
Financial Results for the Fiscal Year Ended March 31, 2022

Nippon Life Insurance Company (the “Company”; President: Hiroshi Shimizu) announces financial results for the fiscal year ended March 31, 2022.

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II. Supplementary Materials for the Fiscal Year Ended March 31, 2022

I. Financial Summary for the Fiscal Year Ended March 31, 2022

The Company will submit the financial results for the fiscal year ended March 31, 2022 for discussion at the 75th annual meeting of the representatives of policyholders to be held on July 5, 2022. A summary of the results is provided below.

1. Business Highlights

(1) Annualized Premium

•Policies in Force

(100 Million Yen, %)

	As of March 31, 2022		As of March 31, 2021	
		As a percentage of March 31, 2021		As a percentage of March 31, 2020
Individual insurance	26,444	99.8	26,492	98.1
Individual annuities	11,256	103.4	10,889	102.6
Total	37,700	100.9	37,382	99.4
Medical coverages, living benefits, and others	6,740	101.5	6,638	101.0

•New Policies

(100 Million Yen, %)

	Year ended March 31, 2022		Year ended March 31, 2021	
		As a percentage of March 31, 2021		As a percentage of March 31, 2020
Individual insurance	1,857	127.5	1,456	89.7
Individual annuities	882	137.1	643	73.1
Total	2,739	130.5	2,099	83.8
Medical coverages, living benefits, and others	495	114.7	431	75.7

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

(2) Amount of Policies in Force and New Policies

•Policies in Force

	As of March 31, 2022				As of March 31, 2021			
	Number of policies		Amount of policies		Number of policies		Amount of policies	
	(thousands)	As a percentage of March 31, 2021 (%)	(100 million yen)	As a percentage of March 31, 2021 (%)	(thousands)	As a percentage of March 31, 2020 (%)	(100 million yen)	As a percentage of March 31, 2020 (%)
Individual insurance	30,487	102.6	1,274,876	98.3	29,714	102.1	1,296,936	97.9
Individual annuities	4,238	102.4	259,051	103.0	4,137	101.2	251,483	101.4
Group insurance	—	—	982,613	99.5	—	—	987,791	100.9
Group annuities	—	—	138,953	101.8	—	—	136,490	102.0

Notes: 1. The amount of individual annuities is the total of (a) annuity resources at the start of annuity payments for policies prior to the start of annuity payments and (b) policy reserves for policies after the start of annuity payments.
2. The amount of group annuities is the amount of the policy reserves.

•New Policies

	Year ended March 31, 2022						Year ended March 31, 2021					
	Number of policies		Amount of policies				Number of policies		Amount of policies			
	(thousands)	As a percentage of March 31, 2021 (%)	(100 million yen)	As a percentage of March 31, 2021 (%)	New policies	Net increase (decrease) by conversion	(thousands)	As a percentage of March 31, 2020 (%)	(100 million yen)	As a percentage of March 31, 2020 (%)	New policies	Net increase (decrease) by conversion
Individual insurance	4,211	110.9	61,477	107.2	62,996	(1,519)	3,796	80.5	57,374	89.6	56,413	960
Individual annuities	279	137.9	20,576	140.2	20,482	94	202	73.2	14,674	71.9	14,580	94
Group insurance	—	—	2,169	80.2	2,169		—	—	2,704	135.1	2,704	
Group annuities	—	—	1	7.1	1		—	—	20	765.7	20	

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

(3) Major Profit and Loss Items

(100 Million Yen, %)

	Year ended March 31, 2022		Year ended March 31, 2021	
		As a percentage of March 31, 2021		As a percentage of March 31, 2020
Revenues from insurance and reinsurance	43,079	101.0	42,646	94.2
Investment income	21,165	101.6	20,830	117.2
Benefits and other payments	37,090	97.5	38,034	104.8
Investment expenses	2,562	112.6	2,274	44.7
Ordinary profit	4,932	114.4	4,310	122.7

(4) Proposed Appropriations of Surplus

(100 Million Yen, %)

	Year ended March 31, 2022		Year ended March 31, 2021	
		As a percentage of March 31, 2021		As a percentage of March 31, 2020
Unappropriated surplus at the year-end	3,577	108.7	3,291	178.5
Provision of reserve for dividends to policyholders	1,998	72.4	2,760	149.1
Net surplus after deduction	2,311	415.4	556	390.1

(5) Total Assets

(100 Million Yen, %)

	As of March 31, 2022		As of March 31, 2021	
		As a percentage of March 31, 2021		As a percentage of March 31, 2020
Total assets	765,674	103.5	739,742	107.1

2. Overview of General Accounts Asset Management for the Fiscal Year Ended March 31, 2022

(1) Investment Environment

In the fiscal year ended March 31, 2022, the Japanese economy showed slightly sluggish activity in the first half of the fiscal year, as 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. In the second half of the fiscal year, although consumer spending temporarily showed a sign of started to recover as the state of emergency declaration was lifted, conditions remained severe due to factors such as surging resource prices in response to the Russia-Ukraine situation, in addition to another drop in consumer spending because of voluntary restraint on economic activity associated with the spread of the Omicron variant.

- 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. In the second half of the fiscal year, the index fell in response to stronger expectations for monetary tightening in Europe and the United States., and the Russia-Ukraine situation. The index finished at ¥27,821 at the end of March 2022.
- The yield rate on 10-year Japanese 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. In the second half of the fiscal year, domestic interest rates rose owing to stronger expectations for monetary tightening in Europe and the United States. The yield rate stood at 0.21% at the end of March.
- 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 United States, leading to a gradual weakening of the yen against the dollar. Since March 2022, monetary tightening has been initiated in response to accelerated inflation in the United States, causing a growing divergence in interest rates between Japan and the United States. As a result, the yen has weakened rapidly against the dollar. The yen-dollar exchange rate was ¥122.39 at the end of March 2022.

The yen-euro exchange rate at the start of the fiscal year was at the ¥130 level. Subsequently, the yen stayed in a mostly flat range against the euro based on the outlook for an accommodative monetary policy to be maintained in the euro zone. In the second half of the fiscal year, the yen weakened against the euro as expectations strengthened for monetary tightening in response to accelerated inflation in Europe. The yen-euro exchange rate was ¥136.70 at the end of March 2022.

(2) Investment Summary

The Company's general account assets increased by ¥2,613.0 billion compared with the fiscal year ended March 31, 2021, totaling ¥75,359.9 billion as of March 31, 2022 (3.6% increase compared with the previous fiscal year-end).

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

- The Company captured the opportunity of rising interest rates and accumulated additional outstanding domestic bond balances, taking into consideration the advantages against other yen interest rate assets.
- The Company focused on safe and stable prime lending by accurately assessing credit risks.
- For domestic stocks, the Company strove to enhance the profitability of its portfolio by replacing certain stocks, while focusing the Company's attention on corporate profitability and dividends from the mid- to long-term investing perspective.
- Regarding foreign securities, the Company invested in government and corporate bonds denominated in foreign currencies based on currency movements. Also, the Company invested in foreign bonds with foreign exchange hedges, taking into consideration the advantages against other yen interest rate assets.

(3) Status of Investment Income/Expense

Investment income was ¥2,086.9 billion, an increase from ¥1,964.8 billion in the fiscal year ended March 31, 2021. The main factor behind this increase was an increase in interest, dividends, and other income.

Investment expenses amounted to ¥256.2 billion, an increase from ¥227.4 billion in the fiscal year ended March 31, 2021. The main factor behind this increase was an increase in loss on sales of securities.

As a result, the Company's net investment income increased by ¥93.3 billion, compared with the fiscal year ended March 31, 2021, to ¥1,830.7 billion.

(4) Investment Risk Management

Investment risk refers to risk of incurring losses when the value of the Company's assets and liabilities fluctuates. It can be categorized into market risk, credit risk, and real estate investment risk. The long-term nature of life insurance policies requires a long-term approach based on liability characteristics to manage risks associated with investment. Hence, the Company seeks to manage its portfolio efficiently based on risk-return analyses that emphasize the importance of generating investment returns over the medium to long terms. The Company has, therefore, established the Investment Risk Management Department within the Risk Management Department and, by maintaining and upgrading its rigorous system for managing risks, the Company strives to limit losses to acceptable levels, while pursuing stable returns.

a. Market risk management

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

addition, to control the market risk of the Company's portfolio, the Company reasonably calculates the market value-at-risk and appropriately allocates assets within acceptable boundaries of risk.

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

b. Credit risk management

Credit risk refers to risk of incurring losses when the value of assets, primarily loans and bonds, declines due to deterioration of the financial condition of a party to whom credit has been extended. To manage credit risk, the Company has built a system to perform credit analysis, including strict assessment of individual transactions by the Assessment Management Department, which is independent of the departments handling investment and finance activities. The Company also continues to build a sound portfolio through the establishment and monitoring of interest guidelines to ensure the returns that the Company obtains are commensurate with the risk, a system of internal ratings for classifying the creditworthiness of borrowers, and credit ceilings to ensure that credit risk is not excessively concentrated in a particular company, group, or country. In addition, the Company calculates credit value-at-risk as a measurement of the magnitude of credit risk across the portfolio of the Company as a whole, and monitor whether the magnitude of risk stays within an appropriate range.

c. Real estate investment risk management

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

(5) Asset Liability Management

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

3. Investment Management Performance (General Account)

(1) Asset Composition

(100 Million Yen, %)

	As of March 31, 2022		As of March 31, 2021	
	Amount	%	Amount	%
Cash, deposits, and call loans	9,843	1.3	9,843	1.4
Receivables under resale agreements	—	—	—	—
Receivables under securities borrowing transactions	—	—	—	—
Monetary receivables purchased	1,504	0.2	1,726	0.2
Proprietary trading securities	—	—	—	—
Assets held in trust	—	—	1	0.0
Investments in securities:	638,178	84.7	615,058	84.5
Domestic bonds	281,507	37.4	262,254	36.1
Domestic stocks	101,869	13.5	105,782	14.5
Foreign securities:	221,057	29.3	212,641	29.2
Foreign bonds	137,760	18.3	137,670	18.9
Foreign stocks and other securities	83,297	11.1	74,970	10.3
Other securities	33,743	4.5	34,379	4.7
Loans:	74,980	9.9	74,307	10.2
Policy loans	4,573	0.6	4,908	0.7
Industrial and consumer loans	70,406	9.3	69,398	9.5
Real estate:	16,957	2.3	16,866	2.3
Investment property	10,863	1.4	10,707	1.5
Deferred tax assets	—	—	—	—
Other assets	12,204	1.6	9,748	1.3
Allowance for doubtful accounts	(69)	(0.0)	(82)	(0.0)
Total assets (general account):	753,599	100.0	727,469	100.0
Foreign currency-denominated assets	215,694	28.6	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)

	Year ended March 31, 2022	Year ended March 31, 2021
Cash, deposits, and call loans	(0)	(121)
Receivables under resale agreements	—	—
Receivables under securities borrowing transactions	—	—
Monetary receivables purchased	(221)	(464)
Proprietary trading securities	—	—
Assets held in trust	(1)	(336)
Investments in securities:	23,120	50,781
Domestic bonds	19,253	15,672
Domestic stocks	(3,913)	27,200
Foreign securities:	8,415	7,927
Foreign bonds	89	(4,239)
Foreign stocks and other securities	8,326	12,167
Other securities	(636)	(18)
Loans:	673	188
Policy loans	(334)	(634)
Industrial and consumer loans	1,007	823
Real estate:	91	278
Investment property	155	93
Deferred tax assets	—	—
Other assets	2,455	(1,489)
Allowance for doubtful accounts	13	(55)
Total assets (general account):	26,130	48,782
Foreign currency-denominated assets	8,936	9,883

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

(3) Investment Income

(100 Million Yen)

	Year ended March 31, 2022	Year ended March 31, 2021
Interest, dividends, and other income:	15,373	13,819
Interest on deposits and savings	5	8
Interest on securities and dividends	13,166	11,746
Interest on loans	1,043	1,086
Real estate rental income	1,077	880
Other income	81	97
Gain on proprietary trading securities	—	—
Gain from assets held in trust, net	—	—
Gain on trading securities	—	—
Gain on sales of securities:	4,652	5,072
Gain on sales of domestic bonds, including national government bonds	239	507
Gain on sales of domestic stocks and other securities	3,667	893
Gain on sales of foreign securities	745	3,671
Other gains	—	—
Gain on redemptions of securities	78	36
Gain on derivative financial instruments, net	—	—
Foreign exchange gains, net	703	684
Reversal of allowance for doubtful accounts	12	—
Reversal of allowance for investment loss	40	21
Other investment income	8	11
Total	20,869	19,648

(4) Investment Expenses

(100 Million Yen)

	Year ended March 31, 2022	Year ended March 31, 2021
Interest expenses	325	284
Loss on proprietary trading securities	—	—
Loss from assets held in trust, net	0	341
Loss on trading securities	—	—
Loss on sales of securities:	1,136	401
Loss on sales of domestic bonds, including national government bonds	757	23
Loss on sales of domestic stocks and other securities	150	338
Loss on sales of foreign securities	228	40
Other losses	—	0
Loss on valuation of securities:	131	49
Loss on valuation of domestic bonds, including national government bonds	—	—
Loss on valuation of domestic stocks and other securities	116	18
Loss on valuation of foreign securities	14	30
Other losses	0	0
Loss on redemptions of securities	70	147
Loss on derivative financial instruments, net	129	480
Foreign exchange losses, net	—	—
Provision for allowance for doubtful accounts	—	59
Provision for allowance for investment loss	—	—
Write-offs of loans	—	—
Depreciation of real estate for rental use and other assets	183	178
Other investment expenses	584	332
Total	2,562	2,274

(5) Investment Indicators

1) Yield on primary assets

(%)

	Year ended March 31, 2022	Year ended March 31, 2021
Cash, deposits, and call loans	(0.03)	0.24
Receivables under resale agreements	—	—
Receivables under securities borrowing transactions	—	—
Monetary receivables purchased	1.83	1.84
Proprietary trading securities	—	—
Assets held in trust	(1.94)	(251.94)
Investments in securities:	3.08	3.24
Domestic bonds	1.27	1.98
Domestic stocks	12.49	4.72
Foreign securities	3.67	4.91
Foreign bonds	2.65	4.13
Foreign stocks and other securities	5.43	6.39
Loans:	1.39	1.31
Industrial and consumer loans	1.18	1.11
Real estate:	2.45	2.76
Investment property	3.75	4.29
General account total:	2.78	2.72
Overseas investments	3.47	4.60

Notes: 1. Yields are calculated by dividing investment income, less investment expenses, by the daily average book value balance.

2. The amount of overseas investments is the sum of assets denominated in foreign currencies and yen.

2) Daily average balance

(100 Million Yen)

	Year ended March 31, 2022	Year ended March 31, 2021
Cash, deposits, and call loans	8,607	8,494
Receivables under resale agreements	—	—
Receivables under securities borrowing transactions	—	—
Monetary receivables purchased	1,586	1,945
Proprietary trading securities	—	—
Assets held in trust	44	135
Investments in securities:	535,470	515,355
Domestic bonds	271,096	255,583
Domestic stocks	45,505	46,367
Foreign securities	186,291	181,203
Foreign bonds	118,122	118,740
Foreign stocks and other securities	68,168	62,462
Loans:	73,852	74,983
Industrial and consumer loans	69,134	69,579
Real estate:	16,987	16,643
Investment property	10,850	10,472
General account total:	658,444	638,321
Overseas investments	203,724	197,591

(6) Net Valuation Gains/Losses on Trading Securities (Other Than Trading Securities)

(100 Million Yen)

	As of March 31, 2022		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.

