
Financial Results for the Nine Months Ended December 31, 2020

Nippon Life Insurance Company (the “Company,” President: Hiroshi Shimizu) announces financial results for the nine months ended December 31, 2020.

Table of Contents

Financial Summary for the Nine Months Ended December 31, 2020

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 of Preparing the Consolidated Financial Statements for the Nine Months Ended December 31, 2020	16
(4) Policies for Preparing the Consolidated Financial Statements for the Nine Months Ended December 31, 2020	16
(5) Consolidated Balance Sheets	17
(6) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income	22
(7) Consolidated Solvency Margin Ratio	27
(8) Segment Information	28

1. Business Highlights

(1) Annualized Premium

- Policies in Force

(100 Million Yen, %)

	As of December 31, 2020		As of March 31, 2020
		As a percentage of March 31, 2020	
Individual insurance	26,580	98.4	27,001
Individual annuities	10,811	101.8	10,616
Total	37,391	99.4	37,618
Medical coverages, living benefits, and others	6,617	100.7	6,571

- New Policies

(100 Million Yen, %)

	Nine months ended December 31, 2020		Nine months ended December 31, 2019
		As a percentage of nine months ended December 31, 2019	
Individual insurance	1,014	83.7	1,211
Individual annuities	449	71.2	631
Total	1,464	79.4	1,843
Medical coverages, living benefits, and others	308	70.1	440

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

(2) Amount of Policies in Force and New Policies

• Policies in Force

	As of December 31, 2020				As of March 31, 2020	
	Number of policies		Amount of policies		Number of policies (thousands)	Amount of policies (100 million yen)
	(thousands)	As a percentage of March 31, 2020 (%)	(100 million yen)	As a percentage of March 31, 2020 (%)		
Individual insurance	29,534	101.5	1,302,548	98.3	29,111	1,325,065
Individual annuities	4,121	100.8	252,014	101.6	4,088	248,128
Group insurance	—	—	990,345	101.2	—	978,894
Group annuities	—	—	135,972	101.6	—	133,871

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

• New Policies

	Nine months ended December 31, 2020						Nine months ended December 31, 2019			
	Number of policies		(100 million yen)	Amount of policies			Number of policies (thousands)	Amount of policies		
	(thousands)	As a percentage of nine months ended December 31, 2019 (%)		As a percentage of nine months ended December 31, 2019 (%)	New policies	Net increase by conversion		(100 million yen)	New policies	Net increase by conversion
Individual insurance	2,694	74.9	39,994	84.6	39,125	869	3,598	47,254	46,733	521
Individual annuities	138	70.9	10,194	70.3	10,153	41	195	14,502	14,312	190
Group insurance	—	—	2,447	161.8	2,447		—	1,512	1,512	
Group annuities	—	—	16	647.3	16		—	2	2	

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

2. Investment Management Performance (General Account)

(1) Asset Composition

(100 Million Yen, %)

	As of December 31, 2020		As of March 31, 2020	
	Amount	%	Amount	%
Cash, deposits, and call loans	10,003	1.4	9,965	1.5
Receivables under resale agreements	—	—	—	—
Receivables under securities borrowing transactions	—	—	—	—
Monetary receivables purchased	1,815	0.3	2,190	0.3
Proprietary trading securities	—	—	—	—
Assets held in trust	6	0.0	337	0.0
Investments in securities:	601,448	84.3	564,276	83.1
Domestic bonds	260,576	36.5	246,581	36.3
Domestic stocks	96,264	13.5	78,582	11.6
Foreign securities:	210,267	29.5	204,714	30.2
Foreign bonds	138,674	19.4	141,910	20.9
Foreign stocks and other securities	71,592	10.0	62,803	9.3
Other securities	34,340	4.8	34,398	5.1
Loans:	74,770	10.5	74,118	10.9
Policy loans	5,042	0.7	5,542	0.8
Industrial and consumer loans	69,727	9.8	68,575	10.1
Real estate:	16,572	2.3	16,587	2.4
Investment properties	10,409	1.5	10,613	1.6
Deferred tax assets	—	—	—	—
Other assets	8,937	1.3	11,238	1.7
Allowance for doubtful accounts	(39)	(0.0)	(26)	(0.0)
Total assets (general account):	713,514	100.0	678,687	100.0
Foreign currency-denominated assets	203,356	28.5	196,873	29.0

