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## Financial Results for the Nine Months Ended December 31, 2021

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Nippon Life Insurance Company (the “Company,” President: Hiroshi Shimizu) announces financial results for the nine months ended December 31, 2021.

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## 1. Business Highlights

### (1) Annualized Premium

- Policies in Force

(100 Million Yen, %)

	As of December 31, 2021		As of March 31, 2021
		As a percentage of March 31, 2021	
Individual insurance	26,343	99.4	26,492
Individual annuities	11,038	101.4	10,889
Total	37,381	100.0	37,382
Medical coverages, living benefits, and others	6,716	101.2	6,638

- New Policies

(100 Million Yen, %)

	Nine months ended December 31, 2021		Nine months ended December 31, 2020
		As a percentage of nine months ended December 31, 2020	
Individual insurance	1,319	130.1	1,014
Individual annuities	527	117.2	449
Total	1,846	126.1	1,464
Medical coverages, living benefits, and others	371	120.3	308

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

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

### • Policies in Force

	As of December 31, 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	30,299	102.0	1,279,079	98.6	29,714	1,296,936
Individual annuities	4,169	100.8	255,833	101.7	4,137	251,483
Group insurance	—	—	991,245	100.3	—	987,791
Group annuities	—	—	139,048	101.9	—	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

	Nine months ended December 31, 2021						Nine months ended December 31, 2020			
	Number of policies		(100 million yen)	Amount of policies			Number of policies (thousands)	Amount of policies		
	(thousands)	As a percentage of nine months ended December 31, 2020 (%)		As a percentage of nine months ended December 31, 2020 (%)	New policies	Net increase by conversion		(100 million yen)	New policies	Net increase by conversion
Individual insurance	3,227	119.8	45,949	114.9	46,688	(738)	2,694	39,994	39,125	869
Individual annuities	162	117.0	12,027	118.0	11,974	52	138	10,194	10,153	41
Group insurance	—	—	2,027	82.8	2,027		—	2,447	2,447	
Group annuities	—	—	1	8.5	1		—	16	16	

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

## 2. Investment Management Performance (General Account)

### (1) Asset Composition

(100 Million Yen, %)

	As of December 31, 2021		As of March 31, 2021	
	Amount	%	Amount	%
Cash, deposits, and call loans	10,367	1.4	9,843	1.4
Receivables under resale agreements	—	—	—	—
Receivables under securities borrowing transactions	—	—	—	—
Monetary receivables purchased	1,542	0.2	1,726	0.2
Proprietary trading securities	—	—	—	—
Assets held in trust	0	0.0	1	0.0
Investments in securities:	637,857	85.1	615,058	84.5
Domestic bonds	276,781	36.9	262,254	36.1
Domestic stocks	103,317	13.8	105,782	14.5
Foreign securities:	222,807	29.7	212,641	29.2
Foreign bonds	140,113	18.7	137,670	18.9
Foreign stocks and other securities	82,694	11.0	74,970	10.3
Other securities	34,949	4.7	34,379	4.7
Loans:	74,475	9.9	74,307	10.2
Policy loans	4,633	0.6	4,908	0.7
Industrial and consumer loans	69,842	9.3	69,398	9.5
Real estate:	16,959	2.3	16,866	2.3
Investment properties	10,861	1.4	10,707	1.5
Deferred tax assets	—	—	—	—
Other assets	8,799	1.2	9,748	1.3
Allowance for doubtful accounts	(100)	(0.0)	(82)	(0.0)
Total assets (general account):	749,901	100.0	727,469	100.0
Foreign currency-denominated assets	216,284	28.8	206,757	28.4

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

## (2) Fair Value Information of Securities (Other than Trading Securities)

(100 Million Yen)

