
Financial Results for the Three Months Ended June 30, 2019

Nippon Life Insurance Company (the “Company”; President: Hiroshi Shimizu) announces financial results for the three months ended June 30, 2019.

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1. Business Highlights

(1) Annualized Premium

- Policies in Force

(100 Million Yen, %)

	As of June 30, 2019		As of March 31, 2019
		As a percentage of March 31, 2019	
Individual insurance	27,283	99.6	27,383
Individual annuities	10,179	100.8	10,096
Total	37,462	100.0	37,479
Medical coverages, living benefits, and others	6,445	101.0	6,383

- New Policies

(100 Million Yen, %)

	Three months ended June 30, 2019		Three months ended June 30, 2018
		As a percentage of three months ended June 30, 2018	
Individual insurance	394	85.0	464
Individual annuities	177	131.7	135
Total	572	95.5	599
Medical coverages, living benefits, and others	155	124.1	125

- 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, 2019				As of March 31, 2019	
	Number of policies		Amount of policies		Number of policies (thousands)	Amount of policies (100 million yen)
	(thousands)	As a percentage of March 31, 2018 (%)	(100 million yen)	As a percentage of March 31, 2018 (%)		
Individual insurance	28,248	101.2	1,345,032	99.4	27,907	1,353,326
Individual annuities	3,981	100.4	241,091	100.7	3,964	239,372
Group insurance	—	—	977,855	100.7	—	971,022
Group annuities	—	—	131,952	100.1	—	131,770

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, 2019						Three months ended June 30, 2018			
	Number of policies		Amount of policies				Number of policies (thousands)	Amount of policies		
	(thousands)	As a percentage of three months ended June 30, 2018 (%)	(100 million yen)	As a percentage of three months ended June 30, 2018 (%)	New policies	Net increase (decrease) by conversion		(100 million yen)	New policies	Net increase (decrease) by conversion
Individual insurance	1,216	94.0	15,076	87.4	14,883	192	1,293	17,256	16,989	266
Individual annuities	56	111.9	4,029	128.5	3,984	44	50	3,136	3,120	15
Group insurance	—	—	1,027	51.1	1,027		—	2,010	2,010	
Group annuities	—	—	1	61.1	1		—	3	3	

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

2. Investment Management Performance (General Account)

(1) Asset Composition

(100 Million Yen, %)

	As of June 30, 2019		As of March 31, 2019	
	Amount	%	Amount	%
Cash, deposits, and call loans	9,055	1.3	10,793	1.6
Receivables under resale agreements	—	—	—	—
Receivables under securities borrowing transactions	—	—	—	—
Monetary receivables purchased	2,255	0.3	2,440	0.4
Proprietary trading securities	—	—	—	—
Assets held in trust	133	0.0	131	0.0
Investments in securities:	558,477	83.1	555,143	83.1
Domestic bonds	236,384	35.2	235,275	35.2
Domestic stocks	86,247	12.8	89,554	13.4
Foreign securities:	202,538	30.1	198,595	29.7
Foreign bonds	140,439	20.9	138,710	20.8
Foreign stocks and other securities	62,099	9.2	59,884	9.0
Other securities	33,307	5.0	31,717	4.7
Loans:	74,298	11.1	74,387	11.1
Policy loans	5,735	0.9	5,827	0.9
Industrial and consumer loans	68,562	10.2	68,559	10.3
Real estate:	16,515	2.5	16,496	2.5
Investment properties	10,504	1.6	10,484	1.6
Deferred tax assets	—	—	—	—
Other assets	11,268	1.7	8,919	1.3
Allowance for doubtful accounts	(51)	(0.0)	(44)	(0.0)
Total assets (general account):	671,952	100.0	668,267	100.0
Foreign currency-denominated assets	191,235	28.5	187,195	28.0

Notes: 1. The above assets include cash received as collateral under securities lending transactions. Cash collateral received through these transactions is also recorded in liabilities as cash received as collateral under securities lending transactions (no balance and ¥32.6 billion as of June 30, 2019, and March 31, 2019, respectively).

