
Financial Results for the Three Months Ended June 30, 2022

Nippon Life Insurance Company (the “Company,” President: Hiroshi Shimizu) announces financial results for the three months ended June 30, 2022.

<Table of Contents>

Financial Summary for the Three Months Ended June 30, 2022

1. Business Highlights	1
(1) Annualized Premium	1
(2) Amount of Policies in Force and New Policies	2
2. Investment Management Performance (General Account)	3
(1) Asset Composition	3
(2) Fair Value Information of Securities (With Fair Value, Other Than Trading Securities)	4
(3) Fair Value Information of Assets Held in Trust	5
3. Nonconsolidated Balance Sheets	6
4. Nonconsolidated Statements of Income	10
5. Details of Ordinary Profit (Core Operating Profit)	12
6. Solvency Margin Ratio	14
7. Status of Separate Accounts	15
(1) Balance of Separate Account Assets	15
(2) Policies in Force	15
8. Status of the Company, Subsidiaries, and Affiliates	16
(1) Selected Financial Data for Major Operations	16
(2) Scope of Consolidation and Application of the Equity Method	16
(3) Basis for Preparing the Consolidated Financial Statements for the Three Months Ended June 30, 2022	16
(4) Policies for Preparing the Consolidated Financial Statements for the Three Months Ended June 30, 2022	16
(5) Consolidated Balance Sheets	17
(6) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income	22
(7) Consolidated Solvency Margin Ratio	26
(8) Segment Information	27

1. Business Highlights

(1) Annualized Premium

- Policies in Force

(100 Million Yen, %)

	As of June 30, 2022		As of March 31, 2022
		As a percentage of March 31, 2022	
Individual insurance	26,399	99.8	26,444
Individual annuities	11,202	99.5	11,256
Total	37,601	99.7	37,700
Medical coverages, living benefits, and others	6,741	100.0	6,740

- New Policies

(100 Million Yen, %)

	Three months ended June 30, 2022		Three months ended June 30, 2021
		As a percentage of three months ended June 30, 2021	
Individual insurance	421	101.1	417
Individual annuities	78	48.9	160
Total	500	86.6	577
Medical coverages, living benefits, and others	100	82.4	122

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

(2) Amount of Policies in Force and New Policies

• Policies in Force

	As of June 30, 2022				As of March 31, 2022	
	Number of policies		Amount of policies		Number of policies (thousands)	Amount of policies (100 million yen)
	(thousands)	As a percentage of March 31, 2022 (%)	(100 million yen)	As a percentage of March 31, 2022 (%)		
Individual insurance	30,558	100.2	1,264,682	99.2	30,487	1,274,876
Individual annuities	4,224	99.7	258,208	99.7	4,238	259,051
Group insurance	—	—	982,212	100.0	—	982,613
Group annuities	—	—	140,128	100.8	—	138,953

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

	Three months ended June 30, 2022						Three months ended June 30, 2021			
	Number of policies		Amount of policies				Number of policies (thousands)	Amount of policies		
	(thousands)	As a percentage of three months ended June 30, 2021(%)	(100 million yen)	As a percentage of three months ended June 30, 2021(%)	New policies	Net increase (decrease) by conversion		(100 million yen)	New policies	Net increase (decrease) by conversion
Individual insurance	1,091	96.7	11,107	70.0	11,753	(646)	1,128	15,864	15,915	(50)
Individual annuities	31	58.9	1,922	52.3	1,941	(18)	53	3,678	3,670	8
Group insurance	—	—	7,644	626.2	7,644		—	1,220	1,220	
Group annuities	—	—	2	199.7	2		—	1	1	

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

2. Investment Management Performance (General Account)

(1) Asset Composition

(100 Million Yen, %)

	As of June 30, 2022		As of March 31, 2022	
	Amount	%	Amount	%
Cash, deposits, and call loans	9,564	1.3	9,843	1.3
Receivables under resale agreements	—	—	—	—
Receivables under securities borrowing transactions	—	—	—	—
Monetary receivables purchased	1,418	0.2	1,504	0.2
Proprietary trading securities	—	—	—	—
Assets held in trust	—	—	—	—
Investments in securities:	632,517	84.5	638,178	84.7
Domestic bonds	282,372	37.7	281,507	37.4
Domestic stocks	97,751	13.1	101,869	13.5
Foreign securities:	219,480	29.3	221,057	29.3
Foreign bonds	132,058	17.6	137,760	18.3
Foreign stocks and other securities	87,421	11.7	83,297	11.1
Other securities	32,913	4.4	33,743	4.5
Loans:	75,634	10.1	74,980	9.9
Policy loans	4,498	0.6	4,573	0.6
Industrial and consumer loans	71,135	9.5	70,406	9.3
Real estate:	16,990	2.3	16,957	2.3
Investment properties	10,916	1.5	10,863	1.4
Deferred tax assets	—	—	—	—
Other assets	12,667	1.7	12,204	1.6
Allowance for doubtful accounts	(75)	(0.0)	(69)	(0.0)
Total assets (general account):	748,716	100.0	753,599	100.0
Foreign currency-denominated assets	215,858	28.8	215,694	28.6