(7) Fair Value Information of Securities (Other Than Trading Securities)

(100 Million Yen)

		As of March 31, 2022					As of March 31, 2021				
		Book value	Fair value	Net gains/losses			Book value	Fair value	Net gains/losses		
					Gains	Losses				Gains	Losses
	Policy-reserve-matching bonds*	256,923	277,148	20,225	24,747	(4,522)	236,738	266,508	29,770	31,228	(1,457)
	Held-to-maturity debt securities	—	—	—	—	—	—	—	—	—	—
	Investments in subsidiaries and affiliates	1,286	3,355	2,069	2,069	—	1,286	2,832	1,545	1,545	—
	Available-for-sale securities:	283,105	367,600	84,494	89,361	(4,866)	274,542	366,376	91,833	93,716	(1,882)
	Domestic bonds	25,575	26,836	1,260	1,474	(214)	26,563	28,422	1,858	1,928	(70)
	Domestic stocks	39,444	95,694	56,250	57,248	(998)	41,173	99,816	58,642	59,650	(1,008)
	Foreign securities:	184,764	210,729	25,965	28,832	(2,867)	174,309	203,603	29,293	29,947	(653)
	Foreign bonds	120,938	136,689	15,751	17,653	(1,902)	116,729	136,239	19,510	19,968	(457)
	Foreign stocks and other securities	63,825	74,039	10,214	11,179	(965)	57,580	67,363	9,783	9,979	(195)
	Other securities	31,401	32,422	1,020	1,804	(784)	31,136	33,167	2,031	2,181	(150)
	Monetary receivables purchased	222	220	(2)	0	(2)	218	225	6	7	(0)
	Negotiable certificates of deposit	1,696	1,695	(0)	0	(0)	1,140	1,139	(0)	0	(0)
Total		541,315	648,104	106,789	116,178	(9,389)	512,567	635,717	123,150	126,490	(3,340)
	Domestic bonds	280,247	301,598	21,351	26,086	(4,735)	260,395	291,846	31,450	32,976	(1,526)
	Domestic stocks	39,444	95,694	56,250	57,248	(998)	41,173	99,816	58,642	59,650	(1,008)
	Foreign securities:	187,009	215,132	28,122	30,990	(2,867)	176,993	207,942	30,949	31,604	(655)
	Foreign bonds	121,907	137,747	15,840	17,742	(1,902)	118,136	137,757	19,620	20,080	(459)
	Foreign stocks and other securities	65,102	77,384	12,281	13,247	(965)	58,856	70,185	11,328	11,524	(195)
	Other securities	31,410	32,433	1,022	1,806	(784)	31,145	33,178	2,033	2,183	(150)
	Monetary receivables purchased	1,506	1,548	42	46	(4)	1,719	1,793	74	74	(0)
	Negotiable certificates of deposit	1,696	1,695	(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 March 31, 2022	As of March 31, 2021
Investments in subsidiaries and affiliates	13,377	11,795
Available-for-sale securities:	1,973	1,682
Unlisted domestic stocks	554	611
Unlisted foreign stocks	2	3
Others	1,416	1,068
Total	15,351	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:

¥17.0 billion as of March 31, 2021, and ¥92.1 billion as of March 31, 2022.

(8) Fair Value Information of Assets Held in Trust

(100 Million Yen)

	As of March 31, 2022					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	—	—	—	—	—	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 March 31, 2022		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	—	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 March 31, 2022 and 2021.

4. Policies in Force by Types of Benefits as of March 31, 2022

		Individual insurance		Individual annuities		Group insurance		Total	
		Number of policies (thousands)	Amount (100 million yen)	Number of policies (thousands)	Amount (100 million yen)	Number of policies (thousands)	Amount (100 million yen)	Number of policies (thousands)	Amount (100 million yen)
Death protection	General	30,071	1,263,933	—	—	27,391	982,480	57,463	2,246,414
	Disaster	1,840	239,785	58	1,375	2,662	30,458	4,561	271,620
	Others	132	1,542	—	—	67	1,325	200	2,867
Pure endowment		415	10,942	4,238	259,051	7	132	4,661	270,126
Hospitalization coverage	Disaster	6,594	424	203	9	1,316	12	8,114	446
	Illness	6,588	423	201	9	—	—	6,790	432
	Others	5,036	352	45	1	56	0	5,138	354
Disability coverage		6,879	—	52	—	2,632	—	9,563	—
Surgical coverage		9,520	—	201	—	—	—	9,722	—

	Group annuities		Workers' asset-formation insurance/annuities		Total	
	Number of policies (thousands)	Amount (100 million yen)	Number of policies (thousands)	Amount (100 million yen)	Number of policies (thousands)	Amount (100 million yen)
Pure endowment	8,925	138,953	149	4,390	9,075	143,343

	Medical care insurance	
	Number of policies (thousands)	Amount (100 million yen)
Hospitalization coverage	841	37

	Disability income insurance	
	Number of policies (thousands)	Amount (100 million yen)
Disability income coverage	1,617	595

- Notes: 1. The number of policies for "Group insurance," "Group annuities," "Workers' asset-formation insurance/annuities," "Medical care insurance," and "Disability income insurance" represents the number of insureds.
2. The amount of "Pure endowment" for "Individual annuities," "Group insurance" (annuity riders), and "Workers' asset-formation annuities" (excluding workers' asset-formation savings annuities) represents the total of (a) annuity resources at the start of the annuities for policies bound prior to the start of the annuity payments and (b) policy reserves for policies bound after the start of the annuity payments; and for "Group annuities," "Workers' asset-formation insurance," and workers' asset-formation savings annuities, which are included in "Workers' asset-formation insurance," it represents the amount of corresponding policy reserves.
3. The amount of "Hospitalization coverage" represents the amount of daily hospitalization benefits. General hospitalization insurance and income support insurance for continuous hospitalization represent the coverage per day.
4. The amount of "Hospitalization coverage" for medical care insurance represents the amount related to hospitalization from illness.
5. The amount of disability income insurance represents the amount of monthly disability benefits.
6. The number of insureds and amount of policies for reinsurance written were 28,000 and ¥27.9 billion, respectively.

5. Nonconsolidated Balance Sheets

(Million Yen)

	As of March 31, 2022	As of March 31, 2021
Assets:		
Cash and deposits:	846,592	861,580
Cash	47	54
Deposits	846,544	861,526
Call loans	500,978	540,086
Monetary receivables purchased	150,404	172,601
Assets held in trust	—	135
Investments in securities:	64,515,469	62,230,764
National government bonds	25,271,685	23,352,796
Local government bonds	932,220	908,416
Corporate bonds	2,254,635	2,270,187
Domestic stocks	10,296,652	10,640,573
Foreign securities	22,254,725	21,470,903
Other securities	3,505,550	3,587,886
Loans:	7,498,037	7,430,704
Policy loans	457,394	490,826
Industrial and consumer loans	7,040,642	6,939,877
Tangible fixed assets:	1,714,816	1,710,689
Land	1,145,876	1,148,601
Buildings	519,898	515,676
Lease assets	5,412	7,038
Construction in progress	29,992	22,337
Other tangible fixed assets	13,636	17,035
Intangible fixed assets:	190,254	189,726
Software	96,849	92,795
Other intangible fixed assets	93,404	96,930
Reinsurance receivables	370	350
Other assets:	1,114,688	807,455
Accounts receivable	168,641	90,895
Prepaid expenses	19,101	20,764
Accrued income	310,704	283,709
Money on deposit	33,488	33,678
Deposits for futures transactions	116,519	58,114
Futures transactions' variation margin	2	1
Derivative financial instruments	247,333	232,039
Suspense payments	4,114	2,990
Other assets	214,784	85,260
Customers' liability for acceptances and guarantees	71,647	71,228
Allowance for doubtful accounts	(6,910)	(8,219)
Allowance for investment loss	(28,867)	(32,879)
Total assets	76,567,483	73,974,223

5. Nonconsolidated Balance Sheets (Continued)

(Million Yen)

	As of March 31, 2022	As of March 31, 2021
Liabilities:		
Policy reserves and other reserves:	59,930,807	58,646,060
Reserve for outstanding claims	192,426	179,010
Policy reserves	58,677,803	57,420,217
Reserve for dividends to policyholders	1,060,577	1,046,832
Reinsurance payables	451	413
Corporate bonds	1,420,305	1,321,512
Other liabilities:	4,929,722	2,730,767
Payables under repurchase agreements	2,452,560	1,014,978
Loans payable	737,551	538,317
Income taxes payable	82,933	37,088
Accounts payable	167,940	125,869
Accrued expenses	60,594	63,731
Deferred income	16,557	15,804
Deposits received	124,034	120,618
Guarantee deposits received	85,243	86,263
Futures transactions' variation margin	401	540
Derivative financial instruments	1,129,056	652,612
Cash collateral received for financial instruments	49,335	51,026
Lease obligations	5,218	6,756
Asset retirement obligations	6,293	5,426
Suspense receipts	12,002	11,714
Other liabilities	—	17
Accrued bonuses for directors, and audit and supervisory board members	434	433
Accrued retirement benefits	378,203	375,693
Reserve for program points	8,770	8,528
Reserve for price fluctuations in investments in securities	1,590,233	1,521,916
Deferred tax liabilities	484,574	877,504
Deferred tax liabilities for land revaluation	100,444	101,894
Acceptances and guarantees	71,647	71,228
Total liabilities	68,915,596	65,655,953

5. Nonconsolidated Balance Sheets (Continued)

(Million Yen)

	As of March 31, 2022	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:	523,063	494,556
Legal reserve for deficiencies	19,988	18,993
Other surplus reserves:	503,075	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	357,789	329,199
Total foundation funds and others	1,973,714	1,895,208
Net unrealized gains on available-for-sale securities	6,112,896	6,642,100
Deferred losses on derivatives under hedge accounting	(374,361)	(161,590)
Land revaluation losses	(60,363)	(57,447)
Total valuations, conversions, and others	5,678,172	6,423,062
Total net assets	7,651,886	8,318,270
Total liabilities and net assets	76,567,483	73,974,223

1. Effective from the fiscal year ended March 31, 2022, 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 fiscal year ended March 31, 2022. As a result, effective from the fiscal year ended March 31, 2022, stocks (including foreign stocks) classified as available-for-sale securities are measured at fair value based mainly on market prices on the balance sheet date. Previously, these stocks were measured at the average fair value based on quoted market prices during the period of one month before the balance sheet date. In addition, the breakdown of financial instruments by fair value level is provided in Note 21 to the Nonconsolidated Balance Sheet as of March 31, 2022.
2. (1) Securities (including items, such as deposits and monetary receivables purchased, which are treated as securities based on the “Accounting Standard for Financial Instruments” (ASBJ¹ Statement No. 10)) 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. Available-for-sale securities are measured at the fair value based mainly on market prices on the balance sheet date (cost of securities sold is calculated using the moving average method, and bonds

¹ASBJ: The Accounting Standards Board of Japan

(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 without market prices are measured at cost using the moving average method.

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

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 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 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 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.
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 ¥586 million (including ¥57 million of credits secured and/or guaranteed) as of March 31, 2022.
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

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
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Foreign exchange forward contracts	Foreign currency-denominated bonds and other instruments
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Equity forward contracts	Domestic stocks
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The Company has applied the special treatment set forth in “Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR” (ASBJ Practical Issues Task Force (PITF) No. 40, March 17, 2022) to certain interest rate swap transactions in connection with the replacement of interest rate indicators.

- 3) Effectiveness of hedging activities is mainly evaluated by a ratio analysis of fair value movement comparisons of the hedging instruments and hedged items in accordance with the Company’s internal risk management policies.

14. All transactions are accounted for exclusive of consumption taxes and local consumption taxes; however, consumption taxes paid on certain asset transactions, which are not deductible from consumption taxes withheld and are stipulated to be deferred under the Consumption Tax Act, are deferred as prepaid expenses and amortized over a five-year period on a straight-line basis. Consumption taxes other than deferred consumption taxes are expensed as incurred.
15. The Company has applied the consolidated taxation system as the parent company for consolidated taxation purposes.
16. In accordance with the “Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System” (ASBJ 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 provide these additional policy reserves in a lump sum in the fiscal year ended March 31, 2022. The Company had previously decided to successively provide these additional policy reserves over the next three years. Moreover, effective from the fiscal year ended March 31, 2022, the Company has expanded the scope of whole life insurance policies (including lump-sum payment policies) for which additional policy reserves will be provided. 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 five years. As a result, the policy reserves increased by ¥586,606 million, while ordinary profit and surplus before income taxes decreased by ¥586,606 million, compared with amounts that would have been recorded had the additional policy reserves not been provided in the fiscal year ended March 31, 2022.

18. Significant accounting estimates identified based on the “Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No. 31) comprise valuations of investments in subsidiaries and affiliates. The value of investments in subsidiaries and affiliates recorded in the balance sheet as of March 31, 2022, was ¥1,466,399 million. If the actual value of the investments in subsidiaries and affiliates without market prices decreases sharply due to a deterioration in their financial condition, the Company would need to record a considerable impairment loss. For the valuation of investments in subsidiaries and affiliates that are life insurance companies, the Company uses the corporate valuation amounts for such subsidiaries and other entities as the actual value. The calculations of the corporate valuation amounts include assumptions about factors pertaining to the subsidiaries and other entities, such as their future business performance and how long they will be impacted by the COVID-19 pandemic. Accordingly, if those assumptions change, the value of the investments in subsidiaries and affiliates could be significantly impacted. For details, please see Note 2 in the notes to the consolidated statement of income for the fiscal year ended March 31, 2022.
19. Regarding the investment of the general accounts (except for separate accounts as provided in Article 118, Paragraph 1 of the Insurance Business Act), in light of the characteristics of life insurance policies, the Company has built a portfolio geared toward mid- to long-term investment and formulated an investment plan, considering the outlook of the investment environment. Based on the plan above, in order to reliably perform benefits and other payments in the future, the Company has positioned yen-denominated assets that can be expected to provide stable income, such as bonds and loans, as the Company’s core assets, and from the viewpoint of improving profit in the mid- to long-term, the Company invests in stocks and foreign securities. Also, the Company mainly uses derivative transactions for controlling asset or liability risks. Specifically, the Company uses interest rate swaps and interest rate swaptions for interest rate-related investments; foreign exchange forward contracts, currency options, and currency swaps for currency-

related investments; and equity forward contracts, equity index futures, and equity options for equity-related investments. The Company applies hedge accounting to certain derivative transactions above.

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

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

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

20. 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:	150,404	154,841	4,437
Policy-reserve-matching bonds	128,328	132,765	4,437
Available-for-sale securities	22,076	22,076	—
Investments in securities (*3 and *4):	62,968,796	65,183,614	2,214,818
Trading securities	697,633	697,633	—
Policy-reserve-matching bonds	25,574,218	27,582,063	2,007,845
Investments in subsidiaries and affiliates	128,615	335,588	206,972
Available-for-sale securities	36,568,329	36,568,329	—
Loans (*5):	7,492,454	7,629,701	137,247
Policy loans	457,242	457,242	—
Industrial and consumer loans	7,035,212	7,172,459	137,247
Derivative financial instruments (*6):	[881,723]	[881,723]	—
Hedge accounting not applied	30,538	30,538	—
Hedge accounting applied	[912,261]	[912,261]	—
Corporate bonds (*5 and *7)	[1,420,305]	[1,420,591]	[286]
Loans payable (*7)	[737,551]	[736,875]	[(676)]

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

(*2) For securities for which impairment losses were recognized in the fiscal year ended March 31, 2022, the fair value is the nonconsolidated 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 ¥965,103 million for investments in subsidiaries and affiliates, and ¥55,970 million for available-for-sale securities as of March 31, 2022.