2. 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, 2019					As of March 31, 2019				
	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*	207,979	251,644	43,665	43,669	(4)	206,963	247,738	40,774	40,777	(2)
Held-to-maturity debt securities	—	—	—	—	—	—	—	—	—	—
Investments in subsidiaries and affiliates	640	1,424	784	784	—	640	1,368	728	728	—
Available-for-sale securities:	270,062	337,864	67,802	71,064	(3,262)	269,616	337,085	67,469	70,368	(2,898)
Domestic bonds	28,909	31,474	2,564	2,576	(11)	28,953	31,307	2,353	2,364	(10)
Domestic stocks	42,566	80,919	38,352	41,040	(2,687)	42,682	84,459	41,777	43,862	(2,084)
Foreign securities:	167,135	190,969	23,834	24,392	(557)	166,482	187,236	20,753	21,533	(780)
Foreign bonds	123,194	139,356	16,161	16,517	(356)	123,905	137,743	13,837	14,350	(512)
Foreign stocks and other securities	43,940	51,613	7,672	7,874	(201)	42,576	49,492	6,916	7,183	(267)
Other securities	29,365	32,410	3,044	3,050	(5)	28,270	30,854	2,584	2,606	(22)
Monetary receivables purchased	318	324	5	5	(0)	434	434	0	1	(0)
Negotiable certificates of deposit	1,766	1,765	(0)	0	(0)	2,793	2,792	(0)	0	(0)
Total	478,681	590,933	112,251	115,518	(3,266)	477,219	586,192	108,972	111,874	(2,901)
Domestic bonds	233,819	279,905	46,085	46,097	(11)	232,921	275,912	42,990	43,001	(10)
Domestic stocks	42,566	80,919	38,352	41,040	(2,687)	42,682	84,459	41,777	43,862	(2,084)
Foreign securities:	168,904	193,560	24,655	25,216	(561)	168,103	189,618	21,515	22,297	(782)
Foreign bonds	124,332	140,532	16,199	16,558	(359)	124,895	138,767	13,871	14,386	(514)
Foreign stocks and other securities	44,571	53,028	8,456	8,657	(201)	43,207	50,851	7,643	7,911	(267)
Other securities	29,375	32,420	3,045	3,051	(5)	28,279	30,864	2,585	2,607	(22)
Monetary receivables purchased	2,250	2,362	111	112	(0)	2,439	2,544	104	106	(1)
Negotiable certificates of deposit	1,766	1,765	(0)	0	(0)	2,793	2,792	(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 valued using the moving average method, net of accumulated amortization (straight-line). 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 June 30, 2019	As of March 31, 2019
Policy-reserve-matching bonds	—	—
Held-to-maturity debt securities:	—	—
Unlisted foreign bonds	—	—
Others	—	—
Investments in subsidiaries and affiliates	10,466	10,251
Available-for-sale securities:	5,629	5,398
Unlisted domestic stocks (excluding over-the-counter stocks)	565	532
Unlisted foreign stocks (excluding over-the-counter stocks)	1,200	1,200
Unlisted foreign bonds	—	—
Others	3,863	3,665
Total	16,096	15,650

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:

¥(20.7) billion and ¥3.6 billion as of June 30, 2019, and March 31, 2019, respectively.

(3) Fair Value Information of Assets Held in Trust

(100 Million Yen)

	As of June 30, 2019					As of March 31, 2019				
	Balance sheet amount	Fair value	Net gains/losses		Balance sheet amount	Fair value	Net gains/losses			
			Gains	Losses			Gains	Losses		
Assets held in trust	133	133	—	—	131	131	—	—		

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, 2019		As of March 31, 2019	
	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	133	26	131	(15)

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, 2019, and March 31, 2019.

3. Nonconsolidated Balance Sheets

(Million Yen)

	As of June 30, 2019	As of March 31, 2019
Assets:		
Cash and deposits	888,513	977,580
Call loans	346,148	429,912
Monetary receivables purchased	225,589	244,043
Assets held in trust	13,305	13,157
Investments in securities:	56,694,633	56,383,725
National government bonds	21,268,317	21,140,721
Local government bonds	740,298	790,372
Corporate bonds	2,004,911	1,969,571
Domestic stocks	8,759,974	9,110,036
Foreign securities	20,510,547	20,121,556
Loans:	7,429,833	7,438,736
Policy loans	573,545	582,774
Industrial and consumer loans	6,856,288	6,855,961
Tangible fixed assets	1,680,142	1,680,589
Intangible fixed assets	192,031	192,502
Reinsurance receivables	400	587
Other assets	927,089	688,042
Customers' liability for acceptances and guarantees	74,673	69,893
Allowance for doubtful accounts	(5,194)	(4,463)
Allowance for investment loss	(31,056)	(29,597)
Total assets	68,436,112	68,084,710
Liabilities:		
Policy reserves and other reserves:	56,704,209	56,347,264
Reserve for outstanding claims	228,911	238,428
Policy reserves	55,317,721	55,088,621
Reserve for dividends to policyholders	1,157,577	1,020,213
Reinsurance payables	436	624
Corporate bonds	1,028,889	1,028,889
Other liabilities:	1,813,720	1,694,384
Income taxes payable	31,290	40,348
Lease obligations	8,145	9,341
Asset retirement obligations	4,865	4,850
Other liabilities	1,769,418	1,639,844
Accrued bonuses for directors, and audit and supervisory board members	154	106
Accrued retirement benefits	368,292	365,897
Accrued retirement benefits for directors, and audit and supervisory board members	4,360	4,225
Reserve for program points	9,931	9,203
Reserve for price fluctuations in investments in securities	1,395,763	1,381,653
Deferred tax liabilities	468,915	496,857
Deferred tax liabilities for land revaluation	103,626	103,748
Acceptances and guarantees	74,673	69,893
Total liabilities	61,972,973	61,502,747

3. Nonconsolidated Balance Sheets (Continued)

(Million Yen)