	As of December 31, 2021					As of March 31, 2021				
	Book value	Fair value	Net gains/losses	Net gains/losses		Book value	Fair value	Net gains/losses	Net gains/losses	
				Gains	Losses				Gains	Losses
Policy-reserve-matching bonds*	251,783	280,271	28,487	29,673	(1,186)	236,738	266,508	29,770	31,228	(1,457)
Held-to-maturity debt securities	—	—	—	—	—	—	—	—	—	—
Investments in subsidiaries and affiliates	1,286	3,173	1,887	1,887	—	1,286	2,832	1,545	1,545	—
Available-for-sale securities:	277,173	373,654	96,480	98,347	(1,867)	274,542	366,376	91,833	93,716	(1,882)
Domestic bonds	25,784	27,658	1,873	1,924	(50)	26,563	28,422	1,858	1,928	(70)
Domestic stocks	39,121	97,159	58,037	59,202	(1,164)	41,173	99,816	58,642	59,650	(1,008)
Foreign securities:	178,444	212,777	34,333	34,858	(524)	174,309	203,603	29,293	29,947	(653)
Foreign bonds	117,060	138,752	21,691	22,054	(362)	116,729	136,239	19,510	19,968	(457)
Foreign stocks and other securities	61,383	74,025	12,641	12,803	(162)	57,580	67,363	9,783	9,979	(195)
Other securities	31,432	33,663	2,230	2,358	(128)	31,136	33,167	2,031	2,181	(150)
Monetary receivables purchased	194	198	4	4	(0)	218	225	6	7	(0)
Negotiable certificates of deposit	2,197	2,196	(0)	0	(0)	1,140	1,139	(0)	0	(0)
Total	530,243	657,099	126,855	129,908	(3,053)	512,567	635,717	123,150	126,490	(3,340)
Domestic bonds	274,907	305,093	30,185	31,420	(1,235)	260,395	291,846	31,450	32,976	(1,526)
Domestic stocks	39,121	97,159	58,037	59,202	(1,164)	41,173	99,816	58,642	59,650	(1,008)
Foreign securities:	181,036	217,372	36,335	36,861	(525)	176,993	207,942	30,949	31,604	(655)
Foreign bonds	118,376	140,184	21,807	22,171	(363)	118,136	137,757	19,620	20,080	(459)
Foreign stocks and other securities	62,660	77,188	14,527	14,689	(162)	58,856	70,185	11,328	11,524	(195)
Other securities	31,441	33,674	2,232	2,360	(128)	31,145	33,178	2,033	2,183	(150)
Monetary receivables purchased	1,538	1,602	63	64	(0)	1,719	1,793	74	74	(0)
Negotiable certificates of deposit	2,197	2,196	(0)	0	(0)	1,140	1,139	(0)	0	(0)

Note: 1. The above table 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.

[Book Value of Stocks without Market Prices and Entities Such as Partnerships]

(100 Million Yen)

	As of December 31, 2021	As of March 31, 2021
Investments in subsidiaries and affiliates	12,934	11,795
Available-for-sale securities:	1,842	1,682
Domestic stocks	558	611
Foreign stocks	3	3
Others	1,281	1,068
Total	14,777	13,478

Note: Of stocks without market prices and entities such as partnerships, the net gains on currency exchange valuation of assets denominated in foreign currencies were as follows:  
¥33.9 billion as of December 31, 2021, and ¥17.0 billion as of March 31, 2021.

(3) Fair Value Information of Assets Held in Trust

(100 Million Yen)

	As of December 31, 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 December 31, 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 December 31, 2021, and March 31, 2021.

### 3. Nonconsolidated Balance Sheets

(Million Yen)

	As of December 31, 2021	As of March 31, 2021
<b>Assets:</b>		
Cash and deposits	931,932	861,580
Call loans	449,289	540,086
Monetary receivables purchased	154,281	172,601
Assets held in trust	53	135
Investments in securities:	64,530,184	62,230,764
National government bonds	24,806,070	23,352,796
Local government bonds	929,982	908,416
Corporate bonds	2,285,093	2,270,187
Domestic stocks	10,436,518	10,640,573
Foreign securities	22,482,146	21,470,903
Loans:	7,447,511	7,430,704
Policy loans	463,302	490,826
Industrial and consumer loans	6,984,208	6,939,877
Tangible fixed assets	1,716,421	1,710,689
Intangible fixed assets	189,481	189,726
Reinsurance receivables	238	350
Other assets	759,456	807,455
Customers' liability for acceptances and guarantees	75,734	71,228
Allowance for doubtful accounts	(10,045)	(8,219)
Allowance for investment loss	(31,785)	(32,879)
<b>Total assets</b>	<b>76,212,754</b>	<b>73,974,223</b>
<b>Liabilities:</b>		
Policy reserves and other reserves:	59,515,512	58,646,060
Reserve for outstanding claims	170,201	179,010
Policy reserves	58,227,049	57,420,217
Reserve for dividends to policyholders	1,118,261	1,046,832
Reinsurance payables	267	413
Corporate bonds	1,420,305	1,321,512
Other liabilities:	3,634,329	2,730,767
Income taxes payable	102,859	37,088
Lease obligations	5,592	6,756
Asset retirement obligations	6,232	5,426
Other liabilities	3,519,645	2,681,495
Accrued bonuses for directors, and audit and supervisory board members	289	433
Accrued retirement benefits	378,024	375,693
Reserve for program points	8,888	8,528
Reserve for price fluctuations in investments in securities	1,681,476	1,521,916
Deferred tax liabilities	837,625	877,504
Deferred tax liabilities for land revaluation	100,564	101,894
Acceptances and guarantees	75,734	71,228
<b>Total liabilities</b>	<b>67,653,018</b>	<b>65,655,953</b>