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 December 31, 2020					As of March 31, 2020				
	Book value	Fair value	Net gains/losses	Net gains/losses		Book value	Fair value	Net gains/losses	Net gains/losses	
				Gains	Losses				Gains	Losses
Policy-reserve-matching bonds*	233,530	266,124	32,594	33,760	(1,166)	217,703	255,132	37,429	37,657	(227)
Held-to-maturity debt securities	—	—	—	—	—	—	—	—	—	—
Investments in subsidiaries and affiliates	1,286	2,257	970	970	—	1,342	1,904	562	563	(0)
Available-for-sale securities:	266,098	352,625	86,526	88,886	(2,359)	275,572	333,416	57,843	64,110	(6,267)
Domestic bonds	27,788	29,840	2,051	2,082	(31)	30,008	31,930	1,922	2,007	(85)
Domestic stocks	39,940	90,890	50,950	52,832	(1,882)	41,421	73,202	31,780	34,749	(2,968)
Foreign securities:	165,707	196,876	31,168	31,550	(381)	170,827	192,868	22,041	25,114	(3,073)
Foreign bonds	114,694	137,501	22,806	23,008	(201)	121,223	140,688	19,465	20,943	(1,478)
Foreign stocks and other securities	51,012	59,375	8,362	8,542	(180)	49,603	52,180	2,576	4,170	(1,594)
Other securities	30,791	33,141	2,350	2,414	(63)	31,223	33,320	2,096	2,231	(134)
Monetary receivables purchased	241	247	5	6	(1)	462	465	2	8	(5)
Negotiable certificates of deposit	1,629	1,629	0	0	(0)	1,629	1,628	(0)	0	(0)
Total	500,915	621,006	120,091	123,617	(3,526)	494,618	590,453	95,835	102,331	(6,495)
Domestic bonds	258,524	292,998	34,473	35,669	(1,195)	244,659	283,859	39,199	39,467	(268)
Domestic stocks	39,940	90,890	50,950	52,832	(1,882)	41,421	73,202	31,780	34,749	(2,968)
Foreign securities:	168,210	200,445	32,234	32,618	(383)	173,487	196,153	22,665	25,784	(3,118)
Foreign bonds	115,921	138,824	22,902	23,106	(203)	122,550	142,079	19,528	21,051	(1,522)
Foreign stocks and other securities	52,289	61,621	9,331	9,511	(180)	50,936	54,073	3,137	4,732	(1,595)
Other securities	30,800	33,152	2,351	2,415	(63)	31,232	33,330	2,097	2,232	(134)
Monetary receivables purchased	1,810	1,891	80	82	(1)	2,187	2,278	91	97	(6)
Negotiable certificates of deposit	1,629	1,629	0	0	(0)	1,629	1,628	(0)	0	(0)

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

* Policy-reserve-matching bonds are measured at amortized cost using the moving average method. The cost of securities is amortized on a straight-line basis. Securities that are held for the purpose of matching the duration of outstanding liabilities within the subgroups (classified by insurance type, maturity period, and investment policy) of insurance products, such as individual insurance and annuities, workers' asset-formation insurance and annuities, and group insurance and annuities, are classified as policy-reserve-matching bonds in accordance with the Industry Audit Committee Report No. 21, "Temporary Treatment of Accounting and Auditing Concerning Policy-Reserve-Matching Bonds in the Insurance Industry," issued by the Japanese Institute of Certified Public Accountants.

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

(100 Million Yen)

	As of December 31, 2020	As of March 31, 2020
Policy-reserve-matching bonds	—	—
Held-to-maturity debt securities:	—	—
Unlisted foreign bonds	—	—
Others	—	—
Investments in subsidiaries and affiliates	11,021	10,182
Available-for-sale securities:	6,597	5,583
Unlisted domestic stocks (excluding over-the-counter stocks)	599	600
Unlisted foreign stocks (excluding over-the-counter stocks)	3	2
Unlisted foreign bonds	—	0
Others	5,994	4,980
Total	17,618	15,766

Note: Of securities whose fair value is extremely difficult to be determined, the net gains (losses) on currency exchange valuation of assets denominated in foreign currencies were as follows:
¥(32.1) billion and ¥(37.6) billion as of December 31, 2020, and March 31, 2020, respectively.

(3) Fair Value Information of Assets Held in Trust

(100 Million Yen)

	As of December 31, 2020					As of March 31, 2020				
	Balance sheet amount	Fair value	Net gains/losses		Balance sheet amount	Fair value	Net gains/losses			
			Gains	Losses			Gains	Losses		
Assets held in trust	6	6	—	—	337	337	—	—	—	

Notes: 1. Fair value is based on a price reasonably calculated by the trustee of the assets held in trust.
2. The balance sheet amounts include net gains/losses on derivative transactions within assets held in trust.

• Assets Held in Trust for Trading Purposes

(100 Million Yen)

	As of December 31, 2020		As of March 31, 2020	
	Balance sheet amount	Valuation gains (losses) included in profit and loss	Balance sheet amount	Valuation gains (losses) included in profit and loss
Assets held in trust for trading purposes	6	(257)	337	279

Note: The balance sheet amounts and valuation gains (losses) recorded in profit and loss include net gains/losses on derivative transactions.

- Assets Held in Trust Classified as Policy-Reserve-Matching, Held-to-Maturity, and Available-for-Sale
There were no ending balances as of December 31, 2020, and March 31, 2020.