	As of June 30, 2019	As of March 31, 2019
Net assets:		
Foundation funds	100,000	100,000
Reserve for redemption of foundation funds	1,300,000	1,250,000
Reserve for revaluation	651	651
Surplus:	227,191	434,526
Legal reserve for deficiencies	18,394	17,578
Other surplus reserves:	208,797	416,948
Equalized reserve for dividends to policyholders	—	10,000
Contingency funds	71,917	71,917
Reserve for social public welfare assistance	3,351	351
Reserve for reduction entry of real estate	63,729	49,836
Reserve for reduction entry of real estate to be purchased	14,790	28,603
Other reserves	170	170
Unappropriated surplus	54,838	* 256,070
Total foundation funds and others	1,627,843	1,785,178
Net unrealized gains on available-for-sale securities	4,891,144	4,882,692
Deferred losses on derivatives under hedge accounting	(884)	(31,216)
Land revaluation losses	(54,964)	(54,690)
Total valuations, conversions, and others	4,835,294	4,796,785
Total net assets	6,463,138	6,581,963
Total liabilities and net assets	68,436,112	68,084,710

Note: Unappropriated surplus on the condensed balance sheet as of March 31, 2019, represents the current-year unappropriated surplus.

Basis of Presenting the Nonconsolidated Balance Sheet as of June 30, 2019

1. As the proposed appropriation of surplus for the fiscal year ended March 31, 2019, was approved at the annual meeting of representatives of policyholders held on July 2, 2019, it is included in the nonconsolidated balance sheet as of June 30, 2019. Details of the appropriation of surplus approved at the annual meeting of representatives of policyholders are as follows:

	Million Yen
a. Unappropriated surplus as of March 31, 2019	¥256,070
b. Reversal from voluntary surplus reserves	¥25,746
c. Appropriations:	¥281,816
Reserve for dividends to policyholders	¥211,818
Legal reserve for deficiencies	¥816
Reserve for redemption of foundation funds	¥50,000
Interest on foundation funds	¥355
Voluntary surplus reserves	¥18,826
d. Surplus carried forward (a+b-c)	—

2. The corporate tax, inhabitant tax, and income tax adjustments for the three months ended June 30, 2019, are calculated based on the assumption of accumulations and reversals of the reserve for reduction entry of real estate and the reserve for dividends to policyholders due to the appropriation of surplus in the current fiscal year.
3. Effective from the three months ended June 30, 2019, the consolidated taxation system has been applied with the Company as the parent company for consolidated taxation purposes.
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. As a result, policy reserves increased by ¥30,654 million, while ordinary profit and surplus before income taxes decreased by ¥30,654 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, 2019.

5. Changes in the reserve for dividends to policyholders for the three months ended June 30, 2019, were as follows:

	Million Yen
	Three months ended June 30, 2019
a. Balance at the beginning of the current fiscal year	¥1,020,213
b. Transfer to reserve based on the proposed appropriation of surplus for previous fiscal year	¥211,818
c. Dividends paid to policyholders during the current three-month period	¥79,858
d. Increase in interest	¥5,402
e. Balance at the end of the current three-month period (a+b-c+d)	¥1,157,577

6. Following the amendment of the Articles of Incorporation approved at the meeting of representatives held on July 2, 2019, the Company has offered foundation funds (kikin) as provided in Article 60 of the Insurance Business Act as below. Payment was completed on August 1, 2019.

- a. Total amount offered
¥50,000 million
- b. Interest rate
0.25% per annum from August 2, 2019 to August 1, 2024
- c. Redemption date
August 1, 2024
- d. Use of funds
Foundation funds (kikin) for mutual company

7. Based on the proposed appropriation of surplus for the previous fiscal year, the Company credited ¥50,000 million to the reserve for redemption of foundation funds as prescribed in Article 56 of the Insurance Business Act and redeemed the same amount of foundation funds on August 1, 2019.

8. On May 22, 2019, the Company resolved to carry out a tender offer for shares of Reliance Nippon Life Asset Management Limited (RNAM), which is an affiliate accounted for under the equity method. The tender offer became effective on July 23, 2019, and completed on August 5, 2019.

On May 23, 2019, the Company entered into an agreement (the “Agreement”) with Reliance Capital Limited (RCAP), a shareholder of RNAM, to acquire shares of RNAM held by RCAP up to 75% of total outstanding RNAM shares after the tender offer.

1) Objective of share acquisition

RNAM's investment trust assets have been steadily increasing, and with the background of steady economic development, the objective is to support RNAM's presence in the Indian asset management market, which is expected to grow in the future.

2) Overview of RNAM

- a. Name: Reliance Nippon Life Asset Management Limited
- b. Business: Asset management
- c. Head office: Mumbai, India
- d. Ordinary income: INR 16.49 billion (approximately ¥26.5 billion)
(Year ended March 31, 2019)
- e. Investment trust asset balance: INR 2.3 trillion (approximately ¥3.7 trillion)
(January to March 2019 average)

* Yen amounts in parentheses have been converted from Indian rupees at a rate of INR 1 to ¥1.61 (using the exchange rate as of March 31, 2019).