### 3. Nonconsolidated Balance Sheets (Continued)

(Million Yen)

	As of December 31, 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:	490,278	494,556
Legal reserve for deficiencies	19,988	18,993
Other surplus reserves:	470,290	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	325,004	329,199
Total foundation funds and others	1,940,929	1,895,208
Net unrealized gains on available-for-sale securities	6,972,045	6,642,100
Deferred losses on derivatives under hedge accounting	(292,385)	(161,590)
Land revaluation losses	(60,853)	(57,447)
Total valuations, conversions, and others	6,618,805	6,423,062
Total net assets	8,559,735	8,318,270
Total liabilities and net assets	76,212,754	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 December 31, 2021

1. Effective from the three months ended June 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 three months ended June 30, 2021. As a result, effective from the nine months ended December 31, 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 December. Previously, these stocks were measured at the average fair value based on market prices during the period of one month before the last day of December.
2. The corporate tax, inhabitant tax, and income tax adjustments for the nine months ended December 31, 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.
3. 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.
4. 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 ¥91,413 million, while ordinary profit and surplus before income taxes decreased by ¥91,413 million, compared with amounts that would have been recorded had the additional policy reserve amounts not been reserved in the nine months ended December 31, 2021.

5. Changes in the reserve for dividends to policyholders for the nine months ended December 31, 2021, were as follows:

	Million Yen
	<u>Nine months ended December 31, 2021</u>
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 nine-month period	220,678
d. Increase in interest	16,101
e. Balance at the end of the current nine-month period (a+b-c+d)	<u>¥1,118,261</u>

6. The Company has offered foundation funds (*kikin*) of ¥50,000 million as provided in Article 60 of the Insurance Business Act during the nine months ended December 31, 2021.
7. 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.
8. The amount of securities lent under lending agreements was ¥2,020,764 million as of December 31, 2021.

#### 4. Nonconsolidated Statements of Income

(Million Yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2020
Ordinary income:	4,847,934	4,724,722
Revenues from insurance and reinsurance:	3,191,246	3,110,468
Insurance premiums	3,190,486	3,109,583
Investment income:	1,573,870	1,530,558
Interest, dividends, and other income	1,096,019	967,108
Gain on sales of securities	409,076	458,985
Gain on separate accounts, net	41,985	86,523
Other ordinary income	82,816	83,695
Ordinary expenses:	4,297,313	4,403,075
Benefits and other payments:	2,714,521	2,682,841
Death and other claims	751,468	742,215
Annuity payments	589,998	578,735
Health and other benefits	509,705	476,634
Surrender benefits	748,622	714,419
Other refunds	113,577	169,588
Provision for policy reserves:	822,933	916,973
Provision for policy reserves	806,831	900,798
Provision for interest on reserve for dividends to policyholders	16,101	16,175
Investment expenses:	169,089	215,774
Interest expenses	24,181	20,993
Loss from assets held in trust, net	81	33,591
Loss on sales of securities	61,222	38,853
Loss on valuation of securities	6,952	30,112
Loss on derivative financial instruments, net	12,961	40,990
Operating expenses	428,189	425,512
Other ordinary expenses	162,581	161,973
Ordinary profit	550,620	321,647
Extraordinary gains:	5,167	60
Gain on disposals of fixed assets	5,167	60
Extraordinary losses:	169,454	108,974
Loss on disposals of fixed assets	3,303	3,604
Impairment losses	3,590	3,777
Provision for reserve for price fluctuations in investments in securities	159,560	98,592
Contributions for assisting social public welfare	3,000	3,000
Surplus before income taxes	386,333	212,733
Income taxes – current	196,038	126,020
Income taxes – deferred	(128,302)	(110,677)
Total income taxes	67,735	15,342
Net surplus	318,598	197,391