3. Nonconsolidated Balance Sheets

(Million Yen)

	As of December 31, 2020	As of March 31, 2020
Assets:		
Cash and deposits	808,000	1,020,742
Call loans	559,326	422,906
Monetary receivables purchased	181,542	219,068
Assets held in trust	687	33,779
Investments in securities:	60,910,945	57,108,802
National government bonds	(23,222,420)	(22,096,083)
Local government bonds	(896,903)	(779,033)
Corporate bonds	(2,278,701)	(2,114,396)
Domestic stocks	(9,673,467)	(7,901,082)
Foreign securities	(21,237,628)	(20,651,209)
Loans:	7,477,003	7,411,809
Policy loans	504,230	554,285
Industrial and consumer loans	6,972,773	6,857,523
Tangible fixed assets	1,681,294	1,681,851
Intangible fixed assets	191,345	192,824
Reinsurance receivables	211	379
Other assets	710,554	941,616
Customers' liability for acceptances and guarantees	68,035	75,110
Allowance for doubtful accounts	(3,965)	(2,686)
Allowance for investment loss	(36,527)	(35,068)
Total assets	72,548,455	69,071,135
Liabilities:		
Policy reserves and other reserves:	58,395,556	57,454,671
Reserve for outstanding claims	178,606	190,602
Policy reserves	57,121,080	56,220,282
Reserve for dividends to policyholders	1,095,869	1,043,785
Reinsurance payables	236	403
Corporate bonds	1,155,320	1,155,320
Other liabilities:	2,268,656	2,550,660
Income taxes payable	33,725	65,352
Lease obligations	6,040	7,481
Asset retirement obligations	5,386	5,330
Other liabilities	2,223,503	2,472,495
Accrued bonuses for directors, and audit and supervisory board members	164	92
Accrued retirement benefits	378,332	374,460
Accrued retirement benefits for directors, and audit and supervisory board members	—	4,304
Reserve for program points	8,738	8,864
Reserve for price fluctuations in investments in securities	1,546,606	1,448,014
Deferred tax liabilities	770,307	98,548
Deferred tax liabilities for land revaluation	102,182	103,072
Acceptances and guarantees	68,035	75,110
Total liabilities	64,694,137	63,273,522

3. Nonconsolidated Balance Sheets (Continued)

(Million Yen)

	As of December 31, 2020	As of March 31, 2020
Net assets:		
Foundation funds	100,000	100,000
Reserve for redemption of foundation funds	1,300,000	1,300,000
Reserve for revaluation	651	651
Surplus:	367,828	353,780
Legal reserve for deficiencies	18,993	18,394
Other surplus reserves:	348,835	335,386
Contingency funds	71,917	71,917
Reserve for social public welfare assistance	351	351
Reserve for reduction entry of real estate	71,855	63,729
Reserve for reduction entry of real estate to be purchased	2,069	14,790
Other reserves	170	170
Unappropriated surplus	202,471	184,426
Total foundation funds and others	1,768,479	1,754,431
Net unrealized gains on available-for-sale securities	6,234,597	4,165,946
Deferred losses on derivatives under hedge accounting	(91,972)	(68,056)
Land revaluation losses	(56,786)	(54,706)
Total valuations, conversions, and others	6,085,838	4,043,182
Total net assets	7,854,317	5,797,613
Total liabilities and net assets	72,548,455	69,071,135

Note: Unappropriated surplus on the condensed balance sheet as of March 31, 2020, represents the current-year unappropriated surplus.

Notes to the Nonconsolidated Balance Sheet as of December 31, 2020

1. The corporate tax, inhabitant tax, and income tax adjustments for the nine months ended December 31, 2020, 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.
2. A resolution was passed at the Meeting of Representatives held on July 2, 2020, to abolish the retirement benefit plan for directors, and audit and supervisory board members. As a result of this resolution, the payment prescribed under this plan was finalized. Accordingly, the unpaid amount of ¥4,432 million in accrued retirement benefits for directors, and audit and supervisory board members was reversed, transferred to accounts payable, and presented in other liabilities.
3. In accordance with the “Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System” (Accounting Standards Board of Japan (ASBJ) Practical Issues Task Force (PITF) No. 39, March 31, 2020), the Company calculates the amounts of deferred tax assets and liabilities based on tax laws and regulations before the revision.
4. Effective from the fiscal year ended March 31, 2019, the Company has provided additional policy reserves over a five-year period to cover a possible deficiency in the reserve for certain individual annuity policyholders. 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 payment policies). For such policies with premiums that have been paid as of December 31, 2020, and similar policies (including single payment policies), the Company will successively provide additional policy reserves over a six-year period. As a result, policy reserves increased by ¥98,032 million, while ordinary profit and surplus before income taxes decreased by ¥98,032 million each, compared with amounts that would have been recorded if the additional policy reserve amounts had not been reserved in the nine months ended December 31, 2020.

5. Changes in the reserve for dividends to policyholders for the nine months ended December 31, 2020, were as follows:

	Million Yen
	Nine months ended December 31, 2020
a. Balance at the beginning of the current fiscal year	¥1,043,785
b. Transfer to reserve from surplus for the previous fiscal year	185,145
c. Dividends paid to policyholders during the current nine-month period	149,237
d. Increase in interest	16,175
e. Balance at the end of the current nine-month period (a+b-c+d)	¥1,095,869

6. On January 21, 2021, the Company issued corporate bonds as follows:

Name	US dollar-denominated subordinated bonds due 2051 with interest deferral options
Issue price	100% of par value
Total amount issued	US\$1,600 million
Interest rate	A fixed rate of 2.75% per annum until January 2031 and a fixed rate with step-up thereafter (reset every five years)
Maturity	January 2051 (The corporate bonds are callable on January 21, 2031, and on each fifth anniversary date of the issuance date thereafter at the discretion of the Company, subject to prior approval by the regulatory authorities.)
Collateral and guarantees	The corporate bonds are not secured or guaranteed, and there are no specific assets pledged for them.
Use of funds	General working capital

Designated hedge accounting has been applied to these bonds using the currency swap as a hedging instrument.