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

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

(100 Million Yen)

	As of June 30, 2022					As of March 31, 2022				
	Book value	Fair value	Net gains/losses		Book value	Fair value	Net gains/losses			
			Gains	Losses			Gains	Losses		
Policy-reserve-matching bonds	258,506	269,136	10,630	20,805	(10,174)	256,923	277,148	20,225	24,747	(4,522)
Held-to-maturity debt securities	—	—	—	—	—	—	—	—	—	—
Investments in subsidiaries and affiliates	1,286	2,935	1,649	1,649	—	1,286	3,355	2,069	2,069	—
Available-for-sale securities:	282,256	360,050	77,794	88,162	(10,368)	283,105	367,600	84,494	89,361	(4,866)
Domestic bonds	25,142	26,129	987	1,393	(405)	25,575	26,836	1,260	1,474	(214)
Domestic stocks	38,775	91,581	52,806	53,785	(979)	39,444	95,694	56,250	57,248	(998)
Foreign securities:	184,354	208,491	24,137	31,681	(7,544)	184,764	210,729	25,965	28,832	(2,867)
Foreign bonds	118,143	130,829	12,686	17,247	(4,561)	120,938	136,689	15,751	17,653	(1,902)
Foreign stocks and other securities	66,210	77,662	11,451	14,434	(2,982)	63,825	74,039	10,214	11,179	(965)
Other securities	31,728	31,599	(128)	1,302	(1,431)	31,401	32,422	1,020	1,804	(784)
Monetary receivables purchased	190	183	(7)	0	(7)	222	220	(2)	0	(2)
Negotiable certificates of deposit	2,065	2,064	(0)	0	(0)	1,696	1,695	(0)	0	(0)
Total	542,049	632,123	90,074	110,617	(20,543)	541,315	648,104	106,789	116,178	(9,389)
Domestic bonds	281,385	292,827	11,442	22,019	(10,577)	280,247	301,598	21,351	26,086	(4,735)
Domestic stocks	38,775	91,581	52,806	53,785	(979)	39,444	95,694	56,250	57,248	(998)
Foreign securities:	186,660	212,585	25,925	33,470	(7,545)	187,009	215,132	28,122	30,990	(2,867)
Foreign bonds	119,172	131,999	12,826	17,389	(4,562)	121,907	137,747	15,840	17,742	(1,902)
Foreign stocks and other securities	67,487	80,586	13,098	16,081	(2,982)	65,102	77,384	12,281	13,247	(965)
Other securities	31,737	31,611	(126)	1,304	(1,431)	31,410	32,433	1,022	1,806	(784)
Monetary receivables purchased	1,425	1,452	27	37	(9)	1,506	1,548	42	46	(4)
Negotiable certificates of deposit	2,065	2,064	(0)	0	(0)	1,696	1,695	(0)	0	(0)

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

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

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

(100 Million Yen)

	As of June 30, 2022	As of March 31, 2022
Investments in subsidiaries and affiliates	13,758	13,377
Available-for-sale securities:	1,957	1,973
Unlisted domestic stocks (excluding over-the-counter stocks)	549	554
Unlisted foreign stocks (excluding over-the-counter stocks)	2	2
Others	1,405	1,416
Total	15,716	15,351

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

(¥ 165.8 billion as of June 30, 2022, and ¥ 92.1 billion as of March 31, 2022)

(3) Fair Value Information of Assets Held in Trust

(100 Million Yen)

	As of June 30, 2022					As of March 31, 2022				
	Balance sheet amount	Fair value	Net gains/losses		Balance sheet amount	Fair value	Net gains/losses			
			Gains	Losses			Gains	Losses		
Assets held in trust	—	—	—	—	—	—	—	—	—	

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 June 30, 2022		As of March 31, 2022	
	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

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 June 30, 2022, and March 31, 2022.

3. Nonconsolidated Balance Sheets

(Million Yen)

	As of June 30, 2022	As of March 31, 2022
Assets:		
Cash and deposits	814,811	846,592
Call loans	454,629	500,978
Monetary receivables purchased	141,801	150,404
Investments in securities:	63,959,038	64,515,469
National government bonds	25,419,718	25,271,685
Local government bonds	910,121	932,220
Corporate bonds	2,202,633	2,254,635
Domestic stocks	9,831,173	10,296,652
Foreign securities	22,098,784	22,254,725
Loans:	7,563,457	7,498,037
Policy loans	449,859	457,394
Industrial and consumer loans	7,113,597	7,040,642
Tangible fixed assets	1,717,325	1,714,816
Intangible fixed assets	188,316	190,254
Reinsurance receivables	316	370
Other assets	1,148,098	1,114,688
Customers' liability for acceptances and guarantees	71,948	71,647
Allowance for doubtful accounts	(7,545)	(6,910)
Allowance for investment loss	(24,855)	(28,867)
Total assets	76,027,342	76,567,483
Liabilities:		
Policy reserves and other reserves:	60,327,545	59,930,807
Reserve for outstanding claims	189,041	192,426
Policy reserves	58,946,064	58,677,803
Reserve for dividends to policyholders	1,192,439	1,060,577
Reinsurance payables	419	451
Corporate bonds	1,420,305	1,420,305
Other liabilities:	4,974,187	4,929,722
Income taxes payable	1,649	82,933
Lease obligations	4,142	5,218
Asset retirement obligations	6,285	6,293
Other liabilities	4,962,110	4,835,277
Accrued bonuses for directors, and audit and supervisory board members	586	434
Accrued retirement benefits	377,930	378,203
Reserve for program points	9,173	8,770
Reserve for price fluctuations in investments in securities	1,598,129	1,590,233
Deferred tax liabilities	243,234	484,574
Deferred tax liabilities for land revaluation	100,242	100,444
Acceptances and guarantees	71,948	71,647
Total liabilities	69,123,702	68,915,596

