchange Act in Japan.

2. The above table excludes items such as stocks without market prices and entities such as partnerships.

\* 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 Stocks without Market Prices and Entities such as Partnerships]

(100 Million Yen)

	As of September 30, 2021	As of March 31, 2021
Investments in subsidiaries and affiliates	12,427	11,795
Available-for-sale securities:	1,683	1,682
Unlisted domestic stocks	575	611
Unlisted foreign stocks	3	3
Unlisted foreign bonds	—	—
Others	1,105	1,068
Total	14,111	13,478

Note: Of stocks without market prices and entities such as partnerships, the net gains (losses) on currency exchange valuation of assets denominated in foreign currencies were as follows: ¥12.5 billion and ¥17.0 billion as of September 30, 2021, and March 31, 2021, respectively.

(7) Fair Value Information of Assets Held in Trust

(100 Million Yen)

	As of September 30, 2021					As of March 31, 2021				
	Balance sheet amount	Fair value	Net gains/losses			Balance sheet amount	Fair value	Net gains/losses		
			Gains	Losses				Gains	Losses	
Assets held in trust	0	0	—	—	—	1	1	—	—	—

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 September 30, 2021		As of March 31, 2021	
	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	0	42	1	(253)

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 September 30, 2021, and March 31, 2021.

#### 4. Nonconsolidated Balance Sheets

(Million Yen)

	As of September 30, 2021	As of March 31, 2021
<b>Assets:</b>		
Cash and deposits	751,499	861,580
Call loans	423,341	540,086
Monetary receivables purchased	158,581	172,601
Assets held in trust	53	135
Investments in securities:	63,678,583	62,230,764
National government bonds	24,368,098	23,352,796
Local government bonds	925,104	908,416
Corporate bonds	2,287,406	2,270,187
Domestic stocks	10,520,748	10,640,573
Foreign securities	21,949,042	21,470,903
Loans:	7,396,514	7,430,704
Policy loans	472,423	490,826
Industrial and consumer loans	6,924,091	6,939,877
Tangible fixed assets	1,718,437	1,710,689
Intangible fixed assets	189,808	189,726
Reinsurance receivables	260	350
Other assets	761,588	807,455
Customers' liability for acceptances and guarantees	73,625	71,228
Allowance for doubtful accounts	(10,366)	(8,219)
Allowance for investment loss	(33,244)	(32,879)
<b>Total assets</b>	<b>75,108,683</b>	<b>73,974,223</b>
<b>Liabilities:</b>		
Policy reserves and other reserves:	59,361,161	58,646,060
Reserve for outstanding claims	177,074	179,010
Policy reserves	58,024,653	57,420,217
Reserve for dividends to policyholders	1,159,433	1,046,832
Reinsurance payables	329	413
Corporate bonds	1,420,305	1,321,512
Other liabilities:	2,777,599	2,730,767
Income taxes payable	142,037	37,088
Lease obligations	5,277	6,756
Asset retirement obligations	6,221	5,426
Other liabilities	2,624,062	2,681,495
Accrued bonuses for directors, and audit and supervisory board members	144	433
Accrued retirement benefits	377,347	375,693
Reserve for program points	9,063	8,528
Reserve for price fluctuations in investments in securities	1,650,938	1,521,916
Deferred tax liabilities	846,728	877,504
Deferred tax liabilities for land revaluation	101,003	101,894
Acceptances and guarantees	73,625	71,228
<b>Total liabilities</b>	<b>66,618,246</b>	<b>65,655,953</b>

#### 4. Nonconsolidated Balance Sheets (Continued)

(Million Yen)

	As of September 30, 2021	As of March 31, 2021
Net assets:		
Foundation funds	100,000	100,000
Reserve for redemption of foundation funds	1,350,000	1,300,000
Reserve for revaluation	651	651
Surplus:	440,927	494,556
Legal reserve for deficiencies	19,988	18,993
Other surplus reserves:	420,939	475,563
Contingency funds	71,917	71,917
Reserve for social public welfare assistance	351	351
Reserve for reduction entry of real estate	71,839	71,855
Reserve for reduction entry of real estate to be purchased	1,007	2,069
Other reserves	170	170
Unappropriated surplus	275,653	* 329,199
Total foundation funds and others	1,891,578	1,895,208
Net unrealized gains on available-for-sale securities	6,874,508	6,642,100
Deferred losses on derivatives under hedge accounting	(215,906)	(161,590)
Land revaluation losses	(59,742)	(57,447)
Total valuations, conversions, and others	6,598,858	6,423,062
Total net assets	8,490,437	8,318,270
Total liabilities and net assets	75,108,683	73,974,223

Note: Unappropriated surplus on the condensed balance sheet as of March 31, 2021, represents the current-year unappropriated surplus.

## Notes to the Nonconsolidated Balance Sheet as of September 30, 2021

1. Effective from the six months ended September 30, 2021, the Company has applied the “Accounting Standard for Fair Value Measurement” (Accounting Standards Board of Japan (ASBJ) Statement No. 30, July 4, 2019) (the “Accounting Standard for Fair Value Measurement”) and other related standards and has partially revised its method for measuring the fair value of financial instruments. In applying the Accounting Standard for Fair Value Measurement and other related standards, the Company has followed the transitional treatments set forth in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). The Company has prospectively applied the new accounting policies set forth by the Accounting Standard for Fair Value Measurement and other related standards from the beginning of the six months ended September 30, 2021. As a result, effective from the six months ended September 30, 2021, stocks (including foreign stocks) classified as available-for-sale securities are measured at fair value based mainly on market prices on the last day of September. Previously, these stocks were measured at the average fair value based on quoted market prices during the period of one month before the last day of September. In addition, the breakdown of financial instruments by fair value level is provided in Note 21 to Nonconsolidated Balance Sheet as of September 30, 2021.
2. (1) Securities (including items, such as deposits and monetary receivables purchased which are treated as securities based on 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 (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. Securities are measured at fair value based mainly on market prices on the last day of September (cost of securities sold is calculated using the moving average method, and 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, which is amortized on a straight-line basis).
- b. Stocks and other securities of which market prices are not available are measured at cost based on moving averages.

- (2) Unrealized gains/losses of available-for-sale securities are recorded as a separate component of net assets.

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

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

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

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

5. (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.

6. 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 which 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.

7. (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 ¥2,513 million (including ¥67 million of credits secured and/or guaranteed) as of September 30, 2021.
8. To provide for losses on investments, an allowance for investment loss is recognized for stocks without market prices and measured at the amount of estimated losses that could arise in the future in accordance with the Company's internal Asset Valuation Regulation and Write-off/Provision Rule.
9. Accrued bonuses for directors, and audit and supervisory board members are recognized based on amounts estimated to be paid.
10. (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, 2022, 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
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

<u>Hedging instruments</u>	<u>Hedged items</u>
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 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 applies 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, 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 has decided to successively provide these additional policy reserves over the next three years. As a result, the policy reserves increased by ¥61,554 million, while ordinary profit and surplus before income taxes decreased by ¥61,554 million, compared with amounts that would have been recorded had the additional policy reserves not been provided in the six months ended September 30, 2021.

18. The corporate tax, inhabitant tax, and income tax adjustments for the six months ended September 30, 2021, are calculated based on the assumption of accumulations and reversals of the reserve for reduction entry of real estate and the reserve for dividends to policyholders due to the appropriation of surplus in the current fiscal year.

19. Matters concerning the fair value of financial instruments and related items are as follows:

Notes have been omitted for financial instruments whose fair values approximate their book values due to their short-term settlement.

(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
Monetary receivables purchased:	158,581	164,791	6,210
Policy-reserve-matching bonds	137,881	144,091	6,210
Available-for-sale securities	20,700	20,700	—
Assets held in trust:	53	53	—
Trading securities	53	53	—
Investments in securities (*3 and *4):	62,264,730	65,425,742	3,161,011
Trading securities	734,993	734,993	—
Policy-reserve-matching bonds	24,606,894	27,553,696	2,946,801
Investments in subsidiaries and affiliates	128,615	342,825	214,209
Available-for-sale securities	36,794,227	36,794,227	—
Loans (*5):	7,387,683	7,558,854	171,170
Policy loans	472,279	472,279	—
Industrial and consumer loans	6,915,403	7,086,574	171,170
Derivative financial instruments (*6):	(298,147)	(298,147)	—
Hedge accounting not applied	72,985	72,985	—
Hedge accounting applied	(371,132)	(371,132)	—
Corporate bonds (*5 and *7)	(1,420,305)	(1,449,296)	(28,991)
Loans payable (*7)	(736,182)	(744,392)	(8,210)

(\*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 six months ended September 30, 2021, the fair value is the balance sheet amount, net of the impairment losses recognized.

(\*3) Stocks without market prices, such as unlisted stocks, are not included in the above table. The amounts presented in the nonconsolidated balance sheet by holding purpose were ¥940,836 million for investments in subsidiaries and affiliates, and ¥58,170 million for available-for-sale securities as of September 30, 2021.

(\*4) The balance of investments in partnerships and other entities is not included in the above table based on application of the transitional measures set forth in Paragraph 27 of the Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31). The amount of such investments in partnerships and other entities presented in the nonconsolidated balance sheet was ¥414,845 million as of September 31, 2021.

(\*5) 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.

(\*6) Receivables and payables generated by derivative financial instruments are offset and presented in net amounts. Net payables are presented in parentheses.

(\*7) Corporate bonds and loans payable are recorded in liabilities and presented in parentheses.

(2) 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 losses of those instruments included in profit and loss were ¥14,214 million for the six months ended September 30, 2021.