Notes to the Nonconsolidated Statement of Income for the Nine Months Ended December 31, 2021

1. Impairment losses are as follows:

1) Method for grouping the assets

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

2) Recognition of impairment losses

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

3) Breakdown of asset groups for which impairment losses were recognized for the nine months ended December 31, 2021, is as follows:

Purpose of use	Million Yen		
	Land	Buildings	Total
Idle properties	¥2,525	¥1,064	¥3,590
Total	¥2,525	¥1,064	¥3,590

4) Measurement of recoverable amount

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

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

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

(Million Yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2020
Core operating profit (A)	534,990	423,704
Capital gains:	426,968	473,610
Gain on proprietary trading securities	—	—
Gain from assets held in trust, net	—	—
Gain on trading securities	—	—
Gain on sales of securities	409,076	458,985
Gain on derivative financial instruments, net	—	—
Foreign exchange gains, net	17,892	14,625
Other capital gains	—	—
Capital losses:	122,469	231,157
Loss on proprietary trading securities	—	—
Loss from assets held in trust, net	81	33,591
Loss on trading securities	—	—
Loss on sales of securities	61,222	38,853
Loss on valuation of securities	6,952	30,112
Loss on derivative financial instruments, net	12,961	40,990
Foreign exchange losses, net	—	—
Other capital losses	41,252	87,609
Net capital losses (B)	304,499	242,452
Core operating profit, including net capital gains (A+B)	839,489	666,157
Nonrecurring gains:	1,863	—
Reinsurance revenue	—	—
Reversal of contingency reserve	—	—
Reversal of specific allowance for doubtful accounts	769	—
Other nonrecurring gains	1,094	—
Nonrecurring losses:	290,733	344,510
Reinsurance premiums	—	—
Provision for contingency reserve	199,320	243,503
Provision for specific allowance for doubtful accounts	—	1,516
Provision for allowance for specific overseas debts	—	—
Write-offs of loans	—	—
Other nonrecurring losses	91,413	99,491
Net nonrecurring losses (C)	(288,869)	(344,510)
Ordinary profit (A+B+C)	550,620	321,647

(Reference) Breakdown of “Other” items

(Million Yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2020
Core operating profit	41,252	87,609
Interest income and expenses related to swap transactions for foreign currency-denominated insurance products and swap transactions for hedging purposes	11,044	14,423
Impact of market exchange rate movements related to foreign currency-denominated insurance policies	26,271	66,254
Impact of movements in surrender benefits related to market value adjustment	3,935	6,931
Other capital gains	—	—
Interest income and expenses related to swap transactions for foreign currency-denominated insurance products and swap transactions for hedging purposes	—	—
Impact of market exchange rate movements related to foreign currency-denominated insurance policies	—	—
Impact of movements in surrender benefits related to market value adjustment	—	—
Other capital losses	41,252	87,609
Interest income and expenses related to swap transactions for foreign currency-denominated insurance products and swap transactions for hedging purposes	11,044	14,423
Impact of market exchange rate movements related to foreign currency-denominated insurance policies	26,271	66,254
Impact of movements in surrender benefits related to market value adjustment	3,935	6,931
Other nonrecurring gains	1,094	—
Reversal of allowance for investment loss	1,094	—
Other nonrecurring losses	91,413	99,491
Provision for allowance for investment loss	—	1,459
Provision for policy reserves pursuant to Article 69, paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act in Japan	91,413	98,032

## 6. Solvency Margin Ratio

(Million Yen)