3. Nonconsolidated Balance Sheets (Continued)

(Million Yen)

	As of June 30, 2022	As of March 31, 2022
Net assets:		
Foundation funds	100,000	100,000
Reserve for redemption of foundation funds	1,350,000	1,350,000
Reserve for revaluation	651	651
Surplus:	369,793	523,063
Legal reserve for deficiencies	21,282	19,988
Other surplus reserves:	348,511	503,075
Contingency funds	—	71,917
Reserve for social public welfare assistance	3,351	351
Reserve for financial base	221,917	—
Reserve for reduction entry of real estate	73,248	71,839
Reserve for reduction entry of real estate to be purchased	2,961	1,007
Other reserves	170	170
Unappropriated surplus	46,863	* 357,789
Total foundation funds and others	1,820,445	1,973,714
Net unrealized gains on available-for-sale securities	5,641,732	6,112,896
Deferred losses on derivatives under hedge accounting	(497,651)	(374,361)
Land revaluation losses	(60,885)	(60,363)
Total valuations, conversions, and others	5,083,194	5,678,172
Total net assets	6,903,639	7,651,886
Total liabilities and net assets	76,027,342	76,567,483

Note: * Unappropriated surplus on the condensed balance sheet as of March 31, 2022, represents the current-year unappropriated surplus.

Notes

(Nonconsolidated Balance Sheet)

1. Effective from the three months ended June 30, 2022, the Implementation Guidance on Accounting Standard for Fair Value Measurement (Accounting Standards Board of Japan (ASBJ) Guidance No. 31, June 17, 2021) hereinafter (the “Fair Value Measurement Accounting Standard Implementation Guidance”) has been applied. In accordance with the transitional measures set forth in Paragraph 27-2 of the Fair Value Measurement Accounting Standard Implementation Guidance, the new accounting policies set forth in the Fair Value Measurement Accounting Standard Implementation Guidance have been prospectively applied from the beginning of the three months ended June 30, 2022 over the future. As a result, certain investment trusts that had previously been carried on the quarterly balance sheet at acquisition cost are stated at fair value on the quarterly balance sheet from the three months ended June 30, 2022.

2. As the proposed appropriation of surplus for the fiscal year ended March 31, 2022, was approved at the Meeting of Representatives held on July 5, 2022, it is included in the nonconsolidated balance sheet as of June 30, 2022. Details of the appropriation of surplus approved at the Meeting of Representatives are as follows:

	Million Yen
a. Unappropriated surplus as of March 31, 2022	357,789
b. Reversal from voluntary surplus reserves	73,226
c. Appropriations:	431,016
Reserve for dividends to policyholders	199,868
Legal reserve for deficiencies	1,294
Interest on foundation funds	265
Voluntary surplus reserves	229,589
d. Surplus carried forward (a+b-c)	—

3. The corporate tax, inhabitant tax, and income tax adjustments for the three months ended June 30, 2022, are calculated based on the assumption of accumulations and reversals of the reserve for reduction entry of real estate and the reserve for dividends to policyholders due to the appropriation of surplus in the current fiscal year.

4. Effective from the three months ended June 30, 2022, a transition has been made from the Consolidated Taxation System to the Group Tax Sharing System, with the Company serving as the tax sharing parent company. In accordance with this change, the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (ASBJ Practical Issues Task Force (PITF) No. 42, August 12, 2021) has been followed for the accounting treatment of corporate tax and local corporate tax and the deferred tax accounting treatment related to those taxes.

5. 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 single premium policies). 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 ¥53,876 million, while ordinary profit and surplus before income taxes decreased by ¥53,876 million, compared with amounts that would have been recorded had the additional policy reserves not been provided in the three months ended June 30, 2022.
6. Changes in the reserve for dividends to policyholders for the three months ended June 30, 2022, were as follows:

	Million Yen
	Three months ended June 30, 2022
a. Balance at the beginning of the current fiscal year	1,060,577
b. Transfer to reserve based on the proposed appropriation of surplus for previous fiscal year	199,868
c. Dividends paid to policyholders during the current three-month period	73,302
d. Increase in interest	5,295
e. Balance at the end of the current three-month period (a+b-c+d)	<u>1,192,439</u>

7. The nonconsolidated balance sheet amount of securities lent under lending agreements was ¥2,299,951 million as of June 30, 2022.