2) Held-to-maturity debt securities

There were no balances as of September 30, 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	135,443	141,677	6,234
	Domestic bonds	20,066,501	23,136,719	3,070,218
	Foreign securities	121,349	130,868	9,518
	Subtotal	20,323,294	23,409,265	3,085,971
Fair value does not exceed the balance sheet amount	Monetary receivables purchased	2,437	2,413	(24)
	Domestic bonds	4,399,645	4,266,978	(132,677)
	Foreign securities	19,398	19,130	(267)
	Subtotal	4,421,481	4,288,522	(132,959)
Total		24,744,775	27,697,787	2,953,011

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	Monetary receivables purchased	13,149	13,700	551
	Domestic bonds	2,337,025	2,532,097	195,072
	Domestic stocks	3,403,726	9,450,677	6,046,951
	Foreign securities	15,752,951	18,945,769	3,192,817
	Other securities	2,176,088	2,408,012	231,923
	Subtotal	23,682,943	33,350,259	9,667,316
Balance sheet amount does not exceed acquisition cost or amortized cost	Monetary receivables purchased	6,999	6,999	(0)
	Domestic bonds	280,499	276,039	(4,409)
	Domestic stocks	503,152	410,413	(92,738)
	Foreign securities	1,874,245	1,825,096	(49,148)
	Other securities	957,237	946,119	(11,117)
	Subtotal	3,622,084	3,464,668	(157,415)
Total		27,305,027	36,814,928	9,509,901

\* Stocks without market prices of ¥58,170 million and the balance of investments in partnerships and other entities of ¥112,910 million are not included in the table above.

Impairment losses of ¥1,773 million were recognized for securities during the six months ended September 30, 2021.

Regarding stocks (including foreign stocks), impairment losses are recognized for stocks whose fair value had declined significantly from the acquisition cost based on market prices and other valuations on the last day of September.

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 September 30, 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 September 30, 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.

20. (1) Matters concerning the breakdown of financial instruments by fair value level are as follows:

The fair value of financial instruments is classified into the following three levels according to the observability and significance of inputs used to measure fair value.

Fair Value Level 1: Fair value is measured using unadjusted quoted prices in active markets for identical assets or liabilities.

Fair Value Level 2: Fair value is measured using directly or indirectly observable inputs other than Level 1 inputs.

Fair Value Level 3: Fair value is measured using significant unobservable inputs.

If multiple inputs that have a significant effect on a fair value measurement are used, the fair value is classified as the level that is least significant to the fair value measurement from among the levels into which each of the inputs is classified.

1) Financial instruments whose amounts presented in the nonconsolidated balance sheet as of September 30, 2021, are measured by fair value

(Million Yen)				
	Level 1	Level 2	Level 3	Total
Monetary receivables purchased	—	12,987	7,713	20,700
Available-for-sale securities	—	12,987	7,713	20,700
Assets held in trust	—	53	—	53
Trading securities	—	53	—	53
Securities (*)	17,779,240	8,939,190	482,845	27,201,277
Trading securities	344,538	150,994	—	495,533
Available-for-sale securities	17,434,702	8,788,196	482,845	26,705,744
Domestic bonds	1,654,687	1,153,449	—	2,808,137
National government bonds	1,654,687	101	—	1,654,788
Local government bonds	—	75,225	—	75,225
Corporate bonds	—	1,078,123	—	1,078,123
Domestic stocks	9,785,011	76,079	—	9,861,091
Foreign securities	5,991,749	7,558,666	482,845	14,033,261
Foreign bonds	5,680,448	7,501,374	482,845	13,664,668
Foreign stocks and other securities	311,301	57,291	—	368,593
Other securities	3,253	—	—	3,253
Derivative financial instruments	1,056	(299,237)	33	(298,147)
Interest rate-related	—	65,569	33	65,602
Currency-related	—	(363,226)	—	(363,226)
Others	1,056	(1,579)	—	(523)



2) Financial instruments whose amounts presented in the nonconsolidated balance sheet as of September 30, 2021, are not measured by fair value

(Million Yen)

	Level 1	Level 2	Level 3	Total
Monetary receivables purchased:	—	—	144,091	144,091
Policy-reserve-matching bonds	—	—	144,091	144,091
Investments in securities (*):	25,326,353	2,568,187	874	27,895,415
Policy-reserve-matching bonds	25,326,353	2,226,469	874	27,553,696
Domestic bonds	25,286,850	2,115,973	874	27,403,698
Foreign securities	39,502	110,495	—	149,998
Investments in subsidiaries and affiliates	—	341,718	—	341,718
Loans:	—	—	7,558,854	7,558,854
Policy loans	—	—	472,279	472,279
Industrial and consumer loans	—	—	7,086,574	7,086,574
Corporate bonds	—	(1,449,296)	—	(1,449,296)
Loans payable	—	(728,210)	(16,182)	(744,392)

(\*) Investment trusts are not included in the above table based on application of the transitional measures set forth in Paragraph 26 of ASBJ Guidance No. 31. The amount of such investment trusts presented in the nonconsolidated balance sheet was ¥10,328,873 million as of September 31, 2021.

(2) Explanation of major valuation techniques and inputs used to measure the fair value of financial instruments is as follows.

1) Financial instruments classified as securities and monetary receivables purchased that are treated as securities based on ASBJ Statement No. 10

Financial instruments measurable by unadjusted quoted prices in active markets are classified as Fair Value Level 1. These instruments mainly include listed stocks and national government bonds. When financial instruments are measured using published quoted prices from inactive markets, such financial instruments are classified as Fair Value Level 2. These instruments mainly include local government bonds and corporate bonds. When published quoted prices are not available, fair value is measured mainly based on valuations obtained from external information vendors. When unobservable inputs are not used or their effect is insignificant, financial instruments are classified as Fair Value Level 2, and when significant unobservable inputs are used, they are classified as Fair Value Level 3. In addition, investment trusts are measured mainly based on published standard prices. No levels are assigned to

investment trusts based on application of the transitional measures set forth in Paragraph 26 of ASBJ Guidance No. 31.

## 2) Loans

### a. Policy loans

Policy loans are classified as Level 3. Book value is used as the fair value of policy loans, as the fair value is deemed to approximate their 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

Book value is used as the fair value of variable interest rate loans, as the fair value is deemed to approximate their book value unless there are major changes in the credit status of the borrower after loan execution because market interest rates are reflected in future cash flows over the short term. Meanwhile, with regard to fixed interest rate loans, the fair value, by loan category based on the type of loan, internal rating, and maturity term, is determined by discounting future cash flows to the present value using a discount rate reflecting market interest rates, which are adjusted for credit risk and other factors. In addition, this fair value is reflected in loans subject to designated hedge accounting (“*Furiate-shori*”) for currency swaps and exceptional accounting treatment (“*Tokurei-shori*”) for interest rate swaps.

For loans to bankrupt or substantially bankrupt borrowers, or borrowers who are not currently legally bankrupt but have a high probability of bankruptcy, fair value is measured by deducting an estimated uncollectible amount determined by factors, such as the present value of future cash flows or the estimated collectible amount based on collateral or guarantees, from the book value directly before it is written down.

Each of the measured fair values is classified as Level 3.

## 3) Derivative financial instruments

Derivative financial instruments for which unadjusted quoted prices are available in active markets are classified as Fair Value Level 1. These instruments mainly include bond futures and equity index futures. When published quoted prices are not available, fair value is measured mainly based on valuations obtained from external information vendors. When unobservable inputs are not used or their effect is insignificant, derivative financial instruments are classified as Fair Value Level 2, and when significant unobservable inputs are used, these instruments are classified as Fair Value Level 3.

#### 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. When unobservable inputs are not used or their effect is insignificant, assets held in trust are classified as Fair Value Level 2.

#### 5) Corporate bonds

Corporate bonds issued by the Company are classified as Level 2, with market prices used as the fair value. In addition, this fair value is reflected in corporate bonds subject to designated hedge accounting (“*Furiate-shori*”) for currency swaps.

#### 6) Loans payable

Book value is used as the fair value of variable interest rate loans payable. The fair value is deemed to approximate book value as there have been no major changes in the credit status of the Company after loan execution, and because market interest rates are reflected in future cash flows over the short term. Variable interest rate loans payable are classified as Level 3. Meanwhile, the fair value of fixed interest rate loans payable is determined by discounting future cash flows to the present value using a discount rate reflecting interest rates that would be offered for similar borrowings, adjusted for the Company’s credit risk. Fixed interest rate loans payable are classified as Fair Value Level 3; however, loans payable financed by means of public offerings employing securitization schemes are classified as Fair Value Level 2. The market prices of the corporate bonds issued to back such loans payable are used as fair value.

(3) Information on financial instruments classified as Level 3 whose amounts presented in the nonconsolidated balance sheet as of September 30, 2021, are measured by fair value

1) Quantitative information on significant unobservable inputs used in measuring fair value

This note is omitted because the Company does not estimate inputs that it cannot observe independently.

2) Reconciliation of balances at the beginning of the current fiscal year and balances as of September 30, 2021, and unrealized gain or loss recognized in profit or loss for the six months ended September 30, 2021

(Million Yen)

	Monetary receivables purchased Other securities	Available-for-sale securities Other securities	Derivative financial instruments Interest-related
Balance at the beginning of the current fiscal year	10,551	623,104	69
Profit or loss for the six months ended September 30, 2021	(180)	(11,819)	(123)
Recognized in net surplus (loss) (*1)	27	(765)	(123)
Recognized in valuations, conversions, and others (*2)	(208)	(11,053)	—
Purchases, sales, issuances, and settlements	(2,657)	(128,439)	87
Transfers to Fair Value Level 3 (*3)	—	—	—
Transfers from Fair Value Level 3 (*4)	—	—	—
Balance as of September 30, 2021	7,713	482,845	33
Unrealized gain or loss on financial instruments held as of September 30, 2021, recognized in profit or loss for the six months ended September 30, 2021 (*1)	—	—	(123)

(\*1) These amounts are included in investment income and investment expenses in the nonconsolidated statement of income for the six months ended September 30, 2021.

(\*2) These amounts are included in net unrealized gains on available-for-sale securities under valuations, conversions, and others in the nonconsolidated balance sheet as of September 30, 2021.

(\*3) There were no transfers from Fair Value Level 1 or Level 2 to Fair Value Level 3.

(\*4) There were no transfers from Fair Value Level 3 to Fair Value Level 1 or Level 2.