(*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 ¥525,600 million as of March 31, 2022.

(*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

Investments in securities for separate accounts are classified as trading securities. Valuation losses of those investments included in profit and loss were ¥22,874 million for the fiscal year ended March 31, 2022.

2) Held-to-maturity debt securities

There were no balances as of March 31, 2022.

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	120,497	125,047	4,550
	Domestic bonds	17,139,733	19,600,953	2,461,219
	Foreign securities	51,471	52,767	1,296
	Subtotal	17,311,702	19,778,768	2,467,066
Fair value does not exceed the balance sheet amount	Monetary receivables purchased	7,831	7,718	(112)
	Domestic bonds	8,327,428	7,875,311	(452,116)
	Foreign securities	55,584	53,031	(2,553)
	Subtotal	8,390,843	7,936,061	(454,782)
Total		25,702,546	27,714,829	2,012,283

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	6,135	6,210	74
	Domestic bonds	1,791,781	1,939,219	147,438
	Domestic stocks	3,436,314	9,161,134	5,724,819
	Foreign securities	12,729,667	15,612,960	2,883,292
	Other securities	773,857	954,356	180,499
	Subtotal	18,737,755	27,673,881	8,936,125
Balance sheet amount does not exceed acquisition cost or amortized cost	Monetary receivables purchased	16,156	15,865	(290)
	Domestic bonds	765,818	744,412	(21,405)
	Domestic stocks	508,172	408,365	(99,807)
	Foreign securities	5,746,763	5,459,997	(286,766)
	Other securities	2,366,298	2,287,883	(78,415)
	Subtotal	9,403,209	8,916,524	(486,685)
Total		28,140,965	36,590,405	8,449,439

* Stocks without market prices of ¥55,970 million and the balance of investments in partnerships and other entities of ¥152,919 million are not included in the table above.

Impairment losses of ¥9,573 million were recognized for securities during the fiscal year ended March 31, 2022.

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 balance sheet date.

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

- a. A security for which the average fair value in the month preceding March 31, 2022, is 50%, or less of the acquisition cost.
- b. A security that meets both of the following criteria:
 - i) The average fair value in the month preceding March 31, 2022, 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.

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

(Million Yen)

	Within one year	Over one year within five years	Over five years within 10 years	Over 10 years
Monetary receivables purchased:	10,000	2,232	39,422	98,843
Policy-reserve-matching bonds	—	2,232	36,097	89,916
Available-for-sale securities	10,000	—	3,325	8,926
Investments in securities:	994,683	7,225,839	11,334,003	31,090,445
Policy-reserve-matching bonds	324,568	3,385,144	3,887,828	18,017,848
Available-for-sale securities	670,114	3,840,694	7,446,175	13,072,597
Loans	882,499	2,343,323	1,884,131	1,924,945
Corporate bonds	—	—	—	1,420,305
Loans payable	2,603	14,947	—	720,000

* Financial instruments, such as policy loans, which do not have a stated maturity date, are not included in the table above.
Also, loans to legally or substantially bankrupt borrowers, and borrowers who are not currently legally bankrupt but have a high probability of bankruptcy, amounting to ¥5,695 million, are not included.

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 nonconsolidated balance sheet as of March 31, 2022, are measured by fair value

(Million Yen)

	Level 1	Level 2	Level 3	Total
Monetary receivables purchased:	—	15,865	6,210	22,076
Available-for-sale securities	—	15,865	6,210	22,076
Investments in securities (*):	17,179,558	9,230,074	452,664	26,862,297
Trading securities	373,441	145,915	—	519,356
Available-for-sale securities	16,806,117	9,084,158	452,664	26,342,940
Domestic bonds	1,546,694	1,136,937	—	2,683,631
National government bonds	1,546,694	100	—	1,546,794
Local government bonds	—	71,861	—	71,861
Corporate bonds	—	1,064,976	—	1,064,976
Domestic stocks	9,507,468	62,030	—	9,569,499
Foreign securities	5,748,628	7,885,190	452,664	14,086,482
Foreign bonds	5,389,558	7,826,771	452,664	13,668,994
Foreign stocks and other securities	359,069	58,418	—	417,488
Other securities	3,326	—	—	3,326
Derivative financial instruments:	2,494	[884,333]	116	[881,723]
Interest rate-related	—	[49,784]	116	[49,668]
Currency-related	—	[844,942]	—	[844,942]
Others	2,494	10,393	—	12,887

- b. Financial instruments whose amounts presented in the nonconsolidated balance sheet as of March 31, 2022, are not measured by fair value

(Million Yen)

	Level 1	Level 2	Level 3	Total
Monetary receivables purchased:	—	—	132,765	132,765
Policy-reserve-matching bonds	—	—	132,765	132,765
Investments in securities (*):	25,461,966	2,453,814	752	27,916,534
Policy-reserve-matching bonds	25,461,966	2,119,344	752	27,582,063
Domestic bonds	25,428,137	2,047,374	752	27,476,264
Foreign securities	33,828	71,970	—	105,799
Investments in subsidiaries and affiliates	—	334,470	—	334,470
Loans:	—	—	7,629,701	7,629,701
Policy loans	—	—	457,242	457,242
Industrial and consumer loans	—	—	7,172,459	7,172,459
Corporate bonds	—	[1,420,591]	—	[1,420,591]
Loans payable	—	[719,324]	[17,551]	[736,875]

* Investment trusts are not included in the above table based on application of the transitional measures set forth in Paragraph 26 of the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31). The amount of such investment trusts presented in the nonconsolidated balance sheet was ¥10,404,594 million as of March 31, 2022.

(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 “Accounting Standard for Financial Instruments” (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 the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31).

2) Loans

a. Policy loans

Policy loans are classified as Fair Value 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 Fair Value 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) Corporate bonds

Corporate bonds issued by the Company are classified as Fair Value 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.

5) 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 Fair Value 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 a fair value.

(3) Information on financial instruments classified as Fair Value Level 3 whose amounts presented in the nonconsolidated balance sheet as of March 31, 2022, 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 March 31, 2022, and unrealized gain or loss recognized in profit or loss for the fiscal year ended March 31, 2022

(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 fiscal year ended March 31, 2022	(99)	1,596	(281)
Recognized in net surplus (loss) (*1)	423	36,085	(281)
Recognized in valuations, conversions, and others (*2)	(523)	(34,488)	—
Purchases, sales, issuances, and settlements	(4,241)	(172,036)	328
Transfers to Fair Value Level 3 (*3)	—	—	—
Transfers from Fair Value Level 3 (*4)	—	—	—
Balance as of March 31, 2022	6,210	452,664	116
Unrealized gain or loss on financial instruments held as of March 31, 2022, recognized in profit or loss for the fiscal year ended March 31, 2022 (*1)	—	—	(281)

(*1) These amounts are included in investment income and investment expenses in the nonconsolidated statement of income for the fiscal year ended March 31, 2022.

(*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 March 31, 2022.

(*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.

22. The balance sheet amount of investment and rental properties was ¥1,213,905 million, with a fair value of ¥1,677,566 million as of March 31, 2022.

The Company owns rental office buildings and commercial facilities, and the fair value of those properties as of March 31, 2022, is measured based mainly on the “Real Estate Appraisal Standards” in Japan.

The amount corresponding to asset retirement obligations that was included in the balance sheet amount of investment and rental properties was ¥4,077 million as of March 31, 2022.

23. (1) The total amount of bankrupt and quasi-bankrupt loans, doubtful loans, loans that are delinquent for over three months, and restructured loans, which were included in nonperforming assets, was ¥30,345 million as of March 31, 2022. The details of those balances were as follows:

1) The balance of bankrupt and quasi-bankrupt loans was ¥10,274 million as of March 31, 2022.

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) The balance of doubtful loans was ¥18,303 million as of March 31, 2022.

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

3) There were no loans delinquent for over three months as of March 31, 2022.

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 bankrupt and quasi-bankrupt loans, and doubtful loans.

4) The balance of restructured loans was ¥1,767 million as of March 31, 2022.

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, and do not fall under bankrupt and quasi-bankrupt loans, doubtful loans, and loans that are delinquent for over three months.

(2) Direct write-offs of loans decreased the balance of bankrupt and quasi-bankrupt loans by ¥586 million as of March 31, 2022.

24. The amount of accumulated depreciation of tangible fixed assets was ¥1,206,670 million as of March 31, 2022.

25. Separate account assets as provided in accordance with Article 118, Paragraph 1 of the Insurance Business Act were ¥1,207,557 million as of March 31, 2022, and a corresponding liability is recorded in the same amount.

26. The total amounts of receivables from and payables to subsidiaries and affiliates were ¥74,798 million and ¥10,339 million, respectively, as of March 31, 2022.

27. Changes in the reserve for dividends to policyholders for the fiscal year ended March 31, 2022, were as follows:

	Million Yen
	Year ended March 31, 2022
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 fiscal year	283,608
d. Increase in interest	21,346
e. Balance at the end of the current fiscal year (a+b-c+d)	¥1,060,577

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 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 ¥720,000 million with special provisions that the fulfillment of obligations on the loans payable is subordinate to all other debt obligations.

The Company also assumed the following yen-denominated subordinated debt on May 10, 2022.

Principal amount	¥130 billion
Interest rate	Fixed rate of 1.03% per annum until May 10, 2032 Fixed rate with step-up from May 11, 2032 (reset every five years)
Repayment date	The third bank business day preceding May 10, 2052 (The loan is callable on the third bank business day preceding May 10, 2032, and the third bank business day preceding each fifth anniversary date thereafter, until the loan is fully redeemed at the discretion of the Company, subject to prior approval by the regulatory authorities.)
Use of funds	General working capital

30. Assets pledged as collateral in the form of investments in securities, land, and buildings as of March 31, 2022, were ¥3,689,448 million, ¥252 million, and ¥38 million, respectively. The total amount of liabilities covered by the assets pledged was ¥2,452,561 million as of March 31, 2022.

These amounts included ¥2,214,261 million of sale of securities under repurchase agreements, and ¥2,452,560 million of payables under repurchase agreements.

31. The Company offered foundation funds (*kikin*) of ¥50,000 million as provided in Article 60 of the Insurance Business Act during the fiscal year ended March 31, 2022.

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 subsidiaries and affiliates was ¥1,466,399 million as of March 31, 2022.

On April 30, 2021, the Company established Nissay Small-Amount and Short-Term Insurance Preparatory Company (the “Preparatory Company”). On March 24, 2022, the Company obtained the approval of the Commissioner of the Financial Services Agency pursuant to Article 272-31, Paragraph 1 and Article 106, Paragraph 7 of the Insurance Business Act of the Insurance Business Act and the Preparatory Company completed registration as a small-amount and short-term insurance business pursuant to Article 272 of the Insurance Business Act. On the same day, the Preparatory Company changed its name to Nissay Plus SSI Company Inc. (“Nissay Plus”).

1) Purpose of establishment

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

2) Overview of Nissay Plus

a. Company name: Nissay Plus SSI Company Inc.

b. Head office location: Chiyoda-ku, Tokyo

c. Capital stock: ¥2.6 billion (including legal capital surplus of ¥1.3 billion)

3) Establishment date

April 30, 2021

4) Voting rights ratio

100%

34. The amount of securities lent under lending agreements was ¥2,098,496 million as of March 31, 2022.

35. Assets that the Company has a free disposal right to sell or re-pledge are marketable securities borrowed under lending agreements. These assets were held without being sold or re-pledged and totaled ¥402,310 million at fair value as of March 31, 2022.

36. The unused amount of commitments related to loans and similar loans agreements was ¥292,165 million as of March 31, 2022.

37. Of the maximum borrowing amount from the Life Insurance Policyholders Protection Corporation of Japan, which is provided for in Article 37-4 of the Order for Enforcement of the Insurance Business Act, the amount applied to the Company was estimated to be ¥71,238 million as of March 31, 2022. The amount contributed to the corporation above was recorded as operating expenses.

38. Information relating to retirement benefits is as follows:

(1) Summary of retirement benefit plans

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

The Company also has a defined contribution pension plan.

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

(2) Defined benefit plans

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

	Million Yen
a. Retirement benefit obligations at the beginning of the year	¥625,689
b. Service costs	27,220
c. Interest cost	3,754
d. Actuarial losses accrued during the year	850
e. Retirement benefit payments	(38,614)
f. Retirement benefit obligations at the end of the year (a+b+c+d+e)	¥618,899

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

	Million Yen
a. Pension plan assets at the beginning of the year	¥243,500
b. Expected return on plan assets	3,287
c. Actuarial gains incurred during the year	3,803
d. Contributions by the Company	5,991
e. Retirement benefit payments	(17,119)
f. Pension plan assets at the end of the year (a+b+c+d+e)	¥239,463

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

	Million Yen
a. Retirement benefit obligations for funded plans	¥242,167
b. Plan assets	(239,463)
	2,704
c. Retirement benefit obligations for nonfunded plans	376,731
d. Unrecognized actuarial gains	(5,186)
e. Unrecognized prior service costs	3,953
f. Accrued retirement benefits (a+b+c+d+e)	¥378,203

4) Losses (gains) relating to retirement benefits

Million Yen

a. Service costs	¥27,220
b. Interest cost	3,754
c. Expected return on plan assets	(3,287)
d. Amortization of actuarial losses for the period	3,626
e. Prior service costs accrued during the year	(1,317)
f. Benefit cost for defined benefit plans (a+b+c+d+e)	¥29,995

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

a. General account of life insurance	49.5%
b. Cash and deposits	25.1%
c. Foreign securities	14.9%
d. Domestic bonds	6.4%
e. Domestic stocks	4.1%
f. Total (a+b+c+d+e)	100.0%

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

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

7) Matters relating to the basis for actuarial calculations

The major items in the basis for actuarial calculations as of March 31, 2022, are as follows:

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

(3) Defined contribution plans

The Company contributed ¥2,280 million to the defined contribution plans during the fiscal year ended March 31, 2022.

39. (1) Total deferred tax assets were ¥2,035,718 million and total deferred tax liabilities were ¥2,446,030 million as of March 31, 2022. The deferred tax assets were reduced by the valuation allowance of ¥74,263 million. The major components resulting in deferred tax assets were policy reserves and other reserves of ¥1,226,068 million, reserve for price fluctuations in investments in securities of ¥443,675 million, and deferred gains (losses) on derivatives under hedge accounting of ¥154,077 million. The major component resulting in deferred tax liabilities was net unrealized gains on available-for-sale securities of ¥2,349,062 million.

(2) The effective statutory tax rate was 27.9% for the fiscal year ended March 31, 2022. The major factors for the difference between the effective statutory tax rate and the effective income tax rate after application of tax effect accounting were a decrease of 13.5% due to the amount of reserve for dividends to policyholders.

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

Revaluation date	March 31, 2002
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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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41. 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 ¥182 million as of March 31, 2022.

42. The amount per Article 30, Paragraph 2 of the Ordinance for Enforcement of the Insurance Business Act was ¥5,739,186 million as of March 31, 2022.

