Important Notice

NOT TO BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON.

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER QIBs OR NON-U.S. PERSONS OUTSIDE THE UNITED STATES (EACH AS DEFINED BELOW).

IF YOU DO NOT AGREE TO THE TERMS AND CONDITIONS CONTAINED IN THIS DISCLAIMER YOU SHOULD NOT READ THE ATTACHED OFFERING CIRCULAR AND SHOULD DELETE THIS ELECTRONIC TRANSMISSION.

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the attached offering circular dated January 15, 2020 (the "Offering Circular"), and you are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the attached Offering Circular. In accessing the attached Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access. If you are not the intended recipient, please notify us immediately and delete this electronic transmission and the attached Offering Circular from your system. You agree you will not forward this electronic transmission or the attached Offering Circular to any other person.

NOTHING IN THIS ELECTRONIC TRANSMISSION AND THE ATTACHED OFFERING CIRCULAR CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE SUCH OFFER OR SALE IS UNLAWFUL. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE U.S. (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE ATTACHED OFFERING CIRCULAR IS PERSONAL TO YOU, IS CONFIDENTIAL AND MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS OFFERING CIRCULAR IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS REQUIREMENT MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORIZED TO AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.

Please refer to additional restrictions in the section entitled "Plan of Distribution—Selling Restrictions" in the Offering Circular.

By accessing the attached Offering Circular, you will be deemed to have represented to us that you agree to comply with the restrictions set forth in this disclaimer and in the attached Offering Circular.

Confirmation of Your Representation: In order to be eligible to view the attached Offering Circular or make an investment decision with respect to the securities, investors must either be a Qualified Institutional Buyer ("QIB") (within the meaning of Rule 144A under the Securities Act) or a non-U.S. person outside the United States (within the meaning of Regulation S under the Securities Act). You have been sent the attached Offering Circular on the basis that you have confirmed that (a) you and any customers you represent are either a QIB or a non-U.S. person outside the United States; (b) if in a member state of the European Economic Area, you are a "Qualified Investor" (within the meaning of the Prospectus Regulation (Regulation (EU) 2017/1129)); and (c) in addition, if in the United Kingdom, you are a Qualified Investor who is also (i) an investment professional as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Financial Promotion Order"), (ii) a person falling within Article 49 (a) to (e) ("high net worth companies, unincorporated associations, etc.") of the Financial Promotion Order, or (iii) any other person to whom the attached Offering Circular may otherwise lawfully be communicated or caused to be communicated. By accessing the attached Offering Circular, you will be deemed to have made the above representation and that you consent to delivery of such Offering Circular by electronic transmission.

You are reminded that no representation or warranty, expressed or implied, is made or given by or on behalf of the initial purchasers, nor any person who controls them nor any director, officer, employee or agent of them, or any affiliate of any such person as to the accuracy, completeness or fairness of the information or opinions contained in the attached Offering Circular and such persons do not accept responsibility or liability for any such information or opinions.

The attached Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the initial purchasers nor any person who controls any of them nor any director, officer, employee or agent of any of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the attached Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the initial purchasers.

You are responsible for protecting against viruses and other destructive items. Your use of the attached Offering Circular is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

CONFIDENTIAL

US$1,150,000,000

NISSAY

Nippon Life Insurance Company

(a Japanese mutual company)

3.400% Step-up Callable Subordinated Notes due 2050

Offering Price: 100% plus accrued interest, if any
Interest on the Notes will accrue from January 23, 2020

We are offering $1,150,000,000 aggregate principal amount of 3.400% step-up callable subordinated notes due 2050 (the "Notes"). The interest payment dates will be January 23 and July 23 of each year (each an "interest payment date"), beginning on July 23, 2020, until the Notes are fully redeemed. The Notes will bear interest at a fixed rate of 3.400% *per annum* from, and including, January 23, 2020 to, but excluding, January 23, 2030 (the "first call date"), payable semi-annually in arrears on each interest payment date. The rate of interest of the Notes will be reset on the first call date and every date which falls five, or a multiple of five, years thereafter (each a "reset date"), until all Notes are fully redeemed. From, and including, each reset date to, but excluding, the next following reset date or the date on which the Notes are finally redeemed, whichever is the earlier, the interest rate *per annum* on the Notes will be equal to the "reset interest rate," which is the sum of the applicable 5-year U.S. treasury rate (as defined herein) and 2.612% *per annum*, payable semi-annually in arrears on each interest payment date, beginning on July 23, 2030. Payment of interest is subject to optional deferral at our election and mandatory deferral in the case of a capital deficiency event (as defined herein) or any payment deferral in relation to the Notes or any liquidation parity security (as defined herein). The Notes do not restrict our ability to make payments on foundation funds obligations or distributions to our policyholders. In the event of a deferral of a payment of interest on the Notes, arrears of interest (as defined herein) shall accrue on a cumulative basis and remain payable for so long as they remain unpaid, and, in the case of optional deferral (but not mandatory deferral) shall bear interest at a rate equivalent to the applicable fixed or reset interest rate for the relevant deferral period, as the case may be. See "Description of the Notes—Deferral of Interest Payments; Arrears of Interest."

The Notes will mature on January 23, 2050, subject to certain conditions. The Notes are subject to redemption in whole, but not in part, at our option and sole discretion on the first call date or any reset date or at any time in the event of certain changes in Japanese tax law, Japanese regulatory capital requirements or equity credit criteria of a rating agency, in each case subject to compliance with regulatory requirements, including prior consent of the Financial Services Agency of Japan, if then required. See "Description of the Notes—Redemption."

The Notes will constitute our irrevocable, direct, unsecured and subordinated obligations. Upon the occurrence of a subordination event (as defined herein), any amounts payable under the Notes will be subordinated in right of payment to the prior payment of all of our senior indebtedness (as defined herein). See "Description of the Notes—Status of the Notes; Subordination."

Payment of the principal of the Notes may be accelerated (subject to subordination) only in the case of a subordination event, which would only occur in the event of our liquidation, bankruptcy, reorganization or rehabilitation. There is no right of acceleration of the payment of principal of the Notes upon a default in the payment of principal of or interest on the Notes, upon the non-performance of any covenant by us in relation to the Notes or upon the happening of any other event in relation to the Notes other than a subordination event. See "Description of the Notes—Events of Acceleration; Limited Rights of Acceleration." The Notes will be issued only in registered form with a minimum denomination of $200,000 and integral multiples of $1,000 in excess thereof.

Investing in the Notes involves risks. See "Risk Factors" beginning on page 17.

The Notes have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or other securities laws. The Notes are being offered or sold within the United States only to qualified institutional buyers in reliance on an exemption from registration provided by Rule 144A under the Securities Act and outside the United States to non-U.S. persons in offshore transactions in reliance on Regulation S under the Securities Act. The Notes are not transferable except in accordance with the restrictions described under "Transfer Restrictions."

Approval in-principle has been received for the listing of the Notes on the Singapore Exchange Securities Trading Limited (the "SGX-ST"). The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions or reports contained in this offering circular. Admission of the Notes to the official list of the SGX-ST is not to be taken as an indication of our merits or the merits of the Notes.

It is expected that delivery of the Notes will be made to investors in book-entry form through The Depository Trust Company and its participants, including Euroclear Bank, SA/NV and Clearstream Banking S.A., on or about January 23, 2020.

Joint Lead Managers and Joint Bookrunners

J.P. Morgan **Citigroup** **BofA Securities** **Goldman Sachs & Co. LLC**

Co-managers

Morgan Stanley **Barclays** **BNP PARIBAS**

Offering Circular dated January 15, 2020.

Table of Contents

This offering circular is confidential and is being provided exclusively to prospective purchasers of the Notes. Investors should read this offering circular before making a decision whether to purchase any Notes. Investors must not:

- use this offering circular for any other purpose;
- make copies of any part of this offering circular or give a copy of it to any other person; or
- disclose any information in this offering circular to any other person.

We have prepared this offering circular and are responsible for its contents. Potential investors in the Notes are responsible for making their own examination of our business and their own assessment of the merits and risks of investing in the Notes. By purchasing any Notes, investors will be deemed to have acknowledged that:

- they have reviewed this offering circular; and
- the initial purchasers are not responsible for, and are not making any representation to investors concerning, our future performance or the accuracy or completeness of this offering circular.

We are not providing investors with any legal, business, tax or other advice in this offering circular. Investors should consult with their own advisers as needed to assist them in making their investment decision and to advise them whether they are legally permitted to purchase the Notes.

Investors must comply with all applicable laws that apply in any jurisdiction in which they buy, offer or sell any Notes or possess this offering circular. Investors must also obtain any consents or approvals necessary in order to purchase any Notes. The initial purchasers and we are not responsible for investors' compliance with any such legal requirements.

No action has been or will be taken to permit a public offering of the Notes in any jurisdiction where action would be required for that purpose. This offering circular may not be distributed in any jurisdiction except in accordance with the legal requirements applicable in such jurisdiction. This offering circular does not constitute an offer of, or an invitation to purchase, any of the Notes in any jurisdiction in which such offer or invitation would be unlawful. Persons into whose possession this offering circular comes must inform themselves about and observe any applicable legal requirements.

IN MAKING AN INVESTMENT DECISION, YOU MUST RELY ON YOUR OWN EXAMINATION OF OUR BUSINESS AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE NOTES OFFERED HEREBY HAVE NOT BEEN APPROVED OR DISAPPROVED BY ANY U.S. FEDERAL OR STATE SECURITIES COMMISSION OR OTHER REGULATORY AUTHORITY. FURTHERMORE, THESE

AUTHORITIES HAVE NOT REVIEWED THIS OFFERING CIRCULAR OR CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS OFFERING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE IN THE UNITED STATES.

This offering circular is personal to each offeree and does not constitute an offer to any other person or to the public generally to purchase or otherwise acquire the Notes. Distribution of this offering circular to any person other than the offeree and any persons retained to advise the offeree with respect thereto is unauthorized, and any disclosure of its contents, without our prior written consent, is prohibited.

By receiving this offering circular you acknowledge that:

- you have not relied on any initial purchaser, any U.S. selling agent, the trustee or any of their affiliates in connection with your investigation of the accuracy of the information in this offering circular or your investment decision; and
- no person has been authorized to give any information or to make any representation concerning us or the Notes offered hereby other than as contained in this offering circular and, if given or made, that other information or representation should not be relied upon as having been authorized by us, any initial purchaser, the trustee or any U.S. selling agent or any of their affiliates.

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended) (the “FIEA”) and are subject to the Act on Special Measures Concerning Taxation of Japan (Act No. 26 of 1957, as amended) (the “Special Taxation Measures Act”). The Notes may not be offered or sold in Japan to, or for the benefit of, any person resident in Japan (including any corporation or other entity organized under the laws of Japan), or to others for reoffering or resale directly or indirectly in Japan, or to, or for the benefit of, any person resident in Japan for Japanese securities law purposes except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and governmental guidelines of Japan. In addition, as part of the initial distribution by the initial purchasers, the Notes are not at any time to be directly or indirectly offered or sold to, or for the benefit of, any person other than a Gross Recipient. A “Gross Recipient” for this purpose is (i) a beneficial owner that is, for Japanese tax purposes, neither an individual resident of Japan or a Japanese corporation, nor an individual non-resident of Japan or a non-Japanese corporation that, in either case, is a person having a special relationship with the issuer of the Notes as described in Article 6, Paragraph (4) of the Special Taxation Measures Act (a “specially-related person of the issuer”), (ii) a Japanese financial institution, designated in Article 3-2-2, Paragraph (28) of the Cabinet Order for Enforcement of the Act on Special Measures Concerning Taxation of Japan (Cabinet Order No. 43 of 1957, as amended) (the “Cabinet Order”) that will hold Notes for its own proprietary account (a “Designated Financial Institution”) or (iii) an individual resident of Japan or a Japanese corporation whose receipt of interest on the Notes will be made through a payment handling agent in Japan as defined in Article 2-2, Paragraph (2) of the Cabinet Order. **By subscribing for the Notes, an investor will be deemed to have represented that it is a Gross Recipient.**

The Notes have not been and will not be registered under the Securities Act or with any securities authority of any state of the United States, and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable state securities laws. The Notes have not been and will not be offered or sold within the United States until 40 days after the later of the commencement of the sale of the Notes and the date of the original issuance of the Notes, except if the Notes are being offered:

- in the United States only to qualified institutional buyers (“QIBs”) in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A under the Securities Act (“Rule 144A”); and

- outside the United States in offshore transactions to non-U.S. persons as defined in, and in accordance with, Regulation S under the Securities Act ("Regulation S").

You are hereby notified that sellers of the Notes may be relying on the exemption from the registration provisions of Section 5 of the Securities Act provided by Rule 144A.

Interest payments on the Notes will be subject to Japanese withholding tax unless the holder establishes that the Notes are held by or for the account of a beneficial owner that is (i) for Japanese tax purposes, neither an individual resident of Japan or a Japanese corporation, nor an individual non-resident of Japan or a non-Japanese corporation that, in either case, is a specially-related person of the issuer, or (ii) a Designated Financial Institution that complies with the requirement for tax exemption under Article 6 of the Special Taxation Measures Act.

Payment of interest on the Notes paid to an individual resident of Japan or a Japanese corporation (except for (i) a Designated Financial Institution which has complied with the requirements under Article 6 of the Special Taxation Measures Act and (ii) a public corporation, a Japanese financial institution or a Japanese financial instruments firm as provided in Article 3-3, Paragraph (6) of the Special Taxation Measures Act which receives the interest payments through its payment handling agent in Japan and complies with the requirement for tax exemption under that Paragraph), or to an individual non-resident of Japan or a non-Japanese corporation that is a specially-related person of the issuer will be subject to Japanese income tax at the rate of 15.315% (until December 31, 2037, and at the rate of 15% thereafter) of the amount of such interest.

Each prospective purchaser who places an order for the Notes consents to the disclosure by the initial purchasers to us of the prospective purchaser's identity, the details of such order and the actual amount of Notes subscribed, if any.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the "EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU ("MiFID II"); or (ii) a customer within the meaning of Directive 2016/97/EU (as amended, the "Insurance Distribution Directive") where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (the "PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

NOTICE CONCERNING THE UNITED KINGDOM

There are restrictions on the offer and sale of the Notes in the United Kingdom. All applicable provisions of the Financial Services and Markets Act 2000 (the "FSMA"), with respect to anything done by any person in relation to the Notes in, from or otherwise involving, the United Kingdom must be observed. See "Plan of Distribution."

This offering circular is for distribution in the United Kingdom only to persons who (i) are investment professionals, as defined in Article 19(5) of the FSMA (Financial Promotion) Order 2005, as amended (the "Financial Promotion Order"), (ii) are persons falling within Article 49(2)(a) to (e) "high net worth companies, unincorporated associations, etc." of the Financial Promotion Order, or (iii) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of Section 21 of FSMA) in connection with the issue or sale of any notes may otherwise lawfully be communicated or caused to be communicated (all of these persons together being referred to as "relevant persons" for purposes of this Notice

Concerning the United Kingdom). This offering circular is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this offering circular relates is available only to relevant persons and will be engaged in only with relevant persons.

NOTICE TO INVESTORS IN HONG KONG

The Notes may not be offered or sold in Hong Kong by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32, the Laws of Hong Kong), (ii) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, the Laws of Hong Kong) and any rules made thereunder or (iii) in other circumstances which do not result in the document constituting or being regarded as a "prospectus" within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32, the Laws of Hong Kong), and no advertisement, invitation or document relating to the Notes may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if otherwise permitted to do so under the laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, the Laws of Hong Kong) and any rules made thereunder. This offering circular has not been reviewed by any regulatory authority in Hong Kong, and has not been registered as a prospectus with the Registrar of Companies under the provisions of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32, the Laws of Hong Kong). You are advised to exercise caution in relation to this offering circular and the Notes. If you are in doubt about any of the contents of this offering circular, you should obtain independent professional advice.