	As of December 31, 2021	As of March 31, 2021
Solvency margin gross amount (A):	18,751,225	17,717,439
Foundation funds ( <i>kikin</i> ) and other reserve funds:	6,116,316	5,432,807
Foundation funds and others	1,940,929	1,618,924
Reserve for price fluctuations in investments in securities	1,681,476	1,521,916
Contingency reserve	2,243,983	2,044,663
General allowance for doubtful accounts	8,047	5,424
Others	241,878	241,878
Net unrealized gains on available-for-sale securities (before tax) and deferred gains on derivatives under hedge accounting (before tax) × 90%	8,288,326	8,042,164
Net unrealized gains on real estate × 85%	508,843	503,035
Excess of continued Zillmerized reserve	1,987,023	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	(106,222)	(105,201)
Others	(183,366)	29,191
Total amount of risk (B):		
$\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$	3,457,264	3,516,976
Underwriting risk (R <sub>1</sub> )	112,353	114,185
Underwriting risk of third-sector insurance (R <sub>8</sub> )	90,296	88,290
Anticipated yield risk (R <sub>2</sub> )	313,316	321,151
Minimum guarantee risk (R <sub>7</sub> )	5,343	5,378
Investment risk (R <sub>3</sub> )	3,060,890	3,111,675
Business management risk (R <sub>4</sub> )	71,644	72,813
Solvency margin ratio		
$\frac{(A)}{(1/2) \times (B)} \times 100$	1,084.7%	1,007.5%

Notes: 1. The amounts and figures as of March 31, 2021, in the table above are calculated based on the provisions of Article 86 and Article 87 of the Ordinance for Enforcement of the Insurance Business Act and the Ministry of Finance Public Notice No. 50 of 1996.

Those as of December 31, 2021, are calculated based on the methods deemed reasonable by the Company in accordance with the provisions above.

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

## 7. Status of Separate Accounts

### (1) Balance of Separate Account Assets

(Million Yen)

	As of December 31, 2021	As of March 31, 2021
Individual variable insurance	112,348	112,908
Individual variable annuities	24,039	32,223
Group annuities	1,086,185	1,082,174
Separate account total	1,222,572	1,227,305

### (2) Policies in Force

- Individual Variable Insurance

	As of December 31, 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)	10,459	7,813	10,791	6,271
Variable insurance (whole life type)	30,078	418,076	30,608	425,701
Total	40,537	425,890	41,399	431,973

- Individual Variable Annuities

	As of December 31, 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	14,942	24,035	27,164	32,221



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

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

(100 Million Yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2020
Ordinary income	60,191	58,313
Ordinary profit	5,854	3,615
Net surplus attributable to the parent company	3,139	2,106
Comprehensive income	5,541	23,782

	As of December 31, 2021	As of March 31, 2021
Total assets	878,475	855,899
Solvency margin ratio	1,159.0%	1,075.0%

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

	As of December 31, 2021
Number of consolidated subsidiaries	15
Number of subsidiaries not consolidated but accounted for under the equity method	0
Number of affiliates accounted for under the equity method	15
Changes in significant subsidiaries and affiliates during the period	Not applicable

### (3) Basis of Preparing the Consolidated Financial Statements for the Nine Months Ended December 31, 2021

Under Article 59-6 of the Ordinance for Enforcement of the Insurance Business Act, an insurance company shall, for each quarter, make an effort to disclose the matters which would serve as reference information for policyholders provided in Article 111, paragraph 6 of the Insurance Business Act and any other customers so that they may acquire knowledge on the status of business and properties of the insurance company, its subsidiaries, and others which are especially important. The consolidated financial statements for the nine months ended December 31, 2021, have been prepared based on the model format for the announcement of first-quarter and third-quarter financial results (the “Quarterly Reporting Model”) created by The Life Insurance Association of Japan and generally accepted standards for preparation of quarterly consolidated financial statements in Japan. However, the Quarterly Reporting Model is prepared for the purpose of fulfilling the obligation above to make an effort to disclose information. Accordingly, disclosures in the Quarterly Reporting Model differ from those prescribed by the Regulation on the Terminology, Forms, and Preparation Methods of Quarterly Consolidated Financial Statements.

### (4) Policies for Preparing the Consolidated Financial Statements for the Nine Months Ended December 31, 2021

There have been no significant changes.