3) Explanation of the valuation process for fair value

The Company measures fair value based on a policy on fair value measurement determined internally. The Company ensures the suitability of the valuation techniques and inputs used to measure fair value, and the appropriateness of the fair value level classifications prescribed by the policy.

In determining fair value, the Company uses valuation models that can most appropriately reflect the features, characteristics, and risks of individual financial instruments. In addition, even when using

quoted prices obtained from third parties, the Company verifies the suitability of such prices using appropriate methods, such as ensuring the appropriateness of the valuation techniques and inputs being used, and comparing those with fair values provided by other vendors.

(4) Explanation of impact on fair value in case of change in significant unobservable inputs

This note is omitted because the Company does not estimate inputs that it cannot observe independently.

21. As of September 30, 2021, there were no significant changes in the balance sheet amounts and fair values of investment and rental properties from the end of the previous fiscal year.

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 ¥30,261 million as of September 30, 2021. The details of those balances were as follows:

- 1) The balances of loans to bankrupt borrowers and delinquent loans were ¥929 million and ¥26,876 million, respectively, as of September 30, 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 September 30, 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 ¥2,455 million as of September 30, 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 ¥2,354 million and ¥159 million, respectively, as of September 30, 2021.
23. The amount of accumulated depreciation of tangible fixed assets was ¥1,177,439 million as of September 30, 2021.
24. Separate account assets as provided in accordance with Article 118, Paragraph 1 of the Insurance Business Act were ¥1,224,024 million as of September 30, 2021, and a corresponding liability is recorded in the same amount.
25. Changes in the reserve for dividends to policyholders for the six months ended September 30, 2021, were as follows:

	Million Yen
	Six months ended September 30, 2021
a. Balance at the beginning of the current fiscal year	¥1,046,832
b. Transfer to reserve from surplus for the previous fiscal year	¥276,006
c. Dividends paid to policyholders during the current six-month period	¥174,129
d. Increase in interest	¥10,724
e. Balance at the end of the current six-month period (a+b-c+d)	¥1,159,433

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

The Company's 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

September 2021	Tenth anniversary date after the issue date and on each fifth anniversary date thereafter
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27. Other liabilities include subordinated loans payable of ¥720,000 million with special provisions that the fulfillment of obligations on the loans payable is subordinate to all other debt obligations.
28. Assets pledged as collateral in the form of investments in securities, land, and buildings as of September 30, 2021, were ¥1,887,203 million, ¥252 million, and ¥39 million, respectively. The total amount of liabilities covered by the assets pledged was ¥955,800 million as of September 30, 2021.
- These amounts included ¥865,047 million of sale of securities under repurchase agreements and ¥955,799 million of payables under repurchase agreements as of September 30, 2021.
29. The Company offered foundation funds (*kikin*) of ¥50,000 million as provided in Article 60 of the Insurance Business Act during the six months ended September 30, 2021.
30. The Company redeemed ¥50,000 million of foundation funds and credited the same amount to reserve for redemption of foundation funds as prescribed in Article 56 of the Insurance Business Act.
31. The total amount of stocks and investments in subsidiaries and affiliates was ¥1,371,387 million as of September 30, 2021.
- On October 29, 2021, the Company acquired approximately 14.9% of the shares of Nippon Wealth Life Insurance Company Limited (the Company owns approximately 85.1% of the shares as of September 30, 2021, making it a subsidiary of the Company) owned by MassMutual International LLC. Through this acquisition, Nippon Life has made Nippon Wealth Life Insurance Company Limited a wholly owned subsidiary. The acquisition cost was ¥23,819 million, and the acquisition was funded by the Company's cash on hand.
32. The amount of securities lent under lending agreements was ¥2,167,905 million as of September 30, 2021.
33. Assets that the Company has a free disposal right to sell or re-pledge are marketable securities borrowed under lending agreements. These assets were held without being sold or re-pledged and totaled ¥396,780 million at fair value as of September 30, 2021.
34. The unused amount of commitments related to loans and similar loans agreements was ¥285,352 million as of September 30, 2021.

35. Of the maximum borrowing amount from the Life Insurance Policyholders Protection Corporation of Japan, which is provided for in Article 37-4 of the Order for Enforcement of the Insurance Business Act, the amount applied to the Company was estimated to be ¥71,238 million as of September 30, 2021.

The amount contributed to the corporation above was recorded as operating expenses.

36. 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 are recognized as land revaluation losses within the net assets section.

Revaluation date	March 31, 2002
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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.
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37. 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 ¥172 million as of September 30, 2021.



## 5. Nonconsolidated Statements of Income

(Million Yen)

	Six months ended September 30, 2021	Six months ended September 30, 2020
Ordinary income:	3,380,607	3,189,029
Revenues from insurance and reinsurance:	2,145,583	2,052,341
Insurance premiums	2,145,020	2,051,752
Investment income:	1,183,046	1,081,922
Interest, dividends, and other income	755,758	682,155
Gain on sales of securities	397,189	336,221
Gain on separate accounts, net	25,227	51,763
Other ordinary income	51,977	54,765
Ordinary expenses:	2,906,608	2,942,940
Benefits and other payments:	1,806,200	1,806,780
Death and other claims	498,454	488,152
Annuity payments	383,552	374,625
Health and other benefits	356,133	333,360
Surrender benefits	499,492	471,947
Other refunds	67,783	137,836
Provision for policy reserves:	615,159	621,167
Provision for policy reserves	604,435	610,396
Provision for interest on reserve for dividends to policyholders	10,724	10,771
Investment expenses:	88,733	129,371
Interest expenses	15,774	13,830
Loss from assets held in trust, net	81	30,919
Loss on sales of securities	18,752	12,001
Loss on valuation of securities	1,878	3,419
Loss on derivative financial instruments, net	1,301	34,058
Operating expenses	288,880	280,981
Other ordinary expenses	107,634	104,639
Ordinary profit	473,998	246,088
Extraordinary gains:	915	60
Gain on disposals of fixed assets	915	60
Extraordinary losses:	136,737	107,418
Loss on disposals of fixed assets	1,805	2,661
Impairment losses	2,909	2,798
Provision for reserve for price fluctuations in investments in securities	129,022	98,958
Contributions for assisting social public welfare	3,000	3,000
Surplus before income taxes	338,176	138,731
Income taxes - current	173,233	96,791
Income taxes - deferred	(105,414)	(88,409)
Total income taxes	67,818	8,381
Net surplus	270,358	130,349

Notes to the Nonconsolidated Statement of Income for the Six Months Ended September 30, 2021

1. The Company uses the following methods to record revenues from insurance and reinsurance, and benefits and other payments.
  - (1) Revenues from insurance and reinsurance (excluding revenues from reinsurance) 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. Gain on sales of securities includes gains on sales of domestic bonds, including national government bonds, domestic stocks, and foreign securities of ¥9,664 million, ¥360,320 million, and ¥27,205 million, respectively, for the six months ended September 30, 2021.
3. Loss on sales of securities includes losses on sales of domestic bonds, including national government bonds, domestic stocks and other securities, and foreign securities of ¥401 million, ¥14,314 million, and ¥4,036 million, respectively, for the six months ended September 30, 2021.
4. Loss on valuation of securities includes loss on valuation of domestic stocks and other securities of ¥1,878 million, for the six months ended September 30, 2021.
5. Provision for policy reserves for ceded reinsurance that was added to the calculation of provision for policy reserves was ¥40 million for the six months ended September 30, 2021.
6. Breakdown of interest, dividends, and other income for the six months ended September 30, 2021, is as follows:

	Million Yen
	Six months ended September 30, 2021
Interest on deposits and savings	¥ 203
Interest on securities and dividends	¥645,664
Interest on loans	¥52,560
Real estate rental income	¥53,742
Other income	¥3,586
Total	¥755,758

7. Impairment losses are as follows:

1) Method for grouping the assets

Real estate for rental use and other assets 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 six months ended September 30, 2021, is as follows:

Purpose of use	Million Yen		
	Land	Buildings	Total
Idle properties	¥2,022	¥886	¥2,909
Total	¥2,022	¥886	¥2,909

4) Measurement of recoverable amount

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

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

## 6. Nonconsolidated Statements of Changes in Net Assets

For the six months ended September 30, 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	18,993	71,917	351	71,855	2,069	170	329,199	494,556	1,895,208
Increase/decrease:												
Issuance of foundation funds	50,000											50,000
Additions to reserve for dividends to policyholders										(276,006)	(276,006)	(276,006)
Additions to legal reserve for deficiencies				995						(995)	—	—
Additions to reserve for redemption of foundation funds		50,000								(50,000)	(50,000)	—
Interest on foundation funds										(277)	(277)	(277)
Net surplus										270,358	270,358	270,358
Redemption of foundation funds	(50,000)											(50,000)
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							1,374			(1,374)	—	—
Reversal of reserve for reduction entry of real estate							(1,390)			1,390	—	—
Reversal of reserve for reduction entry of real estate to be purchased								(1,062)		1,062	—	—
Reversal of land revaluation losses										2,295	2,295	2,295
Net change, excluding foundation funds and others												
Net change	—	50,000	—	995	—	—	(16)	(1,062)	—	(53,546)	(53,629)	(3,629)
Ending balance	100,000	1,350,000	651	19,988	71,917	351	71,839	1,007	170	275,653	440,927	1,891,578

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

For the six months ended September 30, 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	6,642,100	(161,590)	(57,447)	6,423,062	8,318,270
Increase/decrease:					
Issuance of foundation funds					50,000
Additions to reserve for dividends to policyholders					(276,006)
Additions to legal reserve for deficiencies					—
Additions to reserve for redemption of foundation funds					—
Interest on foundation funds					(277)
Net surplus					270,358
Redemption of foundation funds					(50,000)
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					—
Reversal of reserve for reduction entry of real estate to be purchased					—
Reversal of land revaluation losses					2,295
Net change, excluding foundation funds and others	232,407	(54,316)	(2,295)	175,796	175,796
Net change	232,407	(54,316)	(2,295)	175,796	172,166
Ending balance	6,874,508	(215,906)	(59,742)	6,598,858	8,490,437