4. Nonconsolidated Statements of Income

(Million Yen)

	Three months ended June 30, 2022	Three months ended June 30, 2021
Ordinary income:	1,841,078	1,767,774
Revenues from insurance and reinsurance:	1,162,726	1,091,746
Insurance premiums	1,162,465	1,091,454
Investment income:	649,987	643,818
Interest, dividends, and other income	391,442	332,719
Gain on sales of securities	189,699	287,633
Gain on financial derivative instruments, net	7,631	—
Gain on separate accounts, net	—	17,959
Other ordinary income	28,365	32,209
Ordinary expenses:	1,789,766	1,581,436
Benefits and other payments:	1,048,527	936,292
Death and other claims	271,033	252,332
Annuity payments	199,705	201,542
Health and other benefits	220,994	183,463
Surrender benefits	318,812	264,650
Other refunds	37,569	33,908
Provision for policy reserves:	273,556	396,630
Provision for policy reserves	268,260	391,299
Provision for interest on reserve for dividends to policyholders	5,295	5,331
Investment expenses:	271,110	49,151
Interest expenses	9,047	7,726
Loss from assets held in trust, net	—	78
Loss on sales of securities	211,653	14,294
Loss on valuation of securities	4,073	4,803
Loss on derivative financial instruments, net	—	1,134
Loss on separate accounts, net	21,934	—
Operating expenses	144,459	146,201
Other ordinary expenses	52,112	53,160
Ordinary profit	51,312	186,337
Extraordinary gains:	1,205	29
Gain on disposals of fixed assets	1,205	29
Extraordinary losses:	10,690	129,411
Loss on disposals of fixed assets	963	257
Impairment losses	719	1,930
Provision for reserve for price fluctuations in investments in securities	7,896	127,224
Loss on tax purpose reduction entry of real estate	1,111	—
Surplus before income taxes	41,827	56,956
Income taxes – current	2,925	134,469
Income taxes – deferred	(7,438)	(131,754)
Total income taxes	(4,513)	2,714
Net surplus	46,340	54,241

Notes

(Nonconsolidated Statement of Income)

1. Impairment losses are as follows:

1) Method for grouping the assets

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

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 three months ended June 30, 2022, is as follows:

(Million Yen)

Purpose of use	Land	Buildings	Total
Idle properties	456	263	719
Total	456	263	719

4) Measurement of recoverable amount

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

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

5. Details of Ordinary Profit (Core Operating Profit)

(Million Yen)

	Three months ended June 30, 2022	Three months ended June 30, 2021
Core operating profit (A)	149,245	136,218
Capital gains:	284,442	304,304
Gain on proprietary trading securities	—	—
Gain from assets held in trust, net	—	—
Gain on trading securities	—	—
Gain on sales of securities	189,699	287,633
Gain on derivative financial instruments, net	7,631	—
Foreign exchange gains, net	54,768	563
Other capital gains	32,342	16,107
Capital losses:	315,232	29,735
Loss on proprietary trading securities	—	—
Loss from assets held in trust, net	—	78
Loss on trading securities	—	—
Loss on sales of securities	211,653	14,294
Loss on valuation of securities	4,073	4,803
Loss on derivative financial instruments, net	—	1,134
Foreign exchange losses, net	—	—
Other capital losses	99,505	9,423
Net capital gains (B)	(30,789)	274,569
Core operating profit, including net capital gains (A+B)	118,455	410,788
Nonrecurring gains:	4,012	256
Reinsurance revenue	—	—
Reversal of contingency reserve	—	—
Reversal of specific allowance for doubtful accounts	—	256
Other nonrecurring gains	4,012	—
Nonrecurring losses:	71,155	224,706
Reinsurance premiums	—	—
Provision for contingency reserve	13,147	192,545
Provision for specific allowance for doubtful accounts	4,131	—
Provision for allowance for specific overseas loans	—	—
Write-offs of loans	—	—
Other nonrecurring losses	53,876	32,161
Net nonrecurring losses (C)	(67,142)	(224,450)
Ordinary profit (A+B+C)	51,312	186,337

(Reference) Breakdown of “Other” Items

(Million Yen)