6. Nonconsolidated Statements of Income

(Million Yen)

	Year ended March 31, 2022	Year ended March 31, 2021
Ordinary income:	6,542,437	6,475,334
Revenues from insurance and reinsurance:	4,307,975	4,264,628
Insurance premiums	4,306,688	4,263,255
Reinsurance revenue	1,287	1,372
Investment income:	2,116,535	2,083,028
Interest, dividends, and other income:	1,537,372	1,381,994
Interest on deposits and savings	555	874
Interest on securities and dividends	1,316,643	1,174,673
Interest on loans	104,337	108,633
Real estate rental income	107,731	88,036
Other income	8,104	9,776
Gain on sales of securities	465,253	507,284
Gain on redemptions of securities	7,822	3,690
Foreign exchange gains, net	70,327	68,465
Reversal of allowance for doubtful accounts	1,292	—
Reversal of allowance for investment loss	4,012	2,188
Other investment income	856	1,177
Gain from separate accounts, net	29,598	118,226
Other ordinary income:	117,926	127,678
Income from annuity riders	8,042	7,409
Income from deferred benefits	73,828	76,119
Reversal of reserve for outstanding claims	—	11,592
Other ordinary income	36,055	32,555

6. Nonconsolidated Statements of Income (Continued)

(Million Yen)

	Year ended March 31, 2022	Year ended March 31, 2021
Ordinary expenses:	6,049,231	6,044,263
Benefits and other payments:	3,709,094	3,803,456
Death and other claims	1,005,005	999,529
Annuity payments	821,038	803,471
Health and other benefits	701,230	661,384
Surrender benefits	987,861	1,108,847
Other refunds	192,081	228,332
Reinsurance premiums	1,875	1,891
Provision for policy reserves:	1,292,349	1,221,393
Provision for reserve for outstanding claims	13,416	—
Provision for policy reserves	1,257,585	1,199,935
Provision for interest on reserve for dividends to policyholders	21,346	21,458
Investment expenses:	256,233	227,482
Interest expenses	32,561	28,437
Loss from assets held in trust, net	85	34,144
Loss on sales of securities	113,617	40,193
Loss on valuation of securities	13,121	4,963
Loss on redemptions of securities	7,052	14,736
Loss on derivative financial instruments, net	12,961	48,004
Provision for allowance for doubtful accounts	—	5,968
Depreciation of real estate for rental use and other assets	18,355	17,830
Other investment expenses	58,478	33,203
Operating expenses	571,397	575,223
Other ordinary expenses:	220,157	216,707
Deferred benefit payments	86,046	87,842
Taxes	51,659	51,876
Depreciation	56,950	54,314
Provision for retirement benefits	2,509	1,233
Other ordinary expenses	22,991	21,439

6. Nonconsolidated Statements of Income (Continued)

(Million Yen)

	Year ended March 31, 2022	Year ended March 31, 2021
Ordinary profit	493,205	431,070
Extraordinary gains:	5,168	89
Gain on disposals of fixed assets	5,168	89
Extraordinary losses:	84,243	86,867
Loss on disposals of fixed assets	4,792	4,999
Impairment losses	8,129	4,885
Provision for reserve for price fluctuations in investments in securities	68,317	73,902
Loss on tax purpose reduction entry of real estate	4	80
Contributions for assisting social public welfare	3,000	3,000
Surplus before income taxes	414,130	344,292
Income taxes — current	179,085	134,353
Income taxes — deferred	(116,827)	(113,520)
Total income taxes	62,257	20,832
Net surplus	351,873	323,459

Notes to the Nonconsolidated Statement of Income for the Fiscal Year Ended March 31, 2022

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. The total income and expenses from transactions with subsidiaries and affiliates were ¥45,286 million and ¥37,184 million, respectively, for the fiscal year ended March 31, 2022.
3. Gain on sales of securities includes gains on sales of domestic bonds, including national government bonds, domestic stocks, and foreign securities of ¥23,938 million, ¥366,791 million, and ¥74,524 million, respectively, for the fiscal year ended March 31, 2022.
4. Loss on sales of securities includes losses on sales of domestic bonds, including national government bonds, domestic stocks, and foreign securities of ¥75,728 million, ¥15,014 million, and ¥22,873 million, respectively, for the fiscal year ended March 31, 2022.
5. Loss on valuation of securities includes losses on valuation of domestic stocks and foreign securities of ¥11,658 million and ¥1,463 million, respectively, for the fiscal year ended March 31, 2022.
6. Provision for policy reserves for ceded reinsurance that was added to the calculation of provision for policy reserves was ¥30 million for the fiscal year ended March 31, 2022.
7.
 - (1) Loss from assets held in trust, net includes net valuation of ¥4,292 million for the fiscal year ended March 31, 2022.
 - (2) Loss on derivative financial instruments, net includes net valuation losses of ¥14,865 million for the fiscal year ended March 31, 2022.
8. Impairment losses are as follows:
 - 1) Method for grouping the assets
Real estate for rental use and idle properties are classified as one asset group per property. Assets utilized for insurance business operations are classified into one asset group for each operation.
 - 2) Recognition of impairment losses

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

- 3) Breakdown of asset groups for which impairment losses were recognized for the fiscal year ended March 31, 2022, is as follows:

(Million Yen)

Purpose of use	Land	Land and lease rights	Buildings	Total
Real estate for rental use	375	1	286	662
Idle properties	3,135	—	4,331	7,466
Total	3,510	1	4,617	8,129

- 4) Measurement of recoverable amount

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

In principle, the value in use is determined as the discounted future cash flows using a discount rate of 3.0%.

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

7. Nonconsolidated Statements of Changes in Net Assets

For the Year Ended March 31, 2022

(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							
					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	Total 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										351,873	351,873	351,873
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 to be purchased							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										2,916	2,916	2,916
Net change, excluding foundation funds and others												
Net change	—	50,000	—	995	—	—	(16)	(1,062)	—	28,590	28,506	78,506
Ending balance	100,000	1,350,000	651	19,988	71,917	351	71,839	1,007	170	357,789	523,063	1,973,714

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

For the Year Ended March 31, 2022

(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					351,873
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					2,916
Net change, excluding foundation funds and others	(529,203)	(212,770)	(2,916)	(744,890)	(744,890)
Net change	(529,203)	(212,770)	(2,916)	(744,890)	(666,383)
Ending balance	6,112,896	(374,361)	(60,363)	5,678,172	7,651,886

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

For the Year Ended March 31, 2021

(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										323,459	323,459	323,459
Additions to reserve for social public welfare assistance						3,000				(3,000)	—	—
Reversal of reserve for social public welfare assistance						(3,000)				3,000	—	—
Additions to reserve for reduction entry of real estate							9,380			(9,380)	—	—
Reversal of reserve for reduction entry of real estate							(1,254)			1,254	—	—
Additions to reserve for reduction entry of real estate to be purchased								1,007		(1,007)	—	—
Reversal of reserve for reduction entry of real estate to be purchased								(13,728)		13,728	—	—
Reversal of land revaluation losses										2,740	2,740	2,740
Net change, excluding foundation funds and others												
Net change	—	—	—	599	—	—	8,126	(12,721)	—	144,772	140,776	140,776
Ending balance	100,000	1,300,000	651	18,993	71,917	351	71,855	2,069	170	329,199	494,556	1,895,208

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

For the Year Ended March 31, 2021

(Million Yen)

	Valuations, conversions, and others				Total net assets
	Net unrealized gains on available-for-sale securities	Deferred losses on derivatives under hedge accounting	Land revaluation losses	Total valuations, conversions, and others	
Beginning balance	4,165,946	(68,056)	(54,706)	4,043,182	5,797,613
Increase/decrease:					
Additions to reserve for dividends to policyholders					(185,145)
Additions to legal reserve for deficiencies					—
Interest on foundation funds					(277)
Net surplus					323,459
Additions to reserve for social public welfare assistance					—
Reversal of reserve for social public welfare assistance					—
Additions to reserve for reduction entry of real estate					—
Reversal of reserve for reduction entry of real estate					—
Additions to reserve for reduction entry of real estate to be purchased					—
Reversal of reserve for reduction entry of real estate to be purchased					—
Reversal of land revaluation losses					2,740
Net change, excluding foundation funds and others	2,476,154	(93,533)	(2,740)	2,379,880	2,379,880
Net change	2,476,154	(93,533)	(2,740)	2,379,880	2,520,657
Ending balance	6,642,100	(161,590)	(57,447)	6,423,062	8,318,270

8.Details of Ordinary Profit (Core Operating Profit)

(Million Yen)

	Year ended March 31, 2022	Year ended March 31, 2021
Core operating profit (A)	796,654	656,563
Capital gains:	546,550	596,133
Gain on proprietary trading securities	—	—
Gain from assets held in trust, net	—	—
Gain on trading securities	—	—
Gain on sales of securities	465,253	507,284
Gain on derivative financial instruments, net	—	—
Foreign exchange gains, net	70,327	68,465
Other capital gains	10,969	20,382
Capital losses:	249,191	286,663
Loss on proprietary trading securities	—	—
Loss from assets held in trust, net	85	34,144
Loss on trading securities	—	—
Loss on sales of securities	113,617	40,193
Loss on valuation of securities	13,121	4,963
Loss on derivative financial instruments, net	12,961	48,004
Foreign exchange losses, net	—	—
Other capital losses	109,405	159,357
Net capital losses (B)	297,359	309,469
Core operating profit, including net capital losses (A+B)	1,094,014	966,032
Nonrecurring gains:	4,012	2,188
Reinsurance revenue	—	—
Reversal of contingency reserve	—	—
Reversal of specific allowance for doubtful accounts	—	—
Other nonrecurring gains	4,012	2,188
Nonrecurring losses:	604,820	537,150
Reinsurance premiums	—	—
Provision for contingency reserve	15,994	166,396
Provision for specific allowance for doubtful accounts	2,219	1,579
Provision for allowance for specific overseas loans	—	—
Write-offs of loans	—	—
Other nonrecurring losses	586,606	369,175
Net nonrecurring losses (C)	(600,808)	(534,961)
Ordinary profit (A+B+C)	493,205	431,070

(Reference) Breakdown of “Other” items

(Million Yen)

	Year ended March 31, 2022	Year ended March 31, 2021
Core operating profit	98,435	138,975
Interest income and expenses related to swap transactions for foreign currency-denominated insurance products and swap transactions for hedging purposes	15,036	18,811
Impact of market exchange rate movements related to foreign currency-denominated insurance policies	94,368	140,545
Impact of movements in surrender benefits related to market value adjustment	(10,969)	(20,382)
Other capital gains	10,969	20,382
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	10,969	20,382
Other capital losses	109,405	159,357
Interest income and expenses related to swap transactions for foreign currency-denominated insurance products and swap transactions for hedging purposes	15,036	18,811
Impact of market exchange rate movements related to foreign currency-denominated insurance policies	94,368	140,545
Impact of movements in surrender benefits related to market value adjustment	—	—
Other nonrecurring gains	4,012	2,188
Reversal of allowance for investment loss	4,012	2,188
Other nonrecurring losses	586,606	369,175
Provision for allowance for investment loss	—	—
Provision for additional policy reserves	586,606	369,175

9. Nonconsolidated Proposed Appropriations of Surplus

(Thousand Yen)

	Year ended March 31, 2022	Year ended March 31, 2021
Unappropriated surplus	357,789,830	329,199,756
Reversal from voluntary surplus reserve:	73,226,448	2,452,475
Reversal of equalized reserve for dividends to policyholders	—	—
Reversal of contingency funds	71,917,000	—
Reversal of reserve for reduction entry of real estate	1,309,448	1,390,319
Reversal of reserve for reduction entry of real estate to be purchased	—	1,062,156
Total	431,016,279	331,652,232
Appropriations:	431,016,279	331,652,232
Reserve for dividends to policyholders	199,868,044	276,006,182
Net surplus:	231,148,234	55,646,050
Legal reserve for deficiencies	1,294,000	995,000
Reserve for redemption of foundation funds	—	50,000,000
Interest on foundation funds	265,000	277,000
Voluntary surplus reserve:	229,589,234	4,374,050
Reserve for social public welfare assistance	3,000,000	3,000,000
Reserve for financial base	221,917,000	—
Reserve for reduction entry of real estate	2,718,299	1,374,050
Reserve for reduction entry of real estate to be purchased	1,953,934	—
Surplus carried forward	—	—

10. Status of Nonperforming Assets Based on the Insurance Business Act

(Million Yen, %)

	As of March 31, 2022	As of March 31, 2021
Bankrupt and quasi-bankrupt loans	10,274	10,308
Doubtful loans	18,303	16,511
Loans that are delinquent for over three months	—	—
Restructured loans	1,767	2,635
Subtotal	30,345	29,456
[Percentage of total, %]	[0.31]	[0.28]
Normal loans	9,659,055	10,338,632
Total	9,689,401	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 (excluding 1. in the note above).
 3. 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 (excluding 1. and 2. in the notes above).
 4. 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. to 3. in the notes above).
 5. Normal loans are loans that do not fall under the classifications for 1. to 4. in the notes above and where the debtor has no financial or business performance problems.

Supplemental information on nonperforming assets based on the Insurance Business Act

- Classifications and calculation methods used in this table are based on the Ordinance for Enforcement of the Insurance Business Act. The table includes guaranteed private offering loans of financial institutions, loans, securities lending, accrued interest, suspense payments, and customers' liability for acceptances and guarantees.
- For bankrupt and quasi-bankrupt loans, the estimated uncollectible amount calculated by subtracting the amount of collateral value or the amount collectible by the execution of guarantees from the balance of loans is directly deducted from the total loan amount. The estimated uncollectible amounts as of March 31, 2022 and 2021, were ¥586 million and ¥2,514 million, respectively.

11. Breakdown of Allowance for Doubtful Accounts

(Million Yen)

	Year ended March 31, 2022	Year ended March 31, 2021	Difference
(1) Breakdown of allowance for doubtful accounts			
(A) General allowance for doubtful accounts	1,912	5,424	(3,511)
(B) Specific allowance for doubtful accounts	4,998	2,794	2,203
(C) Allowance for specific overseas loans	—	—	—
(2) Specific allowance for doubtful accounts			
(A) Provision	5,584	5,309	275
(B) Reversal	3,364	3,730	(365)
[excluding reversals with write-offs]			
(C) Net provision	2,219	1,579	640
(3) Allowance for specific overseas loans			
(A) Number of countries	—	—	—
(B) Loan amount	—	—	—
(C) Provision	—	—	—
(D) Reversal	—	—	—
(4) Write-offs	—	—	—

12.Solvency Margin Ratio

(Million Yen)

	As of March 31, 2022	As of March 31, 2021
Solvency margin gross amount (A)	18,001,132	17,717,439
Foundation funds (<i>kikin</i>) and other reserve funds:	5,663,861	5,432,807
Foundation funds and others	1,773,581	1,618,924
Reserve for price fluctuations in investments in securities	1,590,233	1,521,916
Contingency reserve	2,060,657	2,044,663
General allowance for doubtful accounts	1,912	5,424
Others	237,476	241,878
Net unrealized gains on available-for-sale securities (before tax) and deferred losses on derivatives under hedge accounting (before tax) × 90%	7,207,844	8,042,164
Net unrealized gains on real estate × 85%	549,898	503,035
Excess of continued Zillmerized reserve	2,460,845	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	(108,858)	(105,201)
Others	87,236	29,191
Total amount of risk (B)		
$\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2 + R_4}$	3,397,260	3,516,976
Underwriting risk (R ₁)	110,956	114,185
Underwriting risk of third-sector insurance (R ₈)	91,188	88,290
Anticipated yield risk (R ₂)	267,095	321,151
Minimum guarantee risk (R ₇)	5,315	5,378
Investment risk (R ₃)	3,048,246	3,111,675
Business management risk (R ₄)	70,456	72,813
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	1,059.7%	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.