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

For the six months ended September 30, 2020

(Million Yen)

	Foundation funds and others											
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Legal reserve for deficiencies	Surplus							Total foundation funds and others
					Other surplus reserves						Total surplus	
					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										130,349	130,349	130,349
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										1,720	1,720	1,720
Net change, excluding foundation funds and others												
Net change	—	—	—	599	—	—	8,126	(12,721)	—	(49,356)	(53,352)	(53,352)
Ending balance	100,000	1,300,000	651	18,993	71,917	351	71,855	2,069	170	135,070	300,427	1,701,078

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

For the six months ended September 30, 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	4,165,946	(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					130,349
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					1,720
Net change, excluding foundation funds and others	1,415,392	(44,655)	(1,720)	1,369,016	1,369,016
Net change	1,415,392	(44,655)	(1,720)	1,369,016	1,315,663
Ending balance	5,581,338	(112,712)	(56,427)	5,412,198	7,113,277

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

(Million Yen)

	Six months ended September 30, 2021	Six months ended September 30, 2020
Core operating profit (A)	380,488	326,593
Capital gains:	400,033	345,601
Gain on proprietary trading securities	—	—
Gain from assets held in trust, net	—	—
Gain on trading securities	—	—
Gain on sales of securities	397,189	336,221
Gain on derivative financial instruments, net	—	—
Foreign exchange gains, net	—	9,380
Other capital gains	2,844	—
Capital losses:	48,566	150,148
Loss on proprietary trading securities	—	—
Loss from assets held in trust, net	81	30,919
Loss on trading securities	—	—
Loss on sales of securities	18,752	12,001
Loss on valuation of securities	1,878	3,419
Loss on derivative financial instruments, net	1,301	34,058
Foreign exchange losses, net	6,484	—
Other capital losses	20,068	69,748
Net capital gains (losses) (B)	351,466	195,453
Core operating profit, including net capital gains (losses) (A+B)	731,954	522,046
Nonrecurring gains:	311	—
Reinsurance revenue	—	—
Reversal of contingency reserve	—	—
Reversal of specific allowance for doubtful accounts	311	—
Other nonrecurring gains	—	—
Nonrecurring losses:	258,267	275,957
Reinsurance premiums	—	—
Provision for contingency reserve	196,348	209,300
Provision for specific allowance for doubtful accounts	—	1,464
Provision for allowance for specific overseas loans	—	—
Write-offs of loans	—	—
Other nonrecurring losses	61,919	65,192
Net nonrecurring losses (C)	(257,956)	(275,957)
Ordinary profit (A+B+C)	473,998	246,088



## (Reference) Breakdown of “Other” items

(Million Yen)

	Six months ended September 30, 2021	Six months ended September 30, 2020
Core operating profit	17,224	69,748
Interest income and expenses related to swap transactions for foreign currency-denominated insurance products and swap transactions for hedging purposes	7,246	9,506
Impact of market exchange rate movements related to foreign currency-denominated insurance policies	(2,844)	57,508
Impact of movements in surrender benefits related to market value adjustment	12,822	2,733
Other capital gains	2,844	—
Interest income related to swap transactions for foreign currency-denominated insurance products and swap transactions for hedging purposes	—	—
Impact of market exchange rate movements related to foreign currency-denominated insurance policies	2,844	—
Impact of movements in surrender benefits related to market value adjustment	—	—
Other capital losses	20,068	69,748
Interest expenses related to swap transactions for foreign currency-denominated insurance products and swap transactions for hedging purposes	7,246	9,506
Impact of market exchange rate movements related to foreign currency-denominated insurance policies	—	57,508
Impact of movements in surrender benefits related to market value adjustment	12,822	2,733
Other nonrecurring gains	—	—
Reversal of allowance for investment loss	—	—
Other nonrecurring losses	61,919	65,192
Provision for allowance for investment loss	364	364
Provision for policy reserves pursuant to Article 69 Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act in Japan	61,554	64,828

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

(Million Yen, %)

	As of September 30, 2021	As of March 31, 2021
Bankrupt and quasi-bankrupt loans	12,102	10,308
Doubtful loans	15,704	16,511
Substandard loans	2,455	2,635
Subtotal	30,262	29,456
[Percentage of total, %]	[0.31]	[0.28]
Normal loans	9,629,174	10,338,632
Total	9,659,437	10,368,089

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 September 30, 2021, and March 31, 2021, were ¥2,513 million and ¥2,514 million, respectively.

## 9. Status of Risk-Monitored Loans

(Million Yen, %)

	As of September 30, 2021	As of March 31, 2021
Loans to bankrupt borrowers	929	1,014
Delinquent loans	26,876	25,806
Loans that are delinquent for over three months	—	—
Restructured loans	2,455	2,635
Total	30,261	29,456
[Percentage of total loans, %]	[0.41]	[0.40]

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 ¥2,354 million and ¥159 million, respectively, as of September 30, 2021, and ¥2,448 million and ¥66 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. Breakdown of Allowance for Doubtful Accounts

(Million Yen)

	Six months ended September 30, 2021	Year ended March 31, 2021	Difference
(1) Breakdown of allowance for doubtful accounts			
(A) General allowance for doubtful accounts	8,288	5,424	2,863
(B) Specific allowance for doubtful accounts	2,078	2,794	(715)
(C) Allowance for specific overseas loans	—	—	—
(2) Specific allowance for doubtful accounts			
(A) Provision	4,592	5,309	(717)
(B) Reversal	4,904	3,730	1,173
[excluding reversals with write-offs]			
(C) Net provision	(311)	1,579	(1,891)
(3) Allowance for specific overseas loans			
(A) Number of countries	—	—	—
(B) Loan amount	—	—	—
(C) Provision	—	—	—
(D) Reversal	—	—	—
(4) Write-offs	—	—	—

## 11. Solvency Margin Ratio

(Million Yen)

	As of September 30, 2021	As of March 31, 2021
Solvency margin gross amount (A):	18,687,838	17,717,439
Foundation funds ( <i>kikin</i> ) and other reserve funds:	6,033,696	5,432,807
Foundation funds and others	1,891,578	1,618,924
Reserve for price fluctuations in investments in securities	1,650,938	1,521,916
Contingency reserve	2,241,012	2,044,663
General allowance for doubtful accounts	8,288	5,424
Others	241,878	241,878
Net unrealized gains on available-for-sale securities (before tax) and deferred losses on derivatives under hedge accounting (before tax) × 90%	8,251,369	8,042,164
Net unrealized gains on real estate × 85%	500,863	503,035
Excess of continued Zillmerized reserve	1,982,431	1,973,928
Qualifying subordinated debt	2,140,305	1,841,512
Excess of continued Zillmerized reserve and qualifying subordinated debt not included in margin calculations	—	—
Deduction clause	(107,927)	(105,201)
Others	(112,900)	29,191
Total amount of risk (B):		
$\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$	3,452,646	3,516,976
Underwriting risk (R <sub>1</sub> )	113,335	114,185
Underwriting risk of third-sector insurance (R <sub>8</sub> )	89,712	88,290
Anticipated yield risk (R <sub>2</sub> )	316,001	321,151
Minimum guarantee risk (R <sub>7</sub> )	5,349	5,378
Investment risk (R <sub>3</sub> )	3,053,632	3,111,675
Business management risk (R <sub>4</sub> )	71,560	72,813
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	1,082.5%	1,007.5%

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.

## 12. Status of Separate Accounts

### (1) Balance of Separate Account Assets

(Million Yen)

	As of September 30, 2021	As of March 31, 2021
Individual variable insurance	110,469	112,908
Individual variable annuities	26,230	32,223
Group annuities	1,087,323	1,082,174
Separate account total	1,224,024	1,227,305

### (2) Policies in Force

- Individual Variable Insurance

	As of September 30, 2021		As of March 31, 2021	
	Number of policies	Amount of policies (million yen)	Number of policies	Amount of policies (million yen)
Variable insurance (defined term type)	10,639	7,105	10,791	6,271
Variable insurance (whole life type)	30,234	420,535	30,608	425,701
Total	40,873	427,640	41,399	431,973

- Individual Variable Annuities

	As of September 30, 2021		As of March 31, 2021	
	Number of policies	Amount of policies (million yen)	Number of policies	Amount of policies (million yen)
Individual variable annuities	18,818	26,219	27,164	32,221

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

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

(100 Million Yen)

	Six months ended September 30, 2021	Six months ended September 30, 2020
Ordinary income	41,500	39,447
Ordinary profit	4,915	2,737
Net surplus attributable to the parent company	2,558	1,393
Comprehensive income	4,917	16,035

	As of September 30, 2021	As of March 31, 2021
Total assets	866,820	855,899
Solvency margin ratio	1,153.8%	1,075.0%

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

	As of September 30, 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	Not applicable

#### (3) Policies for Preparing the Consolidated Financial Statements for the Six Months Ended September 30, 2021

##### 1) Consolidated subsidiaries

Number of consolidated subsidiaries: 15 entities

Major consolidated subsidiaries:

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 (U.S.A.)

Nippon life Americas, Inc. (U.S.A.)

MLC Limited (Australia)

## Nippon Life India Asset Management Limited

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 six months ended September 30, 2021, which are immaterial enough to be excluded from consolidation given that they would not affect reasonable judgments 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:

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.

Grand Guardian Nippon Life Insurance Company Limited

Unconsolidated subsidiaries, including Nippon Life Global Investors Americas, Inc. and Nissay Trading Corporation, as well as affiliates other than those listed above, such as SL Towers Co., Ltd., are not accounted for under the equity method as respective and aggregate effects of such companies on the Company's consolidated net income and surplus for the six months ended September 30, 2021, are immaterial.

3) Reporting date for consolidated subsidiaries

The interim reporting dates for consolidated overseas subsidiaries are June 30 and September 30. In preparing the interim consolidated financial statements, consolidated overseas subsidiaries with interim reporting date of June 30 are consolidated using the interim financial statements as of and for the interim period ended June 30, and necessary adjustments are made to reflect significant transactions that occurred between June 30 and September 30, the Company's interim reporting date.