	Three months ended June 30, 2022	Three months ended June 30, 2021
Core operating profit:	67,162	(6,683)
Interest income and expenses related to swap transactions for foreign currency-denominated insurance products and swap transactions for hedging purposes	3,541	3,599
Impact of market exchange rate movements related to foreign currency-denominated insurance policies	94,095	(4,299)
Impact of movements in surrender benefits related to market value adjustment	(5,732)	5,261
Hedge cost related to foreign exchange	(10,036)	(751)
Gain (loss) on cancellation of investment trusts	(16,574)	(11,055)
Effect of market exchange rate fluctuations within gain (loss) on redemption of securities	1,868	562
Other capital gains:	32,342	16,107
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	—	4,299
Impact of movements in surrender benefits related to market value adjustment	5,732	—
Hedge cost related to foreign exchange	10,036	751
Gain (loss) on cancellation of investment trusts	16,574	11,055
Effect of market exchange rate fluctuations within gain (loss) on redemption of securities	—	—
Other capital losses:	99,505	9,423
Interest income and expenses related to swap transactions for foreign currency-denominated insurance products and swap transactions for hedging purposes	3,541	3,599
Impact of market exchange rate movements related to foreign currency-denominated insurance policies	94,095	—
Impact of movements in surrender benefits related to market value adjustment	—	5,261
Hedge cost related to foreign exchange	—	—
Gain (loss) on cancellation of investment trusts	—	—
Effect of market exchange rate fluctuations within gain (loss) on redemption of securities	1,868	562
Other nonrecurring gains:	4,012	—
Reversal of allowance for investment loss	4,012	—
Other nonrecurring losses:	53,876	32,161
Provision for allowance for investment loss	—	729
Provision for policy reserves pursuant to Article 69 Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act in Japan	53,876	31,431

Note: The above figures are calculated based on the calculation method for core operating profit, which is scheduled to be revised starting with the interim and year-end financial statements for the fiscal year ending March 31, 2023.

6. Solvency Margin Ratio

(Million Yen)

	As of June 30, 2022	As of March 31, 2022
Solvency margin gross amount (A):	17,513,882	18,001,132
Foundation funds (<i>kikin</i>) and other reserve funds:	5,731,456	5,663,861
Foundation funds and others	1,820,445	1,773,581
Reserve for price fluctuations in investments in securities	1,598,129	1,590,233
Contingency reserve	2,073,804	2,060,657
General allowance for doubtful accounts	1,601	1,912
Others	237,476	237,476
Net unrealized gains on available-for-sale securities (before tax) and deferred losses on derivatives under hedge accounting (before tax) × 90%	6,549,260	7,207,844
Net unrealized gains on real estate × 85%	549,328	549,898
Excess of continued Zillmerized reserve	2,488,047	2,460,845
Qualifying subordinated debt	2,270,305	2,140,305
Excess of continued Zillmerized reserve and qualifying subordinated debt not included in margin calculations	—	—
Deduction clause	(110,552)	(108,858)
Others	36,036	87,236
Total amount of risk (B):		
$\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2 + R_4}$	3,357,600	3,397,260
Underwriting risk (R ₁)	110,129	110,956
Underwriting risk of third-sector insurance (R ₈)	91,085	91,188
Anticipated yield risk (R ₂)	262,512	267,095
Minimum guarantee risk (R ₇)	5,306	5,315
Investment risk (R ₃)	3,013,957	3,048,246
Business management risk (R ₄)	69,659	70,456
Solvency margin ratio		
$\frac{(A)}{(1/2) \times (B)} \times 100$	1,043.2%	1,059.7%

Notes: 1. The amounts and figures as of March 31, 2022 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.

For the three months ended June 30, 2022, calculations are made in accordance with these regulations, using a method the Company deems reasonable.

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

7. Status of Separate Accounts

(1) Balance of Separate Account Assets

(Million Yen)

	As of June 30, 2022	As of March 31, 2022
Individual variable insurance	103,923	110,130
Individual variable annuities	17,784	19,550
Group annuities	1,033,936	1,077,876
Separate account total	1,155,644	1,207,557

(2) Policies in Force

- Individual Variable Insurance

	As of June 30, 2022		As of March 31, 2022	
	Number of policies	Amount of policies (million yen)	Number of policies	Amount of policies (million yen)
Variable insurance (defined term type)	10,170	6,844	10,303	6,861
Variable insurance (whole life type)	29,715	411,132	29,889	413,608
Total	39,885	417,977	40,192	420,470

- Individual Variable Annuities

	As of June 30, 2022		As of March 31, 2022	
	Number of policies	Amount of policies (million yen)	Number of policies	Amount of policies (million yen)
Individual variable annuities	10,293	17,757	11,072	19,539

8. Status of the Company, Subsidiaries, and Affiliates

(1) Selected Financial Data for Major Operations

(100 Million Yen)

	Three months ended June 30, 2022	Three months ended June 30, 2021
Ordinary income	25,466	21,110
Ordinary profit	123	1,981
Net surplus attributable to the parent company	152	513
Comprehensive income	(6,694)	2,110

	As of June 30, 2022	As of March 31, 2022
Total assets	880,418	883,819
Solvency margin ratio	1,097.0%	1,120.3%

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

	As of June 30, 2022
Number of consolidated subsidiaries	16
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	Increased 1 (Nissay Plus SSI Company Inc.)