NOTICE TO INVESTORS IN SINGAPORE

This offering circular has not been registered as a prospectus with the Monetary Authority of Singapore (the "MAS"). Accordingly, this offering circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust, shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA, except:

(1) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law;

(4) as specified in Section 276(7) of the SFA; or

(5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

Any reference to the SFA is a reference to the Securities and Futures Act, Chapter 289 of Singapore and a reference to any term as defined in the SFA or any provision in the SFA is a reference to that term as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

Section 309B Notification: The Notes are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

THIS OFFERING CIRCULAR MAY NOT BE DISTRIBUTED TO ANY PERSON IN ANY OF THE STATES OF ALABAMA OR NEW MEXICO OR THE COMMONWEALTH OF PUERTO RICO. THIS OFFERING CIRCULAR DOES NOT CONSTITUTE AN OFFER TO SELL, NOR A SOLICITATION OF ANY OFFER TO PURCHASE, ANY OF THE NOTES, AND NO OFFERING OR SALE OF THE NOTES MAY BE MADE TO ANY PERSON, IN ANY OF THE STATES OF ALABAMA OR NEW MEXICO OR THE COMMONWEALTH OF PUERTO RICO.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

We have prepared this offering circular in reliance upon a number of conventions, which you should consider when reading the information contained herein. When we use the terms "we," ''us," "our," "Nippon Life" and words of similar import, we are referring to Nippon Life Insurance Company itself, or to Nippon Life Insurance Company and its consolidated subsidiaries, as the context may require. References to "Nippon Life Group" are to Nippon Life Insurance Company and its consolidated subsidiaries and affiliates taken as a whole. Nippon Life is also referred to as "Nissay," which derives from the common abbreviation of our name in Japanese. In this offering circular, references to the "Board" or "Board of Directors" refer to our board of directors.

In this offering circular, except as otherwise indicated, currency amounts are expressed in Japanese yen ("yen" or "¥"), in U.S. dollars ("dollars" or "$") or in Australian dollars ("A$"). Unless otherwise specified, where information is presented in billions of yen, amounts of less than one hundred million yen have been truncated, and where information is presented in millions of dollars, amounts of less than one hundred thousand dollars have been rounded. All percentages have been rounded to the nearest percent, one-tenth of one percent or one-hundredth of one percent, as the case may be. In some cases, figures presented in tables in this offering circular may not total due to such truncation or rounding.

Our fiscal year end is March 31. This offering circular includes audited consolidated financial statements and audited nonconsolidated financial statements as of and for the years ended March 31, 2017, 2018 and 2019 with the independent auditor's audit report thereon and unaudited interim consolidated financial statements and unaudited interim nonconsolidated financial statements as of September 30, 2019 and for the six months ended September 30, 2018 and 2019. Our financial statements are prepared in accordance with the provisions of the Insurance Business Act of Japan (Act No. 105 of 1995, as amended) (the "Insurance Business Act") and related regulations thereunder and in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which differ in certain significant respects from accounting principles generally accepted in other countries or regions.

Disclosure requirements for financial and other information applicable to Japanese mutual companies differ in certain respects from those applicable to Japanese public companies, whose securities are listed on a Japanese stock exchange and are required to comply with the continuous disclosure requirements of the FIEA. For example, Japanese mutual companies are not subject to requirements applicable to such Japanese public companies to prepare quarterly consolidated financial statements or to make timely disclosure of material corporate developments and events.

Except as otherwise specified, the discussion and analysis of our financial condition and results of operations and all financial information set forth in the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" are provided on a consolidated basis. Except as otherwise specified, financial information other than in that section is presented on a nonconsolidated basis.

As of September 30, 2019, our nonconsolidated total assets and total net assets represented 86.4% and 93.3% of our consolidated total assets and total net assets, respectively. For the year ended March 31, 2019, our nonconsolidated ordinary profit and net surplus represented 89.5% and 93.0% of our consolidated ordinary profit and net surplus attributable to the parent company, respectively.

Japan Post Insurance Co., Ltd. ("Japan Post Insurance") and cooperative insurers are not included in any of the life insurance industry data appearing in this offering circular, unless otherwise stated herein.

Our investments are divided into our general account and separate accounts. Payments to customers for products providing a fixed benefit are made from investments in our general account. We bear the risk that investments in the general account will not yield sufficient returns to cover benefits paid for products for which premiums are calculated based on a fixed assumed yield. In contrast, products for which customers bear the investment risk are paid from funds managed in our separate accounts. Such products include individual variable insurance, individual variable annuities and group annuities with separate account policy riders. Some of the information presented in this offering circular reflects our general account on a stand-alone basis and excludes separate account assets and liabilities. Such information is specifically identified in this offering circular as general account information. Where no such identification is made, the information provided herein includes both general account and separate account assets and liabilities. Of our ¥70,148.9 billion of nonconsolidated total assets as of September 30, 2019, ¥68,885.0 billion, or 98.2%, represented general account assets. The balance consisted of separate account assets in the amount of ¥1,263.8 billion.

FORWARD-LOOKING STATEMENTS

This offering circular contains forward-looking statements. Such statements include statements regarding our intent, belief or current expectations or those of our management with respect to our business, financial condition and results of operations. In some cases, forward-looking statements can be identified by terms such as "aim," "anticipate," "believe," "estimate," "expect," "intend," "may," "plan," "potential," "predict," "project," "seek," "should," "target," "will," "would," or the negative of these terms or other similar terminology. Such forward-looking statements are not guarantees of future performance and involve risks and uncertainties. Actual results may differ from those discussed in forward-looking statements. In addition, forward-looking statements are necessarily dependent upon assumptions, estimates and data that may be incorrect or imprecise and involve known and unknown risks and uncertainties.

Potential risks and uncertainties include, without limitation:

- adverse financial market and economic conditions in Japan and elsewhere;
- investment risks associated with our portfolio of investment securities, including changes in the value of equity securities, interest rate risk, foreign exchange risk, credit risk, liquidity risk and real estate risk;
- a reduction or perceived reduction in our financial strength, including as a result of any downgrade of our credit or financial strength ratings or outlook, or any negative events related to our business or the Japanese life insurance industry;
- changes having an adverse effect on the market for individual life insurance products;
- differences between future claims and benefits and the actuarial assumptions used in pricing and establishing reserves for insurance and annuity products;
- concentration of our sales in individual life insurance policies and individual annuity products;
- any failure of risk management policies and procedures to be effective;
- a reduction of our deferred tax assets;
- changes in relationships with or performance of our strategic partners or investee companies;
- risks associated with our overseas operations and continuing overseas expansion;
- a failure to achieve the anticipated benefits of our recent acquisition of MassMutual Life Insurance Company ("MassMutual Japan"), which was rebranded as Nippon Wealth Life Insurance Company Limited ("Nippon Wealth Life") effective January 1, 2019;

- risks associated with acquisitions, joint ventures, strategic alliances and other transactions intended to complement or expand our business;
- inability to hire, train or retain a sufficient number of qualified sales representatives and other personnel or to contract with effective third-party sales agencies;
- failure to maintain sales through the bancassurance channel;
- risks associated with any failure of information technology systems;
- misconduct by sales representatives, other employees, third-party sales agencies or third-party service providers, misuse or loss of customers' information, and disruption of operations due to catastrophes;
- declines in our pension assets or revisions in actuarial assumptions;
- the adverse effects on our business of demographic trends in Japan;
- involvement in litigation impacting our business;
- an inability to compete effectively in the increasingly competitive Japanese financial services industry;
- changes in Japanese laws and regulations or regulatory sanctions that could adversely affect our business; and
- increases in our contribution to the industry-wide policyholder protection fund.

Potential risks and uncertainties also include those identified and discussed in "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Business" and elsewhere in this offering circular. Given these risks and uncertainties, prospective investors are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date of this offering circular. We do not undertake to revise forward-looking statements to reflect future events or circumstances.

AVAILABLE INFORMATION

While any Notes remain outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, if, at any time, we are neither subject to Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") nor exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act, we will furnish, upon request, to any holder of a Note, or any prospective purchaser designated by a holder of a Note, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

ENFORCEABILITY OF CIVIL LIABILITIES

We are a mutual company established under the laws of Japan. Most of our directors and corporate auditors reside in Japan. All or a substantial portion of our assets and the assets of such persons are located outside the United States. As a result, investors may be unable to effect service of process within the United States or elsewhere outside Japan upon us or such persons or to enforce against us or those judgments obtained in United States courts or elsewhere predicated upon the civil liability provisions of the federal or state securities laws of the United States. We have been advised by our Japanese counsel that there is doubt as to the enforceability in Japanese courts, in original actions or in actions for enforcement of judgments of United States courts, of civil liabilities predicated solely upon U.S. federal or state securities laws.

(This page is intentionally left blank)

Summary

The following summary is qualified in its entirety by, and is subject to, the detailed information and financial statements contained elsewhere in this offering circular. For a discussion of certain risks that prospective investors should consider in connection with an investment in the Notes, see "Risk Factors."

Nippon Life Insurance Company

Overview

We are the largest private life insurance company in Japan in terms of both assets and revenues. We operate primarily in Japan and offer a wide range of products, including life insurance, annuities and other insurance products, to over 11.8 million insured persons and approximately 25,000 corporate customers in Japan that have more than 100 employees on a nonconsolidated basis as of March 31, 2019. As of March 31, 2019, Nippon Life, Taiju Life Insurance Company Limited ("Taiju Life") and Nippon Wealth Life together provided insurance products to 13.83 million insured persons.

Our core business is life insurance for individuals in Japan's retail market. Our innovative *Mirai no Katachi* product lineup allows customers to combine a wide variety of coverage into personally tailored insurance portfolios. We also sell individual annuity, group insurance and group annuity products. On a consolidated basis, our business includes asset management, investment trust management and information technology products and services. Also, we have been expanding our overseas operations in an effort to secure revenue sources outside of the Japanese market and to capture the growth of overseas markets.

According to the Swiss Re Institute's Sigma World Insurance, Japan is the second largest life insurance market in the world by premium volume. It is also a highly concentrated and mature market, with the top five private life insurance companies accounting for 58.0% of the market share by premium income, excluding Japan Post Insurance, for the year ended March 31, 2019, according to public disclosures. We hold the largest market share in Japan with 19.5% by premium income (on a combined basis of Nippon Life, Taiju Life and Nippon Wealth Life) among private life insurance companies for the year ended March 31, 2019 and aim to strengthen our position as Japan's leading private life insurance company. While our core business is the sale of individual insurance products through our sales representative channel, we are also working to diversify our product portfolio and sales channels. For example, as of March 31, 2019, individual insurance, group annuities, individual annuities, group insurance and others made up 57.3%, 21.1%, 15.4%, 5.0% and 1.1%, respectively, of the revenues from insurance and reinsurance of Nippon Life, Taiju Life and Nippon Wealth Life on a combined basis, and our sales representatives, financial institutions ("bancassurance") and third-party sales agencies accounted for 49.4%, 37.0% and 13.5%, respectively, of our annualized premiums from new policies on a combined basis for the year ended March 31, 2019.

On a consolidated basis, our total assets as of March 31, 2019 and September 30, 2019 amounted to ¥78,809.5 billion and ¥81,156.1 billion, respectively, and our revenues from insurance and reinsurance amounted to ¥6,069.2 billion and ¥2,950.3 billion, respectively, for the year ended March 31, 2019 and the six months ended September 30, 2019. As of September 30, 2019, we had a consolidated solvency margin ratio of 1,053.7% (approximately 5.3 times the minimum regulatory requirement) and a nonconsolidated solvency margin ratio of 983.9% (approximately 4.9 times the minimum regulatory requirement), and we currently have financial strength ratings of A+ (positive outlook) from S&P Global Ratings, a division of S&P Global Inc. ("S&P"), A1 (stable outlook) from Moody's Investors Service, Inc., a subsidiary of Moody's Corporation ("Moody's"), A+ (stable outlook) from Fitch Ratings, Ltd. ("Fitch"), A+ (stable outlook) from A.M. Best Company ("A.M. Best"), AA (stable outlook) from Rating and Investment Information, Inc. ("R&I") and AA+ (stable outlook) from Japan Credit Rating Agency, Ltd. ("JCR").

Strengths

Dominant presence in the domestic life insurance market and solid financial performance.

We hold a leading position in the life insurance market in Japan in terms of several key financial measures including total assets, net assets and revenues from insurance and reinsurance as of and for the year ended March 31, 2019. As of March 31, 2019, we also exceeded other market players in Japan in terms of annualized premiums on new policies and annualized premiums for policies in force and also the amount of policies in force, all on a combined basis, which is measured as the sum of individual insurance and individual annuities for Nippon Life, Taiju Life and Nippon Wealth Life. We also maintained a strong solvency margin ratio (996.6% as of March 31, 2019 on a consolidated basis) and enjoy the highest credit ratings within our industry in Japan (A+ (Positive) from S&P; A1 (Stable) from Moody's; AA (Stable) from R&I; and AA+ (Stable) from JCR).

We have built our leading presence in the domestic life insurance market over time, supported by steady performance at Nippon Life on a nonconsolidated basis as well as strategic acquisitions of Taiju Life (formerly Mitsui Life Insurance Company Limited ("Mitsui Life")) and Nippon Wealth Life (formerly MassMutual Japan) in recent years. We have historically maintained stable levels of revenues from insurance and reinsurance and interest and dividends income. Our consolidated revenues from insurance and reinsurance was ¥2,778.1 billion and ¥2,950.3 billion for the six months ended September 30, 2018 and 2019, respectively, and our consolidated interest and dividends income was ¥802.4 billion and ¥796.4 billion for the six months ended September 30, 2018 and 2019, respectively. Our nonconsolidated core operating profit, which was ¥678.2 billion for the year ended March 31, 2019, has also been stable since March 31, 2014 particularly by maintaining stable mortality and morbidity gains.

In addition, annualized premiums from new policies for individual insurance and individual annuities on a combined basis steadily increased between the years ended March 31, 2015 and March 31, 2017 and increased significantly from ¥370.8 billion for the year ended March 31, 2018 to ¥513.9 billion for the year ended March 31, 2019 due to the consolidation of Taiju Life and Nippon Wealth Life. Annualized premiums from new policies for individual insurance and individual annuities on a combined basis were ¥210.4 billion for the six months ended September 30, 2018 and ¥204.6 billion for the six months ended September 30, 2019, which remained relatively stable. Annualized premiums from policies in force for individual insurance and individual annuities on a combined basis also increased steadily since the year ended March 31, 2015, reaching ¥4,534.6 billion for the year ended March 31, 2019 due to steady growth at Nippon Life and (from the year ended March 31, 2016) Taiju Life, as well as the recent consolidation of Nippon Wealth Life. Annualized premiums from policies in force for individual insurance and individual annuities on a combined basis remained relatively stable at ¥4,524.7 billion for the six months ended September 30, 2019. Policies in force on a combined basis were ¥182,049.6 billion as of March 31, 2019 and ¥180,353.7 billion as of September 30, 2019. Our nonconsolidated annualized premiums from new policies have been stable with decreases in the years ended March 31, 2018 and 2019 due to the impact of a revision in premiums in April 2017 and competition in the market for insurance products for business owners. Our nonconsolidated annualized premiums in force have maintained a steady growth trend due to low surrender and lapse ratios and high persistency rates, representing a cumulative annual growth rate of 3.1%.

Stable operating performance with a robust sales representative force.