## (5) Consolidated Balance Sheets

(Million Yen)

	As of December 31, 2021	As of March 31, 2021
<b>Assets:</b>		
Cash and deposits	1,801,917	1,771,810
Call loans	449,289	540,086
Monetary receivables purchased	298,364	316,335
Assets held in trust	53	135
Investments in securities	73,210,009	70,741,631
Loans	8,396,15	8,423,975
Tangible fixed assets	1,924,796	1,941,042
Intangible fixed assets	379,775	385,669
Reinsurance receivables	12,421	26,705
Other assets	1,299,398	1,367,177
Retirement benefit asset	1,194	468
Deferred tax assets	10,270	13,538
Customers' liability for acceptances and guarantees	76,081	71,728
Allowance for doubtful accounts	(12,183)	(10,343)
<b>Total assets</b>	<b>87,847,547</b>	<b>85,589,960</b>
<b>Liabilities:</b>		
Policy reserves and other reserves:	69,320,881	68,266,939
Reserve for outstanding claims	230,530	249,222
Policy reserves	67,918,717	66,916,145
Reserve for dividends to policyholders (mutual company)	1,118,261	1,046,832
Reserve for dividends to policyholders (limited company)	53,371	54,738
Reinsurance payables	11,439	8,065
Corporate bonds	1,541,405	1,432,612
Other liabilities	4,582,775	3,871,138
Accrued bonuses for directors, and audit and supervisory board members	289	433
Net defined benefit liability	437,535	438,263
Accrued retirement benefits for directors, and audit and supervisory board members	640	689
Reserve for program points	8,888	8,528
Reserve for price fluctuations in investments in securities	1,774,302	1,610,738
Deferred tax liabilities	922,048	962,359
Deferred tax liabilities for land revaluation	100,564	101,894
Acceptances and guarantees	76,081	71,728
<b>Total liabilities</b>	<b>78,776,852</b>	<b>76,773,391</b>

## (5) Consolidated Balance Sheets (Continued)

(Million Yen)

	As of December 31, 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	708,230	709,574
Total foundation funds and others	2,158,881	2,110,225
Net unrealized gains on available-for-sale securities	7,109,712	6,767,268
Deferred losses on derivatives under hedge accounting	(293,476)	(163,088)
Land revaluation losses	(60,853)	(57,447)
Foreign currency translation adjustments	(6,362)	(25,774)
Remeasurement of defined benefit plans	(4,788)	(6,511)
Total accumulated other comprehensive income	6,744,231	6,514,448
Share acquisition rights	1,515	1,349
Noncontrolling interests	166,066	190,546
Total net assets	9,070,695	8,816,569
Total liabilities and net assets	87,847,547	85,589,960

Notes to the Consolidated Balance Sheet as of December 31, 2021

1. Effective from the three months ended June 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 their 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 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 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 three months ended June 30, 2021. As a result, effective from the nine months ended December 31, 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 December. Previously, these stocks were measured at the average fair value based on market prices during the period of one month before the last day of December.
2. The corporate tax, inhabitant tax, and income tax adjustments of the Company for the nine months ended December 31, 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 of a mutual company due to the appropriation of surplus in the current fiscal year.
3. 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 record the amounts of deferred tax assets and liabilities based on tax laws and regulations before the revision.
4. The Company and some of its consolidated life insurance companies in Japan provided additional policy reserves in the nine months ended December 31, 2021. As a result, policy reserves increased by ¥98,523 million, while ordinary profit and surplus before income taxes decreased by ¥98,523 million each.
  - 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 ¥91,413 million, while ordinary profit and surplus before income taxes decreased by ¥91,413 million, compared with amounts that would have been recorded had the additional policy reserve amounts not been reserved in the nine months ended December 31, 2021.

b. TAIJU LIFE INSURANCE COMPANY LIMITED

TAIJU LIFE INSURANCE COMPANY LIMITED has provided additional policy reserves to cover a possible deficiency in the reserve for certain individual annuity policyholders. As a result, policy reserves increased by ¥7,110 million, while ordinary profit and surplus before income taxes decreased by ¥7,110 million each, compared with amounts that would have been recorded if the additional policy reserve amounts had not been reserved in the nine months ended December 31, 2021.