3) Schedule for share acquisition

Settlement date for shares acquired through the tender offer:	Mid-August 2019
Acquisition through the Agreement:	From mid-August 2019 to late-September 2019

4) Acquisition cost and breakdown

Consideration for acquisition

Fair value of RNAM shares held before the tender offer (estimate)	Approximately INR 60,350 million (approximately ¥94.7 billion)
Additional cash payment for RNAM shares acquired through the tender offer and the Agreement	Approximately INR 45,219 million (approximately ¥70.9 billion)
Acquisition cost	Approximately INR 105,570 million (approximately ¥165.7 billion)

* Yen amounts in parentheses have been converted from Indian rupees at a rate of INR 1 to ¥1.57 (using the exchange rate as of June 30, 2019).

5) Breakdown of voting rights

Percentage of voting rights held before the tender offer	42.875%
Percentage of voting rights acquired through the tender offer and the Agreement	32.125%
<hr/>	
Percentage of voting rights after the acquisition	75%

9. On June 17, 2019, the Company reached an agreement with Grand Guardian Insurance Holding Public Company (GGIH), a member of the Shwe Taung Group, and Grand Guardian Life Insurance Company Limited (GGLI), a life insurance company owned by GGIH, to acquire equity interest of 35.0% in GGLI for the equivalent of USD 21 million (approximately ¥2.2 billion, converted at USD 1 to ¥107.79). On June 21, 2019, the Company submitted the application for permission to Myanmar financial authorities.

As a result of the acquisition, GGLI will be renamed as Grand Guardian Nippon Life Insurance Company Limited.

10. The amount of securities lent under lending agreements was ¥3,173,823 million as of June 30, 2019.

4. Nonconsolidated Statements of Income

(Million Yen)

	Three months ended June 30, 2019	Three months ended June 30, 2018
Ordinary income:	1,519,387	1,498,560
Revenues from insurance and reinsurance:	1,136,332	1,044,082
Insurance premiums	1,136,212	1,043,904
Investment income:	343,679	400,025
Interest, dividends, and other income	314,423	310,613
Gain from assets held in trust, net	147	—
Gain on sales of securities	25,230	72,504
Gain on separate accounts, net	3,188	10,924
Other ordinary income	39,375	54,453
Ordinary expenses:	1,453,699	1,395,801
Benefits and other payments:	927,095	900,090
Death and other claims	249,166	266,736
Annuity payments	197,509	197,989
Health and other benefits	197,515	177,846
Surrender benefits	211,491	219,113
Other refunds	71,290	38,280
Provision for policy reserves:	234,502	203,860
Provision for policy reserves	229,099	198,363
Provision for interest on reserve for dividends to policyholders	5,402	5,497
Investment expenses:	81,636	83,999
Interest expenses	7,980	6,957
Loss from assets held in trust, net	—	4,993
Loss on sales of securities	10,304	30,571
Loss on valuation of securities	25,342	2,775
Loss on derivative financial instruments, net	7,256	23,735
Operating expenses	151,260	151,690
Other ordinary expenses	59,205	56,160
Ordinary profit	65,688	102,759
Extraordinary gains:	71	212
Gain on disposals of fixed assets	71	212
Extraordinary losses:	15,616	38,866
Loss on disposals of fixed assets	456	480
Impairment losses	1,049	1,150
Provision for reserve for price fluctuations in investments in securities	14,110	37,235
Surplus before income taxes	50,143	64,105
Income taxes – current	51,605	48,280
Income taxes – deferred	(56,025)	(45,887)
Total income taxes	(4,420)	2,392
Net surplus	54,564	61,713

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 three months ended June 30, 2019, is as follows:

	Million Yen			
Purpose of use	Land	Leasehold interests in land	Buildings	Total
Idle properties	¥557	¥168	¥323	¥1,049
Total	¥557	¥168	¥323	¥1,049

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, 2019	Three months ended June 30, 2018
Core operating profit (A)	126,132	125,993
Capital gains:	68,545	78,075
Gain on proprietary trading securities	—	—
Gain from assets held in trust, net	147	—
Gain on trading securities	—	—
Gain on sales of securities	25,230	72,504
Gain on derivative financial instruments, net	—	—
Foreign exchange gains, net	—	5,019
Other capital gains	43,166	551
Capital losses:	85,219	67,323
Loss on proprietary trading securities	—	—
Loss from assets held in trust, net	—	4,993
Loss on trading securities	—	—
Loss on sales of securities	10,304	30,571
Loss on valuation of securities	25,342	2,775
Loss on derivative financial instruments, net	7,256	23,735
Foreign exchange losses, net	16,557	—
Other capital losses	25,758	5,247
Net capital (losses) gains (B)	(16,674)	10,751
Core operating profit, including net capital (losses) gains (A+B)	109,458	136,745
Nonrecurring gains:	28	—
Reinsurance revenue	—	—
Reversal of contingency reserve	—	—
Reversal of specific allowance for doubtful accounts	28	—
Other nonrecurring gains	—	—
Nonrecurring losses:	43,769	33,985
Reinsurance premiums	—	—
Provision for contingency reserve	11,685	30,998
Provision for specific allowance for doubtful accounts	—	1,893
Provision for allowance for specific overseas loans	—	—
Write-offs of loans	—	—
Other nonrecurring losses	32,113	1,094
Net nonrecurring losses (C)	(43,769)	(33,985)
Ordinary profit (A+B+C)	65,688	102,759