Our sales representatives, which accounted for 66.9% on a nonconsolidated basis of our annualized premiums from new policies for the year ended March 31, 2019, are the foundation of our steady growth and we have more sales representatives than other leading insurance providers in Japan on a nonconsolidated basis. On a nonconsolidated basis, our annualized premiums from new polices attributable to our sales representatives were ¥242.5 billion, ¥253.7 billion, ¥323.0 billion, ¥305.3 billion and ¥269.5 billion for the years ended March 31, 2015, 2016, 2017, 2018 and 2019.

In addition, we have steadily improved our persistency rates for insurance policies, which have demonstrated an upward trend since March 31, 2007 due to our key initiatives in sales activities such as after-sales follow-up visits. As of March 31, 2015, our 13-month and 25-month persistency rates were 94.8% and 84.5%, respectively. As of March 31, 2019, our persistency rates were 95.7% for 13-month contracts and 86.3% for 25-month contracts. At the same time, our surrender and lapse ratio with respect to individual insurance and annuities in the aggregate has declined or remained steady decreasing from 4.5% as of March 31, 2015 to 4.4% as of March 31, 2019.

We also believe that the strength of our sales representative channel, combined with our innovative *Mirai no Katachi* product lineup, the non-participating insurance product lineup of Taiju Life and our strategic shift towards protection type products distributed through our sales representative channel, will continue to contribute to maintaining high levels of persistency and customer satisfaction, supporting our overall profitability. See "Business—Products and Services—Individual Insurance."

Solid asset management with prudent ALM management.

We are dedicated to managing our assets in the best interests of our customers and with an eye toward stability over the long term. We have successfully maintained a diverse asset portfolio, which includes domestic bonds and stocks, foreign bonds and stocks, loans, real estate and others. As the majority of our foreign currency-denominated assets have been hedged, we have high tolerance to the current volatile market environment where the yen is strong.

We believe this diverse asset portfolio supports secure and stable returns over the medium- to long-term. Domestic bonds accounted for 35.2% of our total general account assets as of March 31, 2019, while domestic stocks accounted for only 13.4%. The majority of our domestic and foreign bond holdings have received either a AAA or AA rating from rating agencies. As of March 31, 2019, 10.2% of our total bonds, excluding Japanese Government Bonds ("JGBs"), were rated as AAA, 57.0% as AA, 15.7% as A, 15.8% as BBB and the rest as BB or below or unrated. We also reduced our risk exposure over the medium and long term by diversifying our portfolio by asset type, maturity, country and currency.

Given the sustained low-interest rate environment in Japan, we have also been carrying out additional initiatives to maintain positive spread. For example, while we are maintaining long-term stable investment income from our yen-denominated interest bearing assets, we are also supporting medium- to long-term earnings through selective investment in higher-yielding assets. We also continually assess the suitability of our products given current market conditions and have controlled the guaranteed interest rate on some products to maintain a positive spread against the average assumed yield. We have maintained a positive spread between our investment return on core operating profit, which was 2.64% for the year ended March 31, 2019, and the average assumed yield. This is because we not only enhanced our investment return through increasing our investments in foreign credit bonds and growing fields, but also controlled the average assumed yield which steadily declined from 2.40% for the year ended March 31, 2015 to 2.18% for the year ended March 31, 2019.

Strong capital base and financial soundness.

We have successfully maintained a strong capital base despite challenging conditions and an economic outlook which remains uncertain. In recent years, we have steadily increased our capital through accumulation of internal reserves and periodic issuances of subordinated debt and foundation funds. We recorded capital of ¥6,542.2 billion as of September 30, 2019. For a detailed breakdown of our capital, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Capital Resources." In addition, despite the volatile market environment, we have maintained a high level of unrealized gains, and break-even points on investments remain substantially lower than current market levels.

We have maintained our solvency margin ratios well in excess of the legally required minimum of 200% despite volatility in the Japanese stock market. As of September 30, 2019, our consolidated and nonconsolidated solvency margin ratios were 1,053.7% and 983.9%, respectively. In addition, as of September 30, 2019, Taiju Life and Nippon Wealth Life had solvency margins of 1,211.9% and 962.8%, respectively, each on a nonconsolidated basis. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Solvency Margin Ratio."

Strategies

In recent years, there have been pronounced structural demographic changes in Japan, such as population decline, a falling birthrate and the aging of society, as well as the concentration of the population in urban areas. At the same time, life insurance customer needs have been diversifying. We have seen other trends such as a decline in the ratio of policyholders in our young customer sector, diversification in enrollment channels and fierce competition in urban areas. In order to respond to these and other changing market conditions, we intend to focus on expanding within the domestic market where we believe there is still ample space to grow and focus on growth as a group, including our overseas businesses and asset management business.

Specifically, in April 2017, we began implementing our current mid-term management plan, *Zen Shin* Next Stage, following the early achievement of many of our goals under our previous mid-term management plan, *Zen Shin* Project, under which we endeavored to expand our domestic life insurance business, strengthened the profitability of our group companies and established a strong business base by accumulating additional capital. In November 2019, we revised the numerical targets of our mid-term management plan due to an increase in subsidiary companies and a temporary stoppage of sales of our term insurance product for corporate customers.

Under the slogan of "Working to be the leading company in the time of 100-year life," we aim to improve profitability amid the ultra-low interest rate environment, harness the total capabilities of the Nippon Life Group to address population decline and other long-term management challenges and solidify our leading presence among life insurance companies in Japan over the long term.

Under our current mid-term management plan, we intend to pursue the following strategies:

- increase profitability in the current challenging environment by:
  - developing products that balance profitability with the capacity to meet customer needs;
  - developing distribution channels tailored to our customers' lifestyles and expanding our customer support services to suit regional characteristics and the social environment; and
  - enhancing our investment management capabilities to secure stable profit.
- expand the social role of the Nippon Life Group by delivering value to our customers beyond the boundaries of insurance; and
- steadily expand the profit of group businesses, focusing on both existing businesses and corporate acquisitions.

We intend to support these growth strategies by steadily strengthening our financial base. Through these strategies, we aim to:

- achieve ¥4.5 trillion in annualized premiums from policies in force in our domestic life insurance business (Nippon Life, Taiju Life, Nippon Wealth Life and Hanasaku Life) by the year ending March 31, 2021;

- expand the number of policyholders we serve in our domestic life insurance business (Nippon Life, Taiju Life, Nippon Wealth Life and Hanasaku Life) to 14.4 million people by March 31, 2021;
- increase annual net income of our group companies (net income of subsidiaries in our overseas insurance business, asset management business, and businesses that contribute to the development of our domestic life insurance market, after adjusting for certain expenses, multiplied by our share ownership) to ¥70 billion by the year ending March 31, 2021; and
- steadily accumulate capital of ¥6.5 trillion on a nonconsolidated basis by March 31, 2021 to attain financial soundness.

As of March 31, 2019, we have made steady progress toward achieving these goals.

The numerical targets and strategic initiatives in our current mid-term management plan described above are forward-looking statements. See "Forward-Looking Statements." Our ability to achieve these numerical targets or implement these strategic initiatives is subject to risks and uncertainties, including those described under "Risk Factors" and elsewhere in this offering circular. These numerical targets and strategic initiatives are based on a number of assumptions, beliefs and expectations established at the time the mid-term management plan was announced in March 2017 and revised in November 2019. Such assumptions, beliefs and expectations involve significant subjective judgment and relate to matters that may be outside of our control, such as assumptions about the economic environment and key macroeconomic indicators. For example, we assumed that, over the four-year period covered by the mid-term management plan, domestic and foreign stock market indices, relevant foreign exchange rates and domestic interest rates would remain unchanged. There can be no assurance that we will achieve the numerical targets or strategic initiatives set forth in our current mid-term management plan.

Increase profitability in the current challenging environment.

Developing products that balance profitability with the capacity to meet customer needs.

We believe that our flexible products and services position us to capture the diverse needs of our changing customer base while maintaining profitability. Our goal is to offer greater convenience to customers by maintaining a more diversified product lineup and infrastructure than any of our peers and to provide more sophisticated services to meet the needs of seniors, women and the younger generation, as well as our core customers.

Diverse customer needs require the rethinking of traditional insurance products and services. We continually review, update and expand our product offerings while maintaining a focus on individual life insurance. In recent years, we have focused on introducing new products within our *Mirai no Katachi* product line up, such as *New in 1* and *Daijobu*, as well as products that address an environment characterized by an ageing society and declining population and products that address our customers' needs for asset growth.

Developing distribution channels tailored to our customers' lifestyles and expanding our customer support services to suit regional characteristics and the social environment.

One of our core strategies is the diversification of our multi-channel distribution system which is comprised of sales representatives, financial institutions and third-party sales agencies. With respect to our sales representatives, we had, as of March 31, 2017, 2018 and 2019, respectively, 50,904, 52,356 and 53,868 in Japan which surpass other major Japanese insurers. Our sales representatives in Japan have long been the key channel for sales of our products, and due to the importance of face-to-face contact in life insurance sales in Japan, sales representatives will remain a critical distribution channel. We continue to seek to solidify our leading status in this area where we have a competitive advantage or know-how, such as by increasing our number of sales representatives and improving their customer consulting skills.

In recent years we have seen an increase in the number and variety of distribution channels available to supplement our sales representatives, including more than 17,000 third-party sales agencies, approximately 300 financial institutions in our bancassurance channel, 99 Nissay Life Plazas, call centers and the Internet. We are developing varied sales and service channels to support and complement our sales representative channel and aim to further simplify our administrative procedures so that potential customers can apply for our products from anywhere and at any time. As a result of recent acquisitions and the establishment of a new company, we have also successfully diversified our product offerings and distribution channels. We will take further steps to increase our market shares in sales channels other than the sales representative channel, including third-party sales agencies and financial institutions. We also have entered the independent agency retail market to reach customers that we have not been able to gain access to through our conventional sales and service channels.

A critical aspect of our achieving improved persistency rates and reduced surrender and lapse ratios in recent years has been our dedication to providing superior customer service, including after-sales service. Among other initiatives in this area, in recent years we have introduced a number of consulting, referral and advisory services.

Through these efforts and other efforts, particularly those aimed at strengthening our customer support services for seniors and our regional network, we plan to proactively expand our customer base.

Enhancing our investment management capabilities to secure stable profit.

We are seeking to build a foundation for medium- to long-term growth that will allow us to continue to succeed in a time when it is no longer uncommon for our customers to live to be one hundred years old. Key parts of that growth strategy are securing stable investment yield and strengthening our risk-tolerance capabilities through the global diversification of our investments. Our asset management approach is based on portfolio diversification from a long-term standpoint. We are responding to the current extended period of low interest rates by continuing to increase investment in overseas and corporate bonds to build a better risk-return portfolio. In addition, we plan to expand our investments in sectors of high forecast growth, such as the environmental and infrastructure sectors. To achieve this, in 2018, we increased our target in accumulated investment and finance in growing fields such as Environmental Social Governance (ESG) bonds, emerging markets and overseas project finance through the year ending March 31, 2021 from ¥1.5 trillion to ¥2.0 trillion, including increasing our investment in ESG and similar types of bonds, such as green bonds from ¥200 billion to ¥700 billion. From April 2017 through September 2019, we made investments amounting to approximately ¥1,846.5 billion in growing fields of which approximately ¥581.0 billion is comprised of ESG related investments. We have also increased our investment in foreign credit bonds, which increased from ¥1.5 trillion as of March 31, 2014 to ¥6.7 trillion as of September 30, 2019, and as of September 30, 2019 we have made investments in over 30 countries.

Steadily expand the profit of group businesses, focusing on both existing businesses and corporate acquisitions.

To establish a foundation for medium- to long-term growth, we will seek to expand our share of the domestic life insurance market while also working to expand the group's overall earnings capacity through our overseas insurance business, asset management business, and other businesses that will further cultivate our domestic life insurance business. We have been making efforts to strengthen our group-wide businesses and to establish a business structure through which we can achieve net income contribution from our group companies of ¥70 billion by the year ending March 31, 2021. Since the year ended March 31, 2015, net income contribution from our group companies has steadily increased. We had net income contribution from our group companies of ¥56.5 billion for the year ended March 31, 2019, which included ¥12.2 billion from

Taiju Life, ¥7.7 billion from MLC Limited ("MLC") and ¥16.6 billion from Nippon Wealth Life, as compared to net income contribution from our group companies of ¥75.4 billion for the year ended March 31, 2018, which included ¥53.8 billion from Taiju Life (which included a non-recurring capital gain) and ¥5.1 billion from MLC. Net income contributions from our group companies for the year ended March 31, 2017 was ¥43.2 billion, which included ¥24.8 billion from Taiju Life (which included a non-recurring capital gain) and ¥3.5 billion from MLC (for the three months period of October 1, 2016 to December 31, 2016), and net income contribution from our group companies for the year ended March 31, 2016 was ¥15.6 billion, which included ¥2.0 billion from Taiju Life (for the three months period of January 1, 2016 to March 31, 2016). However, for the six months ended September 30, 2019, net income contribution from our group companies decreased to ¥11.3 billion compared to ¥30.6 billion for the same period in the prior year mainly due to non-recurring accounting losses of Taiju Life and Nippon Wealth Life from the decline of overseas interest rates as well as increased payments to income protection products of MLC.

Similarly, our portion of revenues from insurance and reinsurance attributable to our group companies has expanded from 0.6% from others for the year ended March 31, 2015 to 12.7% from Taiju Life, 4.8% from Nippon Wealth Life and 3.8% from overseas insurance and others for the year ended March 31, 2019. We had revenues from insurance and reinsurance of ¥5,370.8 billion for the year ended March 31, 2015 and ¥6,069.2 billion for the year ended March 31, 2019.

In the domestic life insurance market, we are building systems at the group level to facilitate the development of more flexible insurance products to meet diverse customer needs, while also upgrading our networks with financial institutions and agencies in line with the increasing diversification of our domestic sales channels. As part of our domestic growth strategy, on December 29, 2015 we acquired the outstanding shares of Mitsui Life (rebranded as Taiju Life) and, after subsequently making it our wholly owned subsidiary, we currently own approximately 83% of its total voting rights. We have strived to achieve synergies with Taiju Life by leveraging, among other things, the strength of our combined product lineup. In May 2018, we acquired 85.1% of the outstanding shares of MassMutual Japan (rebranded as Nippon Wealth Life), which mainly provides single-premium savings products primarily through bancassurance channels. We also established Hanasaku Life Insurance Co., Ltd. ("Hanasaku Life") as a wholly owned subsidiary and it began business in April 2019 as a provider of mainly third-sector products primarily through third-party sales agencies. We also continuously seek opportunities to expand our profit base through alliances with and investments in other financial institutions and other corporate groups in Japan and by forging long-term partnerships with prominent companies in other countries around the world as part of our strategy to steadily expand our operations further. In evaluating such opportunities, we take into account the manner and scale of investment best suited for each particular market. See "Business—Domestic Strategic Alliances and Investments."

In our overseas insurance business and others (which accounted for 3.8% of our consolidated revenues from insurance and reinsurance for the year ended March 31, 2019), we will continue to evaluate and selectively pursue opportunities to strengthen our existing overseas operations including through acquisitions, as evidenced by our purchase of a majority stake in MLC, a life insurance company located in Australia, and our purchase of a minority stake in Grand Guardian Nippon Life ("GGNL", formerly Grand Guardian Life Insurance Company Limited), a life insurance company in Myanmar, from Grand Guardian Insurance Holdings. We aim to specifically acquire products, services and know-how not yet developed in Japan while sharing our own expertise in product development, channel development and service and solidifying our growth through consolidated net income contributions from each investment. With respect to our existing relationships, we provide additional regional support enterprises to our existing systems in order to provide support by region, share expertise between local subsidiaries, strengthen our business development channels and expand operations using strategies customized to regional and market-specific characteristics. In addition to the acquisitions mentioned above, we are engaged in the life insurance business in the United States, China, India, Thailand and Indonesia through capital investments or joint venture arrangements, and we intend to selectively expand our overseas life insurance business. See "Business—Overseas Operations and Strategic Alliances."