(3) Basis for Preparing the Consolidated Financial Statements for the Three Months Ended June 30, 2022

Under Article 59-6 of the Ordinance for Enforcement of the Insurance Business Act, an insurance company shall, for each quarter, make an effort to disclose the matters which would serve as reference information for policyholders provided in Article 111, paragraph 6 of the Insurance Business Act and any other customers so that they may acquire knowledge on the status of business and properties of the insurance company, its subsidiaries, and others which are especially important. In order to fulfill this obligation to endeavor to disclose information, the consolidated financial statements for the three months ended June 30, 2022, have been prepared based on the model format for the announcement of first-quarter and third-quarter financial results (the “Quarterly Reporting Model”) created by The Life Insurance Association of Japan and generally accepted standards for the preparation of quarterly consolidated financial statements in Japan. The Quarterly Reporting Model is prepared for the purpose of fulfilling the obligation above to make an effort to disclose information. Accordingly, disclosures in the Quarterly Reporting Model differ from those prescribed by the Regulation on the Terminology, Forms, and Preparation Methods of Quarterly Consolidated Financial Statements.

(4) Policies for Preparing the Consolidated Financial Statements for the Three Months Ended June 30, 2022

Matters concerning the scope of consolidation

Effective from the three months ended June 30, 2022, Nissay Plus SSI Company Inc. has been included in the scope of consolidation because it has assumed increased importance after it started business operations as a small-amount and short-term insurance company.

(5) Consolidated Balance Sheets

(Million Yen)

	As of June 30, 2022	As of March 31, 2022
Assets:		
Cash and deposits	1,696,944	1,702,155
Call loans	454,629	500,978
Monetary receivables purchased	277,872	290,646
Investments in securities	72,909,931	73,373,626
Loans	8,476,216	8,437,632
Tangible fixed assets	1,878,188	1,875,391
Intangible fixed assets	389,204	382,306
Reinsurance receivables	11,539	9,266
Other assets	1,848,356	1,734,914
Net defined benefit asset	1,196	1,201
Deferred tax assets	35,103	10,976
Customers' liability for acceptances and guarantees	71,913	71,612
Allowance for doubtful accounts	(9,288)	(8,736)
Total assets	88,041,808	88,381,973
Liabilities:		
Policy reserves and other reserves:	70,528,050	69,922,760
Reserve for outstanding claims	259,603	260,983
Policy reserves	69,022,462	68,547,902
Reserve for dividends to policyholders (mutual company)	1,192,439	1,060,577
Reserve for dividends to policyholders (limited company)	53,545	53,297
Reinsurance payables	35,170	24,535
Corporate bonds	1,535,905	1,535,905
Other liabilities	6,215,168	6,021,605
Accrued bonuses for directors, and audit and supervisory board members	586	434
Net defined benefit liability	433,279	434,246
Accrued retirement benefits for directors, and audit and supervisory board members	632	637
Reserve for program points	9,173	8,770
Reserve for price fluctuations in investments in securities	1,693,906	1,684,575
Deferred tax liabilities	234,396	523,390
Deferred tax liabilities for land revaluation	100,242	100,444
Acceptances and guarantees	71,913	71,612
Total liabilities	80,858,424	80,328,918

(5) Consolidated Balance Sheets (Continued)

(Million Yen)

	As of June 30, 2022	As of March 31, 2022
Net assets:		
Foundation funds	100,000	100,000
Reserve for redemption of foundation funds	1,350,000	1,350,000
Reserve for revaluation	651	651
Consolidated surplus	555,937	740,576
Total foundation funds and others	2,006,588	2,191,227
Net unrealized gains on available-for-sale securities	5,520,953	6,124,915
Deferred losses on derivatives under hedge accounting	(497,934)	(375,170)
Land revaluation losses	(60,885)	(60,363)
Foreign currency translation adjustments	66,376	17,362
Remeasurement of defined benefit plans	(2,095)	(2,518)
Total accumulated other comprehensive income	5,026,413	5,704,225
Share acquisition rights	1,793	1,671
Noncontrolling interests	148,588	155,930
Total net assets	7,183,384	8,053,054
Total liabilities and net assets	88,041,808	88,381,973

Notes

(Consolidated Balance Sheets)

1. Effective from the three months ended June 30, 2022, the Company and its certain subsidiaries have applied the Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, June 17, 2021) hereinafter (the “Fair Value Measurement Accounting Standard Implementation Guidance”). In accordance with the transitional measures set forth in Paragraph 27-2 of the Fair Value Measurement Accounting Standard Implementation Guidance, the Company has prospectively applied the new accounting policies set forth in the Fair Value Measurement Accounting Standard Implementation Guidance from the beginning of the three months ended June 30, 2022 over the future. As a result, certain investment trusts that had previously been carried on the quarterly balance sheet at acquisition cost are stated at fair value on the quarterly balance sheet from the three months ended June 30, 2022.
2. As the proposed appropriation of surplus of the Company for the fiscal year ended March 31, 2022, was approved at the Meeting of Representatives held on July 5, 2022, it is included in the consolidated balance sheet as of June 30, 2022. Details of the appropriation of surplus approved at the Meeting of Representatives are as follows.