7. The amount of securities lent under lending agreements was ¥3,058,604 million as of December 31, 2020.

4. Nonconsolidated Statements of Income

(Million Yen)

	Nine months ended December 31, 2020	Nine months ended December 31, 2019
Ordinary income:	4,724,722	4,739,743
Revenues from insurance and reinsurance:	3,110,468	3,370,300
Insurance premiums	(3,109,583)	(3,369,871)
Investment income:	1,530,558	1,226,129
Interest, dividends, and other income	(967,108)	(1,018,570)
Gain on sales of securities	(458,985)	(161,349)
Gain on separate accounts, net	(86,523)	(39,826)
Other ordinary income	83,695	143,314
Ordinary expenses:	4,403,075	4,514,218
Benefits and other payments:	2,682,841	2,656,370
Death and other claims	(742,215)	(759,856)
Annuity payments	(578,735)	(582,126)
Health and other benefits	(476,634)	(508,257)
Surrender benefits	(714,419)	(672,820)
Other refunds	(169,588)	(132,576)
Provision for policy reserves:	916,973	1,003,079
Provision for policy reserves	900,798	986,667
Provision for interest on reserve for dividends to policyholders	16,175	16,411
Investment expenses:	215,774	229,936
Interest expenses	(20,993)	(24,739)
Loss from assets held in trust, net	(33,591)	(11,462)
Loss on sales of securities	(38,853)	(29,310)
Loss on valuation of securities	(30,112)	(19,869)
Loss on derivative financial instruments, net	(40,990)	(98,966)
Operating expenses	425,512	446,944
Other ordinary expenses	161,973	177,888
Ordinary profit	321,647	225,525
Extraordinary gains:	60	1,378
Gain on disposals of fixed assets	60	1,378
Extraordinary losses:	108,974	71,827
Loss on disposals of fixed assets	3,604	3,632
Impairment losses	3,777	1,934
Provision for reserve for price fluctuations in investments in securities	98,592	63,261
Contributions for assisting social public welfare	3,000	3,000
Surplus before income taxes	212,733	155,076
Income taxes – current	126,020	86,202
Income taxes – deferred	(110,677)	(85,886)
Total income taxes	15,342	315
Net surplus	197,391	154,760

Notes to the Nonconsolidated Statement of Income for the Nine Months Ended December 31, 2020

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. Assets utilized for insurance business operations are classified into one asset group for each operation.

2) Recognition of impairment losses

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

3) Breakdown of asset groups for which impairment losses were recognized for the nine months ended December 31, 2020, is as follows:

Purpose of use	Million Yen		
	Land	Buildings	Total
Idle properties	¥2,661	¥1,116	¥3,777
Total	¥2,661	¥1,116	¥3,777

4) Measurement of recoverable amount

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

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

5. Details of Ordinary Profit (Core Operating Profit)

(Million Yen)

	Nine months ended December 31, 2020	Nine months ended December 31, 2019
Core operating profit (A)	423,704	429,389
Capital gains:	473,610	188,135
Gain on proprietary trading securities	—	—
Gain from assets held in trust, net	—	—
Gain on trading securities	—	—
Gain on sales of securities	458,985	161,349
Gain on derivative financial instruments, net	—	—
Foreign exchange gains, net	14,625	2,675
Other capital gains	—	24,110
Capital losses:	231,157	234,798
Loss on proprietary trading securities	—	—
Loss from assets held in trust, net	33,591	11,462
Loss on trading securities	—	—
Loss on sales of securities	38,853	29,310
Loss on valuation of securities	30,112	19,869
Loss on derivative financial instruments, net	40,990	98,966
Foreign exchange losses, net	—	—
Other capital losses	87,609	75,190
Net capital losses (B)	242,452	(46,663)
Core operating profit, including net capital gains (A+B)	666,157	382,725
Nonrecurring gains:	—	1,533
Reinsurance revenue	—	—
Reversal of contingency reserve	—	—
Reversal of specific allowance for doubtful accounts	—	1,533
Other nonrecurring gains	—	—
Nonrecurring losses:	344,510	158,734
Reinsurance premiums	—	—
Provision for contingency reserve	243,503	62,895
Provision for specific allowance for doubtful accounts	1,516	—
Provision for allowance for specific overseas debts	—	—
Write-offs of loans	—	—
Other nonrecurring losses	99,491	95,839
Net nonrecurring losses (C)	(344,510)	(157,200)
Ordinary profit (A+B+C)	321,647	225,525

(Reference) Breakdown of “Other” items

(Million Yen)