We are also engaged in enhancing the position of our domestic and overseas asset management business as a core group business because of its compatibility with our life insurance business and its strong growth potential. In Japan, we are reinforcing our assets under management in the areas of mutual funds and annuities in close collaboration with Nissay Asset Management Corporation ("NAM") and other domestic and overseas business alliances, while further enhancing product development that leverages the group's asset management expertise. Overseas, we intend to capture high market growth through a combination of new investments and efforts to build on existing alliances with our overseas investment partners. For example, in December 2017, we acquired a 24.75% stake in the TCW Group ("TCW"), a US-based asset management company, and in September 2019 we completed increasing our stake in Reliance Nippon Life Asset Management Limited ("RNAM") to 75% and made it our subsidiary. See "Business—Overseas Operations and Strategic Alliances."

To support these and our other growth strategies, we plan to increase our capital so that we can meet our insurance-related liabilities over the long term, while ensuring our ability to generate steady returns on managed assets. In accumulating capital, our objectives are to attain financial soundness by enhancing our capacity to mitigate necessary risks associated with our accelerated growth strategy and preparing for prospective changes in international capital requirements. Under our current mid-term management plan, we have set a target of accumulating capital of ¥6.5 trillion on a nonconsolidated basis by March 31, 2021, which we exceeded as of September 30, 2019. Given the sustained low-interest rate environment in Japan, we continue to steadily accumulate capital in order to meet our medium- to long-term goal to attain financial soundness. We will also further promote enterprise risk management plans to set targets for profit and financial soundness, introduce economic value-based indicators with reference to the international trend in insurance capital requirements, implement a flexible rebalancing of resources and capital, and conduct an integral management of risk and return, while also seeking to improve our operational efficiency on a continual basis.

Our registered head office is located at 5-12, Imabashi 3-chome, Chuo-ku, Osaka-shi, Osaka, 541-8501, Japan. Our English website address is *www.nissay.co.jp/english/*. For the avoidance of doubt, the information appearing on our website does not constitute a part of this offering circular.

The Offering

If in the future we conduct a demutualization under the Insurance Business Act or any similar applicable law or regulations and become a joint-stock corporation (a "demutualization event"), certain provisions of the Notes will automatically be amended, as described in "Description of the Notes." Unless otherwise described therein, the amended provisions will form part of the terms and conditions of the Notes upon the effectiveness of a demutualization event.

Securities Offered	$1,150,000,000 aggregate principal amount 3.400% step-up callable subordinated notes due 2050. The Notes have not been registered with the U.S. Securities and Exchange Commission (the "SEC"), and are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S and inside the United States to QIBs in reliance on Rule 144A.
Status of Notes/Ranking	The Notes will constitute our irrevocable, direct, unsecured and subordinated obligations. Claims in respect of the Notes shall at all times rank *pari passu* and without any preference among themselves and *pari passu* with liquidation parity securities as to priority of liquidation payment and in priority to (i) claims of holders of interests in our foundation funds (*kikin*) and (ii) claims of any other instruments that are expressly designated as being junior to the Notes as to priority of liquidation payment. See "Description of the Notes—Status of the Notes; Subordination." The holders of the Notes will not have the benefit of any security interest.
Minimum Denomination	The Notes will be issued in fully registered form, without coupons, with a minimum denomination of $200,000 in principal amount and integral multiples of $1,000 in excess thereof.
Interest on the Notes . . .	*Pre-first call date interest period:* From, and including, January 23, 2020 to, but excluding, January 23, 2030, the Notes will bear interest at 3.400% *per annum*, payable semi-annually in arrears on January 23 and July 23 of each year, beginning on July 23, 2020, subject to certain adjustments as described in "Description of the Notes—General." *Reset interest periods:* The rate of interest of the Notes will be reset on the first call date and each reset date, until the Notes are fully redeemed. From, and including, each reset date to, but excluding, the next following reset date or the date on which the Notes are finally redeemed, whichever is the earlier, the interest rate *per annum* on the Notes will be equal to the "reset interest rate," which is the sum of the applicable 5-year U.S. Treasury Rate on the second business day immediately preceding each relevant reset date and 2.612% *per annum*, payable semi-annually in arrears on January 23 and July 23 of each year, beginning on July 23, 2030, subject to certain adjustments as described in "Description of the Notes—General."

Interest calculation basis:

Interest on the Notes will be calculated on the basis of a 360-day year of twelve 30-day months, rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

Interest Deferral . . . . *Optional deferral:*

We may, at our sole discretion, elect to defer payment of all (and no less than all) of the interest accrued on the Notes on any interest payment date (as defined herein), so long as such interest payment date is not a mandatory interest deferral date (as defined herein).

Mandatory deferral:

We shall be required to defer payment of all (and no less than all) of the interest accrued on the Notes if, as of the fifth business day prior to the interest payment record date (as defined herein) for any interest payment date, either (i) a capital deficiency event (as defined below) has occurred and is continuing, or (ii) any payment in relation to the Notes or a liquidation parity security has been deferred and continues to be in deferral.

A "capital deficiency event" shall be deemed to have occurred if, as of the relevant date, (i) the capital adequacy condition (as defined below) is not met or would not be met as a result of such payment of interest on the Notes or (ii) the Commissioner of the Financial Services Agency of Japan (the "FSA") has issued any order of prompt corrective action (*souki-zesei-sochi*) in relation to regulatory capital requirements to us and such order remains in effect.

The "capital adequacy condition" shall be met if, as of the relevant date, (i) our solvency margin ratio (or such other measure of capital adequacy then used by the applicable regulatory requirements) meets or exceeds the regulatory minimum capital requirements (as described below), and (ii) a deferral of interest on the Notes is not required under the then applicable regulatory requirements in Japan (or an official application or interpretation of such regulations, including a decision of a court or a tribunal in Japan).

"Regulatory minimum capital requirements" means, as of any date, the then applicable solvency margin ratio (or such other measure of capital adequacy then used by the applicable regulatory requirements) required to be maintained under the Insurance Business Act and related regulations (including any successor laws and regulations) or any other solvency margin or capital adequacy regulations or regulatory capital rules of the FSA or other applicable governmental authority then in effect that are applicable to us, falling below which could trigger the issuance of an order of prompt corrective action by the Commissioner of the FSA or other equivalent action taken by the applicable governmental authority and which is, as of the date of the Indenture (as defined herein), a solvency margin ratio of 200% (on a consolidated or nonconsolidated basis).

See "Description of the Notes—Deferral of Interest Payments; Arrears of Interest."

Payment Stoppage	If we have given notice to defer interest payments on the Notes but the relevant interest has not become payable, or if any payment in relation to the Notes has been deferred and continues to be in deferral, we shall not, and shall cause our subsidiaries not to, make any payment of principal of, or interest or premium, if any, on, or repay, purchase or redeem any of our securities that are liquidation parity securities or any of our instruments that are expressly designated as being junior to the Notes as to priority of liquidation payment (other than foundation funds obligations). For the avoidance of doubt, no terms of the Notes will be deemed to restrict in any manner the ability of any of our subsidiaries to pay dividends or make any distributions to us or our ability to make payments on foundation funds obligations or distributions to our policyholders (*shain haitou*).
Arrears of Interest	Arrears of interest on the Notes shall accrue on a cumulative basis and remain payable for so long as they remain unpaid, and, for the avoidance of doubt, any claims thereon shall rank *pari passu* with the Notes. Interest on arrears of interest deferred at our election shall compound semi-annually at 3.400% *per annum* to, but excluding, the first call date, and at the applicable reset interest rate for each reset interest period thereafter. Arrears of mandatorily deferred interest shall bear no interest. Arrears of interest on the Notes will be paid in whole or in part to the persons in whose names the Notes are registered as of the close of business on the 15th calendar day (whether or not such date is a business day) immediately preceding the date on which payment of such arrears of interest is made, at any time upon the expiration of not more than 15 nor less than ten business days' written notice to the trustee, the paying agent and the holders of the Notes to such effect (which written notice shall specify the amount of such arrears of interest), provided that such payments (i) shall be subject to any applicable regulatory requirements or approvals, (ii) shall be conditional upon no capital deficiency event having occurred and continuing to occur and (iii) shall be conditional upon no payment in relation to liquidation parity securities having been deferred and continuing to be in deferral, in each case, as of the time of such written notice. Notwithstanding (iii) above or the provisions set forth under, "Description of the Notes—Optional Deferral of Interest Payments", "Description of the Notes—Mandatory Deferral of Interest Payments", and "Description of the Notes—Payment Stoppage", even if any payment in relation to a liquidation parity security has been deferred and continues to be in deferral, we may make payment of all or any portion of the interest on the Notes that shall have accrued as of the most recent interest payment date, if we also make substantially concurrent pro rata payments of interest that shall have accrued as of the most recent interest payment date of such liquidation parity securities, it being understood that if such a substantially concurrent payment is not permitted under the terms of the liquidation parity securities, such payment may be made on the next applicable interest payment date for such liquidation parity securities. See "Description of the Notes—Deferral of Interest Payments; Arrears of Interest—Arrears of Interest."

Additional Amounts	All payments of principal and interest in respect of the Notes shall be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Japan, or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law or by the authority. Subject to certain exceptions, if we are required to make any such withholding or deduction under Japanese law, we shall pay such additional amounts as will result in the receipt by the holders of such amounts as would have been received by them had no such withholding or deduction been required. See "Description of the Notes—Taxation and Additional Amounts."
Maturity Date	January 23, 2050.
Redemption	The Notes are subject to final redemption, optional redemption and redemption in certain other circumstances as described below. *Final redemption:* Unless previously redeemed or purchased and cancelled and subject to compliance with applicable regulatory requirements, including prior consent of the FSA (if then required), each Note will be finally redeemed on January 23, 2050 at the principal amount of the Notes then outstanding together with accrued interest (including any arrears of interest) and any additional amounts thereon, provided that (i) our solvency margin ratio after giving effect to the redemption is expected to remain at an adequate level within the meaning of the Insurance Business Act (including any successor legislation) and any applicable regulations, public notices or guidelines thereunder then in force, or (ii) we procure qualifying financing, which includes issuance of foundation funds and subordinated debt financing, in an amount not less than the amount of the redemption. In the event that the Notes are not redeemed as a result of the failure of the conditions above, interest will continue to accrue and be paid on each interest payment date until the first interest payment date following January 23, 2050 on which the conditions above are fulfilled, which will be the final maturity date when the Notes will be finally redeemed. *Optional redemption:* The Notes may be redeemed at our option and sole discretion in whole, but not in part, subject to compliance with applicable regulatory requirements, including prior consent of the FSA (if then required), on the first call date or any reset date, on not less than 30 nor more than 60 days' notice of redemption in writing to the trustee and the holders of the Notes, which notice shall be irrevocable, at the principal amount of the Notes, together with interest accrued (including any arrears of interest) to the date fixed for redemption and any additional amounts thereon. *Optional additional amounts redemption:* The Notes may be redeemed at any time at our option and sole discretion in whole, but not in part, subject to compliance with applicable regulatory requirements, including prior consent of the FSA

(if then required) on not less than 30 nor more than 60 days' notice of redemption in writing to the trustee and the holders of the Notes, which notice shall be irrevocable, at the principal amount of the Notes, together with interest accrued (including any arrears of interest) to the date fixed for redemption and any additional amounts thereon, if:

- we have been or will be obligated to pay additional amounts as a result of any change in, or amendment to, the laws or regulations of Japan (or, in the case of a successor person not organized under the laws of Japan, such other jurisdiction of the successor person) or any political subdivision or any authority thereof or therein having power to tax, or any change in application or change or the stating of an official interpretation of such laws or regulations, which change or amendment becomes effective (or, in the case of the stating of an official interpretation, is announced) on or after the date of the issuance of the Notes (or, in the case of a successor person not organized under the laws of Japan, on or after the date of succession), and
- such obligation cannot be avoided by us through the taking of reasonable measures available to us.

No notice of redemption for an additional amounts event (as defined herein) shall be given sooner than 90 days prior to the earliest date on which we would actually be obliged to pay such additional amounts.

Optional special event redemption:

The Notes may be redeemed at any time at our option and sole discretion in whole, but not in part, if a special event has occurred and is continuing, subject to compliance with applicable regulatory requirements, including prior consent of the FSA (if then required), on not less than 30 nor more than 60 days' notice of redemption in writing to the trustee and the holders of the Notes, which notice shall be irrevocable, at the principal amount of the Notes, together with interest accrued (including arrears of interest) to the date fixed for redemption, and any additional amounts thereon.

A "special event" means:

- a "regulatory event," which means any amendment or change to the Insurance Business Act or related regulations (including any successor laws and regulations), or any official administrative pronouncement or judicial decision interpreting or applying such laws or regulations, that is publicly announced after the date of the issuance of the Notes and that results or will result (for the avoidance of doubt, including after giving effect to any applicable grandfathering or similar provisions) in the Notes (in whole or in part) no longer qualifying as subordinated debt (*fusaisei shihon*) under the Insurance Business Act included in the determination of Nippon Life's solvency margin ratio or as a similar class of regulatory capital included in the determination of such other measure of capital adequacy then used by the applicable regulatory requirements, and, in each case, such disqualification cannot be avoided by us through the taking of reasonable measures available to us,

- a "tax deductibility event," which means the occurrence of a more than insubstantial increase in the risk that interest payable by us on the Notes is not or will not be deductible by us, in whole or in part, for Japanese (or, in the case of a successor person not organized under the laws of Japan, such other jurisdiction of the successor person) tax purposes, as a result of (i) any change (including any officially announced proposed changes) in, or amendment to, the laws or regulations (or rulings promulgated thereunder) of Japan (or, in the case of a successor person not organized under the laws of Japan, such other jurisdiction of the successor person) or any political subdivision or any authority thereof or therein having power to tax, that becomes effective on or after the date of the issuance of the Notes (or, in the case of a successor person not organized under the laws of Japan, on or after the date of succession), or (ii) any administrative decision, judicial decision, administrative action or other official pronouncement interpreting or applying such laws, regulations or rulings that is announced on or after the date of the issuance of the Notes (or, in the case of a successor person not organized under the laws of Japan, on or after the date of succession), and, in each case, such non-deductibility cannot be avoided by us through the taking of reasonable measures available to us, or

- a "rating agency event," which means a publication by S&P, Moody's or Fitch (including any successors to their respective ratings businesses), that an amendment, clarification or change has occurred or will occur in the equity credit criteria, guidelines or methodology of such rating agency, which amendment, clarification or change results or will result in (i) the shortening of the length of time the Notes are assigned a particular level of equity credit by such rating agency as compared to the length of time the Notes would have been assigned that level of equity credit by such rating agency on the date of the issuance of the Notes, or (ii) a lower equity credit for the Notes than the equity credit assigned by such rating agency on the date of the issuance of the Notes.

No notice of redemption shall be given sooner than (i) in the case of a tax deductibility event, 90 days prior to the earliest date on which such additional tax liability as a result of such non-deductibility would actually become due with respect to our interest payments on the Notes, (ii) in the case of a regulatory event, 90 days prior to the earliest date on which such disqualification would actually become effective with respect to the Notes or (iii) in the case of a rating agency event, 90 days prior to the earliest date on which such amendment, clarification or change would actually apply with respect to the Notes.