#### (4) Consolidated Balance Sheets

(Million Yen)

	As of September 30, 2021	As of March 31, 2021
<b>Assets:</b>		
Cash and deposits	1,610,966	1,771,810
Call loans	423,341	540,086
Monetary receivables purchased	305,794	316,335
Assets held in trust	53	135
Investments in securities	72,249,853	70,741,631
Loans	8,361,539	8,423,975
Tangible fixed assets	1,929,841	1,941,042
Intangible fixed assets	380,467	385,669
Reinsurance receivables	45,724	26,705
Other assets	1,300,711	1,367,177
Net defined benefit asset	1,187	468
Deferred tax assets	11,148	13,538
Customers' liability for acceptances and guarantees	73,972	71,728
Allowance for doubtful accounts	(12,518)	(10,343)
<b>Total assets</b>	<b>86,682,084</b>	<b>85,589,960</b>
<b>Liabilities:</b>		
Policy reserves and other reserves:	69,093,896	68,266,939
Reserve for outstanding claims	238,782	249,222
Policy reserves	67,641,432	66,916,145
Reserve for dividends to policyholders (mutual company)	1,159,433	1,046,832
Reserve for dividends to policyholders (limited company)	54,247	54,738
Reinsurance payables	11,819	8,065
Corporate bonds	1,541,405	1,432,612
Other liabilities	3,692,803	3,871,138
Accrued bonuses for directors, and audit and supervisory board members	144	433
Net defined benefit liability	437,777	438,263
Accrued retirement benefits for directors, and audit and supervisory board members	641	689
Reserve for program points	9,063	8,528
Reserve for price fluctuations in investments in securities	1,742,391	1,610,738
Deferred tax liabilities	944,799	962,359
Deferred tax liabilities for land revaluation	101,003	101,894
Acceptances and guarantees	73,972	71,728
<b>Total liabilities</b>	<b>77,649,717</b>	<b>76,773,391</b>

## (4) Consolidated Balance Sheets (Continued)

(Million Yen)

	As of September 30, 2021	As of March 31, 2021
Net assets:		
Foundation funds	100,000	100,000
Reserve for redemption of foundation funds	1,350,000	1,300,000
Reserve for revaluation	651	651
Consolidated surplus	642,098	709,574
Total foundation funds and others	2,092,749	2,110,225
Net unrealized gains on available-for-sale securities	7,027,764	6,767,268
Deferred losses on derivatives under hedge accounting	(217,119)	(163,088)
Land revaluation losses	(59,742)	(57,447)
Foreign currency translation adjustments	(6,393)	(25,774)
Remeasurement of defined benefit plans	(5,362)	(6,511)
Total accumulated other comprehensive income	6,739,146	6,514,448
Share acquisition rights	1,421	1,349
Noncontrolling interests	199,049	190,546
Total net assets	9,032,366	8,816,569
Total liabilities and net assets	86,682,084	85,589,960

1. Effective from the six months ended September 30, 2021, the Company and its certain subsidiaries have applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019) (the “Accounting Standard for Fair Value Measurement”) and other related standards and have partially revised its method for measuring the fair value of financial instruments. In applying the Accounting Standard for Fair Value Measurement and other related standards, the Company and its certain subsidiaries have followed the transitional treatment set forth in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). The Company and its certain subsidiaries have prospectively applied the new accounting policies set forth by the Accounting Standard for Fair Value Measurement and other related standards from the beginning of the six months ended September 30, 2021. As a result, effective from the six months ended September 30, 2021, stocks (including foreign stocks) classified as available-for-sale securities are measured at fair value based mainly on market prices on the last day of September. Previously, these stocks were measured at the average fair value based on quoted market prices during the period of one month before the last day of September. In addition, the breakdown of financial instruments by fair value level is provided in Note 21 to Nonconsolidated Balance Sheet as of September 30, 2021.
2. (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 neither 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. Securities are measured at fair value based mainly on market prices on the last day of September (cost of securities sold is calculated using the moving average method, and 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, which is amortized on a straight-line basis).
- b. Stocks and other securities of which market prices are not available are measured at cost based on moving averages.

(2) Unrealized gains/losses of available-for-sale securities are recorded as a separate component of net assets.

3. 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.

4. Derivative financial instruments and derivative financial instruments within assets held in trust are stated at fair value based on quoted market prices.
5. (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.

- 6. 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.

- 7. (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 ¥3,793 million (including ¥67 million of credits secured and/or guaranteed) as of September 30, 2021.
8. Accrued bonuses for directors, and audit and supervisory board members are recognized based on amounts estimated to be paid.
9. (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 September 30, 2021, 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 is as follows:
- 1) Attribution method for estimated retirement benefits: Benefit formula basis
- 2) Amortizing period for actuarial gains/losses: Five years

3) Amortizing period for prior service costs: Five years

10. Accrued retirement benefits for directors are recorded as estimated payment amounts under internal rules in order to prepare for payment of accrued benefits to directors including those at a subset of consolidated subsidiaries and subsidiary corporations.
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. 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 sale at the time of receiving the lease payments.
14. 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.

15. 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 in the six months ended September 30, 2021.
16. The Company and certain subsidiaries have applied the consolidated taxation system with the Company as the parent company for consolidated taxation purposes.
17. 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 applying the consolidated taxation system calculate the amounts of deferred tax assets and liabilities based on tax laws and regulations before the revision.
18. (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 its certain consolidated life insurance companies in Japan provided additional policy reserves in the six months ended September 30, 2021. As a result, policy reserves increased by ¥66,596 million, while ordinary profit and surplus before income taxes decreased by ¥66,596 million.

a) The Company

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 has decided to successively provide these additional policy reserves over the next three years. As a result, policy reserves increased by ¥61,554 million, while ordinary profit and surplus before income taxes decreased by ¥61,554 million, compared with amounts that would have been recorded if the additional policy reserve amounts had not been reserved in the six months ended September 30, 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 ¥5,041 million, while ordinary profit and surplus before income taxes decreased by ¥5,041 million, compared with amounts that would have been recorded if the additional policy reserve amounts had not been reserved in the six months ended September 30, 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.

19. The corporate tax, inhabitant tax, and income tax adjustments of the Company for the six months ended September 30, 2021, are calculated based on the assumption of accumulations and reversals of the reserve for reduction entry of real estate and the reserve for dividends to policyholders (mutual company) due to the appropriation of surplus in the current fiscal year.

20. Matters concerning the fair value of financial instruments and related items are as follows:

Notes have been omitted for financial instruments whose fair values approximate their book values due to their short-term settlement.

(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
Monetary receivables purchased:	305,794	315,534	9,739
Held-to-maturity debt securities	26,738	27,076	338
Policy-reserve-matching bonds	204,259	213,660	9,401
Available-for-sale securities	74,797	74,797	—
Assets held in trust:	53	53	—
Trading securities	53	53	—
Investments in securities (*3 and *4):	71,525,433	75,024,358	3,498,924
Trading securities	1,476,039	1,476,039	—
Held-to-maturity debt securities	347,853	367,767	19,914
Policy-reserve-matching bonds	28,691,213	32,162,832	3,471,618
Investments in subsidiaries and affiliates	40,609	48,001	7,391
Available-for-sale securities	40,969,717	40,969,717	—
Loans (*5):	8,352,307	8,545,635	193,328
Policy loans	517,238	517,238	—
Industrial and consumer loans	7,835,068	8,028,396	193,328
Derivative financial instruments (*6):	(239,004)	(239,004)	—
Hedge accounting not applied	132,148	132,148	—
Hedge accounting applied	(371,152)	(371,152)	—
Corporate bonds (*5 and *7)	(1,541,405)	(1,571,093)	(29,688)
Loans payable (*7)	(841,534)	(849,747)	(8,212)

- (\*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 six months ended September 30, 2021, the fair value is the consolidated balance sheet amount net of the impairment losses recognized.
- (\*3) Stocks without market prices, such as unlisted stocks, are not included in the above table. The amount presented in the consolidated balance sheet was ¥227,843 million as of September 30, 2021.
- (\*4) The balance of investments in partnerships and other entities is not included in the above table based on application of the transitional measures set forth in Paragraph 27 of ASBJ Guidance No. 31. The amount of such investments in partnerships and other entities presented in the consolidated balance sheet was ¥496,575 million as of September 31, 2021.
- (\*5) 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.
- (\*6) Receivables and payables generated by derivative financial instruments are offset and presented in net amounts. Net payables in total are presented in parentheses.
- (\*7) Corporate bonds and loans payable are recorded in liabilities and presented in parentheses.

(2) 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 ¥12,143 million for the six months ended September 30, 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	19,227	19,725	498
	Domestic bonds	55,331	56,526	1,195
	Foreign securities	266,769	285,714	18,944
	Subtotal	341,328	361,967	20,638
Fair value does not exceed the consolidated balance sheet amount	Monetary receivables purchased	7,510	7,350	(160)
	Domestic bonds	5,750	5,748	(1)
	Foreign securities	20,002	19,777	(224)
	Subtotal	33,263	32,876	(386)
Total		374,591	394,844	20,252

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	199,416	208,846	9,429
	Domestic bonds	22,727,716	26,222,850	3,495,133
	Foreign securities	1,085,944	1,207,196	121,251
	Subtotal	24,013,078	27,638,892	3,625,814
Fair value does not exceed the consolidated balance sheet amount	Monetary receivables purchased	4,842	4,814	(28)
	Domestic bonds	4,710,860	4,568,995	(141,864)
	Foreign securities	166,691	163,790	(2,901)
	Subtotal	4,882,394	4,737,600	(144,794)
Total		28,895,473	32,376,493	3,481,020

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	Monetary receivables purchased	29,952	30,974	1,022
	Domestic bonds	3,257,369	3,497,438	240,069
	Domestic stocks	3,588,197	9,727,284	6,139,086
	Foreign securities	17,650,371	21,007,537	3,357,165
	Other securities	2,288,329	2,535,801	247,472
	Subtotal	26,814,219	36,799,035	9,984,815
Consolidated balance sheet amount does not exceed acquisition cost or amortized cost	Monetary receivables purchased	44,124	43,822	(301)
	Domestic bonds	472,922	465,615	(7,306)
	Domestic stocks	678,773	537,591	(141,182)
	Foreign securities	2,277,483	2,220,415	(57,068)
	Other securities	990,080	978,033	(12,046)
	Subtotal	4,463,384	4,245,478	(217,905)
Total		31,277,603	41,044,514	9,766,910

\* Stocks without market prices of ¥65,693 million and the balance of investments in partnerships and other entities of ¥191,245 million are not included in the table above.