(Reference) Breakdown of “Other” items

(Million Yen)

	Three months ended June 30, 2019	Three months ended June 30, 2018
Core operating profit	(17,408)	4,696
Interest income and expenses related to swap transactions for foreign currency-denominated insurance products and swap transactions for hedging purposes	4,211	3,295
Impact of market exchange rate movements related to foreign currency-denominated insurance policies	(43,166)	1,952
Impact of movements in surrender benefits related to market value adjustment	21,546	(551)
Other capital gains	43,166	551
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	43,166	—
Impact of movements in surrender benefits related to market value adjustment	—	551
Other capital losses	25,758	5,247
Interest income and expenses related to swap transactions for foreign currency-denominated insurance products and swap transactions for hedging purposes	4,211	3,295
Impact of market exchange rate movements related to foreign currency-denominated insurance policies	—	1,952
Impact of movements in surrender benefits related to market value adjustment	21,546	—
Other nonrecurring gains	—	—
Reversal of allowance for investment loss	—	—
Other nonrecurring losses	32,113	1,094
Provision for allowance for investment loss	1,459	1,094
Provision for policy reserves pursuant to Article 69 Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act in Japan	30,654	—

6. Solvency Margin Ratio

(Million Yen)

	As of June 30, 2019	As of March 31, 2019
Solvency margin gross amount (A):	14,333,685	14,177,668
Foundation funds (<i>kikin</i>) and other reserve funds:	5,074,288	4,992,846
Foundation funds and others	1,627,843	1,573,004
Reserve for price fluctuations in investments in securities	1,395,763	1,381,653
Contingency reserve	1,788,796	1,777,111
General allowance for doubtful accounts	1,602	794
Others	260,282	260,282
Net unrealized gains on available-for-sale securities (before tax) and deferred losses on derivatives under hedge accounting (before tax) × 90%	6,035,061	5,995,119
Net unrealized gains on real estate × 85%	358,056	358,288
Excess of continued Zillmerized reserve	1,585,811	1,566,354
Qualifying subordinated debt	1,338,889	1,248,889
Excess of continued Zillmerized reserve and qualifying subordinated debt not included in margin calculations	—	—
Deduction clause	(34,403)	(13,021)
Others	(24,018)	29,191
Total amount of risk (B):		
$\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$	2,949,471	3,038,049
Underwriting risk (R ₁)	117,161	117,577
Underwriting risk of third-sector insurance (R ₈)	81,050	81,303
Anticipated yield risk (R ₂)	363,423	364,647
Minimum guarantee risk (R ₇)	5,522	5,576
Investment risk (R ₃)	2,512,129	2,597,831
Business management risk (R ₄)	61,585	63,338
Solvency margin ratio		
$\frac{(A)}{(1/2) \times (B)} \times 100$	971.9%	933.3%

Notes: 1. The amounts and figures as of March 31, 2019, 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 June 30, 2019, 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 June 30, 2019	As of March 31, 2019
Individual variable insurance	109,282	110,135
Individual variable annuities	40,331	41,251
Group annuities	1,091,227	1,106,612
Separate account total	1,240,841	1,257,999

(2) Policies in Force

- Individual Variable Insurance

	As of June 30, 2019		As of March 31, 2019	
	Number of policies	Amount of policies (million yen)	Number of policies	Amount of policies (million yen)
Variable insurance (defined term type)	9,350	6,917	8,395	6,510
Variable insurance (whole life type)	31,816	446,509	31,966	449,867
Total	41,166	453,426	40,361	456,377

- Individual Variable Annuities

	As of June 30, 2019		As of March 31, 2019	
	Number of policies	Amount of policies (million yen)	Number of policies	Amount of policies (million yen)
Individual variable annuities	34,935	40,331	33,554	41,240

8. Status of the Company, Subsidiaries, and Affiliates

(1) Selected Financial Data for Major Operations

(100 Million Yen)

	Three months ended June 30, 2019	Three months ended June 30, 2018
Ordinary income	19,297	18,851
Ordinary profit	725	1,116
Net surplus attributable to the parent company	513	739
Comprehensive income	1,195	2,625

	As of June 30, 2019	As of March 31, 2019
Total assets	792,468	788,095
Solvency margin ratio	1041.9%	997.3%

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

	As of June 30, 2019
Number of consolidated subsidiaries	13
Number of subsidiaries not consolidated but accounted for under the equity method	0
Number of affiliates accounted for under the equity method	14
Changes in significant subsidiaries and affiliates during the period	Additions: 1 HANASAKU LIFE INSURANCE Co., Ltd.