Any optional redemption, optional additional amounts redemption or optional special event redemption may be permitted only if (i) our solvency margin ratio after giving effect to the redemption is expected to remain at an adequate level within the meaning of the Insurance Business Act (including any successor legislation) and any applicable regulations, public notices or guidelines thereunder then in force, or (ii) we procure qualifying financing, which includes issuance

	of foundation funds and subordinated debt financing, in an amount not less than the amount of the redemption. See "Description of the Notes—Redemption."
Limited Rights of Acceleration	The Notes may not be accelerated upon a default in the payment of principal of or interest on the Notes, upon the non-performance of any covenant by us in relation to the Notes or upon the happening of any other event in relation to the Notes other than a subordination event, which would only occur in the event that liquidation, bankruptcy, reorganization or rehabilitation shall have commenced with respect to us or we shall have become subject to other equivalent proceedings pursuant to any applicable law of any jurisdiction other than Japan, and in such cases, payment on the Notes would remain subject to subordination. See "Description of the Notes—Events of Acceleration; Limited Rights of Acceleration."
Use of Proceeds	We intend to use the net proceeds from the offering of the Notes for general corporate purposes.
Global Securities	The Notes will be initially represented by one or more global certificates in fully registered form without interest coupons (the "global securities"). The global securities will be deposited upon issuance with the custodian for The Depository Trust Company ("DTC") and registered in the name of DTC or its nominee. Beneficial interests in the global securities may be held only through DTC (or any successor clearing system that holds global securities) and its participants, including Euroclear Bank, SA/NV ("Euroclear") and Clearstream Banking, S.A. ("Clearstream"). The security numbers for the Notes are as follows. For the Notes sold under Regulation S: CUSIP No.: J54675AZ6 ISIN: USJ54675AZ63 Common Code: 203190433 For the Notes sold under Rule 144A: CUSIP No.: 654579AG6 ISIN: US654579AG64 Common Code: 203190247 Beneficial interests in the global securities will be shown on, and transfers thereof will be effected only through, records maintained by the depositaries and their participants. The sole holder of the Notes represented by a global security will at all times be DTC or its nominee (or a successor to DTC or its nominee), and voting and other consensual rights of holders of the Notes will be exercisable by beneficial owners of the Notes only indirectly through the rules and procedures of the depositaries from time to time in effect. Beneficial interests in the global securities may not be exchanged for definitive Notes except in the limited circumstances described under "Description of the Notes—Book-entry; Delivery and Form—Exchange of Global Securities for Definitive Notes."

Governing Law	The Notes and the Indenture will be governed by and construed in accordance with the laws of the State of New York.
Ratings	It is expected that the Notes will be assigned ratings of A- by S&P and A3 by Moody's. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agencies.
Listing and Trading	Approval in-principle has been received for the listing of the Notes on the SGX-ST. The Notes will be traded on the SGX-ST in a minimum board lot size of $200,000 for so long as the Notes are listed on the SGX-ST.
Trustee, Paying Agent, Calculation Agent, Notes Registrar and Transfer Agent	The Bank of New York Mellon.

Risk Factors

Prior to making an investment decision, you should carefully consider the following risks, along with the other information in this offering circular.

Risks Related to Our Business

Adverse financial market and economic conditions in Japan and elsewhere may have a material adverse effect on our business, financial condition and results of operations.

Our business, financial condition and results of operations are materially affected by financial market and economic conditions in Japan and elsewhere. In Japan, the introduction of negative interest rates by the Bank of Japan ("BOJ") in early 2016 and other changes in fiscal and monetary policies could have an unforeseen impact on Japan's financial markets and economy. Changes to laws and regulations, such as the increase in the Japanese consumption tax from 8% to 10%, which took effect in October 2019, could further hurt consumer sentiment and weaken demand and have a negative effect on the Japanese economy. In regions and countries outside Japan, geopolitical instability including in parts of Asia, Eastern Europe, the Middle East and North Africa, including geopolitical risks posed by the potential threat of North Korea's nuclear weapons program, and material changes in regional economic or political unions or associations between countries, such as the United Kingdom's anticipated exit from the European Union as a result of the referendum held in June 2016, as well as the uncertain impact of the policies pursued by the current presidential administration in the United States, and trade and security tensions, particularly between the United States and China, are giving rise to concerns about economic instability in those and other regions and could adversely affect Japanese and global economic conditions. There is also uncertainty about the level of growth prospects of a number of emerging countries, and in particular about the ability of China to successfully rebalance its economy towards more consumption and less investment. There are also concerns about the economic environment in Europe, given the recent slowdown of Eurozone GDP growth rates. There are additional concerns about the potential effects of conflicts in the Middle East and terrorist actions in various countries on global financial markets and economic conditions.

In the event of any economic downturn in Japan or elsewhere, which may be characterized by higher unemployment, lower household income, lower corporate earnings, lower business investment and lower consumer spending, the demand for insurance and annuity products could be adversely affected. Policyholders may choose to defer paying insurance premiums or stop paying insurance premiums altogether. We may also experience an elevated incidence of claims and surrenders or lapses of policies. In addition, such downturns generally result in lower interest yields and declines in stock prices and dividends from stocks, which negatively affect our net investment income. Accordingly, adverse or worsening economic conditions in Japan or elsewhere could adversely affect our business, financial condition and results of operations.

Changes in the value of Japanese and foreign equity securities may have a material adverse effect on our business, financial condition and results of operations.

We maintain equity holdings in Japanese and foreign companies. For example, as of September 30, 2019, domestic equity and foreign equity (including foreign bond-type investment trust and yen-denominated preferred securities) accounted for 12.9% and 9.4%, respectively, of the total assets in our general account. Global financial markets, including the Japanese equity markets, have experienced severe volatility in recent years. Although the Nikkei 225 Index continued to increase after 2015, it has also continued to experience volatility. In June 2016, it fell to a low of 14,952.02, but has since recovered to 23,293.91 as of November 29, 2019.

Declines in stock prices may decrease the amount of net unrealized gains on available-for-sale securities, which may negatively affect our net assets, total solvency margin and solvency margin ratio. In addition, declines in stock prices may result in losses on valuation or impairment of securities, losses on sales or disposition of securities or reversal of the reserve for price fluctuations in investments in securities, and thus may also adversely affect our business, financial condition and results of operations.

Changes in interest rates may materially affect our profitability.

In an effort to manage our investment assets in a manner appropriate to our liabilities, which arise from the insurance policies we underwrite, we engage in ALM, which takes into consideration the long-term balance between assets and liabilities in an effort to ensure stable returns. Any failure to conduct ALM activities in an appropriate manner, or any significant changes in market conditions beyond what our ALM activities can reasonably address, could have a material adverse effect on our financial condition.

In general, our liabilities to policyholders have a longer duration than our investment assets. Therefore, during periods of declining interest rates, our average yield on investment declines as maturing investments, along with bonds and loans that are redeemed or prepaid to take advantage of the lower interest rate environment, are replaced with new investments that provide lower yields. This reduces the yield on our investment portfolio while premiums remain generally unchanged on outstanding policies. As a result, our profitability and ability to meet long-term policy commitments can be materially and adversely affected. For example, the significant decline in yen interest rates during the 1990s resulted in a lower average yield on our investment portfolio than the assumed yield used to set premium levels on then-existing policies, a phenomenon known as "negative spread." In recent years, notwithstanding the low interest environment we have been facing, we have significantly diminished negative spread through reductions in average assumed yield and also improvements in investment portfolio yields. As a result, at the closing of accounts for the year ended March 31, 2019, we recorded positive spread for the ninth consecutive year. However, there can be no assurance that our efforts to avoid negative spread will continue to be successful.

In February 2016, the BOJ began to implement a negative interest rate policy, applying a rate of negative 0.1% to certain excess reserves held by financial institutions at the BOJ. In September 2016, the BOJ introduced a yield curve control policy to control short-term and long-term interest rates through open market operations, and established a target interest rate for 10-year JGBs of around 0%. Notwithstanding these monetary easing policy measures intended to control real interest rates, interest rates in Japan have increased since September 2016, but only modestly, and after January 2019 intermittently returned to negative territory. If the BOJ's negative interest rate and yield curve control policies result in lower interest rates on our investments, our average yield on investments could be adversely affected. Further, as we increase our holdings of foreign bonds, our portfolio will become increasingly sensitive to interest rate fluctuations and the monetary policy of central banks in other countries, which may differ materially from that of the BOJ.

An increase in interest rates, while increasing investment yields, also reduces the fair value of fixed-income investments classified as available-for-sale securities acquired prior to such increase, thereby adversely affecting net assets. Such an increase in interest rates may also prompt surrenders of policies, including single-premium individual whole life insurance policies, as policyholders seek investments with higher returns. In October 2014, the BOJ announced an expansion of its monetary easing measures and in December 2015 it announced supplementary monetary easing measures to help achieve its 2% inflation target. Because interest rates are often determined by considering inflation trends, inflation may result in an increase in interest rates. In addition, an increasing budget deficit may also result in an increase in interest rates.

As a result, both decreases and increases in interest rates, particularly when they occur suddenly, could have a material adverse effect on our financial condition.

Our investment portfolio exposes us to a number of other risks in addition to risks related to changes in the value of equity securities and changes in interest rates.

Generating stable investment income is important to our operations. We invest in a variety of asset classes, including JGBs and corporate bonds, foreign government and corporate bonds, Japanese stocks, foreign stocks, loans, real estate and alternative investments. These assets are subject to the normal risks associated with these kinds of investments, including the risk that changes in market prices, interest rates, market indices, levels of volatility, price correlations, liquidity or other market factors might result in losses for a specific position or portfolio and the risk that a counterparty to a transaction might fail to perform under its contractual commitment, resulting in our incurring losses, which create significant challenges in managing our large investment portfolio and can result in declines in our revenues and profit margins. Aside from risks related to changes in the value of equity securities and changes in interest rates, which are discussed in separate risk factors above, the material risks to which our investment portfolio exposes us are summarized below.

Foreign exchange risk. Our exposure to fluctuations in foreign exchange rates results mainly from our holdings of stocks and bonds denominated in currencies other than the yen, in particular, the U.S. dollar and the euro. As of September 30, 2019, 29.1% of our general account assets were denominated in foreign currencies. We hedge our foreign exchange risk with respect to a portion of the principal of and interest on our foreign currency-denominated fixed income investments. While many of our non-yen-denominated general account investments have been hedged against foreign exchange risk, the foreign exchange markets have been experiencing significant volatility and significant strengthening of the yen against major foreign currencies may expose us to the risk of significant foreign exchange losses.

Credit risk. Credit risk refers to the risk of incurring losses when the value of assets, primarily bonds and loans, declines due to deterioration of the financial condition of a party to whom credit has been extended. We are subject to a variety of credit risks, including the risk that issuers of bonds we hold may suffer a decline in creditworthiness or default on principal and interest payments due on their obligations or that the counterparties to the over-the-counter derivative instruments with which we hedge market risk may default. Domestic and foreign bonds represented 34.4% and 21.1% of the total assets in our general account, respectively, as of September 30, 2019. Any decline in the creditworthiness of issuers of bonds we hold or default by such issuers on payments due on their respective obligations or any failure by a counterparty to honor the terms of its derivative instruments with us could lead to losses or reduced gains on valuation or sales of securities. Such losses and reduced gains would have an adverse effect on our financial condition and results of operations. In addition, loans represented 10.8% of the total assets in our general account as of September 30, 2019, with loans to large Japanese corporations (defined as corporations with capitalization of ¥1 billion or more and a specified number of full time employees varying by industry (over 50 for retailing or restaurant businesses, over 100 for service industries and wholesale businesses, and over 300 for other industries)) accounting for 85.3% of our total balance of ¥4,735.7 billion in domestic loans as of September 30, 2019. We are exposed to the risk that the financial condition of our borrowers will erode, which could lead to increased credit costs in our lending portfolio. We provide for an allowance for doubtful accounts based on evaluations and estimates regarding borrowers; however, actual losses on loans could exceed the amount of the allowance and, in the event of failures or a deterioration of the creditworthiness of borrowers, we could be required to increase allowance amounts.

Real estate investment risk. As of September 30, 2019, real estate represented 2.4% of the total assets in our general account. According to the Ministry of Land, Infrastructure, Transport and Tourism of Japan, real estate prices have continued to increase in recent years. However, our real estate-related income may decrease in the future due to declines in real estate prices or market rents, failure to lease available properties or other factors. Our financial condition and results of operations could be materially and adversely affected as a result.

A reduction or perceived reduction in our financial strength, including as a result of any downgrade of our credit or financial strength ratings or outlook, or any negative events related to our business or the Japanese life insurance industry could have a material adverse effect on our business, financial condition and results of operations.

Developments that have the effect of reducing our actual or perceived financial strength could result in increases in policy surrenders and withdrawals, increased funding costs or decreases in new policy sales and other difficulties with respect to our investment, funding and capital-raising activities. Such effects could be caused by an actual or potential downgrade of our credit or financial strength ratings or outlook by credit rating agencies, including as a result of downgrades to Japan's sovereign debt rating, or by a significant decline in our solvency margin ratio, as well as by negative media coverage, rumors or developments concerning our business or the Japanese life insurance industry. Significant declines in our solvency margin ratio, particularly in comparison with other major Japanese life insurance companies, may also result in our being unable to raise funds in the capital markets on favorable terms, or at all, and could have a material adverse effect on our business, financial condition and results of operations.

Differences between future claims and benefits and the actuarial assumptions used in pricing and establishing reserves for insurance and annuity products, as well as changes in these assumptions, may have a material adverse effect on our business, financial condition and results of operations.

Our earnings depend significantly upon the extent to which actual claims and benefits are consistent with the assumptions used in pricing our products and determining the appropriate amount of policy reserves. Such assumptions include future mortality and morbidity rates, investment returns and administrative expenses that are based on various factors and subject to change over time. Actual mortality and morbidity rates that are higher, investment returns that are lower or expenses that are higher than those projected could have a material adverse effect on our business, financial condition and results of operations. In recent years, we have increased our sales efforts with respect to products that insure non-traditional risks, including third-sector insurance products, a term used in Japan to refer to products such as medical insurance, cancer insurance and nursing care insurance products. See "Glossary of Certain Terms." The assumptions used in pricing such products involve an elevated degree of uncertainty, as they are often based on limited experience when compared to assumptions used for life insurance and annuity products covering traditional risks.

Pursuant to the Insurance Business Act, we calculate our required policy reserves periodically and record any necessary changes in those reserves as expenses or revenues. To the extent that actual claims are less favorable than the assumptions originally used, or if changing circumstances require us to modify our underlying assumptions used in calculating our policy reserves, we could be required to increase our policy reserves for new policies. In particular, revisions to the standard mortality table or the standard prospective yield would affect the determination of actuarial assumptions. In recent years, in light of the low-interest rate environment, we have lowered the assumed yield used in calculating our standard policy reserve several times in accordance with applicable regulations. The FSA further revised the standard prospective yield rate downward effective April 2017 and we accordingly lowered the assumed yield of investment return and reviewed the premium rates applicable to, our individual life insurance and individual annuity products. See "Business—Pricing and Underwriting." A decrease in the assumed yield requires us to increase our policy reserves for certain products, which may lead us to suspend sales or increase the pricing of such products, including those offered through our sales representative channel or bancassurance channel, based on factors such as the market environment and our business strategy. In addition, the Institute of Actuaries of Japan (the "IAJ") proposed revisions to the FSA to the standard mortality tables in May 2017, which were adopted by the FSA in June 2017 and took effect in April 2018. Increases in policy reserves, if significant, could have a material adverse effect on our business, financial condition and results of operations, particularly if we are unable to successfully respond to such requirements from a strategic and competitive perspective.