Impairment losses of ¥1,773 million were recognized during the six months ended September 30, 2021.

Regarding stocks (including foreign stocks) with fair values of the Company and certain consolidated subsidiaries, impairment losses are recognized for stocks whose fair value has declined significantly from the acquisition cost based on market prices and other valuations on the last day of September.

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 September 30, 2021, is 50% or less of the acquisition cost.
- The average fair value in the month preceding September 30, 2021, exceeds 50%, but equal to or less than 70% of the acquisition cost.

21. (1) Matters concerning the breakdown of financial instruments by fair value level are as follows:

The fair value of financial instruments is classified into the following three levels according to the observability and significance of inputs used to measure fair value.

Fair Value Level 1: Fair value is measured using unadjusted quoted prices in active markets for identical assets or liabilities.

Fair Value Level 2: Fair value is measured using directly or indirectly observable inputs other than Level 1 inputs.

Fair Value Level 3: Fair value is measured using significant unobservable inputs.

If multiple inputs that have a significant effect on a fair value measurement are used, the fair value is classified as the level that is least significant to the fair value measurement from among the levels into which each of the inputs is classified.



- a. Financial instruments whose amounts presented in the consolidated balance sheet as of September 30, 2021, are measured by fair value

(Million Yen)

	Level 1	Level 2	Level 3	Total
Monetary receivables purchased	—	22,987	51,809	74,797
Available-for-sale securities	—	22,987	51,809	74,797
Assets held in trust	—	53	—	53
Trading securities	—	53	—	53
Securities (*)	19,871,784	11,240,757	624,855	31,737,397
Trading securities	658,322	541,535	—	1,199,858
Available-for-sale securities	19,213,462	10,699,222	624,855	30,537,539
Domestic bonds	2,138,731	1,824,322	—	3,963,054
National government bonds	2,135,821	69,867	—	2,205,689
Local government bonds	—	112,361	—	112,361
Corporate bonds	2,910	1,642,093	—	1,645,004
Domestic stocks	10,185,288	79,587	—	10,264,875
Foreign securities	6,886,188	8,795,312	624,613	16,306,114
Foreign bonds	6,574,887	8,720,842	624,613	15,920,342
Foreign stocks and other securities	311,301	74,470	—	385,771
Other securities	3,253	—	242	3,495
Derivative financial instruments	1,353	(233,690)	(6,667)	(239,004)
Interest rate-related	302	132,082	33	132,418
Currency-related	—	(367,492)	(7,543)	(375,036)
Others	1,050	1,719	842	3,613

- b. Financial instruments whose amounts presented in the consolidated balance sheet as of September 30, 2021, are not measured by fair value

(Million Yen)

	Level 1	Level 2	Level 3	Total
Monetary receivables purchased	—	—	240,737	240,737
Held-to-maturity debt securities	—	—	27,076	27,076
Policy-reserve-matching bonds	—	—	213,660	213,660
Investments in securities (*):	27,893,022	4,621,240	63,231	32,577,494
Held-to-maturity debt securities	32,035	276,886	58,845	367,767
Domestic bonds	3,227	59,048	—	62,275
Foreign securities	28,808	217,837	58,845	305,491
Policy-reserve-matching bonds	27,860,986	4,297,460	4,385	32,162,832
Domestic bonds	27,551,257	3,239,714	874	30,791,846
Foreign securities	309,728	1,057,745	3,511	1,370,986
Investments in subsidiaries and affiliates	—	46,894	—	46,894
Loans:	—	—	8,545,635	8,545,635
Policy loans	—	—	517,238	517,238
Industrial and consumer loans	—	—	8,028,396	8,028,396
Corporate bonds	—	(1,539,180)	(31,913)	(1,571,093)
Loans payable	—	(728,210)	(121,537)	(849,747)

(\*) Investment trusts are not included in the above table based on application of the transitional measures set forth in Paragraph 26 of ASBJ Guidance No. 31. The amount of such investment trusts presented in the consolidated balance sheet was ¥10,709,289 million as of September 31, 2021.

- (2) Explanation of major valuation techniques and inputs used by the Company and its certain subsidiaries to measure the fair value of financial instruments is as follows:

- 1) Financial instruments classified as securities and monetary receivables purchased that are treated as securities based on ASBJ Statement No. 10

Financial instruments measurable by unadjusted quoted prices in active markets are classified as Fair Value Level 1. These instruments mainly include listed stocks and national government bonds. When financial instruments are measured using published quoted prices from inactive markets, such financial instruments are classified as Fair Value Level 2. These instruments mainly include local government bonds and corporate bonds. When published quoted prices are not available, fair value is measured mainly based on valuations obtained from external information vendors. When unobservable inputs are

not used or their effect is insignificant, financial instruments are classified as Fair Value Level 2, and when significant unobservable inputs are used, they are classified as Fair Value level 3. In addition, investment trusts are measured mainly based on published standard prices. No levels are assigned to investment trusts based on application of the transitional measures set forth in Paragraph 26 of ASBJ Guidance No. 31.

## 2) Loans

### a. Policy loans

Policy loans are classified as Level 3. Book value is used as the fair value of policy loans, as the fair value is deemed to approximate their 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

Book value is used as the fair value of variable interest rate loans, as the fair value is deemed to approximate their book value unless there are major changes in the credit status of the borrower after loan execution because market interest rates are reflected in future cash flows over the short term. Meanwhile, with regard to fixed interest rate loans, the fair value, by loan category based on the type of loan, internal rating, and maturity term, is determined by discounting future cash flows to the present value using a discount rate reflecting market interest rates, which are adjusted for credit risk and other factors. In addition, this fair value is reflected in loans subject to designated hedge accounting (“*Furiate-shori*”) for currency swaps and exceptional accounting treatment (“*Tokurei-shori*”) for interest rate swaps.

For loans to bankrupt or substantially bankrupt borrowers, or borrowers who are not currently legally bankrupt but have a high probability of bankruptcy, fair value is measured by deducting an estimated uncollectible amount determined by factors, such as the present value of future cash flows or the estimated collectible amount based on collateral or guarantees, from the book value directly before it is written down.

Each of the measured fair values is classified as Level 3.

## 3) Derivative financial instruments

Derivative financial instruments for which unadjusted quoted prices are available in active markets are classified as Fair Value Level 1. These instruments mainly include bond futures and equity index futures. When published quoted prices are not available, valuations mainly obtained from external information vendors or valuations determined by the Company itself are used. When unobservable inputs are not used or their effect is insignificant, derivative financial instruments are classified as Fair

Value Level 2, and when significant unobservable inputs are used, these instruments are classified as Fair Value Level 3.

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. When unobservable inputs are not used or their effect is insignificant, assets held in trust are classified as Fair Value Level 2.

5) Corporate bonds

Corporate bonds that use market prices as fair value are classified as Fair Value Level 2. Meanwhile, fixed interest rate corporate bonds whose fair value is determined by discounting future cash flows to the present value using a discount rate according to the expected remaining terms of the bonds are classified as Fair Value Level 3. In addition, this fair value is reflected in corporate bonds subject to designated hedge accounting ( "*Furiate-shori*") for currency swaps.

6) Loans payable

Book value is used as the fair value of variable interest rate loans payable. The fair value is deemed to approximate book value as there have been no major changes in the credit status of the Company after loan execution, and because market interest rates are reflected in future cash flows over the short term. Variable interest rate loans payable are classified as Level 3. Meanwhile, the fair value of fixed interest rate loans payable is determined by discounting future cash flows to the present value using a discount rate reflecting interest rates that would be offered for similar borrowings, adjusted for the Company's credit risk. Fixed interest rate loans payable are classified as Fair Value Level 3; however, loans payable financed by means of public offerings employing securitization schemes are classified as Fair Value Level 2. The market prices of the corporate bonds issued to back such loans payable are used as fair value.

(3) Information on financial instruments classified as Level 3 whose amounts presented in the consolidated balance sheet as of September 30, 2021, are measured by fair value

1) Quantitative information on significant unobservable inputs used in measuring fair value

Quantitative information on significant unobservable inputs used by certain consolidated subsidiaries is as follows:

Classification	Valuation techniques	Important unobservable inputs	Input range
Derivative financial instruments Currency-related	Present value technique	Basis spread (JPY-USD)	(34.6)bp – (25.6)bp

2) Reconciliation of balances at the beginning of the current fiscal year and balances as of September 30, 2021, and unrealized gain or loss recognized in profit or loss for the six months ended September 30, 2021:

(Million Yen)					
	Monetary receivables purchased Other securities	Available-for-sale securities Other securities	Derivative financial instruments Interest-related	Derivative financial instruments Currency-related	Derivative financial instruments Others
Balance at the beginning of the current fiscal year	55,136	1,377,995	69	(3,697)	5,198
Profit or loss for the six months ended September 30, 2021	(205)	(3,645)	(123)	(3,845)	(35)
Recognized in net surplus (loss) (*1)	(8)	(5,715)	(123)	(3,845)	(35)
Recognized in other comprehensive income (*2)	(197)	2,069	—	—	—
Purchases, sales, issuances, and settlements	(3,121)	(161,266)	87	—	424
Transfers to Fair Value Level 3 (*3)	—	2,203	—	—	—
Transfers from Fair Value Level 3 (*4)	—	(590,430)	—	—	(4,744)
Balance as of September 30, 2021	51,809	624,855	33	(7,543)	842
Unrealized gain or loss on financial instruments held as of September 30, 2021, recognized in profit or loss for the six months ended September 30, 2021 (*1)	—	946	(123)	(7,543)	185

- (\*1) These amounts are included in investment income and investment expenses in the consolidated statement of income for the six months ended September 30, 2021.
- (\*2) These amounts are included in net unrealized gains on available-for-sale securities under other comprehensive income in the consolidated balance sheet as of September 30, 2021.
- (\*3) These transfers are from Fair Value Level 1 or Fair Value Level 2 to Fair Value Level 3 and resulted from changes in the observability of inputs used to measure fair value. These transfers were carried out at the beginning of the six months ended September 30, 2021.
- (\*4) These transfers are from Fair Value Level 3 to Fair Value Level 1 or Fair Value Level 2 and resulted from changes in the observability of inputs used to measure fair value. These transfers were carried out at the beginning of the six months ended September 30, 2021.