Reference

Policy Reserve Valuation Method and Ratio for Individual Insurance and Annuities

	As of March 31, 2022	As of March 31, 2021
Policies subject to the standard policy reserve	Net level premium method	Net level premium method
Policies not subject to the standard policy reserve	Net level premium method	Net level premium method
Ratio (excluding contingency reserve)	100.0%	100.0%

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

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

13. Status of Separate Accounts as of March 31, 2022

(1) Balance of Separate Account Assets

(Million Yen)

	As of March 31, 2022	As of March 31, 2021
Individual variable insurance	110,130	112,908
Individual variable annuities	19,550	32,223
Group annuities	1,077,876	1,082,174
Separate account total	1,207,557	1,227,305

(2) Status of Separate Accounts for Individual Variable Insurance

1) Policies in Force

	As of March 31, 2022		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)	10,303	6,861	10,791	6,271
Variable insurance (whole life type)	29,889	413,608	30,608	425,701
Total	40,192	420,470	41,399	431,973

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

(Million Yen, %)

	As of March 31, 2022		As of March 31, 2021	
	Amount	Composition ratio	Amount	Composition ratio
Cash, deposits, and call loans	13,032	11.8	9,060	8.0
Investments in securities:	87,436	79.4	98,331	87.1
Domestic bonds	19,495	17.7	22,793	20.2
Domestic stocks	27,952	25.4	13,747	12.2
Foreign securities:	24,234	22.0	38,711	34.3
Foreign bonds	2,855	2.6	9,757	8.6
Foreign stocks and other securities	21,379	19.4	28,954	25.6
Other securities	15,752	14.3	23,058	20.4
Loans	—	—	—	—
Others	9,662	8.8	5,536	4.9
Allowance for doubtful accounts	—	—	—	—
Total	110,130	100.0	112,908	100.0

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

(Million Yen)

	Year ended March 31, 2022	Year ended March 31, 2021
	Amount	Amount
Interest, dividends, and other income	6,587	4,453
Gain on sales of securities	9,118	12,365
Gain on redemptions of securities	—	—
Gain on valuation of securities	(4,916)	5,778
Foreign exchange gains, net	457	230
Gain on derivative financial instruments, net	3,945	1,333
Other investment income	1	1
Loss on sales of securities	1,629	3,322
Loss on redemptions of securities	0	0
Loss on valuation of securities	1,841	(5,939)
Foreign exchange losses, net	209	180
Loss on derivative financial instruments, net	3,366	1,884
Other investment expenses	0	0
Net investment income	8,145	24,714

(3) Status of Separate Accounts for Individual Variable Annuities

1) Policies in Force

	As of March 31, 2022		As of March 31, 2021	
	Number of policies	Amount of policies (million yen)	Number of policies	Amount of policies (million yen)
Individual variable annuities	11,072	19,539	27,164	32,221

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

(Million Yen, %)

	As of March 31, 2022		As of March 31, 2021	
	Amount	Composition ratio	Amount	Composition ratio
Cash, deposits, and call loans	—	—	—	—
Investments in securities:	19,475	99.6	31,498	97.8
Domestic bonds	3,526	18.0	4,586	14.2
Domestic stocks	—	—	—	—
Foreign securities:	—	—	—	—
Foreign bonds	—	—	—	—
Foreign stocks and other securities	—	—	—	—
Other securities	15,948	81.6	26,912	83.5
Loans	—	—	—	—
Others	74	0.4	724	2.2
Allowance for doubtful accounts	—	—	—	—
Total	19,550	100.0	32,223	100.0

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

(Million Yen)

	Year ended March 31, 2022	Year ended March 31, 2021
	Amount	Amount
Interest, dividends, and other income	4,391	1,336
Gain on sales of securities	137	145
Gain on redemptions of securities	—	—
Gain on valuation of securities	(1,530)	3,319
Foreign exchange gains, net	—	—
Gain on derivative financial instruments, net	—	—
Other investment income	0	0
Loss on sales of securities	0	376
Loss on redemptions of securities	—	—
Loss on valuation of securities	20	(7,814)
Foreign exchange losses, net	—	—
Loss on derivative financial instruments, net	—	—
Other investment expenses	0	0
Net investment income	2,977	12,239

14. Status of the Company, Subsidiaries, and Affiliates

(1) Selected Financial Data for Major Operations

(100 Million Yen)

	Year ended March 31, 2022	Year ended March 31, 2021
Ordinary income	83,568	81,609
Ordinary profit	5,354	4,756
Net surplus attributable to the parent company	3,467	3,315
Comprehensive income	(4,637)	28,379

	As of March 31, 2022	As of March 31, 2021
Total assets	883,819	855,899
Solvency margin ratio	1,120.3%	1,075.0%

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

	As of March 31, 2022
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 Fiscal Year Ended March 31, 2022

1) Consolidated subsidiaries

Number of consolidated subsidiaries: 15 entities

Nissay Credit Guarantee Co., Ltd.

Nissay Leasing Co., Ltd.

Nissay Capital Co., Ltd.

Nissay Asset Management Corporation

Nissay Information Technology Co., Ltd.

TAIJU LIFE INSURANCE COMPANY LIMITED

Nippon Wealth Life Insurance Company Limited

HANASAKU LIFE INSURANCE Co., Ltd.

Nippon Life Insurance Company of America

Nippon Life Americas, Inc.

MLC Limited

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 fiscal year ended March 31, 2022, which are immaterial enough to be excluded from consolidation given that they would not affect reasonable judgements to be made on the financial position and financial results of Nippon Life Group.

2) Equity-method affiliates

Number of unconsolidated equity-method affiliates: None

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

Major affiliates accounted for under the equity method as of March 31, 2022, are listed as follows:

The Master Trust Bank of Japan, Ltd.

Corporate-Pension Business Service Co., Ltd.

Great Wall Changsheng Life Insurance Co., Ltd.

Bangkok Life Assurance Public Company Limited

Reliance Nippon Life Insurance Company Limited

Post Advisory Group, LLC

PT Sequis

PT Asuransi Jiwa Sequis Life

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 in the Company's consolidated net income and surplus for the fiscal year ended March 31, 2022, are immaterial.

3) Reporting date for consolidated subsidiaries

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

4) Amortization of goodwill

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

(4) Consolidated Balance Sheets

(Million Yen)

	As of March 31, 2022	As of March 31, 2021
Assets:		
Cash and deposits	1,702,155	1,771,810
Call loans	500,978	540,086
Monetary receivables purchased	290,646	316,335
Assets held in trust	—	135
Investments in securities	73,373,626	70,741,631
Loans	8,437,632	8,423,975
Tangible fixed assets:	1,875,391	1,941,042
Land	1,226,001	1,284,407
Buildings	573,878	579,054
Lease assets	6,052	8,280
Construction in progress	30,250	22,427
Other tangible fixed assets	39,208	46,872
Intangible fixed assets:	382,306	385,669
Software	128,852	122,279
Goodwill	84,383	83,185
Lease assets	27	31
Other intangible fixed assets	169,042	180,172
Reinsurance receivables	9,266	26,705
Other assets	1,734,914	1,367,177
Net defined benefit asset	1,201	468
Deferred tax assets	10,976	13,538
Customers' liability for acceptances and guarantees	71,612	71,728
Allowance for doubtful accounts	(8,736)	(10,343)
Total assets	88,381,973	85,589,960

(4) Consolidated Balance Sheets (Continued)

(Million Yen)

	As of March 31, 2022	As of March 31, 2021
Liabilities:		
Policy reserves and other reserves:	69,922,760	68,266,939
Reserve for outstanding claims	260,983	249,222
Policy reserves	68,547,902	66,916,145
Reserve for dividends to policyholders (mutual company)	1,060,577	1,046,832
Reserve for dividends to policyholders (limited company)	53,297	54,738
Reinsurance payables	24,535	8,065
Corporate bonds	1,535,905	1,432,612
Other liabilities	6,021,605	3,871,138
Accrued bonuses for directors, and audit and supervisory board members	434	433
Net defined benefit liability	434,246	438,263
Accrued retirement benefits for directors, and audit and supervisory board members	637	689
Reserve for program points	8,770	8,528
Reserve for price fluctuations in investments in securities	1,684,575	1,610,738
Deferred tax liabilities	523,390	962,359
Deferred tax liabilities for land revaluation	100,444	101,894
Acceptances and guarantees	71,612	71,728
Total liabilities	80,328,918	76,773,391

(4) Consolidated Balance Sheets (Continued)

(Million Yen)

	As of March 31, 2022	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	740,576	709,574
Total foundation funds and others	2,191,227	2,110,225
Net unrealized gains on available-for-sale securities	6,124,915	6,767,268
Deferred losses on derivatives under hedge accounting	(375,170)	(163,088)
Land revaluation losses	(60,363)	(57,447)
Foreign currency translation adjustments	17,362	(25,774)
Remeasurement of defined benefit plans	(2,518)	(6,511)
Total accumulated other comprehensive income	5,704,225	6,514,448
Share acquisition rights	1,671	1,349
Noncontrolling interests	155,930	190,546
Total net assets	8,053,054	8,816,569
Total liabilities and net assets	88,381,973	85,589,960

Notes to the Consolidated Balance Sheets as of March 31, 2022

1. Effective from the fiscal year ended March 31, 2022, 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 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 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 fiscal year ended March 31, 2022. As a result, effective from the fiscal year ended March 31, 2022, stocks (including foreign stocks) classified as available-for-sale securities are measured at fair value based mainly on market prices on the consolidated balance sheet date. Previously, these stocks were measured at the average fair value based on quoted market prices during the period of one month before the consolidated balance sheet date. In addition, the breakdown of financial instruments by fair value level is provided in Note 22 to the consolidated balance sheet as of March 31, 2022.
2. (1) Securities of the Company and its certain 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)) are valued as follows:
 - 1) Trading securities are stated at fair value at the consolidated 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. Available-for-sale securities are measured at fair value based mainly on market prices on the consolidated balance sheet date (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 without market prices are measured at cost using the moving average method.

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

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 consolidated balance sheet date or the one-month average rate prior to the consolidated 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 ¥1,603 million (including ¥70 million of credits secured and/or guaranteed) as of March 31, 2022.
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 March 31, 2022, for future payment of employee retirement benefits that have been accrued.
- (2) Basis used for accounting for retirement benefits of the Company and its certain consolidated subsidiaries are as follows:
- 1) Attribution method for estimated retirement benefits: Benefit formula basis
 - 2) Amortization period for actuarial gains/losses: 5 years
 - 3) Amortization period for prior service costs: 5 years
10. In order to provide for payments of retirement benefits to directors, and audit and supervisory board members at certain consolidated subsidiaries, accrued retirement benefits for directors, and audit and supervisory board members are recognized based on estimated payment amounts under internal rules.
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 sales 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

The Company and its certain consolidated subsidiaries have applied the special treatment set forth in "Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR" (ASBJ Practical Issues Task Force (PITF) No. 40, March 17, 2022) to certain interest rate swap transactions in connection with the replacement of interest rate indicators.
 - 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.
16. The Company and certain subsidiaries have applied the consolidated taxation system 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 calculate the amounts of deferred tax assets and liabilities based on tax laws and regulations provisions 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 some of its consolidated life insurance companies in Japan provided additional policy reserves in the fiscal year ended March 31, 2022. As a result, policy reserves increased by ¥596,186 million, while ordinary profit and surplus before income taxes decreased by ¥596,186 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 provide these additional policy reserves in a lump sum in the fiscal year ended March 31, 2022. The Company had previously decided to successively provide these additional policy reserves over the next three years. Moreover, effective from the fiscal year ended March 31, 2022, the Company has expanded the scope of whole life insurance policies (including lump-sum payment policies) for which additional policy reserves will be provided. 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 five years. As a result, the policy reserves increased by ¥586,606 million, while ordinary profit and surplus before income taxes decreased by ¥586,606 million, compared with amounts that would have been recorded had the additional policy reserves not been provided in the fiscal year ended March 31, 2022.

b. TAIJU LIFE INSURANCE COMPANY LIMITED

TAIJU LIFE INSURANCE COMPANY LIMITED has provided additional policy reserves to cover a possible deficiency in the reserve for certain individual annuity policyholders. As a result, policy reserves increased by ¥9,579 million, while ordinary profit and surplus before income taxes decreased by ¥9,579 million, compared with amounts that would have been recorded if the additional policy reserves had not been provided in the fiscal year ended March 31, 2022.

(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. Significant accounting estimates identified based on the “Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No. 31) comprise valuations of goodwill and other assets.

Goodwill and other assets recorded in the consolidated balance sheet as of March 31, 2022, comprise the following:

1) Goodwill	¥84,383 million
Nippon Life India Asset Management Limited	84,383 million
2) Goodwill equivalent	78,425 million
Reliance Nippon Life Insurance Company Limited	36,494 million
The TCW Group, Inc.	22,430 million
PT Sequis	19,500 million

For details on the accounting estimates used to record impairment losses on goodwill and other assets, please see Note 2 in the notes to the consolidated statement of income for the fiscal year ended March 31, 2022.

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

Based on the plan above, in order to reliably perform benefits and other payments in the future, the Company and its certain consolidated subsidiaries have positioned yen-denominated assets that can be expected to provide stable

income, such as bonds and loans, as the core assets of the Company and its certain consolidated subsidiaries, and from the viewpoint of improving profit in the mid- to long-term, the Company and its certain consolidated subsidiaries invest in stocks and foreign securities. Also, the Company and certain consolidated subsidiaries mainly use derivative transactions for controlling asset or liability risks. Specifically, the Company and its certain consolidated subsidiaries use interest rate swaps and interest rate swaptions for interest rate-related investments; foreign exchange forward contracts, currency options, and currency swaps for currency-related investments; and equity forward contracts, equity index futures, and equity index options for equity-related investments. The Company and its certain consolidated subsidiaries apply hedge accounting to certain derivative transactions above.

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

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

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

21. 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	Fair value (*2)	Difference
Monetary receivables purchased:	290,646	297,323	6,676
Held-to-maturity debt securities	23,576	23,602	26
Policy-reserve-matching bonds	192,361	199,011	6,649
Available-for-sale securities	74,708	74,708	—
Investments in securities (*3 and *4):	72,530,185	74,851,433	2,321,247
Trading securities	1,447,306	1,447,306	—
Held-to-maturity debt securities	372,376	368,475	(3,900)
Policy-reserve-matching bonds	30,031,350	32,321,676	2,290,325
Investments in subsidiaries and affiliates	40,648	75,471	34,822
Available-for-sale securities	40,638,503	40,638,503	—
Loans (*5):	8,431,736	8,578,827	147,090
Policy loans	501,293	501,293	—
Industrial and consumer loans	7,930,443	8,077,533	147,090
Derivative financial instruments (*6):	(920,898)	(920,898)	—
Hedge accounting not applied	(8,562)	(8,562)	—
Hedge accounting applied	(912,335)	(912,335)	—
Corporate bonds (*5 and *7)	(1,535,905)	(1,536,327)	(422)
Loans payable (*7)	(843,436)	(842,760)	(675)

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

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

(*3) Stocks without market prices, such as unlisted stocks, are not included in the above table. The amounts presented in the consolidated balance sheet for investments in securities were ¥234,763 million as of March 31, 2022.