	Million Yen
a. Unappropriated surplus as of March 31, 2022	357,789
b. Reversal from voluntary surplus reserves	73,226
c. Appropriations:	431,016
Reserve for dividends to policyholders (mutual company)	199,868
Legal reserve for deficiencies	1,294
Interest on foundation funds	265
Voluntary surplus reserves	229,589
d. Surplus carried forward (a+b-c)	—

3. The corporate tax, inhabitant tax, and income tax adjustments of the Company for the three months ended June 30, 2022, are calculated based on the assumption of accumulations and reversals of the reserve for reduction entry of real estate and the reserve for dividends to policyholders (mutual company) due to the appropriation of surplus in the current fiscal year.
4. Effective from the three months ended June 30, 2022, the Company and its certain subsidiaries have transitioned from the Consolidated Taxation System to the Group Tax Sharing System, with the Company serving as the tax sharing parent company. In accordance with this change, the Company has followed the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (ASBJ Practical Issues Task Force (PITF) No. 42, August 12, 2021) for the accounting treatment of corporate tax and local corporate tax and the deferred tax accounting treatment related to those taxes.

5. The Company and its certain consolidated life insurance companies in Japan provided additional policy reserves in the three months ended June 30, 2022. As a result, policy reserves increased by ¥56,089 million, while ordinary profit and surplus before income taxes decreased by ¥56,089 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 single premium policies). 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 ¥53,876 million, while ordinary profit and surplus before income taxes decreased by ¥53,876 million, compared with amounts that would have been recorded had the additional policy reserves not been provided in the three months ended June 30, 2022.

b. TAIJU LIFE INSURANCE COMPANY LIMITED

TAIJU LIFE INSURANCE COMPANY LIMITED (“TAIJU LIFE”) 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 ¥2,213 million, while ordinary profit and surplus before income taxes decreased by ¥2,213 million, compared with amounts that would have been recorded had the additional policy reserve amounts not been reserved in the three months ended June 30, 2022.

6. Changes in the reserve for dividends to policyholders of a mutual company for the three months ended June 30, 2022, were as follows:

	Million Yen
	Three months ended June 30, 2022
a. Balance at the beginning of the current fiscal year	1,060,577
b. Transfer to reserve based on the proposed appropriation of surplus for the previous fiscal year	199,868
c. Dividends paid to policyholders of mutual company during the current three-month period	73,302
d. Increase in interest	5,295
e. Balance at the end of the current three-month period (a+b-c+d)	<u>1,192,439</u>

7. Changes in the reserve for dividends to policyholders of a limited company for the three months ended June 30, 2022, were as follows:

	Million Yen
	Three months ended June 30, 2022
a. Balance at the beginning of the current fiscal year	53,297
b. Dividends paid to policyholders of limited company during the current three-month period	2,782
c. Increase in interest	2
d. Provision for reserve for dividends to policyholders (limited company)	3,027
e. Balance at the end of the current three-month period (a-b+c+d+e)	<u>53,545</u>

8. The amount of securities lent under lending agreements was ¥2,686,818 million as of June 30, 2022.
9. TAIJU LIFE, 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 value adjustments upon interest rate fluctuations are recorded as reinsurance revenue and presented in revenues from insurance and reinsurance. However, in cases where reinsurance revenue related to this modified co-reinsurance agreement is negative, the items are recorded as reinsurance premiums and presented in benefits and other payments. The outstanding balance of reinsurance accounts payable related to this modified coinsurance agreement stood at ¥25,223 million as of June 30, 2022. The outstanding balance of the policy reserve component associated with the modified coinsurance agreement stood at ¥894,367 million as of June 30, 2022.

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

(Million Yen)

	Three months ended June 30, 2022	Three months ended June 30, 2021
Ordinary income:	2,546,635	2,111,072
Revenues from insurance and reinsurance	1,505,853	1,356,908
Investment income:	984,881	694,046
Interest, dividends, and other income	435,251	368,107
Gain on sales of securities	203,241	297,225
Foreign exchange gains, net	343,919	—
Gain on separate accounts, net	—	22,665
Other ordinary income	55,900	60,116
Ordinary expenses:	2,534,292	1,912,883
Benefits and other payments:	1,395,424	1,164,971
Death and other claims	331,966	306,488
Annuity payments	246,792	247,303
Health and other benefits	287,902	230,271
Surrender benefits	394,020	310,517
Other refunds	75,654	37,788
Provision for policy reserves:	448,289	397,727
Provision for policy reserves	442,991	392,393
Provision for interest on reserve for dividends to policyholders (mutual company)	5,295	5,331
Provision for interest on reserve for dividends to policyholders (limited company)	2	2
Investment expenses:	408,837	74,548
Interest expenses	9,481	8,127
Loss from assets held in trust, net	—	78
Loss on trading securities	19,599	7,538
Loss on sales of securities	214,807	14,666
Loss on valuation of securities	4,105	4,896
Loss on derivative financial instruments, net	107,474	4,892
Foreign exchange losses, net	—	12,230
Loss on separate accounts, net	27,192	—
Operating expenses	201,671	200,923
Other ordinary expenses	80,070	74,712
Ordinary profit	12,342	198,188

(6) [Consolidated Statements of Income] (Continued)

(Million Yen)