### 3) Explanation of the valuation process for fair value

The Company and its certain subsidiaries measure fair value based on a policy on fair value measurement determined internally. The Company and its certain subsidiaries ensure the suitability of the valuation techniques and inputs used to measure fair value, and the appropriateness of the fair value level classifications prescribed by the policy.

In determining fair value, the Company and its certain subsidiaries use valuation models that can most appropriately reflect the features, characteristics, and risks of individual financial instruments. In addition, even when using quoted prices obtained from third parties, the Company and its certain subsidiaries verify the suitability of such prices using appropriate methods, such as ensuring the appropriateness of the valuation techniques and inputs being used, and comparing those with fair values supplied by other vendors.

### 4) Explanation of impact on fair value in case of a change in significant unobservable inputs

The basis spread is a significant unobservable input used to measure the fair value of currency swaps at certain consolidated subsidiaries. Significant volatility in the basis spread may cause sharp ups and downs in the fair value of derivatives according to the characteristics of the underlying assets.

22. As of September 30, 2021, there were no significant changes in the consolidated balance sheet amounts and fair values of investment and rental properties from the end of the previous fiscal year.

23. (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 ¥30,329 million as of September 30, 2021. The details of those balances were as follows:

- 1) The balances of loans to bankrupt borrowers and delinquent loans were ¥932 million and ¥26,941 million, respectively, as of September 30, 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 September 30, 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 ¥2,455 million as of September 30, 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 ¥3,577 million and ¥216 million, respectively, as of September 30, 2021.
24. The amount of accumulated depreciation of tangible fixed assets was ¥1,229,711 million as of September 30, 2021.
25. Separate account assets as provided in accordance with Article 118, Paragraph 1 of the Insurance Business Act were ¥1,459,633 million as of September 30, 2021, and a corresponding liability is recorded in the same amount.
26. Changes in the reserve for dividends to policyholders (mutual company) for the six months ended September 30, 2021, were as follows:

	Million Yen
	Six months ended September 30, 2021
a. Balance at the beginning of the current fiscal year	¥1,046,832
b. Transfer to reserve from surplus for the previous fiscal year	¥276,006
c. Dividends paid to policyholders (mutual company) during the current six-month period	¥174,129
d. Increase in interest	¥10,724
e. Balance at the end of the current six-month period (a+b-c+d)	¥1,159,433



27. Changes in the reserve for dividends to policyholders (limited company) for the six months ended September 30, 2021, were as follows:

	Million Yen
	Six months ended September 30, 2021
a. Balance at the beginning of the current fiscal year	¥54,738
b. Dividends paid to policyholders (limited company) during the current six-month period	¥6,492
c. Increase in interest	¥4
d. Provision for reserve for dividends to policyholders (limited company)	¥5,995
e. Balance at the end of the current six-month period (a-b+c+d)	¥54,247

28. 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 Company's 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
September 2021	Tenth anniversary date after the issue date and on each fifth anniversary date thereafter

29. Other liabilities include subordinated loans payable of ¥730,000 million with special provisions that the fulfillment of obligations on the loans payable is subordinate to all other debt obligations.
30. Assets pledged as collateral in the form of cash and deposits, investments in securities, land, buildings, and lease receivables as of September 30, 2021, were ¥13,689 million, ¥2,327,911 million, ¥252 million, ¥39 million, and ¥2,931 million, respectively. The total amount of liabilities covered by the assets pledged was ¥1,407,383 million as of September 30, 2021.

These amounts included ¥1,248,560 million of sale of securities under repurchase agreements and ¥1,396,186 million of payables under repurchase agreements as of September 30, 2021.

31. The Company offered foundation funds (*kikin*) of ¥50,000 million as provided in Article 60 of the Insurance Business Act during the six months ended September 30, 2021.
32. The Company redeemed ¥50,000 million of foundation funds and credited the same amount to reserve for redemption of foundation funds as prescribed in Article 56 of the Insurance Business Act.
33. The total amount of stocks and investments in nonconsolidated subsidiaries and affiliates was ¥508,090 million.

34. Matters concerning stock options are as follows:

1) Stock option-related expenses and line items

(Million Yen)

Operating expenses	269
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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	0
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3) Description of stock options

	Nippon Life India Asset Management Limited	
	2019 Third Series of Share Acquisition Rights	2019 Fourth Series of Share Acquisition Rights
Title and number of grantees	Employees: 203	Employees: 1
Number of stock options granted by class of shares*	Common shares: 5,430,538	Common shares: 77,065
Grant date	July 19, 2021	August 7, 2021
Vesting conditions	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
Exercise period	From July 19, 2022 to July 18, 2028	From August 7, 2022 to August 6, 2028
Exercise price	372.71	389.28
Fair value per unit on the grant date	85.73	78.29

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

35. On October 29, 2021, the Company acquired approximately 14.9% of the shares of Nippon Wealth Life Insurance Company Limited (of which the Company owns approximately 85.1% of the shares; hereinafter,



37. 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 ¥396,780 million at fair value as of September 30, 2021.
38. The unused amount of commitments related to loans and similar loan agreements was ¥215,367 million as of September 30, 2021.
39. 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 ¥83,522 million as of September 30, 2021. The amount contributed to the corporation above was recorded as operating expenses.
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 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.

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

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

The outstanding balance of reinsurance accounts receivable related to this modified coinsurance agreement stood at ¥34,447 million as of September 30, 2021. The outstanding balance of the policy reserve component associated with the modified coinsurance agreement stood at ¥798,067 million as of September 30, 2021.

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

(Million Yen)

	Six months ended September 30, 2021	Six months ended September 30, 2020
Ordinary income:	4,150,079	3,944,783
Revenues from insurance and reinsurance	2,721,736	2,511,242
Investment income:	1,298,712	1,301,481
Interest, dividends, and other income	843,404	764,138
Gain on trading securities	3,395	—
Gain on sales of securities	412,081	350,165
Foreign exchange gains, net	—	116,330
Gain from separate accounts, net	33,135	67,716
Other ordinary income	129,629	132,059
Ordinary expenses:	3,658,537	3,671,059
Benefits and other payments:	2,238,640	2,225,719
Death and other claims	599,551	604,341
Annuity payments	476,130	465,332
Health and other benefits	448,121	416,439
Surrender benefits	585,954	553,618
Other refunds	73,042	161,059
Provision for policy reserves:	714,903	754,192
Provision for policy reserves	704,174	743,415
Provision for interest on reserve for dividends to policyholders (mutual company)	10,724	10,771
Provision for interest on reserve for dividends to policyholders (limited company)	4	5
Investment expenses:	133,537	144,260
Interest expenses	16,981	15,333
Loss from assets held in trust, net	81	30,920
Loss on trading securities	—	51
Loss on sales of securities	19,348	16,838
Loss on valuation of securities	1,971	5,185
Loss on derivative financial instruments, net	3,944	37,280
Foreign exchange losses, net	43,300	—
Operating expenses	401,084	384,838
Other ordinary expenses	170,370	162,047
Ordinary profit	491,542	273,724

[Consolidated Statements of Income] (Continued)

(Million Yen)

	Six months ended September 30, 2021	Six months ended September 30, 2020
Extraordinary gains:	2,298	1,300
Gain on disposals of fixed assets	2,298	1,297
Gain on reversal of share acquisition rights	0	3
Extraordinary losses:	151,816	110,180
Loss on disposals of fixed assets	1,908	2,812
Impairment losses	15,255	2,868
Provision for reserve for price fluctuations in investments in securities	131,653	101,499
Contributions for assisting social public welfare	3,000	3,000
Provision for reserve for dividends to policyholders (limited company)	5,995	6,115
Surplus before income taxes	336,028	158,729
Income taxes—current	181,841	103,923
Income taxes—deferred	(103,105)	(88,466)
Total income taxes	78,735	15,456
Net surplus	257,292	143,272
Net surplus (deficit) attributable to noncontrolling interests	1,456	3,926
Net surplus attributable to the parent company	255,836	139,346

1. The Company uses the following methods to record revenues from insurance and reinsurance, and benefits and other payments.

- (1) Revenues from insurance and reinsurance (excluding revenues from reinsurance) 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. Impairment losses are as follows:

- 1) Method for grouping the assets

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

- 2) Recognition of impairment losses

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

- 3) Breakdown of asset groups for which impairment losses were recognized for the six months ended September 30, 2021, is as follows:

Purpose of use	Million Yen		Total
	Land	Buildings	
Real estate for rental use	¥9,858	¥2,487	¥12,346
Idle properties	¥2,022	¥886	¥2,909
Total	¥11,881	¥3,373	¥15,255

- 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 2.0% to 3.0%. Net selling price is determined based on appraisals performed in accordance with the “Real Estate Appraisal Standards” or standard land prices.