Our sales are concentrated in individual life insurance policies and individual annuity products.

A high percentage of our sales are derived from the individual life insurance and individual annuity markets. For example, for the year ended March 31, 2019 and the six months ended September 30, 2019, premiums from individual life insurance policies represented 54.8% and 53.6% of our total insurance premiums on a nonconsolidated basis, respectively. For the same periods, premiums from individual annuity products represented 14.0% and 14.0% of our total insurance premiums on a nonconsolidated basis, respectively.

A variety of factors affect the Japanese market for individual life insurance policies and individual annuity products, including:

- long-term demographic trends affecting the composition of Japan's population, such as declining or low birthrates and the overall aging of the population;
- levels of employment and household income in Japan;
- the relative attractiveness of alternative savings and investment products; and
- public perception of the financial strength, integrity and reputation of life insurance companies.

In particular, the market for mortality insurance has continued to shrink in line with Japan's declining population. Changes in these and other factors could result in a decrease in sales of new individual life insurance policies and individual annuity products, an increase in policy surrenders or a decrease in the profitability of our products, any of which would have a material adverse effect on our business, financial condition and results of operations.

Our risk management policies and procedures may be ineffective.

Our risk management policies and procedures are designed to address a broad range of risks, encompassing risks relating to insurance underwriting, investments, liquidity, operations and systems. Many of our methods of managing risks and exposures are based on observed historical market behavior or statistics based on historical data. Such methods may inadequately predict future losses, which could be significantly greater than indicated by the relevant historical data. Other risk management methods depend in part on our evaluation of publicly available information regarding markets, customers or other factors. Such information may not always be accurate, complete, up-to-date or properly evaluated. In addition, our risk management procedures depend in part on the consolidation of information gathered from our numerous branches and other sources, and errors may be introduced during the process of gathering and compiling such information. Management of operational risk requires, among other things, policies and procedures to record and verify a large number of transactions and events, and our policies and procedures may not be entirely effective. Operational errors by our employees, strategic partners or third-party service providers could result in reputational or financial harm to us or regulatory sanctions. More generally, any failure or ineffectiveness of our risk management policies or procedures could have a material adverse effect on our business, financial condition and results of operations.

In addition, as the domestic and overseas life insurance markets evolve, we intend to broaden and diversify the range of products and services that we offer while expanding our domestic and overseas businesses and customer base. We may encounter difficulty achieving the risk management improvements necessary to manage the risks associated with such product diversification, business expansion and increased scale. Failure to adapt our risk management policies and procedures to changes in our business and in the environment in which we operate could have a material adverse effect on our business, financial condition and results of operations. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Risk Management."

We are exposed to liquidity risk.

Many of our products permit policyholders to make policy withdrawals of a portion of accumulated premiums and to surrender their policies in return for the payment of a predetermined amount. We manage our liabilities and configure our investment portfolios to provide and maintain sufficient liquidity to meet anticipated withdrawal and surrender demands, payments of policy benefits and requests to pledge collateral in relation to derivative contracts with financial and other institutions. However, a portion of our assets, such as real estate, loans, certain alternative investments such as limited partnership interests in private equity funds, and securities that are not publicly traded, are generally illiquid. If we are required to pay significant amounts of cash on short notice, for example, due to unanticipated withdrawal or surrender activities or a catastrophic event such as a pandemic or natural disaster, we could exhaust our liquid assets and be forced to liquidate other assets, possibly on unfavorable terms. In addition, turmoil in financial markets could lead to a liquidity crisis in which we are unable to dispose of our otherwise liquid assets on favorable terms or at all. If we are forced to dispose of assets on unfavorable terms or are unable to dispose of assets, our financial condition and results of operations could be materially and adversely affected. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Risk Management—Liquidity Risk Management."

Our financial condition and results of operations will be negatively affected if we are required to reduce our deferred tax assets.

Pursuant to Japanese GAAP, we establish, with respect to each consolidated entity, deferred tax assets for tax benefits that are expected to be realized during a period that is reasonably foreseeable, net of deferred tax liabilities. The calculation of deferred tax assets is based on various assumptions, including assumptions with respect to future taxable income. Adverse changes in economic conditions or other factors could lead us to decrease our estimated future taxable income which would require us to increase the valuation allowance for our deferred tax assets. As a result, we would recognize additional income tax expense and our results of operations could be materially adversely affected.

In addition, changes in Japanese tax policies could result in the reduction of our deferred tax assets. In the event the corporate income tax rate is changed following tax reforms and our effective statutory tax rate decreases, our results of operations would likely improve in the medium- to long-term. On the other hand, a decrease in our effective statutory tax rate may require us to reverse our deferred tax assets estimated based on the corporate income tax rates in effect prior to the reform, and this could have an adverse effect on our results of operations. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Estimates—Deferred Tax Assets and Deferred Tax Liabilities."

Changes in relationships with or performance of strategic partners or investee companies could harm our business, financial condition and results of operations.

In recent years, we have entered into a number of business alliances and other transactions with companies inside and outside the life insurance industry to expand our distribution channels and product offerings, in the interest of increasing our long-term profitability. Domestically, we entered into business alliances with Aioi Nissay Dowa Insurance Co., Ltd. ("Aioi Nissay Dowa"), a subsidiary of MS&AD Insurance Group Holdings, Inc., and other corporate groups such as Nichii Gakkan Co., Ltd. and its affiliates (the "Nichii Group"). In December 2015, we acquired a majority interest in Mitsui Life, a domestic life insurance company, which we rebranded as Taiju Life effective April 1, 2019. Also, we have recently made majority investments in companies such as MassMutual Japan, which became a consolidated subsidiary starting from the year ended March 31, 2019 and was rebranded as Nippon Wealth Life effective January 1, 2019. Internationally, we have established long-term strategic relationships with overseas companies in the life insurance and asset management industries, such as Reliance Nippon Life Insurance

Company Limited ("Reliance Nippon Life") and RNAM, which we recently made our subsidiary, National Australia Bank Limited ("NAB"), in connection with our acquisition of MLC, GGNL, a life insurance company in Myanmar, TCW, a US-based asset management company, and DWS Group GmbH & Co. KGaA ("DWS") in Germany. See "Business—Overseas Operations and Strategic Alliances" and "Business—Domestic Strategic Alliances and Investments."

Under our current mid-term management plan, we expect to continue to seek such opportunities for investments and strategic business alliances as part of our strategy to strengthen our group-wide businesses. If our strategy does not succeed, for example, due to our strategic partners or investee companies encountering financial or other business difficulties or developing strategic objectives that conflict with ours, it could have an adverse effect on our business, financial condition and results of operations, and it may become difficult for us to terminate the alliance or recover our invested capital.

We are subject to risks associated with our international operations, overseas asset management and continuing overseas expansion.

We have been expanding our overseas insurance operations in an effort to secure revenue sources outside of the Japanese market and capture the growth of overseas markets as further evidenced by our acquisition of MLC and our increases in our equity stakes in Reliance Nippon Life in recent years. Through overseas representative offices, subsidiaries and affiliates, as well as through a variety of capital tie-up and joint venture arrangements, we engage in or plan to engage in the life insurance business in various markets around the world, including markets such as Australia, China, India, Thailand, Indonesia, Myanmar and the United States. While we believe these markets have growth potential, with respect to emerging markets, there can be no assurance that penetration rates for life insurance products will increase to the extent we expect or to the levels seen in more mature markets.

In addition, we are exposed to risks relating to our overseas asset management business as we continue to seek to expand in this area through our subsidiaries NAM and RNAM and through business alliances with overseas asset management companies.

Our international operations, overseas asset management and continuing overseas expansion expose us to a number of risks with which we have little or no experience, including:

- unfavorable political or economic factors;
- fluctuations in foreign currency exchange rates;
- potentially adverse tax consequences;
- difficulties and uncertainties in obtaining and maintaining necessary government or regulatory approvals or meeting specified financial, capital or other requirements;
- unexpected legal or regulatory changes;
- limited understanding of customer needs, market conditions and local regulations;
- difficulties in recruiting and retaining personnel and managing international operations;
- less developed infrastructures;
- negative economic, social or political developments;
- cultural and societal differences;
- the occurrence of natural or man-made disasters, or acts of violence or war; and
- competition with other multinational or local firms.

Entry into new markets may also bring us into competition with other multinational firms who have a greater scale of operations and financial resources than we do. Although forming long-term partnerships with prominent overseas insurance and asset management companies and steadily expanding our operations and asset management in other countries around the world is a part of our corporate strategy, because of the risks associated with overseas expansion, including the risks described above, there can be no assurance that our pursuit of further expansion will be successful. In addition, we may suffer impairment losses on our existing and future overseas investments and could withdraw from markets where we do not achieve our intended goals.

We may not be able to complete or realize benefits of acquisitions or successfully integrate the businesses we acquire.

As part of our strategy to increase profits in an ultra-low-interest rate environment and steadily expand group business profits, we have in recent years acquired businesses in Japan and overseas. For example, in December 2015, we acquired a majority interest in Mitsui Life, a domestic life insurance company, which we rebranded as Taiju Life effective April 1, 2019; in October 2016, we acquired a majority interest in MLC, a leading Australian life insurance company; in May 2018, we acquired a majority interest in MassMutual Japan, which we rebranded as Nippon Wealth Life effective January 1, 2019; and in September 2019, we completed increasing our stake in RNAM. Through these acquisitions, we are aiming to build a business that can accommodate a wide range of customer needs and expand group business profits and strengthen our business foundation. However, developing and implementing an integrated strategy can be a time consuming and complicated process, and may not be successful. If we are unable to integrate acquired businesses successfully or to realize anticipated economic, operational and other benefits and synergies in a timely manner our business, financial condition and results of operations may be adversely affected.

We have recorded goodwill relating to certain of our past acquisitions and may record additional goodwill relating to future acquisitions. As goodwill is required to be amortized over a period of up to 20 years under Japanese GAAP, any additional goodwill we record would increase our amortization expenses. We evaluate goodwill for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable, and this evaluation is based on several factors requiring judgment. If goodwill becomes impaired, we would be required to recognize impairment losses that would adversely affect our financial condition and results of operations. Based on circumstances as of the date of this offering circular, we will recognize an impairment loss on a portion or the entire amount of goodwill on a consolidated basis during the nine-months ended December 31, 2019, and may also recognize an impairment loss on a portion of the value of issued capital on a nonconsolidated basis during the nine-months ended December 31, 2019. For more information on MLC, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Recent Developments—MLC".

In addition, we may announce that we have entered into an agreement for an acquisition but not be able to close on such an acquisition. If we are not able to complete such acquisitions on the intended schedule, we may incur additional expenses or expend additional resources. Further, if we are not able to complete such acquisitions at all, we will not be able to achieve the intended benefits and our overall results may be harmed.

We may engage in further acquisitions, joint ventures and other strategic transactions intended to complement or expand our business. We may not be able to complete these transactions and, if executed, these transactions could pose major risks and could have a negative effect on our operations.

Our future success and the achievement of our goals under our current mid-term management plan depend in part on whether we can acquire other businesses or enter into joint ventures or other strategic transactions that could complement, enhance or expand our current business or that we believe might otherwise offer us growth opportunities. If we are unable to identify suitable targets, we may not be able to achieve growth prospects that meet our current expectations. In addition, in pursuing acquisitions, we may face competition from other companies. Our ability to acquire targets may also be limited by applicable antitrust laws and other regulations in Japan and other jurisdictions in which we do business. Any transactions that we are able to identify and complete may involve a number of risks, including our inability to achieve the intended objectives of the transaction, negative impacts on our operating results during the integration process and the diversion of our management's attention from our existing business to integrate the operations and personnel of the acquired business or joint venture.

To the extent that we are successful in completing such transactions, we may have to expend substantial amounts of cash and incur debt and other types of expenses, and it is not certain that such transactions would actually yield the results we anticipated. We may not be able to successfully or profitably integrate, operate, maintain and manage any newly acquired operations or employees. As a result of any of the foregoing factors, we may be unable to achieve our strategic goals and our business, financial condition and results of operations may be adversely affected.

We may be unable to hire, train or retain a sufficient number of qualified sales representatives and other personnel or to contract with effective third-party sales agencies.

Competition to attract qualified sales representatives is intense in the Japanese life insurance industry. Like many of our competitors, our business depends to a significant extent on our ability to hire, train and retain qualified sales representatives. Sales representatives generate over half of our premium income. There is generally a high rate of turnover among sales representatives in the Japanese life insurance industry. Our efforts to retain or replace productive sales representatives may be unsuccessful. Other employees, including investment and actuarial personnel, also require a high level of expertise, and special efforts are required to attract, train and retain qualified personnel. If we are unable to attract, train and retain qualified and experienced sales representatives and other personnel, or if we find it necessary to offer increased sales incentives to retain sales representatives, this could have a material adverse effect on our business, financial condition and results of operations.

In addition, third-party sales agencies are increasingly important to our business. If we are unable to attract new and retain current third-party sales agencies, this could have a material adverse effect on our business, financial condition and results of operations.

Our plans to maintain sales of life insurance products through our sales representatives, third-party sales agencies and bancassurance channels may not be successful.

We attribute our operating success to the contributions of our sales representatives, third-party sales agencies and financial institutions. Our sales representatives in particular are the foundation of our steady growth, and we intend to solidify our leading status in areas where we have competitive advantages or know-how, such as by increasing our number of sales representatives. We also intend to take steps to increase our market shares in our other sales channels including our third-party sales agencies and financial institutions. For example, we have developed an agency channel centered on tax accountants, professional life and non-life insurance sales agencies, and other organizations. Agencies sell our products while providing consultations about such topics as estate planning, transferring a company to new owners, protection for business activities, asset formation, and other subjects, mainly with corporate managers. We have also strengthened our efforts to sell life insurance products through banks and other financial institutions, and we rely in part on this bancassurance channel for new sales, although on a smaller scale than our sales representative channel. As our relationships with these financial institutions are non-exclusive, the level of sales of our products through these agents depends on the competitiveness of our products relative to those of our competitors, including pricing, benefits and other features. As a result, competition among life insurance companies to obtain and maintain bancassurance relationships remains intense notwithstanding the challenging environment.

Although we aim to maintain stable sales through our various channels, there can be no assurance that we will succeed in maintaining our sales or achieving targeted profitability or that we will be able to compete effectively. In addition, competition between our bancassurance agents and our own sales representatives could increase in the future.

Any failure of information technology systems could harm our business, financial condition and results of operations.

We rely heavily on information technology systems, including those of third-party service providers, to manage customer policies, manage investments in assets, record and maintain statistics and personal information of our customers and in other areas of our operations. We are continuing efforts to enhance work efficiency and boost the quality of administrative work, by utilizing robotic process automation technology and TASKALL tablet devices for use by our sales representatives. However, as we expand our operations and product offerings, our information technology systems may require additional expenditure.

Our information technology systems could fail due to various causes, including problems affecting the Internet generally or damage to equipment, software or networks as a result of accidents, fires, natural disasters, power loss, high user volume, human error, sabotage, hacking, employee misconduct, software and hardware defects and malfunctions, viruses or network security breaches. Any such failure could disrupt the services that we provide to customers at our branches, our payments and collections, the management of our assets or the use of our tablets by our sales representatives, among other things. Such failures could also have other adverse consequences, including reputational damage, customer dissatisfaction and a loss of customer confidence, which could result in increased policy surrenders, a decrease in new policy sales and legal or regulatory sanctions.