	Nine months ended December 31, 2020	Nine months ended December 31, 2019
Core operating profit (loss)	87,609	51,080
Interest income and expenses related to swap transactions for foreign currency-denominated insurance products and swap transactions for hedging purposes	14,423	13,575
Impact of market exchange rate movements related to foreign currency-denominated insurance policies	66,254	(24,110)
Impact of movements in surrender benefits related to market value adjustment	6,931	61,615
Other capital gains	—	24,110
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	—	24,110
Impact of movements in surrender benefits related to market value adjustment	—	—
Other capital losses	87,609	75,190
Interest income and expenses related to swap transactions for foreign currency-denominated insurance products and swap transactions for hedging purposes	14,423	13,575
Impact of market exchange rate movements related to foreign currency-denominated insurance policies	66,254	—
Impact of movements in surrender benefits related to market value adjustment	6,931	61,615
Other nonrecurring gains	—	—
Reversal of allowance for investment loss	—	—
Other nonrecurring losses	99,491	95,839
Provision for allowance for investment loss	1,459	2,553
Provision for policy reserves pursuant to Article 69, paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act in Japan	98,032	93,286

6. Solvency Margin Ratio

(Million Yen)

	As of December 31, 2020	As of March 31, 2020
Solvency margin gross amount (A):	16,994,160	13,865,444
Foundation funds (<i>kikin</i>) and other reserve funds:	5,685,545	5,143,643
Foundation funds and others	1,768,479	1,569,008
Reserve for price fluctuations in investments in securities	1,546,606	1,448,014
Contingency reserve	2,121,770	1,878,267
General allowance for doubtful accounts	1,370	1,035
Others	247,318	247,318
Net unrealized gains on available-for-sale securities (before tax) and deferred gains on derivatives under hedge accounting (before tax) × 90%	7,602,133	5,025,159
Net unrealized gains on real estate × 85%	484,427	479,243
Excess of continued Zillmerized reserve	1,725,562	1,697,908
Qualifying subordinated debt	1,675,320	1,545,320
Excess of continued Zillmerized reserve and qualifying subordinated debt not included in margin calculations	—	—
Deduction clause	(55,252)	(55,023)
Others	(123,576)	29,191
Total amount of risk (B):		
$\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$	3,330,359	2,831,718
Underwriting risk (R ₁)	114,020	115,290
Underwriting risk of third-sector insurance (R ₈)	87,155	85,115
Anticipated yield risk (R ₂)	338,470	348,663
Minimum guarantee risk (R ₇)	5,448	5,620
Investment risk (R ₃)	2,911,106	2,410,869
Business management risk (R ₄)	69,124	59,311
Solvency margin ratio		
$\frac{(A)}{(1/2) \times (B)} \times 100$	1,020.5%	979.2%

Notes: 1. The amounts and figures as of March 31, 2020, in the table above are calculated based on the provisions of Article 86 and Article 87 of the Ordinance for Enforcement of the Insurance Business Act and the Ministry of Finance Public Notice No. 50 of 1996.

Those as of December 31, 2020, are calculated based on the methods deemed reasonable by the Company in accordance with the aforementioned provisions.

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

7. Status of Separate Accounts

(1) Balance of Separate Account Assets

(Million Yen)

	As of December 31, 2020	As of March 31, 2020
Individual variable insurance	104,511	94,319
Individual variable annuities	31,586	28,017
Group annuities	1,060,864	1,080,089
Separate account total	1,196,962	1,202,426

(2) Policies in Force

- Individual Variable Insurance

	As of December 31, 2020		As of March 31, 2020	
	Number of policies	Amount of policies (million yen)	Number of policies	Amount of policies (million yen)
Variable insurance (defined term type)	10,969	5,010	11,312	4,567
Variable insurance (whole life type)	30,813	428,696	31,271	436,503
Total	41,782	433,707	42,583	441,071

- Individual Variable Annuities

	As of December 31, 2020		As of March 31, 2020	
	Number of policies	Amount of policies (million yen)	Number of policies	Amount of policies (million yen)
Individual variable annuities	32,773	31,586	33,818	28,001

8. Status of the Company, Subsidiaries, and Affiliates

(1) Selected Financial Data for Major Operations

(100 Million Yen)

	Nine months ended December 31, 2020	Nine months ended December 31, 2019
Ordinary income	58,313	59,342
Ordinary profit	3,615	2,137
Net surplus attributable to the parent company	2,106	1,475
Comprehensive income (loss)	23,782	10,453

	As of December 31, 2020	As of March 31, 2020
Total assets	840,012	800,811
Solvency margin ratio	1,094.3%	1,047.5%

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

	As of December 31, 2020
Number of consolidated subsidiaries	15
Number of subsidiaries not consolidated but accounted for under the equity method	0
Number of affiliates accounted for under the equity method	15
Changes in significant subsidiaries and affiliates during the period	Not applicable

(3) Basis of Preparing the Consolidated Financial Statements for the Nine Months Ended December 31, 2020

Under Article 59-6 of the Ordinance for Enforcement of the Insurance Business Act, an insurance company shall, for each quarter, make an effort to disclose the matters which would serve as reference information for policyholders provided in Article 111, paragraph 6 of the Insurance Business Act and any other customers so that they may acquire knowledge on the status of business and properties of the insurance company, its subsidiaries, and others which are especially important. The consolidated financial statements for the nine months ended December 31, 2020, have been prepared based on the model format for the announcement of first-quarter and third-quarter financial results (the “Quarterly Reporting Model”) created by The Life Insurance Association of Japan and generally accepted standards for preparation of quarterly consolidated financial statements in Japan. However, the Quarterly Reporting Model is prepared for the purpose of fulfilling the obligation above to make an effort to disclose information. Accordingly, disclosures in the Quarterly Reporting Model differ from those prescribed by the Regulation on the Terminology, Forms, and Preparation Methods of Quarterly Consolidated Financial Statements.