	Three months ended June 30, 2022	Three months ended June 30, 2021
Extraordinary gains:		
Gain on disposals of fixed assets	1,237	117
Gain on reversal of share acquisition rights	1,237	117
	0	0
Extraordinary losses:		
Loss on disposals of fixed assets	12,321	130,808
Impairment losses	1,159	335
Provision for reserve for price fluctuations in investments in securities	719	1,930
Loss on tax purpose reduction entry of real estate	9,330	128,542
	1,111	—
Provision for reserve for dividends to policyholders (limited company)	3,027	2,977
Surplus before income taxes	(1,768)	64,520
Income taxes - current	6,080	141,780
Income taxes - deferred	(23,765)	(131,287)
Total income taxes	(17,684)	10,492
Net surplus	15,916	54,027
Net surplus attributable to noncontrolling interests	653	2,725
Net surplus attributable to the parent company	15,262	51,302

Notes

(Consolidated Statements of Income)

1. Impairment losses are as follows:

1) Method for grouping the assets

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

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 three months ended June 30, 2022, is as follows:

(Million Yen)

Purpose of use	Land	Buildings	Total
Idle properties	456	263	719
Total	456	263	719

4) Measurement of recoverable amount

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

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

2. The total amount of depreciation of real estate for rental use and other assets for the three months ended June 30, 2022, was ¥21,788 million. Amortization of goodwill for the three months ended June 30, 2022, was ¥1,249 million.

3. Reinsurance revenue presented in revenues from insurance and reinsurance of TAIJU LIFE, the Company’s consolidated subsidiary, include reinsurance revenue of ¥36,756 million related to modified coinsurance agreements for 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). This reinsurance revenue includes adjustment to policy reserves for ceded reinsurance (excluding additional policy reserves (reversals) associated with market value adjustments, etc.) of ¥22,835 million and additional policy reserves (reversals) associated with market value adjustments, etc. of ¥(9,149) million. Through this reinsurance, ordinary profit and surplus before income taxes decreased by ¥9,710 million each.

[Consolidated Statements of Comprehensive Income]

(Million Yen)

	Three months ended June 30, 2022	Three months ended June 30, 2021
Net surplus	15,916	54,027
Other comprehensive income:	(685,331)	157,019
Net unrealized gains on available-for-sale securities	(616,556)	172,730
Deferred losses on derivatives under hedge accounting	(123,390)	(40,923)
Foreign currency translation adjustments	43,865	19,442
Remeasurement of defined benefit plans	448	602
Share of other comprehensive income (loss) of associates accounted for under the equity method	10,301	5,167
Comprehensive income:	(669,415)	211,046
Comprehensive income attributable to the parent company	(662,027)	200,449
Comprehensive income attributable to noncontrolling interests	(7,388)	10,597

(7) Consolidated Solvency Margin Ratio

(Million Yen)

	As of June 30, 2022	As of March 31, 2022
Solvency margin gross amount (A):	18,180,328	18,807,337
Foundation funds (<i>kikin</i>) and other reserve funds:	6,103,865	6,076,899
Foundation funds and others	2,012,727	2,011,828
Reserve for price fluctuations in investments in securities	1,693,906	1,684,575
Contingency reserve	2,156,028	2,139,183
Extraordinary contingency reserve	—	—
General allowance for doubtful accounts	2,883	3,201
Others	238,319	238,109
Net unrealized gains on available-for-sale securities (before tax) and deferred losses on derivatives under hedge accounting (before tax) × 90%	6,451,847	7,273,155
Net unrealized gains on real estate × 85%	577,715	578,283
Total amount of unrecognized actuarial gains/losses and unrecognized prior service cost	(2,982)	(3,568)
Excess of continued Zillmerized reserve	2,723,889	2,698,006
Qualifying subordinated debt	2,395,905	2,265,905
Excess of continued Zillmerized reserve and qualifying subordinated debt not included in margin calculations	—	—
Deduction clause	(192,739)	(259,146)
Others	122,826	177,803
Total amount of risk (B):		
$\sqrt{(\sqrt{R_1^2 + R_5^2 + R_8 + R_9})^2 + (R_2 + R_3 + R_7)^2 + R_4 + R_6}$	3,314,421	3,357,311
Underwriting risk (R ₁)	191,360	189,313
General underwriting risk (R ₅)	—	—
Huge disaster risk (R ₆)	—	—
Underwriting risk of third-sector insurance (R ₈)	104,029	103,984
Underwriting risk related to small amount and short-term insurance providers (R ₉)	—	—
Anticipated yield risk (R ₂)	331,465	334,186
Minimum guarantee risk (R ₇)	8,501	8,489
Investment risk (R ₃)	2,890,460	2,930,196
Business management risk (R ₄)	70,516	71,323
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	1,097.0%	1,120.3%

Notes: 1. The amounts and figures as of March 31, 2022 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.

For the three months ended June 30, 2022, calculations are made in accordance with these regulations, using a method the Company deems reasonable.

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

(8) Segment Information

For the three months ended June 30, 2022, 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.