5. Changes in the reserve for dividends to policyholders of a mutual company for the nine months ended December 31, 2021, were as follows:

	Million Yen
	Nine months ended December 31, 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 of a mutual company during the current nine-month period	220,678
d. Increase in interest	16,101
e. Balance at the end of the current nine-month period (a+b-c+d)	¥1,118,261

6. Changes in the reserve for dividends to policyholders of a limited company for the nine months ended December 31, 2021, were as follows:

	Million Yen
	Nine months ended December 31, 2021
a. Balance at the beginning of the current fiscal year	¥54,738
b. Dividends paid to policyholders of a limited company during the current nine-month period	10,396
c. Increase in interest	7
d. Provision for reserve for dividends to policyholders (limited company)	9,021
e. Balance at the end of the current nine-month period (a-b+c+d)	¥53,371

7. The Company has offered foundation funds (*kikin*) of ¥50,000 million as provided in Article 60 of the Insurance Business Act during the nine months ended December 31, 2021.
8. 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.

9. On October 29, 2021, the Company acquired approximately 14.9% of the shares of Nippon Wealth Life Insurance Company Limited (hereinafter, “Nippon Wealth Life”) from MassMutual International LLC, making Nippon Wealth Life a wholly owned subsidiary.

1) Overview of the transaction

a. Name and business of the acquiree

Name: Nippon Wealth Life Insurance Company Limited

Business: Life insurance business

b. Business combination date

October 1, 2021 (Deemed acquisition date)

c. Legal form of the business combination

Conversion into a wholly owned subsidiary through the acquisition of additional shares from a non-controlling shareholder

d. Name of company after business combination

Nippon Wealth Life Insurance Company Limited

e. Other matters concerning the overview of the transaction

The Company has converted Nippon Wealth Life into a wholly owned subsidiary to further strengthen and expand the group’s platform for the financial institution bancassurance business.

2) Overview of accounting treatment applied

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

3) Acquisition cost and breakdown by type of consideration

Consideration for acquisition: Payment in cash      ¥23,819 million

Acquisition cost:      ¥23,819 million

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

a. Main reasons for changes in consolidated surplus

Acquisition of additional shares of a subsidiary

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

¥6,671 million

10. The amount of securities lent under lending agreements was ¥2,201,660 million as of December 31, 2021.
11. TAIJU LIFE INSURANCE COMPANY LIMITED, the Company's consolidated subsidiary, has concluded modified co-reinsurance agreements 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 co-reinsurance 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 these modified co-reinsurance agreements stood at ¥1,753 million as of December 31, 2021. The outstanding balance of the policy reserve component associated with the modified co-reinsurance agreements stood at ¥794,914 million as of December 31, 2021.

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

(Million Yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2020
Ordinary income:	6,019,160	5,831,346
Revenues from insurance and reinsurance	4,023,009	3,799,794
Investment income:	1,808,641	1,841,999
Interest, dividends, and other income	1,230,943	1,093,979
Gain on trading securities	4,656	5,363
Gain on sales of securities	427,521	479,627
Foreign exchange gains, net	80,275	145,742
Gain on separate accounts, net	55,176	112,758
Other ordinary income	187,509	189,551
Ordinary expenses:	5,433,674	5,469,834
Benefits and other payments:	3,379,045	3,315,438
Death and other claims	908,181	917,658
Annuity payments	729,910	715,760
Health and other benefits	653,903	607,473
Surrender benefits	881,116	837,015
Other refunds	120,648	194,888
Provision for policy reserves:	1,008,586	1,089,064
Provision for policy reserves	992,476	1,072,881
Provision for interest on reserve for dividends to policyholders (mutual company)	16,101	16,175
Provision for interest on reserve for dividends to policyholders (limited company)	7	7
Investment expenses:	202,018	244,952
Interest expenses	25,795	23,167
Loss from assets held in trust, net	81	33,591
Loss on sales of securities	62,303	44,504
Loss on valuation of securities	9,315	32,063
Loss on derivative financial instruments, net	35,317	55,838
Operating expenses	596,531	581,897
Other ordinary expenses	247,492	238,481
Ordinary profit	585,486	361,511
Extraordinary gains:	7,726	1,381
Gain on disposals of fixed assets	7,726	1,377
Gain on reversal of share acquisition rights	0	4
Extraordinary losses:	185,926	113,076
Loss on disposals of fixed assets	3,426	3,820
Impairment losses	15,936	3,847
Provision for reserve for price fluctuations in investments in securities	163,563	102,408
Contributions for assisting social public welfare	3,000	3,000



[Consolidated Statements of Income] (Continued)