3. Reinsurance premiums presented in revenues from insurance and reinsurance of TAIJU LIFE INSURANCE

COMPANY LIMITED, the Company's consolidated subsidiary, include reinsurance premiums of ¥50,056 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 additional policy reserves associated with market value adjustments) of ¥13,454 million and additional policy reserves associated with market value adjustments of ¥18,536 million. Through this reinsurance, ordinary profit and surplus before income taxes increased by ¥19,071 million each.



[Consolidated Statements of Comprehensive Income]

(Million Yen)

	Six months ended September 30, 2021	Six months ended September 30, 2020
Net surplus	257,292	143,272
Other comprehensive income:	234,443	1,460,268
Net unrealized gains on available-for-sale securities	265,067	1,515,444
Deferred gains (losses) on derivatives under hedge accounting	(54,148)	(44,634)
Foreign currency translation adjustments	16,917	(8,938)
Remeasurement of defined benefit plans	1,204	1,870
Share of other comprehensive loss of associates accounted for under the equity method	5,402	(3,474)
Comprehensive income:	491,735	1,603,540
Comprehensive income attributable to the parent company	482,829	1,584,511
Comprehensive income attributable to noncontrolling interests	8,906	19,029

## (6) Consolidated Statements of Cash Flows

(Million Yen)

	Six months ended September 30, 2021	Six months ended September 30, 2020
I. Cash flows from operating activities:		
Surplus before income taxes	336,028	158,729
Depreciation of real estate for rental use and other assets	10,551	10,250
Depreciation	37,671	35,119
Impairment losses	15,255	2,868
Amortization of goodwill	2,218	2,115
Net decrease in reserve for outstanding claims	(11,449)	(6,743)
Net increase in policy reserve	707,655	744,162
Provision for interest on reserve for dividends to policyholders (mutual company)	10,724	10,771
Provision for interest on reserve for dividends to policyholders (limited company)	4	5
Provision for reserve for dividends to policyholders (limited company)	5,995	6,115
Net increase in allowance for doubtful accounts	2,592	1,890
Net decrease in accrued bonuses for directors, and audit and supervisory board members	(288)	(9)
Net increase in net defined benefit liability	465	2,020
Net decrease in accrued retirement benefits for directors, and audit and supervisory board members	(47)	(4,318)
Net increase in reserve for price fluctuations in investments in securities	131,653	101,499
Interest, dividends, and other income	(843,404)	(764,138)
Net gains on investments in securities	(392,103)	(320,914)
Interest expenses	16,981	15,333
Net losses on tangible fixed assets	844	1,915
Gains from separate accounts	(33,135)	(67,716)
Others, net	15,843	(63,341)
Subtotal	14,056	(134,387)
Interest, dividends, and other income received	854,988	795,022
Interest paid	(12,282)	(13,693)
Dividends paid to policyholders (mutual company)	(95,460)	(89,395)
Dividends paid to policyholders (limited company)	(6,492)	(6,519)
Others, net	(24,134)	(7,043)
Income taxes paid	(86,025)	(94,200)
Net cash provided by operating activities	644,649	449,783

## (6) Consolidated Statements of Cash Flows (Continued)

(Million Yen)

	Six months ended September 30, 2021	Six months ended September 30, 2020
II. Cash flows from investing activities:		
Net (increase) decrease in deposits	(231)	2,489
Purchases of monetary receivables purchased	(11,650)	(3,203)
Proceeds from sales and redemptions of monetary receivables purchased	23,096	24,433
Purchases of assets held in trust	—	(2,000)
Proceeds from decrease in assets held in trust	—	1,500
Purchases of securities	(3,712,344)	(4,460,577)
Proceeds from sales and redemptions of securities	3,155,181	3,886,857
Disbursements for loans	(692,423)	(847,520)
Proceeds from collections of loans	715,205	748,323
Others, net	(360,055)	139,668
Total of asset management activities	(883,222)	(510,028)
[Sum of operating activities and asset management activities]	(238,572)	60,244
Purchases of tangible fixed assets	(36,937)	(21,629)
Proceeds from sales of tangible fixed assets	7,437	7,050
Others, net	(22,883)	(22,777)
Net cash used in investing activities	(935,605)	(547,384)
III. Cash flows from financing activities:		
Proceeds from debt borrowing	252,140	204,250
Repayments of debt	(147,620)	(68,262)
Proceeds from issuance of corporate bonds	138,793	—
Redemption of corporate bonds	(30,000)	—
Proceeds from issuance of foundation funds	50,000	—
Redemption of foundation funds	(50,000)	—
Interest payments on foundation funds	(277)	(277)
Others, net	(17,429)	(17,570)
Net cash provided by financing activities	195,605	118,139
IV. Effect of exchange rate changes on cash and cash equivalents	2,472	(7,814)
V. Net (decrease) increase in cash and cash equivalents	(92,877)	12,724
VI. Cash and cash equivalents at the beginning of the period	2,322,833	2,226,280
VII. Cash and cash equivalents at the end of the period	2,229,955	2,239,005

## Notes to the Consolidated Statement of Cash Flows for the Six Months Ended September 30, 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 six months ended September 30, 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	709,574	2,110,225
Increase/decrease:					
Issuance of foundation funds	50,000				50,000
Additions to reserve for dividends to policyholders (mutual company)				(276,006)	(276,006)
Additions to reserve for redemption of foundation funds		50,000		(50,000)	—
Interest on foundation funds				(277)	(277)
Net surplus attributable to the parent company				255,836	255,836
Redemption of foundation funds	(50,000)				(50,000)
Reversal of land revaluation losses				2,295	2,295
Change in ownership interest of the parent due to transactions with noncontrolling interests				675	675
Net change, excluding foundation funds and others					
Net change	—	50,000	—	(67,476)	(17,476)
Ending balance	100,000	1,350,000	651	642,098	2,092,749

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

For the six months ended September 30, 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	6,767,268	(163,088)	(57,447)	(25,774)	(6,511)	6,514,448	1,349	190,546	8,816,569
Increase/decrease:									
Issuance of foundation funds									50,000
Additions to reserve for dividends to policyholders (mutual company)									(276,006)
Additions to reserve for redemption of foundation funds									—
Interest on foundation funds									(277)
Net surplus attributable to the parent company									255,836
Redemption of foundation funds									(50,000)
Reversal of land revaluation losses									2,295
Change in ownership interest of the parent due to transactions with noncontrolling interests									675
Net change, excluding foundation funds and others	260,495	(54,031)	(2,295)	19,380	1,148	224,697	72	8,503	233,273
Net change	260,495	(54,031)	(2,295)	19,380	1,148	224,697	72	8,503	215,797
Ending balance	7,027,764	(217,119)	(59,742)	(6,393)	(5,362)	6,739,146	1,421	199,049	9,032,366

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

For the six months ended September 30, 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	1,300,000	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				139,346	139,346
Reversal of land revaluation losses				1,720	1,720
Change in ownership interest of the parent due to transactions with noncontrolling interests				52	52
Net change, excluding foundation funds and others					
Net change	—	—	—	(44,303)	(44,303)
Ending balance	100,000	1,300,000	651	510,486	1,911,138

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

For the six months ended September 30, 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	4,199,843	(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									139,346
Reversal of land revaluation losses									1,720
Change in ownership interest of the parent due to transactions with noncontrolling interests									52
Net change, excluding foundation funds and others	1,500,266	(45,126)	(1,720)	(11,765)	1,790	1,443,444	332	24,634	1,468,410
Net change	1,500,266	(45,126)	(1,720)	(11,765)	1,790	1,443,444	332	24,634	1,424,106
Ending balance	5,700,110	(114,361)	(56,427)	(38,172)	(13,240)	5,477,908	1,258	191,011	7,581,316



# Notes to Statements of Changes in Net Assets for the Six Months Ended September 30, 2021

## 1. Matters concerning share acquisition rights

(Million Yen)

Classification	Breakdown of share acquisition rights	Balance as of September 30, 2021
Nippon Life India Asset Management Limited	Share acquisition rights provided as stock options	1,421

# (8) Consolidated Solvency Margin Ratio

(Million Yen)

	As of September 30, 2021	As of March 31, 2021
Solvency margin gross amount (A):	19,701,888	18,769,664
Foundation funds ( <i>kikin</i> ) and other reserve funds:	6,460,570	5,855,281
Foundation funds and others	2,158,719	1,886,255
Reserve for price fluctuations in investments in securities	1,742,391	1,610,738
Contingency reserve	2,307,075	2,108,769
Extraordinary contingency reserve	—	—
General allowance for doubtful accounts	9,800	7,024
Others	242,584	242,492
Net unrealized gains on available-for-sale securities (before tax) and deferred losses on derivatives under hedge accounting (before tax) × 90%	8,451,323	8,205,330
Net unrealized gains on real estate × 85%	531,010	525,281
Total amount of unrecognized actuarial gains/losses and unrecognized prior service cost	(7,512)	(9,105)
Excess of continued Zillmerized reserve	2,223,357	2,222,953
Qualifying subordinated debt	2,271,405	2,052,612
Excess of continued Zillmerized reserve and qualifying subordinated debt not included in margin calculations	—	—
Deduction clause	(198,606)	(194,637)
Others	(29,660)	111,949
Total amount of risk (B): $\sqrt{(\sqrt{R_1^2 + R_5^2 + R_8 + R_9})^2 + (R_2 + R_3 + R_7)^2} + R_4 + R_6$	3,414,910	3,491,780
Underwriting risk (R <sub>1</sub> )	201,916	203,942
General underwriting risk (R <sub>5</sub> )	—	—
Huge disaster risk (R <sub>6</sub> )	—	—
Underwriting risk of third-sector insurance (R <sub>8</sub> )	102,024	100,313
Underwriting risk related to small amount and short-term insurance providers (R <sub>9</sub> )	—	—
Anticipated yield risk (R <sub>2</sub> )	381,658	387,157
Minimum guarantee risk (R <sub>7</sub> )	8,575	8,792
Investment risk (R <sub>3</sub> )	2,938,180	3,008,094
Business management risk (R <sub>4</sub> )	72,647	74,165
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	1,153.8%	1,075.0%

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.

(9) Segment Information

For the six months ended September 30, 2021, 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.