(3) Basis of Preparing the Consolidated Financial Statements for the Three Months Ended June 30, 2019

Under Article 59-7 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 three months ended June 30, 2018, 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 Three Months Ended June 30, 2019

Consolidated subsidiaries

HANASAKU LIFE INSURANCE Co., Ltd., which has started its operation as a life insurance company, has been included in the scope of consolidation from the three months ended June 30, 2019, due to its growing significance.

(5) Consolidated Balance Sheets

(Million Yen)

	As of June 30, 2019	As of March 31, 2019
Assets:		
Cash and deposits	1,469,203	1,541,390
Call loans	346,148	429,912
Monetary receivables purchased	379,364	401,938
Assets held in trust	13,505	13,357
Investments in securities	64,804,934	64,458,905
Loans	8,497,457	8,510,520
Tangible fixed assets	1,910,604	1,907,653
Intangible fixed assets	269,172	263,513
Reinsurance receivables	7,575	9,368
Other assets	1,474,555	1,199,998
Deferred tax assets	6,297	9,140
Customers' liability for acceptances and guarantees	75,797	71,016
Allowance for doubtful accounts	(7,748)	(7,198)
Total assets	79,246,869	78,809,517
Liabilities:		
Policy reserves and other reserves:	65,882,147	65,483,705
Reserve for outstanding claims	293,766	302,778
Policy reserves	64,371,259	64,100,386
Reserve for dividends to policyholders (mutual company)	1,157,577	1,020,213
Reserve for dividends to policyholders (limited company)	59,544	60,326
Reinsurance payables	8,148	8,424
Corporate bonds	1,175,589	1,175,589
Other liabilities	2,653,339	2,518,762
Accrued bonuses for directors, and audit and supervisory board members	154	106
Net defined benefit liability	439,124	440,556
Accrued retirement benefits for directors, and audit and supervisory board members	5,030	4,905
Reserve for program points	9,931	9,203
Reserve for price fluctuations in investments in securities	1,475,558	1,460,182
Deferred tax liabilities	535,422	555,094
Deferred tax liabilities for land revaluation	103,626	103,748
Acceptances and guarantees	75,797	71,016
Total liabilities	72,363,869	71,831,296

(5) Consolidated Balance Sheets (Continued)

(Million Yen)

	As of June 30, 2019	As of March 31, 2019
Net assets:		
Foundation funds	100,000	100,000
Reserve for redemption of foundation funds	1,300,000	1,250,000
Reserve for revaluation	651	651
Consolidated surplus	417,028	629,555
Total foundation funds and others	1,817,680	1,980,206
Net unrealized gains on available-for-sale securities	4,974,853	4,943,922
Deferred losses on derivatives under hedge accounting	(1,480)	(31,643)
Land revaluation losses	(54,964)	(54,690)
Foreign currency translation adjustments	(5,087)	(4,853)
Remeasurement of defined benefit plans	(10,985)	(13,494)
Total accumulated other comprehensive income	4,902,334	4,839,241
Noncontrolling interests	162,985	158,772
Total net assets	6,883,000	6,978,221
Total liabilities and net assets	79,246,869	78,809,517

Basis of Presenting the Consolidated Balance Sheet as of June 30, 2019

1. As the proposed appropriation of surplus of the Company for the fiscal year ended March 31, 2019, was approved at the annual meeting of representatives of policyholders held on July 3, 2019, it is included in the consolidated balance sheet as of June 30, 2019. Details of the appropriation of surplus approved at the annual meeting of representatives of policyholders are as follows:

	Million Yen
a. Unappropriated surplus as of March 31, 2019	¥256,070
b. Reversal from voluntary surplus reserves	¥25,746
c. Appropriations:	¥281,816
Reserve for dividends to policyholders (mutual company)	¥211,818
Legal reserve for deficiencies	¥816
Reserve for redemption of foundation funds	¥50,000
Interest on foundation funds	¥355
Voluntary surplus reserves	¥18,826
d. Surplus carried forward (a+b-c)	—

2. The corporate tax, inhabitant tax, and income tax adjustments of the Company for the three months ended June 30, 2019, 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.
3. Effective from the three months ended June 30, 2019, the Company and its certain subsidiaries have applied the consolidated taxation system with the Company as the parent company for consolidated taxation purposes.
4. The Company and its certain consolidated life insurance companies in Japan provided additional policy reserves in the three months ended June 30, 2019. As a result, policy reserves increased by ¥34,090 million, while ordinary profit and surplus before income taxes decreased by ¥34,090 million.
- 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. As a result, policy reserves increased by ¥30,654 million, while ordinary profit and surplus before income taxes decreased by ¥30,654 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, 2019.

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 ¥3,435 million, while ordinary profit and surplus before income taxes decreased by ¥3,435 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, 2019.