(*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 consolidated balance sheet was ¥608,678 million as of March 31, 2022.

(*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 bond 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

Investments in securities for separate accounts are classified as trading securities. Valuation losses of those investments included in profit and loss were ¥30,752 million for the fiscal year ended March 31, 2022.

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	10,318	10,534	216
	Domestic bonds	39,613	39,865	252
	Foreign securities	194,855	196,841	1,986
	Subtotal	244,787	247,242	2,454
Fair value does not exceed the consolidated balance sheet amount	Monetary receivables purchased	13,257	13,068	(189)
	Domestic bonds	22,109	21,992	(116)
	Foreign securities	115,798	109,775	(6,022)
	Subtotal	151,164	144,836	(6,328)
Total		395,952	392,078	(3,873)

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	170,931	177,798	6,867
	Domestic bonds	19,600,472	22,402,255	2,801,782
	Foreign securities	621,333	653,136	31,802
	Subtotal	20,392,738	23,233,190	2,840,452
Fair value does not exceed the consolidated balance sheet amount	Monetary receivables purchased	21,430	21,212	(217)
	Domestic bonds	8,932,730	8,446,578	(486,151)
	Foreign securities	876,813	819,705	(57,107)
	Subtotal	9,830,974	9,287,496	(543,477)
Total		30,223,712	32,520,687	2,296,975

4) Available-for-sale securities

Acquisition cost or amortized cost, 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	18,781	19,128	347
	Domestic bonds	2,627,839	2,810,682	182,842
	Domestic stocks	3,618,428	9,451,133	5,832,705
	Foreign securities	14,356,455	17,370,509	3,014,053
	Other securities	819,058	1,009,839	190,780
	Subtotal	21,440,564	30,661,293	9,220,729
Consolidated balance sheet amount does not exceed acquisition cost or amortized cost	Monetary receivables purchased	56,508	55,580	(928)
	Domestic bonds	1,008,754	980,015	(28,738)
	Domestic stocks	681,952	529,629	(152,322)
	Foreign securities	6,409,337	6,085,205	(324,131)
	Other securities	2,487,140	2,401,487	(85,653)
	Subtotal	10,643,693	10,051,918	(591,774)
Total		32,084,257	40,713,212	8,628,954

* Stocks without market prices of ¥63,528 million and the balance of investments in partnerships and other entities of ¥232,635 million are not included in the table above.

Impairment losses of ¥11,972 million were recognized for securities during the fiscal year ended March 31, 2022.

Regarding stocks (including foreign stocks) of the Company and its certain consolidated subsidiaries, impairment losses are recognized for stocks whose fair value has declined significantly from the acquisition cost based on the average fair value as of March 31, 2022.

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

- a. A security for which the average fair value in the month preceding March 31, 2022, is 50% or less of the acquisition cost.
- b. A security that meets both of the following criteria:
 - (i) The average fair value in the month preceding March 31, 2022, 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.

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

(Million Yen)

	One year	Over one year within five years	Over five years within 10 years	Over 10 years
Monetary receivables purchased:	22,300	3,482	48,201	215,953
Held-to-maturity debt securities	—	—	—	22,960
Policy-reserve-matching bonds	—	2,232	37,946	152,079
Available-for-sale securities	22,300	1,250	10,254	40,912
Investment in securities:	1,264,832	8,393,374	13,345,261	35,382,285
Held-to-maturity debt securities	53,587	137,946	108,096	73,759
Policy-reserve-matching bonds	393,715	3,702,147	4,700,709	21,055,492
Available-for-sale securities	817,529	4,553,280	8,536,455	14,253,034
Loans (*1)	1,021,047	2,670,379	2,090,337	2,120,723
Corporate bonds (*2)	—	—	—	1,510,305
Loans payable	29,856	82,129	1,450	730,000

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

Also, ¥8,054 million in loans to legally or substantially bankrupt borrowers or borrowers who are not currently legally bankrupt, but have a high probability of bankruptcy is not included.

(*2) Subordinated corporate bonds and others that do not have a stated maturity date are not included in the table above.

22. (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 March 31, 2022, are measured by fair value

(Million Yen)

	Level 1	Level 2	Level 3	Total
Monetary receivables purchased:	—	25,865	48,843	74,708
Available-for-sale securities	—	25,865	48,843	74,708
Investments in securities (*):	19,226,301	11,493,584	579,733	31,299,619
Trading securities	710,308	525,509	—	1,235,818
Available-for-sale securities	18,515,992	10,968,074	579,733	30,063,801
Domestic bonds	1,992,294	1,798,404	—	3,790,698
National government bonds	1,989,322	63,501	—	2,052,824
Local government bonds	—	108,231	—	108,231
Corporate bonds	2,971	1,626,671	—	1,629,642
Domestic stocks	9,915,588	65,174	—	9,980,762
Foreign securities	6,604,783	9,104,496	579,510	16,288,790
Foreign bonds	6,227,733	9,046,077	579,510	15,853,322
Foreign stocks and other securities	377,049	58,418	—	435,467
Other securities	3,326	—	222	3,549
Derivative financial instruments:	1,543	[923,505]	1,064	[920,898]
Interest rate-related	[77]	[18,546]	116	[18,507]
Currency-related	—	[917,961]	—	[917,961]
Others	1,620	13,001	947	15,570

- b Financial instruments whose amounts presented in the consolidated balance sheet as of March 31, 2022, are not measured by fair value

(Million Yen)

	Level 1	Level 2	Level 3	Total
Monetary receivables purchased:	—	—	222,614	222,614
Held-to-maturity debt securities	—	—	23,602	23,602
Policy-reserve-matching bonds	—	—	199,011	199,011
Investments in securities (*):	28,104,580	4,596,756	63,168	32,764,505
Monetary receivables purchased	22,395	286,669	59,411	368,475
Domestic bonds	2,582	59,276	—	61,858
Foreign securities	19,812	227,393	59,411	306,617
Policy-reserve-matching bonds	28,082,185	4,235,733	3,757	32,321,676
Domestic bonds	27,713,098	3,134,983	752	30,848,834
Foreign securities	369,087	1,100,749	3,004	1,472,841
Investments in subsidiaries and affiliates	—	74,353	—	74,353
Loans:	—	—	8,578,827	8,578,827
Policy loans	—	—	501,293	501,293
Industrial and consumer loans	—	—	8,077,533	8,077,533
Corporate bonds	—	[1,510,104]	[26,222]	[1,536,327]
Loans payable	—	[719,324]	[123,436]	[842,760]

* Investment trusts are not included in the above table based on application of the transitional measures set forth in Paragraph 26 of the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31). The amount of such investment trusts presented in the consolidated balance sheet was ¥10,787,120 million as of March 31, 2022.

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

1) Financial instruments classified as securities and monetary receivables purchased that are treated as securities based on “Accounting Standard for Financial Instruments” (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 the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31).

2) Loans

a. Policy loans

Policy loans are classified as Fair Value 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) 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 (“*Furitate-shori*”) for currency swaps.

5) 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 Fair Value 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 a fair value.

(3) Information on financial instruments classified as Fair Value Level 3 whose amounts presented in the consolidated balance sheet as of March 31, 2022, 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 March 31, 2022, and unrealized gain or loss recognized in profit or loss for the fiscal year ended March 31, 2022

(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 fiscal year ended March 31, 2022	(705)	13,423	(281)	—	(143)
Recognized in net surplus (loss) (*1)	342	40,851	(281)	—	(143)
Recognized in other comprehensive income (*2)	(1,047)	(27,428)	—	—	—
Purchases, sales, issuances, and settlements	(5,588)	(219,727)	328	—	637
Transfers to fair value level 3 (*3)	—	2,203	—	—	—
Transfers from fair value level 3 (*4)	—	(594,160)	—	3,697	(4,744)
Balance as of March 31, 2022	48,843	579,733	116	—	947
Unrealized gain or loss on financial instruments held as of March 31, 2022, recognized in profit or loss for the fiscal year ended March 31, 2022 (*1)	—	12,606	(281)	—	77

(*1) These amounts are included in investment income and investment expenses in the consolidated statement of income for the fiscal year ended March 31, 2022.

(*2) These amounts are included in net unrealized gains on available-for-sale securities under other comprehensive income in the consolidated statement of comprehensive income for the fiscal year ended March 31, 2022

(*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 fiscal year ended March 31, 2022.

(*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 fiscal year ended March 31, 2022.

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 change in significant unobservable inputs

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

23. The consolidated balance sheet amount for investment and rental properties was ¥1,293,227 million, with a fair value of ¥1,766,342 million as of March 31, 2022.

The Company and its certain consolidated subsidiaries own rental office buildings and commercial facilities, and the fair value of those properties as of March 31, 2022, is measured based mainly on the “Real Estate Appraisal Standards in Japan.”

The amount corresponding to asset retirement obligations that was included in the consolidated balance sheet amounts of investment and rental properties was ¥4,089 million as of March 31, 2022.

24. (1) The total amount of bankrupt and quasi-bankrupt loans, doubtful loans, loans that are delinquent for over three months, and restructured loans, which were included in nonperforming assets, was ¥30,409 million as of March 31, 2022. The details of those balances were as follows:

1) The balance of bankrupt and quasi-bankrupt loans was ¥10,285 million as of March 31, 2022.

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) The balance of doubtful loans was ¥18,352 million as of March 31, 2022.

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

3) There were no loans delinquent for over three months as of March 31, 2022.

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 bankrupt and quasi-bankrupt loans, and doubtful loans.

4) The balance of restructured loans was ¥1,771 million as of March 31, 2022.

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, and do not fall under bankrupt and quasi-bankrupt loans, doubtful loans, and loans that are delinquent for over three months.

(2) Direct write-offs of loans decreased the balance of bankrupt and quasi-bankrupt loans by ¥1,603 million as of March 31, 2022.

25. The amount of accumulated depreciation of tangible fixed assets was ¥1,259,385 million as of March 31, 2022.

26. Separate account assets as provided in accordance with Article 118, Paragraph 1 of the Insurance Business Act were ¥1,442,281 million as of March 31, 2022, and a corresponding liability is recorded in the same amount.

27. Changes in the reserve for dividends to policyholders of a mutual company for the current fiscal year ended March 31, 2022, were as follows:

	Million Yen Year ended March 31, 2022
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 fiscal year	283,608
d. Increase in interest	21,346
e. Balance at the end of the current fiscal year (a+b-c+d)	¥1,060,577

28. Changes in the reserve for dividends to policyholders of a limited company for the current fiscal year ended March 31, 2022, were as follows:

	Million Yen Year ended March 31, 2022
a. Balance at the beginning of the current fiscal year	¥54,738
b. Dividends paid to policyholders of a mutual company during the current fiscal year	14,290
c. Increase in interest	9
d. Provision for reserve for dividends to policyholders (limited company)	12,839
e. Balance at the end of the current fiscal year (a-b+c+d)	¥53,297

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

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

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

Issue date	Callable date
October 2012	Each interest payment date on or after October 2022
October 2014	Tenth anniversary date after the issue date and on each fifth anniversary date thereafter
January 2016	Tenth anniversary date after the issue date and on each fifth anniversary date thereafter
September 2017	Tenth anniversary date after the issue date and on each fifth anniversary date thereafter
January 2020	Tenth anniversary date after the issue date and on each fifth anniversary date thereafter
January 2021	Tenth anniversary date after the issue date and on each fifth anniversary date thereafter
September 2021	Tenth anniversary date after the issue date and on each fifth anniversary date thereafter

30. Other liabilities include subordinated loans payable of ¥730,000 million with special provisions that the fulfillment of obligations on the bonds is subordinate to all other debt obligations.

The Company also assumed the following yen-denominated subordinated debt on May 10, 2022.

Principal amount	¥130 billion
Interest rate	Fixed rate of 1.03% per annum until May 10, 2032 Fixed rate with step-up from May 11, 2032 (reset every five years)
Repayment date	The third bank business day preceding May 10, 2052 (The loan is callable on the third bank business day preceding May 10, 2032, and the third bank business day preceding each fifth anniversary date thereafter, until the loan is fully redeemed at the discretion of the Company, subject to prior approval by the regulatory authorities.)
Use of funds	General working capital

31. Assets pledged as collateral in the form of cash and deposits, investments in securities, land, buildings, and lease receivables as of March 31, 2022, were ¥52,970 million, ¥4,227,136 million, ¥252 million, ¥38 million, and ¥3,660 million, respectively. The total amount of liabilities covered by the assets pledged was ¥2,970,690 million as of March 31, 2022.

These amounts included ¥2,662,125 million of sale of securities under repurchase agreements and ¥2,946,626 million of payables under repurchase agreements as of March 31, 2022.

32. The Company offered foundation funds (*kikin*) of ¥50,000 million as provided in Article 60 of the Insurance Business Act during the fiscal year ended March 31, 2022.

33. 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.

34. The total amount of stocks and investments in nonconsolidated subsidiaries and affiliates was ¥587,926 million as of March 31, 2022.

35. Matters concerning stock options are as follows:

1) Stock option-related expenses and line items

(Million Yen)

Operating expenses	567
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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			
	2017 First Series of Share Acquisition Rights	2017 Second Series of Share Acquisition Rights	2017 Third Series of Share Acquisition Rights	2019 First Series of Share Acquisition Rights
Title and number of grantees	Representative Director: 1 Employees: 84	Representative Director: 1 Employees: 137	Representative Director: 1 Employees: 157	Representative Director: 1 Employees: 156
Number of stock options granted by class of shares (*1)	Common shares: 4,944,246	Common shares: 4,598,135	Common shares: 11,190,706	Common shares: 18,081,008
Grant date	August 8, 2017	April 25, 2018	April 29, 2019	July 29, 2019
Vesting conditions	25% of the stock options are vested every year after being granted. (*2)	25% of the stock options are vested every year after being granted.	25% of the stock options are vested every year after being granted.	25% of the stock options are vested every year after being granted.
Requisite service period	From the grant date to the date when the vesting conditions are satisfied	From the grant date to the date when the vesting conditions are satisfied	From the grant date to the date when the vesting conditions are satisfied	From the grant date to the date when the vesting conditions are satisfied
Exercise period	From August 8, 2018 to August 7, 2024	From April 25, 2019 to April 24, 2025	From April 29, 2020 to April 28, 2026	From July 29, 2020 to July 28, 2026

	Nippon Life India Asset Management Limited		
	2019 Second Series of Share Acquisition Rights	2019 Third Series of Share Acquisition Rights	2019 Forth Series of Share Acquisition Rights
Title and number of grantees	Representative Director: 1 Employees: 31	Employees: 203	Employees: 1
Number of stock options granted by class of shares (*1)	Common shares: 469,772	Common shares: 5,430,538	Common shares: 77,065
Grant date	June 10, 2020	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. (*2)	25% of the stock options are vested every year after being granted.
Requisite service period	From the grant date to the date when the vesting conditions are satisfied	From the grant date to the date when the vesting conditions are satisfied	From the grant date to the date when the vesting conditions are satisfied
Exercise period	From June 10, 2021 to June 9, 2027	From July 19, 2022 to July 18, 2028	From August 7, 2022 to August 6, 2028

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

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

4) Volume and changes in stock options

a. Number of stock options

(Stock)