(Million Yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2020
Provision for reserve for dividends to policyholders (limited company)	9,021	8,865
Surplus before income taxes	398,264	240,950
Income taxes – current	214,552	137,782
Income taxes – deferred	(133,114)	(111,933)
Total income taxes	81,438	25,849
Net surplus	316,825	215,100
Net surplus attributable to noncontrolling interests	2,864	4,496
Net surplus attributable to the parent company	313,960	210,604

1. Impairment losses are as follows:

1) Method for grouping the assets

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

2) Recognition of impairment losses

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

3) Breakdown of asset groups for which impairment losses were recognized for the nine months ended December 31, 2021, is as follows:

Purpose of use	Million Yen		
	Land	Buildings	Total
Real estate for rental use	¥ 9,858	¥2,487	¥12,346
Idle properties	2,525	1,064	3,590
Total	¥12,384	¥3,551	¥15,936

4) Measurement of recoverable amount

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

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.

2. The total amount of depreciation of real estate for rental use and other assets for the nine months ended December 31, 2021, was ¥71,722 million. Amortization of goodwill for the nine months ended December 31, 2021, was ¥3,350 million.

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 ¥33,716 million related to modified co-reinsurance 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 (reversals) associated with market value adjustments) of ¥17,193 million and additional policy reserves (reversals) associated with market value adjustments of ¥(14,930) million.

Through this reinsurance, ordinary profit and surplus before income taxes decreased by ¥13,681 million each.

[Consolidated Statements of Comprehensive Income]

(Million Yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2020
Net surplus	316,825	215,100
Other comprehensive income:	237,346	2,163,104
Net unrealized gains on available-for-sale securities	345,779	2,204,754
Deferred losses on derivatives under hedge accounting	(130,524)	(24,045)
Foreign currency translation adjustments	14,618	(10,751)
Remeasurement of defined benefit plans	1,806	2,806
Share of other comprehensive loss of associates accounted for under the equity method	5,665	(9,658)
Comprehensive income:	554,171	2,378,205
Comprehensive income attributable to the parent company	547,150	2,352,201
Comprehensive income attributable to noncontrolling interests	7,020	26,003

## (7) Consolidated Solvency Margin Ratio

(Million Yen)

	As of December 31, 2021	As of March 31, 2021
Solvency margin gross amount (A):	19,745,720	18,769,664
Foundation funds ( <i>kikin</i> ) and other reserve funds:	6,528,236	5,855,281
Foundation funds and others	2,190,118	1,886,255
Reserve for price fluctuations in investments in securities	1,774,302	1,610,738
Contingency reserve	2,311,624	2,108,769
Extraordinary contingency reserve	—	—
General allowance for doubtful accounts	9,560	7,024
Others	242,630	242,492
Net unrealized gains on available-for-sale securities (before tax) and deferred gains (losses) on derivatives under hedge accounting (before tax) × 90%	8,476,044	8,205,330
Net unrealized gains on real estate × 85%	538,815	525,281
Total amount of unrecognized actuarial losses and unrecognized prior service cost	(6,715)	(9,105)
Excess of continued Zillmerized reserve	2,226,556	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	(195,688)	(194,637)
Others	(92,932)	111,949
Total amount of risk (B): $\sqrt{(\sqrt{R_1^2 + R_5^2 + R_8 + R_9})^2 + (R_2 + R_3 + R_7)^2} + R_4 + R_6$	3,407,267	3,491,780
Underwriting risk (R <sub>1</sub> )	198,355	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> )	102,811	100,313
Underwriting risk related to small amount and short-term insurance providers (R <sub>9</sub> )	—	—
Anticipated yield risk (R <sub>2</sub> )	379,347	387,157
Minimum guarantee risk (R <sub>7</sub> )	8,589	8,792
Investment risk (R <sub>3</sub> )	2,933,256	3,008,094
Business management risk (R <sub>4</sub> )	72,447	74,165
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	1,159.0%	1,075.0%

- Notes: 1. The amounts and figures as of March 31, 2021, in the table above are calculated based on the provisions of Article 86-2 and Article 88 of the Ordinance for Enforcement of the Insurance Business Act and the Financial Services Agency Public Notice No. 23 of 2011. Those as of December 31, 2021, are calculated based on the methods deemed reasonable by the Company in accordance with the provisions above.
2. The standard method is used for the calculation of the amount equivalent to minimum guarantee risk.

(8) Segment Information

For the nine months ended December 31, 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.