In addition, because our operations and information technology and other systems, as well as those of our third-party service providers and business partners, are concentrated in metropolitan areas in Japan, an earthquake, tsunami or other disaster affecting such metropolitan areas could significantly disrupt our operations. There can be no assurance that we or our third-party service providers and business partners would be able to resume service in a timely fashion, or at all, in the event of any such natural disaster.

If our customers' personal information is lost, accidentally disclosed or misappropriated, or if information security is otherwise breached, we could be subject to reputational harm or legal claims.

We make extensive use of online services and centralized data processing, including through third-party service providers, and the tablets carried by our sales representatives handle and transmit personal information of our customers. Secure maintenance and transmission of confidential information is therefore a critical element of our operations. The information security measures that we implement or that are implemented by our third-party sales agencies, our third-party service providers or our business partners may be insufficient to prevent the loss, accidental disclosure or misappropriation of customer information, or the compromise of information and communications systems. Inadvertent loss, disclosure or misappropriation of customer information by our own employees or sales representatives would subject us to similar risks. Japanese media, regulators and consumers have intensified their scrutiny of incidents involving the loss, disclosure or misappropriation of personal information in recent years. In addition, the Personal Information Protection Act of Japan (Act No. 57 of 2003, as amended) (the "Personal Information Protection Act") imposes stringent regulatory requirements applicable to our handling of customers' personal information. Further, pursuant to the Act on the Use of Numbers to Identify a Specific Individual in the Administrative Procedure of Japan (Act. No. 27 of 2013, as amended) that came into effect in October 2015, residents in Japan have each been issued a unique identification number ("My Number") which identifies them for specific administrative procedures related to social security and taxation. We have started handling the My Number information of our customers. If we were to lose customers' personal information, including their My Number information, or if a third party were able to penetrate our network security, or that of our third-party sales agencies, service providers or business partners, or otherwise misappropriate personal information of our customers, we could be subject to reputational harm, legal claims or sanctions by regulatory authorities.

Misconduct by sales representatives, other employees, third-party sales agencies, third-party service providers or customers could subject us to losses.

Misconduct by sales representatives, other employees, third-party sales agencies or third-party service providers can include, among other things, illegal sales practices, fraud, identity theft and loss or misuse of personal information, which could result in legal violations, regulatory sanctions or reputational or financial harm. The vast majority of our sales representatives, other employees, third-party sales agencies and third-party service providers operate with considerable autonomy. Moreover, our sales representatives, some of our other employees, third-party sales agencies and third-party service providers have direct contact with customers and knowledge of their personal and financial information. Also, customers may engage in fraudulent activities, including fraudulent use of policies or the use of false identities to open policies. Customers who have not revealed that they are members of anti-social groups may also enter into transactions with us. Though we have adopted measures to prevent or detect such fraudulent activities, our efforts may prove ineffective in preventing fraudulent or illegal activity or transactions with anti-social groups. In the event our sales representatives, other employees, third-party sales agencies, third-party service providers or customers engage in any misconduct, our reputation could be seriously damaged and we could become subject to significant legal liabilities and regulatory sanctions, which could have a material adverse effect on our business.

Declines in our pension assets or revisions in actuarial assumptions could increase our pension costs.

We have incurred and may in the future incur losses relating to our pension plans from changes in the market values of plan assets, declines in returns on our pension plan assets or changes in the assumptions and investment returns on which the calculation of the projected pension benefit obligation is based. We may also experience unrecognized prior service costs in the future resulting from amendments to our pension plans.

We are regularly involved in litigation related to our insurance operations, which could result in financial losses or otherwise harm our businesses.

We are regularly involved in litigation related to our insurance operations. While we cannot predict the outcome of any pending or future litigation, we do not believe that any pending legal matter will have a material adverse effect on our business, financial condition and results of operations. However, given the inherent unpredictability of litigation, it is possible that an adverse outcome could have a material adverse effect on our business, financial condition and results of operations.

Risks Related to the Life Insurance Industry

Demographic trends in Japan will continue to have an adverse effect on the Japanese life insurance industry.

Japan's birthrate has been in decline for several decades and is currently one of the lowest in the world. The number of people aged between 15 and 64, which represents Japan's potential workforce and includes in any given year substantially all of our customers for core insurance products with death benefits, has declined by 12.7% from 86.2 million in 2000 to 75.2 million in 2019. The National Institute of Population and Social Security Research of Japan projects that the number of people in this age group will further decrease to an estimated 68.8 million in 2030 and will continue to decline for decades thereafter. We believe that this demographic trend is one of the primary factors contributing to the general decline in the amount of policies in force in the Japanese life insurance industry. If these trends continue to lead to reduced demand for life insurance products, the scale of our life insurance business may diminish, which could have a material adverse effect on our business, financial condition and results of operations.

Competition in the Japanese financial services industry is increasing.

We face intense competition in the Japanese life insurance market from both domestic and foreign-owned life insurance companies and from large domestic financial service providers that either have their own insurance subsidiaries or enter into cooperative arrangements with major insurance companies. Competition has increased in the Japanese life insurance market in recent years due to industry deregulation, bancassurance channel targeting by competitors, an overall decline in demand for insurance products with death benefits and increased competition from foreign-owned insurance companies, among other factors. Japan's financial sector has also experienced significant consolidation in recent years, and further consolidation could affect the competitive environment for the sale and distribution of life insurance products.

Japan Post Holdings Co., Ltd. ("Japan Post Holdings") is an approximately 56.87% government-owned holding company of the Japan Post Group, consisting of three primary subsidiaries: a postal subsidiary, which provides Japan's primary postal service and operates Japan's post offices, a banking subsidiary, which conducts deposit-taking and other banking activities, and Japan Post Insurance, which engages in the life insurance business. Japan Post Insurance enjoys competitive advantages in the Japanese insurance market due to its large existing customer base, access to Japan Post Group's nationwide network of post office branches and favorable public perception of its stability due to its association with the government. In April 2019, Japan Post Holdings lowered its ownership share of Japan Post Insurance to 64.5% through a public secondary offering of Japan Post Insurance shares. Pursuant to its privatization mandate, Japan Post Holdings has announced its plans to reduce its equity interest in Japan Post Insurance to around 50% in multiple stages. However, the timing of any further sell downs is uncertain. Therefore, there may remain an appearance of government support for Japan Post Insurance, which could provide it with a competitive advantage over us. Furthermore, while Japan Post Insurance is currently required to obtain government approvals in order to enter into new businesses under the applicable law governing the privatization, including expansion of the types of insurance policies that it sells or asset management services it provides, if Japan Post Holdings disposes of 50% or more of its equity holdings in Japan Post Insurance, such legal restrictions may be substantially relaxed.

Consequently, Japan Post Insurance is a competitor in our primary business operations, and we may be adversely affected by competition from it. In addition, Japan Post Holdings has entered into a strategic alliance with and acquired a minority stake in American Family Life Assurance Company of Columbus ("AFLAC"), under which, among other things, Japan Post Insurance offers AFLAC cancer insurance policies. Additionally, in March 2016, Japan Post Insurance and Dai-ichi Life Insurance Company, Limited agreed to form a strategic business alliance to strengthen the cooperation between the two companies with respect to: (i) the life insurance business in Vietnam; (ii) the asset management business; and (iii) joint research on domestic life insurance businesses. Furthermore, such competition may intensify as a result of further deregulation of Japan Post Insurance or any favorable treatment or support given to Japan Post Insurance by the government. See "Business—Competition."

We may also face competition from various cooperative associations such as the Japan Agricultural Cooperatives, the National Federation of Workers and Consumers Insurance Cooperatives and the Japanese Consumers' Co-operative Union, all of which offer competing life insurance products.

Increased competitive pressures resulting from these and other factors may cause our new policies to decline and policy surrenders to increase, which could have a material adverse effect on our business, financial condition and results of operations.

As a Japanese insurance company, we are subject to extensive oversight of our business practices and must maintain a solvency margin ratio at or above required levels.

As a Japanese insurance company, we are subject to extensive oversight, including comprehensive regulation by the FSA under the Insurance Business Act and related regulations. The Insurance Business Act intends to protect policyholders, not security holders. The law places restrictions on the types of businesses in which we may engage, imposes limits on the types of investments that we may make and requires us to maintain specified reserves and a minimum solvency margin ratio. The Insurance Business Act also gives the Commissioner of the FSA broad regulatory powers over our business, including the authority to suspend operations, request information and conduct rigorous on-site inspections of books and records. In addition, we generally must receive prior approval of the Commissioner of the FSA for the sale of new insurance products and changes in the pricing terms of our products. See "Regulation of the Japanese Life Insurance Industry—Insurance Business Act."

Currently, we are required to maintain a solvency margin ratio (a measure of capital adequacy) of at least 200% on both a consolidated basis and a nonconsolidated basis. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Solvency Margin Ratio." If we fail to maintain our solvency margin ratio and other indicators of financial soundness at or above required levels, the Commissioner of the FSA could require us to take a variety of corrective actions. See "Regulation of the Japanese Life Insurance Industry—Insurance Business Act—Financial Regulation—Prompt corrective action."

Furthermore, in connection with the development and possible introduction of new standards for solvency assessment by the International Association of Insurance Supervisors (the "IAIS"), the FSA, which is a member of the IAIS, has announced a plan to discuss the adoption of an economic-value based solvency regime and use of internal models in the course of its medium-term review of solvency margin regulations. The IAIS's Common Framework for the Supervision of Internationally Active Insurance Groups, a set of international supervisory requirements focusing on the effective group-wide supervision of internationally active insurance groups ("IAIGs"), is expected to include a risk-based global insurance capital standard, with the current plan to have full implementation in 2025 after testing and refinement with supervisors and IAIGs through confidential reporting. Since June 2010, the FSA has been conducting studies on an economic-value based solvency regime through field tests covering all insurance companies and the adoption of a specific framework concerning the economic value-based solvency regime. According to the policy announced by the FSA in September 2018, the FSA plans to discuss the new standards with stakeholders with the aim of introducing the new standards in time for insurance capital standards, while taking into consideration any unintended impact from the current economic environment, although it is currently unclear what the content of these new standards will be or the extent to which they will reflect the calculation methods being examined by the IAIS. Although the timing of such adoption is yet to be decided, it is likely that the discussion regarding such adoption will continue. The adoption of an economic-value based solvency regime is expected to result in regulations significantly different from existing regulations and may have a significant impact on the operations and asset management of the Japanese life insurance industry given the inherent responsiveness and calibration of such a regime to fluctuations in interest rates. Additional requirements, such as the global insurance capital standard published by the IAIS in November 2019 as part of its Common Framework for the Supervision of IAIGs, could result in significant changes to the current solvency margin regulations. If we are designated as an IAIG, we could become subject to these new requirements potentially resulting in new limitations on our business or investment activities.

In addition, some of our subsidiaries are subject to regulatory capital requirements under their home country standards. Failure to meet minimum capital requirements may trigger certain mandatory actions by regulators that could have a direct material effect on our financial condition and results of operations.

Future changes in laws and regulations, as well as judicial and other interpretations, applicable to us could adversely affect our business, financial condition and results of operations.

Changes in laws and regulations and their interpretations, and changes in government policies regarding their enforcement could adversely affect our new policy sales, lead to increased compliance risk, increase the level of competition we face or otherwise adversely affect our business. Examples of such changes that have had, or could have, an adverse effect on our business, financial condition and results of operations are described below.

For example, as a result of amendments to the Insurance Business Act that became effective in 2007, rules applicable to sales of certain insurance products with investment characteristics became more stringent, similar to those applicable to sales of financial instruments. Further, as a result of amendments to the Insurance Business Act that became effective in 2016, rules applicable to sales of certain insurance products require persons offering certain insurance products to provide customers with certain information and to understand the customers' motivations for purchasing such products. Our sales representatives and third-party sales agencies may encounter difficulties adjusting their sales practices to comply with future regulatory changes. In addition, we may face increased compliance risk as a result of regulatory actions against us or our competitors or in connection with future expansions of our product offerings and related regulatory initiatives, any of which could adversely affect our business strategies or require significant additional expenses for training, improved compliance or remediation.

Regulations under the Insurance Business Act generally prohibit Japanese corporations from acting as life insurance companies' sales agencies for the sale of life insurance products to their own management and employees and other persons affiliated with their own corporation. Similar regulations do not exist with respect to non-life insurance products, and most major Japanese corporations maintain subsidiaries that act as non-life insurance companies' sales agencies for the sale of non-life insurance products to their own management, employees and affiliated persons. If this prohibition on the sale of life insurance products is lifted, the life insurance subsidiaries of non-life insurance companies may be able to take advantage of their parents' existing relationships with sales agencies and act as life insurance sales agencies to major corporations. In such event, we may experience a competitive disadvantage and our new policies could decline.

In addition, income tax laws permit individuals to deduct for income tax purposes all or a portion of the premium payments on almost all of the insurance and annuity products purchased from us. Similarly, corporate and small business policyholders are permitted to deduct as a business expense, subject to certain conditions, all or a portion of the costs of premiums on certain types of life insurance products, such as term life insurance, and on annuity products. These and other favorable tax provisions enhance the appeal of our insurance and annuity products to our customers. Japanese tax reform in 2010 added a deduction for individual premium payments on long-term care insurance and health care insurance products, but reduced the maximum deduction for premium payments on life insurance and annuity products purchased on and after January 1, 2012. Moreover, in June 2019, the National Tax Authority of Japan introduced a new policy to further limit the ability of corporate and small business policyholders to deduct premium costs for certain types of life insurance products, such as term life insurance. These or any further changes in Japanese tax laws or regulations that negatively affect the tax treatment of premiums on our insurance and annuity products could adversely affect our new policy sales.

In March 2012, the FSA tightened capital adequacy rules for internationally active banks and certain financial institutions, reflecting proposals made under Basel III on raising the quality, consistency and transparency of the capital base and enhancing risk coverage. Such heightened capital requirements, and other potential future regulatory changes, including further tightening of capital adequacy rules and potential restrictions on holdings of the securities of other Japanese financial institutions by Japanese banks and bank holding companies, could make investments in our foundation funds and subordinated debt or securitized products relating to our foundation funds less attractive to Japanese banks and bank holding companies, which could adversely affect our ability to raise capital.

Changes to accounting standards relating to the calculation of policy reserves could have a material adverse effect on our reported financial condition and results of operations.

The Insurance Business Act and related regulations and guidelines set forth the standards under which policy reserves are calculated. Changes to such standards that would require us to increase our policy reserves could have a material adverse effect on our reported financial condition and results of operations. For example, the International Accounting Standards Board ("IASB"), which develops International Financial Reporting Standards ("IFRS"), published a new standard, IFRS17 Insurance Contracts, which originally was to be effective for periods beginning on or after January 1, 2021, but on November 14, 2018, the IASB proposed a one-year deferral of the effective date to 2022, with earlier adoption permitted under certain conditions. The new standard requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. If current value accounting for liabilities is adopted under Japanese GAAP in the future, we would be required to calculate policy reserves based on the current value of policy obligations taking into account factors such as current interest rate levels, which could increase the volatility of our reported financial condition and results of operations as compared to currently applicable accounting standards.

The failure of other Japanese life insurance companies could require us to increase our contributions to industry-wide policyholder protection funds and could undermine consumer confidence.

We, like other Japanese life insurance companies, are required to support policyholders of failed life insurance companies through payments to The Life Insurance Policyholders Protection Corporation of Japan (the "LIPPC"). The LIPPC was established pursuant to the Insurance Business Act in 1998 to provide a new system for the protection of policyholders of failed life insurance companies. The LIPPC is authorized to provide funds in connection with the transfer of insurance policies from a failed life insurance company to a successor company and perform certain other specified functions. See "Regulation of the Japanese Life Insurance Industry—Insurance Business Act—Regulation for the Protection of Policyholders."