(4) Policies for Preparing the Consolidated Financial Statements for the Nine Months Ended December 31, 2020

There have been no significant changes.

(5) Consolidated Balance Sheets

(Million Yen)

	As of December 31, 2020	As of March 31, 2020
Assets:		
Cash and deposits	1,694,092	1,751,037
Call loans	559,326	422,906
Monetary receivables purchased	323,149	375,278
Assets held in trust	687	33,779
Investments in securities	69,215,897	65,084,003
Loans	8,495,116	8,436,650
Tangible fixed assets	1,908,323	1,913,574
Intangible fixed assets	379,680	386,396
Reinsurance receivables	74,117	69,533
Other assets	1,281,182	1,512,525
Deferred tax assets	5,769	24,318
Customers' liability for acceptances and guarantees	70,260	76,136
Allowance for doubtful accounts	(6,377)	(4,969)
Total assets	84,001,225	80,081,170
Liabilities:		
Policy reserves and other reserves:	67,872,655	66,765,636
Reserve for outstanding claims	245,406	258,970
Policy reserves	66,475,975	65,406,129
Reserve for dividends to policyholders (mutual company)	1,095,869	1,043,785
Reserve for dividends to policyholders (limited company)	55,404	56,750
Reinsurance payables	8,468	7,519
Corporate bonds	1,266,420	1,277,620
Other liabilities	3,361,019	3,541,405
Accrued bonuses for directors, and audit and supervisory board members	164	92
Net defined benefit liability	449,097	449,594
Accrued retirement benefits for directors, and audit and supervisory board members	648	4,970
Reserve for program points	8,738	8,864
Reserve for price fluctuations in investments in securities	1,634,030	1,531,621
Deferred tax liabilities	862,881	157,426
Deferred tax liabilities for land revaluation	102,182	103,072
Acceptances and guarantees	70,260	76,136
Total liabilities	75,636,568	73,923,960

(5) Consolidated Balance Sheets (Continued)

(Million Yen)

	As of December 31, 2020	As of March 31, 2020
Net assets:		
Foundation funds	100,000	100,000
Reserve for redemption of foundation funds	1,300,000	1,300,000
Reserve for revaluation	651	651
Consolidated surplus	582,168	554,790
Total foundation funds and others	1,982,820	1,955,441
Net unrealized gains on available-for-sale securities	6,382,347	4,199,843
Deferred losses on derivatives under hedge accounting	(93,716)	(69,235)
Land revaluation losses	(56,786)	(54,706)
Foreign currency translation adjustments	(45,372)	(26,406)
Remeasurement of defined benefit plans	(12,345)	(15,030)
Total accumulated other comprehensive income	6,174,126	4,034,464
Share acquisition rights	1,358	926
Noncontrolling interests	206,352	166,377
Total net assets	8,364,657	6,157,210
Total liabilities and net assets	84,001,225	80,081,170

Notes to the Consolidated Balance Sheet as of December 31, 2020

1. Income taxes—current and income taxes—deferred of the Company for the nine months ended December 31, 2020, are calculated based on the assumption of accumulations and reversals of the reserve for reduction entry of real estate and the reserve for dividends to policyholders of a mutual company due to the appropriation of surplus in the current fiscal year.
2. The Company passed a resolution at the Meeting of Representatives held on July 2, 2020, to abolish the retirement benefit plan for directors, and audit and supervisory board members. As a result of this resolution, the payment prescribed under this plan was finalized. Accordingly, the unpaid amount of ¥4,432 million in accrued retirement benefits for directors, and audit and supervisory board members was reversed, transferred to accounts payable, and presented in other liabilities.
3. In accordance with the “Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System” (ASBJ PITF No. 39, March 31, 2020), the Company and certain subsidiaries applying the consolidated taxation system record the amounts of deferred tax assets and liabilities based on tax laws and regulations before the revision.
4. The Company and some of its consolidated life insurance companies in Japan provided additional policy reserves in the nine months ended December 31, 2020. As a result, policy reserves increased by ¥107,176 million, while ordinary profit and surplus before income taxes decreased by ¥107,176 million each.
 - a. The Company

Effective from the fiscal year ended March 31, 2019, the Company has provided additional policy reserves over a five-year period to cover a possible deficiency in the reserve for certain individual annuity policyholders. 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). For such policies with premiums that have been paid as of December 31, 2020, and similar policies (including single premium policies), the Company will successively provide additional policy reserves over a six-year period. As a result, policy reserves increased by ¥98,032 million, while ordinary profit and surplus before income taxes decreased by ¥98,032 million each, compared with amounts that would have been recorded if the additional policy reserve amounts had not been reserved in the nine months ended December 31, 2020.
 - 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 ¥9,143 million, while ordinary profit and surplus before income taxes decreased by ¥9,143 million each compared with amounts that would have been recorded if the additional policy reserve amounts had not been reserved in the nine months ended December 31, 2020.