	Nippon Life India Asset Management Limited				
	2017 First Series of Share Acquisition Rights	2017 Second Series of Share Acquisition Rights	2017 Third Series of Share Acquisition Rights	2019 First Series of Share Acquisition Rights	2019 Second Series of Share Acquisition Right
Before vesting					
As of March 31, 2021	888,544	1,825,348	7,671,630	12,746,385	469,772
Granted	—	—	—	—	—
Forfeited	—	56,701	172,907	216,048	45,500
Vested	888,544	906,607	2,567,534	4,132,684	112,299
Outstanding	—	862,040	4,931,189	8,397,653	311,973
After vesting					
As of March 31, 2021	1,420,905	1,744,167	1,366,825	3,331,758	—
Vested	888,544	906,607	2,567,534	4,132,684	112,299
Exercised	1,576,288	1,043,360	1,474,758	1,389,612	29,143
Forfeited	—	—	—	—	1,782
Exercisable	733,161	1,607,414	2,459,601	6,074,830	81,374

	Nippon Life India Asset Management Limited	
	2019 Third Series of Share Acquisition Rights	2019 Forth Series of Share Acquisition Rights
Before vesting		
As of March 31, 2021	—	—
Granted	5,430,538	77,065
Forfeited	188,966	—
Vested	—	—
Outstanding	5,241,572	77,065
After vesting		
As of March 31, 2021	—	—
Vested	—	—
Exercised	—	—
Forfeited	—	—
Exercisable	—	—

b. Price information

(Rupee)

	Nippon Life India Asset Management Limited				
	2017 First Series of Share Acquisition Rights	2017 Second Series of Share Acquisition Rights	2017 Third Series of Share Acquisition Rights	2019 First Series of Share Acquisition Rights	2019 Second Series of Share Acquisition Right
Exercise price	204.25	256.10	202.35	223.32	247.60
Average stock price when exercised	383.33	390.62	376.87	395.18	401.42
Fair value on the grant date	10.82	45.71	38.94	43.06	65.51

	Nippon Life India Asset Management Limited	
	2019 Third Series of Share Acquisition Right	2019 Forth Series of Share Acquisition Right
Exercise price	372.71	389.28
Average stock price when exercised	—	—
Fair value on the grant date	85.73	78.29

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

a. Method used

Black-Scholes option-pricing model

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

	Nippon Life India Asset Management Limited				
	2017 First Series of Share Acquisition Rights	2017 Second Series of Share Acquisition Rights	2017 Third Series of Share Acquisition Rights	2019 First Series of Share Acquisition Rights	2019 Second Series of Share Acquisition Right
Expected volatility (*1)	13.92% to 20.81%	14.21%	16.66%	16.46%	16.17%
Expected remaining life (*2)	4.0 to 5.5 years	4.0 to 5.5 years	4.0 to 5.5 years	4.0 to 5.5 years	4.0 to 5.5 years
Expected dividends rates (*3)	3.09%	3.25%	2.97%	3.22%	1.98%
Risk-free interest rate (*4)	6.20% to 6.34%	7.06% to 7.15%	6.32% to 6.55%	6.22% to 6.45%	4.37% to 4.88%

	Nippon Life India Asset Management Limited	
	2019 Third Series of Share Acquisition Right	2019 Forth Series of Share Acquisition Right
Expected volatility (*1)	12.92%	12.92%
Expected remaining life (*2)	4.0 to 5.5 years	4.0 to 5.5 years
Expected dividends rates (*3)	2.54%	2.01%
Risk-free interest rate (*4)	5.49% to 5.99%	5.48% to 5.98%

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

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

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

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

6) Method of estimating the number of stock options vested

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

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

(1) Nippon Wealth Life Insurance Company Limited

On October 29, 2021, the Company acquired approximately 14.9% of the shares of Nippon Wealth Life Insurance Company Limited (“Nippon Wealth Life”) from MassMutual International LLC and made it 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 made Nippon Wealth Life a wholly owned subsidiary to further strengthen and expand the Group’s platform for the financial institution bancassurance business.

2) Overview of accounting treatment that was applied

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

3) Acquisition cost and breakdown by type of consideration

Consideration for acquisition: Payment in cash ¥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 shareholders

a. Main reasons for changes in consolidated surplus

Acquisition of additional shares of a subsidiary

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

¥6,671 million

(2) Nissay Plus SSI Company Inc.

On April 30, 2021, the Company established Nissay Small-Amount and Short-Term Insurance Preparatory

Company (the “Preparatory Company”). On March 24, 2022, the Company obtained the approval of the Commissioner of the Financial Services Agency pursuant to Article 272-31, Paragraph 1 and Article 106, Paragraph 7 of the Insurance Business Act in Japan, and the Preparatory Company completed registration as a small-amount and short-term insurance business pursuant to Article 272 of the Insurance Business Act in Japan. On the same day, the Preparatory Company changed its name to Nissay Plus.

1) Purpose of establishing the New Company

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

2) Overview of Nissay Plus

- a. Company name: Nissay Plus SSI Company Inc.
- b. Head office location: Chiyoda-ku, Tokyo
- c. Capital stock: ¥2.6 billion (including ¥1.3 billion of legal capital surplus)

3) Establishment date

April 30, 2021

4) Voting rights ratio

100%

- 37. The amount of securities lent under lending agreements was ¥2,435,440 million as of March 31, 2022.
 - 38. 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 ¥402,310 million at fair value as of March 31, 2022.
 - 39. The unused amount of commitments related to loans and similar loan agreements was ¥222,181 million as of March 31, 2022.
 - 40. 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 March 31, 2022. The amount contributed to the corporation above was recorded as operating expenses.
 - 41. Information relating to retirement benefits is as follows:
 - (1) Summary of retirement benefit plans
- The Company has a defined benefit corporate pension plan and a lump-sum retirement payment plan, which are both defined benefit plans, for non-sales personnel and sales management personnel.
- The Company also has a defined contribution pension plan as a defined contribution plan.

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

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

(2) Defined benefit plans

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

	<div>Million Yen</div> <div>Year ended</div> <div>March 31, 2022</div>
a. Retirement benefit obligations at the beginning of the year	¥690,695
b. Service costs	29,735
c. Interest cost	4,185
d. Actuarial losses accrued during the year	1,356
e. Retirement benefit payments	(44,397)
f. Others	41
g. Retirement benefit obligations at the end of the year (a+b+c+d+e+f)	¥681,617

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

	<div>Million Yen</div> <div>Year ended</div> <div>March 31, 2022</div>
a. Pension plan assets at the beginning of the year	¥253,640
b.Expected return on plan assets	3,606
c. Actuarial gains incurred during the year	3,580
d. Contributions by the Company	6,741
e. Retirement benefit payments	(18,258)
f. Others	33
g.Pension plan assets at the end of the year (a+b+c+d+e+f)	¥249,343

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

	<div>Million Yen</div> <div>Year ended</div> <div>March 31, 2022</div>
a. Net defined benefit liability at the beginning of the year	¥739
b. Benefit costs	94
c. Retirement benefit payments	(63)
d. Net defined benefit liability at the end of the year (a+b+c)	¥770

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

	<div> <div>Million Yen</div> <div>Year ended</div> <div>March 31, 2022</div> </div>
a. Retirement benefit obligations for funded plans	¥251,628
b. Plan assets	(249,343)
	2,284
c. Retirement benefit obligations for nonfunded plans	430,759
d. Net defined benefit liability recorded in the consolidated balance sheet	433,044
e. Net defined benefit liability	434,246
f. Net defined benefit asset	(1,201)
g. Net defined benefit liability recorded in the consolidated balance sheet	¥433,044

5) Losses (gains) relating to retirement benefits

	<div> <div>Million Yen</div> <div>Year ended</div> <div>March 31, 2022</div> </div>
a. Service costs	¥29,733
b. Interest cost	4,184
c. Expected return on plan assets	(3,604)
d. Amortization of actuarial losses for the period	4,682
e. Amortization of prior service costs for the period	(1,317)
f. Benefit cost under the simplified valuation method	94
g. Others	4
h. Benefit cost for defined benefit plans (a+b+c+d+e+f+g)	¥33,775

6) Breakdown of items included in other comprehensive income

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

	<div> <div>Million Yen</div> <div>Year ended</div> <div>March 31, 2022</div> </div>
a. Actuarial losses	¥6,906
b. Prior service costs	(1,317)
c. Total (a+b)	¥5,588

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

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

	Million Yen Year ended March 31, 2022
a. Unrecognized actuarial losses	¥7,933
b. Unrecognized prior service costs	(3,953)
c. Total (a+b)	¥3,980

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

a. General account of life insurance	47.9%
b. Cash and deposits	24.1%
c. Foreign securities	15.3%
d. Domestic bonds	8.4%
e. Domestic stocks	4.4%
f. Other	0.0%
g. Total (a+b+c+d+e+f)	100.0%

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

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

10) Matters relating to the basis for actuarial calculations

The major items in the basis for actuarial calculations of the Company and its certain consolidated subsidiaries as of March 31, 2022, are as follows:

a. Discount rate	0.4 to 7.0%
b. Long-term expected rate of return on plan assets	1.4 to 7.0%

(3) Defined contribution plans

The Company and its consolidated subsidiaries contributed ¥5,273 million to the defined contribution plans during the fiscal year ended March 31, 2022.

42. (1) Total deferred tax assets were ¥2,203,044 million and total deferred tax liabilities were ¥2,597,642 million as of March 31, 2022. The deferred tax assets were reduced by the valuation allowance of ¥117,816 million. The major components resulting in deferred tax assets were policy reserves and other reserves of ¥1,276,573 million, reserve for price fluctuations in investments in securities of ¥470,045 million, and

deferred gains (losses) on derivatives under hedge accounting of ¥154,723 million. The major component resulting in deferred tax liabilities was net unrealized gains on available-for-sale securities of ¥2,388,245 million.

- (2) The effective statutory tax rate was 27.9% for the fiscal year ended March 31, 2022. The major factors for the difference between the effective statutory tax rate and the effective income tax rate after application of tax effect accounting were a decrease of 12.8% due to the amount of reserve for dividends to policyholders.

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

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

44. TAIJU LIFE INSURANCE COMPANY LIMITED, the Company's consolidated subsidiary, has concluded a modified coinsurance agreement covering foreign currency-denominated single payment endowment insurance (U.S. dollar/Australian dollar) and foreign currency-denominated single payment whole life insurance (U.S. dollar/Australian dollar).

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

The outstanding balance of reinsurance accounts payable related to this modified coinsurance agreement stood at ¥15,572 million as of March 31, 2022. The outstanding balance of the policy reserve component associated with the modified coinsurance agreement stood at ¥843,174 million as of March 31, 2022.

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

[Consolidated Statements of Income]

(Million Yen)

	Year ended March 31, 2022	Year ended March 31, 2021
Ordinary income:	8,356,872	8,160,966
Revenues from insurance and reinsurance	5,386,003	5,190,112
Investment income:	2,695,935	2,682,040
Interest, dividends, and other income	1,731,163	1,558,947
Gain on trading securities	6,294	10,488
Gain on sales of securities	490,952	537,390
Gain on redemptions of securities	9,634	3,998
Foreign exchange gains, net	413,614	413,806
Reversal of allowance for doubtful accounts	1,573	—
Other investment income	1,618	2,535
Gain on separate accounts, net	41,083	154,873
Other ordinary income	274,933	288,813
Ordinary expenses:	7,821,428	7,685,338
Benefits and other payments:	4,629,816	4,696,798
Death and other claims	1,227,849	1,233,439
Annuity payments	1,013,480	991,956
Health and other benefits	895,870	847,024
Surrender benefits	1,171,107	1,278,280
Other refunds	209,897	256,135
Reinsurance premiums	111,611	89,962
Provision for policy reserves:	1,645,246	1,508,211
Provision for reserve for outstanding claims	19,626	—
Provision for policy reserves	1,604,264	1,486,743
Provision for interest on reserve for dividends to policyholders (mutual company)	21,346	21,458
Provision for interest on reserve for dividends to policyholders (limited company)	9	10
Investment expenses:	386,404	347,208
Interest expenses	34,837	31,354
Loss from assets held in trust, net	85	34,144
Loss on sales of securities	116,850	47,651
Loss on valuation of securities	14,152	6,766
Loss on redemptions of securities	7,103	14,852
Loss on derivative financial instruments, net	128,642	146,237
Provision for allowance for doubtful accounts	—	5,910
Write-offs of loans	0	26
Depreciation of real estate to rental use and other assets	21,129	20,604
Other investment expenses	63,603	39,660
Operating expenses	802,955	791,723
Other ordinary expenses	357,005	341,395
Ordinary profit	535,443	475,628

[Consolidated Statements of Income] (Continued)

(Million Yen)

	Year ended March 31, 2022	Year ended March 31, 2021
Extraordinary gains:	18,439	1,550
Gain on disposals of fixed assets	18,439	1,536
Gain on reversal of share acquisition rights	0	13
Extraordinary losses:	103,971	93,483
Loss on disposals of fixed assets	5,186	6,201
Impairment losses	21,943	5,084
Provision for reserve for price fluctuations in investments in securities	73,837	79,116
Loss on reduction entry of real estate	4	80
Contributions for assisting social public welfare	3,000	3,000
Provision for reserve for dividends to policyholders (limited company)	12,839	11,966
Surplus before income taxes	437,072	371,727
Income taxes - current	199,647	154,691
Income taxes - deferred	(114,236)	(119,051)
Total income taxes	85,411	35,639
Net surplus	351,661	336,087
Net surplus attributable to noncontrolling interests	4,901	4,583
Net surplus attributable to the parent company	346,759	331,504

Notes to the Consolidated Statement of Income for the Fiscal Year Ended March 31, 2022

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 reinsurance revenue) are recorded as the amount of payments that have been received, in principle.
- (2) Benefits and other payments (excluding reinsurance premiums) are recorded as the amount of payments made with respect to policies for which an event that is a reason for payment of claims or benefits has occurred based on the policy clauses and the amount determined based on those policy clauses was paid.

2. The main notes concerning impairment losses are as follows:

1) Method for grouping the assets

a. Real estate and other assets

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

b. Goodwill and other assets

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

To evaluate the equivalent amount of goodwill related to PT Sequis, PT Sequis and PT Asuransi Jiwa Sequis Life are classified into one asset group because PT Asuransi Jiwa Sequis Life, which is owned by PT Sequis as an intermediate holding company, substantially conducts business operations.

2) Identification of indicators of impairment

a. Real estate and other assets

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

As of March 31, 2022, the Company identified indicators of impairment in certain asset groups because the conditions above were applicable.

b. Goodwill and other assets

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

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

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

As of March 31, 2022, the Company has identified indicators of impairment on goodwill related to Nippon Life India Asset Management Limited, the equivalent amount of goodwill related to Reliance Nippon Life Insurance Company Limited, and the equivalent amount of goodwill related to PT Sequis. The Company has identified indicators of impairment on the goodwill related to Nippon Life India Asset Management Limited because of the large amount of goodwill, in accordance with Paragraph 109 of the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21).

3) Recognition and measurement of impairment losses

a. Real estate and other assets

Asset groups for which indicators of impairment are recognized are treated as follows. If the total amount of undiscounted cash flows from such an asset group is lower than the book value, an impairment loss is recognized and the book value is reduced to the recoverable amount. The recoverable amount is based on either the value in use or net selling price. In principle, the value in use is determined as the discounted future cash flows using a discount rate of 2.0-3.0%. Net selling price is determined based on appraisals performed in accordance with the “Real Estate Appraisal Standards” or standard land prices.