5. Changes in the reserve for dividends to policyholders of a mutual company for the three months ended June 30, 2019, were as follows:

	Million Yen
	<u>Three months ended June 30, 2019</u>
a. Balance at the beginning of the current fiscal year	¥1,020,213
b. Transfer to reserve based on the proposed appropriation of surplus for previous fiscal year	¥211,818
c. Dividends paid to policyholders (mutual company) during the current three-month period	¥79,858
d. Increase in interest	¥5,402
e. Balance at the end of the current three-month period (a+b-c+d)	<u>¥1,157,577</u>

6. Changes in the reserve for dividends to policyholders of a limited company for the three months ended June 30, 2019, were as follows:

	Million Yen
	Three months ended June 30, 2019
a. Balance at the beginning of the current fiscal year	¥60,326
b. Dividends paid to policyholders (limited company) during the current three-month period	¥4,030
c. Increase in interest	¥2
d. Provision for reserve for dividends to policyholders (limited company)	¥3,245
e. Balance at the end of the current three-month period (a-b+c+d+e)	¥59,544

7. Following the amendment of the Articles of Incorporation approved at the meeting of representatives held on July 2, 2019, the Company has offered foundation funds (kikin) as provided in Article 60 of the Insurance Business Act as below. Payment was completed on August 1, 2019.
- Total amount offered ¥50,000 million
 - Interest rate 0.25% per annum from August 2, 2019 to August 1, 2024
 - Redemption date August 1, 2024
 - Use of funds Foundation funds (kikin) for mutual company
8. Based on the proposed appropriation of surplus for the previous fiscal year, the Company credited ¥50,000 million to the reserve for redemption of foundation funds as prescribed in Article 56 of the Insurance Business Act and redeemed the same amount of foundation funds on August 1, 2019.
9. On May 22, 2019, the Company resolved to carry out a tender offer for shares of RNAM, which is an affiliate accounted for under the equity method. The tender offer became effective on July 23, 2019, and completed on August 5, 2019.

On May 23, 2019, the Company entered into the Agreement with RCAP, a shareholder of RNAM, to acquire shares of RNAM held by RCAP up to 75% of total outstanding RNAM after the tender offer.

1) Objective of share acquisition

RNAM's investment trust assets have been steadily increasing, and with the background of steady economic development, the objective is to support RNAM's presence in the Indian asset management market, which is expected to grow in the future.

2) Overview of RNAM

a. Name:	Reliance Nippon Life Asset Management Limited
b. Business activities:	Asset management
c. Head office:	Mumbai, India
d. Ordinary income:	INR 16.49 billion (approximately ¥26.5 billion) (Year ended March 31, 2019)
e. Investment trust asset balance:	INR 2.3 trillion (approximately ¥3.7 trillion) (January to March 2019 average)

* Yen amounts in parentheses have been converted from Indian rupees at a rate of INR 1 to ¥1.61 (using the exchange rate as of March 31, 2019).

3) Schedule for share acquisition

Settlement date for shares acquired through the tender offer: Mid-August 2019

Acquisition through the Agreement: From mid-August 2019 to late-September 2019

4) Acquisition cost and breakdown

Consideration for acquisition

Fair value of RNAM shares held before the tender offer (estimate)	Approximately INR 60,350 million (approximately ¥94.7 billion)
Additional cash payment for RNAM shares acquired through the tender offer and the Agreement	Approximately INR 45,219 million (approximately ¥70.9 billion)
Acquisition cost	Approximately INR 105,570 million (approximately ¥165.7 billion)

* Yen amounts shown in parentheses have been converted from Indian rupees at a rate of INR 1 to ¥1.57 (using the exchange rate as of June 30, 2019).

5) Breakdown of voting rights

Percentage of voting rights held before the tender offer	42.875%
Percentage of voting rights acquired through the tender offer and the Agreement	32.125%
Percentage of voting rights after the acquisition	75%

10. On June 17, 2019, the Company reached an agreement with GGIH, a member of the Shwe Taung Group, and GGLI, a life insurance company owned by GGIH, to acquire equity interest of 35.0% in GGLI for the equivalent of USD 21 million (approximately ¥2.2 billion, converted at USD 1 to ¥107.79). On June 21, 2019, the Company submitted the application for permission to Myanmar financial authorities.

As a result of the acquisition, GGLI will be renamed as Grand Guardian Nippon Life Insurance Company Limited.

11. The amount of securities lent under lending agreements was ¥3,243,733 million as of June 30, 2019.

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

(Million Yen)

	Three months ended June 30, 2019	Three months ended June 30, 2018
Ordinary income:	1,929,726	1,885,113
Revenues from insurance and reinsurance	1,423,335	1,336,973
Investment income:	444,820	467,422
Interest, dividends, and other income	349,122	345,932
Gain from assets held in trust, net	147	—
Gain on trading securities	15,522	1,820
Gain on sales of securities	40,160	74,582
Gain on derivative financial instruments, net	35,466	—
Foreign exchange gains, net	—	29,674
Gain on separate accounts, net	3,384	14,037
Other ordinary income	61,570	80,717
Ordinary expenses:	1,857,137	1,773,501
Benefits and other payments:	1,136,621	1,139,348
Death and other claims	306,569	336,083
Annuity payments	242,598	241,759
Health and other benefits	243,011	228,219
Surrender benefits	261,488	279,305
Other refunds	72,896	42,852
Provision for policy reserves:	276,590	254,117
Provision for policy reserves	271,184	248,617
Provision for interest on reserve for dividends to policyholders (mutual company)	5,402	5,497
Provision for interest on reserve for dividends to policyholders (limited company)	2	3
Investment expenses:	164,548	103,832
Interest expenses	9,064	8,049
Loss from assets held in trust, net	—	4,993
Loss on sales of securities	12,385	33,342
Loss on valuation of securities	25,657	2,778
Loss on derivative financial instruments, net	—	38,764
Foreign exchange losses, net	102,654	—
Operating expenses	202,783	204,485
Other ordinary expenses	76,593	71,716
Ordinary profit	72,588	111,612