5. Changes in the reserve for dividends to policyholders of a mutual company for the nine months ended December 31, 2020, were as follows:

	Million Yen
	Nine months ended December 31, 2020
a. Balance at the beginning of the current fiscal year	¥1,043,785
b. Transfer to reserve from surplus for the previous fiscal year	185,145
c. Dividends paid to policyholders of a mutual company during the current nine-month period	149,237
d. Increase in interest	16,175
e. Balance at the end of the current nine-month period (a+b-c+d)	<u>¥1,095,869</u>

6. Changes in the reserve for dividends to policyholders of a limited company for the nine months ended December 31, 2020, were as follows:

	Million Yen
	Nine months ended December 31, 2020
a. Balance at the beginning of the current fiscal year	¥56,750
b. Dividends paid to policyholders of a limited company during the current nine-month period	10,218
c. Increase in interest	7
d. Provision for reserve for dividends to policyholders (limited company)	8,865
e. Balance at the end of the current nine-month period (a-b+c+d)	<u>¥55,404</u>

7. On January 21, 2021, the Company issued corporate bonds as follows:

Name	US dollar-denominated subordinated bonds due 2051 with interest deferral options
Issue price	100% of par value
Total amount issued	US\$1,600 million
Interest rate	A fixed rate of 2.75% per annum until January 2031, and a fixed rate with step-up thereafter (reset every five years)
Maturity	January 2051 (The corporate bonds are callable on January 21, 2031, and on each fifth anniversary date of the issuance date thereafter at the discretion of the Company, subject to prior approval by the regulatory authorities.)
Collateral and guarantees	The corporate bonds are not secured or guaranteed, and there are no specific assets pledged for them.
Use of funds	General working capital

Designated hedge accounting has been applied to these bonds using the currency swap as a hedging instrument.

8. The amount of securities lent under lending agreements was ¥3,172,947 million as of December 31, 2020.

9. TAIJU LIFE INSURANCE COMPANY LIMITED, the Company's consolidated subsidiary, has concluded modified co-reinsurance agreements covering foreign currency-denominated single payment endowment insurance (U.S. dollar and Australian dollar) and foreign currency-denominated single payment whole life insurance (U.S. dollar and Australian dollar).

Through this modified co-reinsurance agreement, insurance risk has been transferred, and reinsurance premiums, including additional policy reserves associated with market price adjustments upon interest rate fluctuations, have been recorded and presented in revenues from insurance and reinsurance.

The outstanding balance of reinsurance accounts receivable related to this modified co-reinsurance agreement stood at ¥62,760 million as of December 31, 2020. The outstanding balance of the policy reserve component associated with the modified co-reinsurance agreement stood at ¥784,364 million as of December 31, 2020.

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

(Million Yen)

	Nine months ended December 31, 2020	Nine months ended December 31, 2019
Ordinary income:	5,831,346	5,934,278
Revenues from insurance and reinsurance	3,799,794	4,277,533
Investment income:	1,841,999	1,417,430
Interest, dividends, and other income	1,093,979	1,143,859
Gain on trading securities	5,363	35,421
Gain on sales of securities	479,627	182,540
Foreign exchange gains, net	145,742	—
Gain on separate accounts, net	112,758	50,785
Other ordinary income	189,551	239,314
Ordinary expenses:	5,469,834	5,720,485
Benefits and other payments:	3,315,438	3,346,962
Death and other claims	917,658	942,683
Annuity payments	715,760	719,912
Health and other benefits	607,473	641,638
Surrender benefits	837,015	813,978
Other refunds	194,888	156,185
Provision for policy reserves:	1,089,064	1,254,636
Provision for policy reserves	1,072,881	1,238,216
Provision for interest on reserve for dividends to policyholders (mutual company)	16,175	16,411
Provision for interest on reserve for dividends to policyholders (limited company)	7	8
Investment expenses:	244,952	259,050
Interest expenses	23,167	28,401
Loss from assets held in trust, net	33,591	11,462
Loss on sales of securities	44,504	36,118
Loss on valuation of securities	32,063	22,149
Loss on derivative financial instruments, net	55,838	74,439
Foreign exchange losses, net	—	37,058
Operating expenses	581,897	605,772
Other ordinary expenses	238,481	254,062
Ordinary profit	361,511	213,792
Extraordinary gains:	1,381	51,883
Gain on disposals of fixed assets	1,377	3,146
Gain on step acquisitions	—	48,730
Gain on reversal of share acquisition rights	4	6
Extraordinary losses:	113,076	106,535
Loss on disposals of fixed assets	3,820	3,986
Impairment losses	3,847	32,438
Provision for reserve for price fluctuations in investments in securities	102,408	67,110
Contributions for assisting social public welfare	3,000	3,000

[Consolidated Statements of Income] (Continued)

(Million Yen)