As of March 31, 2022, the book values of certain asset groups for which indicators of impairment were recognized were reduced to the recoverable amounts, and impairment losses were recognized under extraordinary losses.

b. Goodwill and other assets

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

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

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

As of March 31, 2022, the Company conducted an impairment test of the equivalent amount of goodwill related to Reliance Nippon Life Insurance Company Limited and PT Sequis, which are life insurance companies for which indications of impairment had been identified. In this test, the corporate valuation amount was used as an alternative to undiscounted future cash flows and the recoverable amount. The Company used TEV as EV to determine the corporate valuation amounts of those life insurance companies. TEV is a method for calculating EV that evaluates cash flow with a risk-adjusted discount rate. The calculation of the EV of those life insurance companies involves uncertainties in factors, such as future cash flows and based on the projected acquisition of new insurance policies in each sales channel as the basis of the value of new business, discount rates, which is the basis of the calculation of the value of new business, and insurance-related actuarial assumptions, such as the lapse rates and the insurance accident rates, which are the basis for the calculation of EV. No impairment was recognized on the equivalent amount of goodwill related to Reliance Nippon Life Insurance Company Limited because its corporate valuation amount was higher than the book value.

In addition to the foregoing, the equivalent amount of goodwill related to PT Sequis contains assumptions about the impact of the COVID-19 pandemic on the future sales plan lasting until 2022. If there are any significant changes in those assumptions, there could be a material impact on the value of the equivalent amount of goodwill. No impairment, however, was recognized on the equivalent amount of goodwill related to PT Sequis because its corporate valuation amount was higher than the book value.

As of March 31, 2022, the Company conducted an impairment test of goodwill related to Nippon Life India Asset Management Limited, for which indications of impairment had been identified. In this test, the total amount of undiscounted future cash flows and the book value of Nippon Life India Asset Management Limited were compared. The former was higher than the latter. In addition, a comparison of its market capitalization, as Nippon Life India Asset Management Limited is a listed company, and book value showed that its market capitalization was higher than its book value. Considering these and other factors, no impairment loss on goodwill related to Nippon Life India Asset Management Limited was recognized.

- 4) Breakdown of asset groups for which impairment losses were recognized for the fiscal year ended March 31, 2022, is as follows:

Purpose of use	Million Yen			
	Land	Land and lease rights	Buildings and others	Total
Real estate for rental use	10,303	1	4,172	14,476
Idle properties	3,135	—	4,331	7,466
Total	13,438	1	8,503	21,943

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 ¥30,184 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 reinsurance premiums include adjustment to policy reserves for ceded reinsurance (excluding additional policy reserves (reversals) associated with market value adjustments) of ¥16,043 million and additional policy reserves (reversals) associated with market value adjustments of ¥(31,740) million.

Through this reinsurance, ordinary profit and surplus before income taxes decreased by ¥31,070 million each.

[Consolidated Statements of Comprehensive Income]

(Million Yen)

	Year ended March 31, 2022	Year ended March 31, 2021
Net surplus	351,661	336,087
Other comprehensive income:	(815,365)	2,501,831
Net unrealized gains on available-for-sale securities	(655,136)	2,578,320
Deferred gains on derivatives under hedge accounting	(212,470)	(93,568)
Foreign currency translation adjustments	35,120	8,163
Remeasurement of defined benefit plans	4,029	8,561
Share of other comprehensive loss of associates accounted for under the equity method	13,090	354
Comprehensive income:	(463,704)	2,837,919
Comprehensive income attributable to the parent company	(460,546)	2,814,228
Comprehensive income attributable to noncontrolling interests	(3,157)	23,691

Note to the Consolidated Statement of Comprehensive Income for the Fiscal Year Ended March 31, 2022

Breakdown of other comprehensive income is as follows:

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

	(Million Yen)	
Net unrealized gains on available-for-sale securities:		
Gains arising during the year	(437,561)	
Reclassification adjustments to profit or loss	(462,503)	(900,064)
Deferred losses on derivatives under hedge accounting:		
Losses arising during the year	(326,255)	
Reclassification adjustments to profit or loss	30,237	(296,018)
Foreign currency translation adjustments:		
Gains arising during the year	35,120	
Reclassification adjustments to profit or loss	—	35,120
Remeasurement of defined benefit plans:		
Gains arising during the year	2,224	
Reclassification adjustments to profit or loss	3,364	5,588
Share of other comprehensive income (loss) of associates accounted for under the equity method:		
Gains arising during the year	12,500	
Reclassification adjustments to profit or loss	590	13,090
Amount before income tax effect		(1,142,282)
Income tax effect		326,917
Total other comprehensive income		(815,365)

(2) Income tax effect relating to other comprehensive income

	(Million Yen)		
	Before income tax effect	Income tax effect	After income tax effect
Net unrealized gains on available-for-sale securities	(900,064)	244,928	(655,136)
Deferred losses on derivatives under hedge accounting	(296,018)	83,547	(212,470)
Foreign currency translation adjustments	35,120	—	35,120
Remeasurement of defined benefit plans	5,588	(1,558)	4,029
Share of other comprehensive income of associates accounted for under the equity method	13,090	—	13,090
Total other comprehensive income	(1,142,282)	326,917	(815,365)

(6) Consolidated Statements of Cash Flows

(Million Yen)

	Year ended March 31, 2022	Year ended March 31, 2021
I. Cash flows from operating activities:		
Surplus before income taxes	437,072	371,727
Depreciation of real estate for rental use and other assets	21,129	20,604
Depreciation	76,299	73,296
Impairment losses	21,943	5,084
Amortization of goodwill	4,496	4,259
Net indrease (decrease) in reserve for outstanding claims	10,658	(10,064)
Net increase in policy reserve	1,612,939	1,499,301
Provision for interest on reserve for dividends to policyholders (mutual company)	21,346	21,458
Provision for interest on reserve for dividends to policyholders (limited company)	9	10
Provision for reserve for dividends to policyholders (limited	12,839	11,966
Net (decrease) increase in allowance for doubtful accounts	(1,607)	5,998
Net increase in accrued bonuses for directors, and audit and supervisory board members	0	341
Net increase (decrease) in net defined benefit liability	837	(645)
Net decrease in accrued retirement benefits for directors, and audit and supervisory board members	(51)	(4,281)
Net increase in reserve for price fluctuations in investments in	73,837	79,116
Interest, dividends, and other income	(1,731,163)	(1,558,947)
Lossesfrom assets held in trust, net	85	34,144
Net gains on investments in securities	(362,481)	(472,118)
Net losses on policy loans	80,687	86,953
Losses on derivative financial instruments, net	128,642	146,237
Interest expenses	34,837	31,354
Net foreign exchange gains	(412,512)	(405,762)
Net (gains) losses on tangible fixed assets	(11,245)	5,627
Gains on equity method investments	(1,019)	(521)
Gains from separate accounts	(41,083)	(154,873)
Net decrease in reinsurance receivables	18,019	43,019
Net decrease (increase) in other assets (excluding those related to investing activities and financing activities)	20,021	(6,785)
Net increase in reinsurance payables	16,075	355
Net (decrease) increase in other liabilities (excluding those related to investing activities and financing activities)	(10,833)	3,736
Others, net	(52,015)	(13,582)

(6) Consolidated Statements of Cash Flows (Continued)

(Million Yen)

	Year ended March 31, 2022	Year ended March 31, 2021
Subtotal	(32,235)	(182,988)
Interest, dividends, and other income received	1,711,402	1,544,272
Interest paid	(27,533)	(32,407)
Dividends paid to policyholders (mutual company)	(174,253)	(168,289)
Dividends paid to policyholders (limited company)	(14,290)	(13,988)
Others, net	(61,857)	(14,024)
Income taxes paid	(168,521)	(167,444)
Net cash provided by operating activities	1,232,711	965,130

(6) Consolidated Statements of Cash Flows (Continued)

(Million Yen)

	Year ended March 31, 2022	Year ended March 31, 2021
II. Cash flows from investing activities:		
Net increase (decrease) in deposits	284	2,238
Purchases of monetary receivables purchased	(14,190)	(13,750)
Proceeds from sales and redemptions of monetary receivables purchased	42,507	49,027
Purchases of assets held in trust	—	(2,000)
Proceeds from decrease in assets held in trust	49	1,500
Purchases of securities	(9,401,527)	(8,305,269)
Proceeds from sales and redemptions of securities	7,432,601	7,439,395
Disbursements for loans	(1,512,331)	(1,554,232)
Proceeds from collections of loans	1,487,139	1,546,870
Net (losses) gains from the settlement of derivative financial instrument	(460,070)	(207,914)
Net increase in sales under repurchase agreements	1,448,058	167,422
Net (decrease) increase in cash received as collateral under securities lending transactions	(12,329)	(101,840)
Others, net	(187,143)	(58,621)
Total of asset management activities	(1,176,952)	(1,037,173)
[Sum of operating activities and asset management activities]	[55,758]	[(72,042)]
Purchases of tangible fixed assets	(60,911)	(73,156)
Proceeds from sales of tangible fixed assets	75,236	3,775
Others, net	(44,998)	(50,675)
Net cash used in investing activities	(1,207,626)	(1,157,230)
III. Cash flows from financing activities:		
Proceeds from debt borrowing	291,350	250,080
Repayments of debt	(186,514)	(117,391)
Proceeds from issuance of corporate bonds	138,793	166,192
Redemption of bonds	(35,500)	(11,200)
Proceeds from issuance of foundation funds	50,000	—
Redemption of foundation funds	(50,000)	—
Interest payments on foundation funds	(277)	(277)
Payment for acquisition of subsidiary's shares not resulting in change in scope of consolidation	(23,819)	(8,027)
Others, net	(25,320)	(4,768)
Net cash provided by financing activities	158,711	274,607
IV. Effect of exchange rate changes on cash and cash equivalents	37,753	14,044
V. Net increase in cash and cash equivalents	221,549	96,552
VI. Cash and cash equivalents at the beginning of the year	2,322,833	2,226,280
VII. Cash and cash equivalents at the end of the year	2,544,383	2,322,833

Note to the Consolidated Statement of Cash Flows for the Fiscal Year Ended March 31, 2022

1. Cash and cash equivalents

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

(7) Consolidated Statements of Changes in Net Assets

For the Year Ended March 31, 2022

(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				346,759	346,759
Redemption of foundation funds	(50,000)				(50,000)
Reversal of land revaluation losses				2,916	2,916
Change in the parent's ownership interest due to transactions with noncontrolling interests				7,608	7,608
Net change, excluding foundation funds and others					
Net change	—	50,000	—	31,001	81,001
Ending balance	100,000	1,350,000	651	740,576	2,191,227

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

For the Year Ended March 31, 2022

(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									346,759
Redemption of foundation funds									(50,000)
Reversal of land revaluation losses									2,916
Change in the parent's ownership interest due to transactions with noncontrolling interests									7,608
Net change, excluding foundation funds and others	(642,353)	(212,082)	(2,916)	43,136	3,992	(810,222)	322	(34,616)	(844,516)
Net change	(642,353)	(212,082)	(2,916)	43,136	3,992	(810,222)	322	(34,616)	(763,514)
Ending balance	6,124,915	(375,170)	(60,363)	17,362	(2,518)	5,704,225	1,671	155,930	8,053,054

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

For the Year Ended March 31, 2021

(Million Yen)

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

(7) Consolidated Statements of Changes in Net Assets (Continued)
For the Year Ended March 31, 2021

(Million Yen)

	Accumulated other comprehensive income						Share acquisition rights	Non-controlling interests	Total net assets
	Net unrealized gains on available-for-sale securities	Deferred losses on derivatives under hedge accounting	Land revaluation losses	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Beginning balance	4,199,843	(69,235)	(54,706)	(26,406)	(15,030)	4,034,464	926	166,377	6,157,210
Increase/decrease:									
Additions to reserve for dividends to policyholders (mutual company)									(185,145)
Interest on foundation funds									(277)
Net surplus attributable to the parent company									331,504
Reversal of land revaluation losses									2,740
Change in the parent's ownership interest due to transactions with noncontrolling interests									5,962
Net change, excluding foundation funds and others	2,567,424	(93,852)	(2,740)	632	8,519	2,479,983	422	24,168	2,504,575
Net change	2,567,424	(93,852)	(2,740)	632	8,519	2,479,983	422	24,168	2,659,359
Ending balance	6,767,268	(163,088)	(57,447)	(25,774)	(6,511)	6,514,448	1,349	190,546	8,816,569

Notes to Consolidated Statements of Changes in Net Assets

1. Matters concerning share acquisition rights (Million Yen)

Classification	Breakdown of share acquisition rights	Balance as of March 31, 2022
Nippon Life India Asset Management Limited	Share acquisition rights provided as stock options	1,671

(8) Status of Nonperforming Assets Based on the Insurance Business Act (Consolidated)

(Million Yen, %)

	As of March 31, 2022	As of March 31, 2021
Bankrupt and quasi-bankrupt loans	10,285	10,301
Doubtful loans	18,352	16,594
Loans that are delinquent for over three months	—	—
Restructured loan	1,771	2,635
Subtotal	30,409	29,531
[Percent of total, %]	[0.27]	[0.25]
Normal loans	11,386,093	11,916,685
Total	11,416,503	11,946,216

- 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 (excluding 1. in the notes above).
 3. 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 (excluding 1. and 2. in the notes above).
 4. 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. to 3. in the notes above).
 5. Normal loans are loans that do not fall under the classifications for 1. to 4. in the notes above and where the debtor has no financial or business performance problems.

(9) Consolidated Solvency Margin Ratio

(Million Yen)

	As of March 31, 2022	As of March 31, 2021
Solvency margin gross amount (A):	18,807,337	18,769,664
Foundation funds (<i>kikin</i>) and other reserve funds:	6,076,899	5,855,281
Foundation funds and others	2,011,828	1,886,255
Reserve for price fluctuations in investments in securities	1,684,575	1,610,738
Contingency reserve	2,139,183	2,108,769
Extraordinary contingency reserve	—	—
General allowance for doubtful accounts	3,201	7,024
Others	238,109	242,492
Net unrealized gains on available-for-sale securities (before tax) and deferred losses on derivatives under hedge accounting (before tax) × 90%	7,273,155	8,205,330
Net unrealized gains on real estate × 85%	578,283	525,281
Total amount of unrecognized actuarial gains/losses and unrecognized prior service cost	(3,568)	(9,105)
Excess of continued Zillmerized reserve	2,698,006	2,222,953
Qualifying subordinated debt	2,265,905	2,052,612
Excess of continued Zillmerized reserve and qualifying subordinated debt not included in margin calculations	—	—
Deduction clause	(259,146)	(194,637)
Others	177,803	111,949
Total amount of risk (B): $\sqrt{(\sqrt{R_1^2 + R_5^2 + R_8 + R_9})^2 + (R_2 + R_3 + R_7)^2 + R_4 + R_6}$	3,357,311	3,491,780
Underwriting risk (R ₁)	189,313	203,942
General underwriting risk (R ₅)	—	—
Huge disaster risk (R ₆)	—	—
Underwriting risk of third-sector insurance (R ₈)	103,984	100,313
Underwriting risk related to small amount and short-term insurance providers (R ₉)	—	—
Anticipated yield risk (R ₂)	334,186	387,157
Minimum guarantee risk (R ₇)	8,489	8,792
Investment risk (R ₃)	2,930,196	3,008,094
Business management risk (R ₄)	71,323	74,165
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	1,120.3%	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.

(10) Segment Information

For the fiscal years ended March 31, 2022 and 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.