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

(Million Yen)

	Three months ended June 30, 2019	Three months ended June 30, 2018
Extraordinary gains:	108	10,997
Gain on disposals of fixed assets	108	650
Gain on bargain purchase	—	10,347
Extraordinary losses:	16,989	40,135
Loss on disposals of fixed assets	564	623
Impairment losses	1,049	1,150
Provision for reserve for price fluctuations in investments in securities	15,375	38,361
Provision for reserve for dividends to policyholders (limited company)	3,245	3,165
Surplus before income taxes	52,462	79,308
Income taxes - current	55,035	54,003
Income taxes - deferred	(54,633)	(49,590)
Total income taxes	402	4,412
Net surplus	52,060	74,895
Net surplus attributable to noncontrolling interests	689	942
Net surplus attributable to the parent company	51,371	73,953

1. Impairment losses are as follows:

1) Method for grouping the assets

Real estate for rental use and idle properties of the Company and its certain consolidated subsidiaries are classified as one asset group per property. 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 three months ended June 30, 2018, is as follows:

Purpose of use	Million Yen			
	Land	Leasehold interests in land	Buildings and others	Total
Real estate for rental use	¥—	¥—	¥0	¥0
Idle properties	¥557	¥168	¥323	¥1,049
Total	¥557	¥168	¥324	¥1,049

4) Measurement of recoverable amount

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

In principle, the value in use is determined as the discounted future cash flows using a discount rate of 3.0% to 3.3%. 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, 2019, was ¥20,277 million. Amortization of goodwill for the three months ended June 30, 2019, was ¥625 million.

[Consolidated Statements of Comprehensive Income]

(Million Yen)

	Three months ended June 30, 2019	Three months ended June 30, 2018
Net surplus	52,060	74,895
Other comprehensive income:	67,451	187,627
Net unrealized gains on available-for-sale securities	32,144	221,197
Deferred gains on derivatives under hedge accounting	30,339	612
Foreign currency translation adjustments	1,092	(25,440)
Remeasurement of defined benefit plans	2,542	1,999
Share of other comprehensive loss of associates accounted for under the equity method	1,332	(10,742)
Comprehensive income:	119,511	262,523
Comprehensive income attributable to the parent company	114,738	263,730
Comprehensive income (loss) attributable to noncontrolling interests	4,773	(1,207)

(7) Consolidated Solvency Margin Ratio

(Million Yen)

	As of June 30, 2019	As of March 31, 2019
Solvency margin gross amount (A):	15,250,555	15,040,262
Foundation funds (<i>kikin</i>) and other reserve funds:	5,522,603	5,437,605
Foundation funds and others	1,944,836	1,888,331
Reserve for price fluctuations in investments in securities	1,475,558	1,460,182
Contingency reserve	1,838,134	1,825,914
Extraordinary contingency reserve	—	—
General allowance for doubtful accounts	3,014	2,213
Others	261,060	260,963
Net unrealized gains on available-for-sale securities (before tax) and deferred losses on derivatives under hedge accounting (before tax) × 90%	6,147,938	6,083,208
Net unrealized gains on real estate × 85%	374,090	374,311
Total amount of unrecognized actuarial gains/losses and unrecognized prior service cost	(15,237)	(18,717)
Excess of continued Zillmerized reserve	1,816,675	1,798,965
Qualifying subordinated debt	1,602,089	1,512,089
Excess of continued Zillmerized reserve and qualifying subordinated debt not included in margin calculations	—	—
Deduction clause	(249,270)	(249,621)
Others	51,666	102,421
Total amount of risk (B): $\sqrt{(\sqrt{R_1^2 + R_5^2 + R_8 + R_9})^2 + (R_2 + R_3 + R_7)^2} + R_4 + R_6$	2,927,385	3,015,936
Underwriting risk (R ₁)	163,476	164,973
General underwriting risk (R ₅)	—	—
Huge disaster risk (R ₆)	—	—
Underwriting risk of third-sector insurance (R ₈)	92,826	93,010
Underwriting risk related to small amount and short-term insurance providers (R ₉)	—	—
Anticipated yield risk (R ₂)	431,101	432,609
Minimum guarantee risk (R ₇)	9,224	9,302
Investment risk (R ₃)	2,413,373	2,498,757
Business management risk (R ₄)	62,200	63,973
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	1,041.9%	997.3%

- Notes: 1. The amounts and figures as of March 31, 2019, 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 June 30, 2019, 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 three months ended June 30, 2019, 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.