	Nine months ended December 31, 2020	Nine months ended December 31, 2019
Provision for reserve for dividends to policyholders (limited company)	8,865	9,449
Surplus before income taxes	240,950	149,691
Income taxes – current	137,782	89,848
Income taxes – deferred	(111,933)	(85,269)
Total income taxes	25,849	4,578
Net surplus	215,100	145,113
Net (deficit) surplus attributable to noncontrolling interests	4,496	(2,452)
Net surplus attributable to the parent company	210,604	147,565

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 nine months ended December 31, 2020, is as follows:

Purpose of use	Million Yen		
	Land	Buildings and others	Total
Real estate for rental use	¥ 33	¥ 36	¥ 70
Idle properties	2,661	1,116	3,777
Total	¥2,695	¥1,152	¥3,847

4) Measurement of recoverable amount

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

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

2. The total amount of depreciation of real estate for rental use and other assets for the nine months ended December 31, 2020, was ¥67,551 million. Amortization of goodwill for the nine months ended December 31, 2020, was ¥3,172 million.

3. Reinsurance premiums presented in revenues from insurance and reinsurance of TAIJU LIFE INSURANCE COMPANY LIMITED, the Company's consolidated subsidiary, include reinsurance premiums of ¥14,737 million related to modified co-reinsurance agreements for foreign currency-denominated single payment endowment insurance (U.S. dollar and Australian dollar) and foreign currency-denominated single payment whole life insurance (U.S. dollar and Australian dollar). These premiums include adjustment to policy reserves for ceded reinsurance (excluding additional policy reserves associated with market price adjustments) of ¥(13,690) million and additional policy reserves associated with market price adjustments of ¥1,483 million.

Through this reinsurance, ordinary profit and surplus before income taxes increased by ¥5,550 million each.

[Consolidated Statements of Comprehensive Income]

(Million Yen)

	Nine months ended December 31, 2020	Nine months ended December 31, 2019
Net surplus	215,100	145,113
Other comprehensive income (loss):	2,163,104	900,248
Net unrealized gains (losses) on available-for-sale securities	2,204,754	938,485
Deferred gains (losses) on derivatives under hedge accounting	(24,045)	(23,347)
Foreign currency translation adjustments	(10,751)	(21,782)
Remeasurement of defined benefit plans	2,806	7,626
Share of other comprehensive loss of associates accounted for under the equity method	(9,658)	(732)
Comprehensive income (loss):	2,378,205	1,045,361
Comprehensive income (loss) attributable to the parent company	2,352,201	1,041,313
Comprehensive income (loss) attributable to noncontrolling interests	26,003	4,048

(7) Consolidated Solvency Margin Ratio

(Million Yen)

	As of December 31, 2020	As of March 31, 2020
Solvency margin gross amount (A):	18,017,785	14,656,094
Foundation funds (<i>kikin</i>) and other reserve funds:	6,119,722	5,508,422
Foundation funds and others	2,055,017	1,791,393
Reserve for price fluctuations in investments in securities	1,634,030	1,531,621
Contingency reserve	2,179,916	1,934,764
Extraordinary contingency reserve	—	—
General allowance for doubtful accounts	3,068	2,702
Others	247,689	247,939
Net unrealized gains on available-for-sale securities (before tax) and deferred gains (losses) on derivatives under hedge accounting (before tax) × 90%	7,800,166	5,080,551
Net unrealized gains on real estate × 85%	506,781	501,626
Total amount of unrecognized actuarial gains (losses) and unrecognized prior service cost	(17,123)	(20,848)
Excess of continued Zillmerized reserve	1,967,159	1,935,817
Qualifying subordinated debt	1,886,420	1,767,620
Excess of continued Zillmerized reserve and qualifying subordinated debt not included in margin calculations	—	—
Deduction clause	(198,463)	(206,126)
Others	(46,877)	89,031
Total amount of risk (B): $\sqrt{(\sqrt{R_1^2 + R_5^2 + R_8 + R_9})^2 + (R_2 + R_3 + R_7)^2} + R_4 + R_6$	3,292,941	2,798,230
Underwriting risk (R ₁)	166,725	171,736
General underwriting risk (R ₅)	—	—
Huge disaster risk (R ₆)	—	—
Underwriting risk of third-sector insurance (R ₈)	99,657	97,389
Underwriting risk related to small amount and short-term insurance providers (R ₉)	—	—
Anticipated yield risk (R ₂)	404,294	415,002
Minimum guarantee risk (R ₇)	9,050	9,295
Investment risk (R ₃)	2,798,996	2,300,790
Business management risk (R ₄)	69,574	59,884
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	1,094.3%	1,047.5%

- Notes: 1. The amounts and figures as of March 31, 2020, in the table above are calculated based on the provisions of Article 86-2 and Article 88 of the Ordinance for Enforcement of the Insurance Business Act and the Financial Services Agency Public Notice No. 23 of 2011. Those as of December 31, 2020, are calculated based on the methods deemed reasonable by the Company in accordance with the aforementioned provisions.
2. The standard method is used for the calculation of the amount equivalent to minimum guarantee risk.

(8) Segment Information

For the nine months ended December 31, 2020, the Company and its consolidated subsidiaries engaged in insurance business and insurance-related businesses (including asset management-related business and general administration-related business) in Japan and overseas. Segment information and its related information are omitted because there are no other significant segments to be reported.