The life insurance industry is required to accept funding commitments to the LIPPC of an aggregate of up to ¥33 billion per year. This funding obligation is allocated among all Japanese life insurance companies licensed under the Insurance Business Act based on amounts of premium and certain investment income and policy reserves. The allocation amounts are revised annually. We made contributions of ¥6.6 billion, ¥6.5 billion and ¥6.5 billion to the LIPPC in the years ended March 31, 2017, 2018 and 2019, respectively. We expect the amount of our contribution in the current and future fiscal years to be comparable to the amounts of our contributions made in prior fiscal years. However, as stated above, this amount is adjusted annually based on the relative size of our premium and certain investment income and policy reserve amounts within the life insurance industry as a whole and could be increased. All of our payments to the LIPPC are charged to operating expenses when paid.

The proportion of required contributions allocated to us could increase if our income from insurance premiums and certain investments increases relative to other life insurance companies in Japan. In the event of a future failure of a Japanese life insurance company or if the legal requirements for contributing to the LIPPC change, we may be required to make additional contributions to the LIPPC, and our business, financial condition and results of operations could be materially and adversely affected. The failure of other Japanese life insurance companies could also damage the reputation of the Japanese life insurance industry in general and undermine consumer confidence in Japanese life insurers, which could lead to a decrease in our sales of new policies or an increase in lapses or surrenders of existing policies.

Catastrophes could result in significant losses and disruptions to our business operations.

We are exposed to the risk of unpredictable liabilities for insurance claim payments in the event of catastrophic mortality in Japan due to a pandemic, such as avian or swine flu, or catastrophic events, such as earthquakes, tsunamis, wars, foreign attacks, terror attacks and other more localized disasters affecting Tokyo or other densely populated areas in Japan. Physical damage and other effects of such catastrophes could result in significant disruptions to our business operations. In addition, although we maintain a contingency reserve consistent with industry practice and accounting standards, the reserve may not be adequate to cover actual claim liabilities. We have been proactive in expediting and simplifying the insurance claims and payout process for customers in affected regions and have waived applicable exemption clauses for earthquakes, to ensure full payouts. While we currently expect the reserve for losses on disaster to be sufficient to deal with remaining risks of relevant loss, there is no assurance that we will not need to increase the reserve in the future.

Risks Related to the Notes

We have the right and under certain circumstances will be required to defer interest payments on the Notes for an indefinite period of time.

We will have the right, in our sole discretion, to defer payment of all (and no less than all) of the interest accrued on the Notes on any interest payment date, so long as such interest payment date is not a mandatory interest deferral date. Furthermore, we will be required to defer payment of all (and no less than all) of the interest on the Notes that shall have accrued as of an interest payment date upon the occurrence of certain mandatory interest deferral events, which include any failure to meet certain regulatory capital requirements, as well as a payment deferral on the Notes or any liquidation parity security. During any such deferral, holders of the Notes will receive no payments on the Notes, and will have no remedies against us for nonpayment. Even during any such deferral, the Notes do not restrict our ability to make payments on foundation funds obligations or distributions to our policyholders (*shain haitou*). See "Description of the Notes—Deferral of Interest Payments; Arrears of Interest."

Subordination of the Notes could hinder investors' ability to receive payment.

Upon the occurrence of a subordination event, any amounts payable under the Notes will be subordinated in right of payment to the prior payment of all of our senior indebtedness. Senior indebtedness means all benefits and claims and other liabilities (including, for the avoidance of doubt, statutory subordinated bankruptcy claims (*retsugoteki hasan saiken),* as defined in the Bankruptcy Act of Japan (Act No. 75 of 2004, as amended) (the "Bankruptcy Act")), other than liabilities under the Notes, any liquidation parity securities, claims of holders of interests in foundation funds or claims of any other instruments that are expressly designated as being junior to the Notes as to priority of liquidation payment. We expect to incur additional indebtedness and other obligations from time to time that will constitute senior indebtedness, and the Indenture does not contain any provisions restricting our ability to incur senior indebtedness, including with respect to the amount of any such senior indebtedness. See "Description of the Notes—Status of the Notes; Subordination."

There are only limited rights of acceleration under the terms of the Notes.

The trustee with respect to the Notes may only accelerate payment of the principal and accrued and unpaid interest on the Notes in limited circumstances. The Notes may not be accelerated upon a default in the payment of principal of or interest on the Notes, upon the non-performance of any covenant in relation to the Notes or upon the occurrence of any other event in relation to the Notes other than a subordination event, which would only occur in the event that liquidation, bankruptcy, reorganization or rehabilitation proceedings shall have commenced with respect to us or in the event that we shall have become subject to other equivalent proceedings pursuant to any applicable law of any jurisdiction other than Japan, and in such cases, payment on the Notes would remain subject to subordination.

We may redeem the Notes at our option on or after the first call date, and upon the occurrence of certain tax or special events.

We will have the option to redeem the Notes in whole (but not in part), subject to compliance with applicable regulatory requirements, on the first call date, and any reset date thereafter. In addition, we will have the option to redeem the Notes in whole (but not in part) at any time upon the occurrence of an additional amounts event (as defined herein) or certain special events. Any redemption of the Notes will be subject to the conditions described under "Description of the Notes—Redemption." If the Notes are redeemed, holders may not be able to reinvest the money received upon such redemption at the same rate of return. For the tax consequences to holders of a redemption, see "Taxation."

We may not redeem the Notes on January 23, 2050.

If, on January 23, 2050, conditions for final redemption are not met, we will not redeem the Notes until the next interest payment date on which such conditions are met. In the event of such a redemption deferral, the return of your initial investment will be deferred, potentially indefinitely.

The market for the Notes may be limited.

Prior to the offering, there has been no trading market for the Notes. A market for the Notes may not develop or, if it does develop, it may not provide holders or beneficial owners of the Notes with sufficient liquidity of investment or continue for the life of the Notes. Although approval in-principle has been received for the listing of the Notes on the SGX-ST, there can be no assurance that any liquid markets for the Notes will ever develop or be maintained. Furthermore, there can be no assurance as to the liquidity of any markets that may develop for the Notes or the prices at which you will be able to sell your Notes, if at all. In addition, the market value of the Notes may fluctuate. Consequently, any sale by holders of the Notes in any secondary market which may develop may be at a discount from the original purchase price of the Notes.

The ratings of the Notes may be lowered or withdrawn.

It is expected that the Notes will be assigned ratings of A- by S&P and A3 by Moody's. In addition, other ratings agencies may assign credit ratings to the Notes without solicitation or request from, or provision of information by us. Such ratings are limited in scope, and do not address all material risks relating to an investment in the Notes, but reflect only the view of each rating agency at the time the relevant rating is assigned. There is no assurance that such credit ratings will remain in effect for any given period of time or that such ratings will not be lowered, suspended or withdrawn entirely by the rating agencies, if, in the relevant rating agency's judgment, circumstances so warrant. A downgrade or potential downgrade in these ratings or the assignment of new ratings that are lower than existing ratings could reduce the number of potential investors in the Notes and adversely affect the price and liquidity of the Notes. A rating is based upon information furnished by us or obtained by the rating agency from its own sources and is subject to revision, suspension or withdrawal by the rating agency at any time.

Optional or mandatory deferral of interest payments, conditions on redemption upon maturity and other characteristics of the Notes could adversely affect the market price of the Notes.

The Notes contain provisions that permit us to defer interest payment on the Notes at our election or obligate us to defer interest payment on the Notes or redemption on maturity under certain specified circumstances. We currently do not intend to exercise our right to defer payments of interest on the Notes. However, as a result of these optional and mandatory deferral provisions, the market price of the Notes may be more volatile than the market price of other securities that are not subject to such provisions. Further, if interest payments on the Notes are deferred due to our exercising such right or due to the occurrence of certain specified events, or if redemption on maturity is deferred due to a failure to meet the redemption conditions, the market price of the Notes is likely to be affected. If interest or redemption on maturity is deferred and you elect to sell Notes during the period of that deferral, you may not receive the same return on your investment as a holder that continues to hold its Notes until we pay the deferred interest or principal. The Notes are unlike traditional subordinated debt securities, not only with respect to the possible optional or mandatory deferral of interest and with respect to the conditions to redemption upon maturity, but also in that holders will have limited remedies. In addition, because we are a mutual company, the Notes do not contain compulsory interest payment provisions until after the occurrence of a demutualization event, and the payment stoppage provision of the Notes does not restrict our ability to make payments on foundation funds obligations, which rank junior to the Notes as to priority of liquidation payment, or to make distributions to our policyholders (*shain haitou*). Investor demand for securities with the characteristics of the Notes may change as these characteristics are assessed by market participants, regulators, rating agencies and others. Accordingly, the Notes that you purchase, whether pursuant to the offer made by this offering circular or in the secondary market, may trade at a significant discount to the price that you paid.

Changes in our capital structure and the terms of the Notes resulting from a future demutualization may adversely affect holders of the Notes.

We may determine that demutualization is advantageous to us and our stakeholders. However, demutualization would result in changes in our capital structure, which may or may not be beneficial for holders of the Notes. For example, as a result of demutualization, our common stock would be issued and serve as a capital buffer that is junior to the Notes while our foundation funds would be redeemed or contributed in kind for shares of the reorganized company prior to the effectiveness of the demutualization pursuant to the Insurance Business Act. While certain procedural safeguards are in place, such as approval of an entity conversion plan by a three-quarter majority vote of attending representative policyholders at a board of representative policyholders meeting and authorization by the FSA, the redemption of our foundation funds may result in our capital being significantly lower than prior to demutualization. In addition, upon demutualization, the terms of the Notes will be automatically revised such that we may make payments of interest or principal on, or repay or redeem, other instruments that are *pari passu* with or junior to the Notes, even if any payment on the Notes has been deferred and continues to be in deferral. While we do not have any current plan or intention to demutualize, if we determine to demutualize while the Notes are still outstanding, your rights as holders of the Notes may be adversely affected.

The characterization of the Notes for U.S. federal income tax purposes is uncertain.

The proper characterization of the Notes for U.S. federal income tax purposes is uncertain. To the extent required for U.S. federal income tax purposes, we intend to treat the Notes as "variable rate debt instruments" with a term of ten years. Our treatment of the Notes is not binding on the U.S. Internal Revenue Service (the "IRS") or the courts, and the Notes might be subject to alternative possible characterizations. For example, the Notes could be recharacterized as our equity, or as "contingent payment debt instruments" for U.S. federal income tax purposes. If the treatment of the Notes were successfully challenged, the timing, amount and character of income inclusions on the Notes could be affected. Although we do not have any current plan to demutualize, U.S. investors should note that if we were to demutualize in the future, the tax consequences of any such demutualization to U.S. investors and the treatment of the Notes following demutualization is uncertain and may depend on facts and circumstances at the time of the demutualization that are not currently known. Prospective U.S. purchasers of Notes are urged to consult their tax advisers regarding the U.S. federal income tax consequences of an investment in the Notes (including under any alternative characterization). See "Taxation—Certain U.S. Federal Income Tax Considerations."

Payments on the Notes could be subject to FATCA withholding in future years.

Provisions of U.S. tax law commonly referred to as "FATCA" impose 30% withholding on certain payments made to non-U.S. financial institutions (including intermediaries) that are not participating foreign financial institutions ("PFFIs") or otherwise exempt from FATCA withholding. A PFFI is a foreign financial institution that has entered into an agreement with the U.S. Treasury Department ("Treasury") pursuant to which it agrees to perform specified due diligence and reporting functions and withhold 30% from certain "foreign passthru payments" (which term is not yet defined) that it makes to certain persons. In general, no FATCA withholding will apply to payments made on non-U.S. debt obligations that are outstanding prior to the date that is six months after the date on which final Treasury regulations defining the term "foreign passthru payments" are published (the "grandfathering date"). Therefore, no FATCA withholding will apply to payments made by us on the Notes provided that the Notes are not recharacterized as our equity (as described above in "—The characterization of the Notes for U.S. federal income tax purposes is uncertain") or materially modified on or after the grandfathering date.

We are a financial institution for FATCA purposes and have registered with the IRS as a PFFI, in compliance with the intergovernmental agreement ("IGA") to facilitate the implementation of FATCA between the United States and Japan. The U.S.-Japan IGA, and IGAs the United States has entered into with other jurisdictions, do not address how foreign passthru payments will be treated or whether withholding on such payments will be required by financial institutions subject to the IGAs. Under proposed Treasury regulations (the preamble to which specifies that taxpayers may rely on them pending finalization) FATCA withholding will not apply prior to the date that is two years after final Treasury regulations defining the term "foreign passthru payments" are published. If payments on the Notes were subject to FATCA withholding, no additional amounts would be payable by us and any amounts so withheld would be treated as paid for all purposes under the Notes.

Use of Proceeds

The aggregate gross proceeds from the offering of the Notes is $1,150 million. We expect that the estimated aggregate net proceeds of the offering of the Notes, after deducting the initial purchasers' fees and other estimated expenses related to the offering, will be approximately $1,137 million. We intend to use the net proceeds for general corporate purposes.

CAPITALIZATION

The following table sets forth our consolidated capitalization as of September 30, 2019 and as adjusted to reflect only the issuance of the Notes offered hereby. The following table should be read in conjunction with the financial statements and notes thereto included elsewhere in this offering circular.

	As of September 30, 2019	
	Actual	As adjusted
	(Billions of yen)	
Subordinated bonds[1]	¥1,175.5	¥1,175.5
Subordinated loans[2]	426.5	426.5
Notes offered hereby[3]	–	124.1
Net Assets:		
Foundation funds	100.0	100.0
Reserve for redemption of foundation funds	1,300.0	1,300.0
Reserve for revaluation	0.6	0.6
Consolidated surplus	498.5	498.5
Net unrealized gain on available-for-sale securities, net of taxes	5,470.0	5,470.0
Deferred losses on derivatives under hedge accounting	(3.5)	(3.5)
Land revaluation differences	(54.0)	(54.0)
Foreign currency translation adjustments	(20.4)	(20.4)
Remeasurement of defined benefit plans	(8.4)	(8.4)
Noncontrolling interests	187.7	187.7
Share acquisition rights	0.5	0.5
Total net assets	7,470.9	7,470.9
Total capitalization[4]	¥9,073.0	¥9,197.1

Notes:

(1) Subordinated bonds is comprised of our U.S. dollar-denominated subordinated notes issued in October 2012, October 2014, January 2016 and September 2017, yen-denominated subordinated notes issued in April 2015, April 2016, November 2016 and April 2017, as described under "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Capital Resources" (which shows figures on a nonconsolidated basis) and yen-denominated subordinated notes issued by Taiju Life and Nippon Wealth Life.

(2) Subordinated loans is comprised of our yen-denominated subordinated loans financed in April 2018, September 2018 and April 2019 and yen-denominated subordinated loans of Taiju Life and Nippon Wealth Life. Does not include the redemption of ¥3.5 billion subordinated debt of Nippon Wealth Life in October 2019 and our ¥80.0 billion subordinated loan financed in November 2019.

(3) Translation of the dollar amount of the Notes into yen has been made at the rate of $1.00 = ¥107.92, the approximate rate of exchange as of September 30, 2019.

(4) Total capitalization is calculated as the sum of subordinated bonds (including Notes offered hereby), subordinated loans and total net assets. Except as set forth above and elsewhere in this offering circular, there has been no material change in our consolidated capitalization since September 30, 2019.

Selected Financial Data and Other Information

The following selected consolidated and nonconsolidated financial data as of and for the years ended March 31, 2017, 2018 and 2019 are derived from our audited financial statements. Such audited financial statements as of and for the years ended March 31, 2017, 2018 and 2019 are included elsewhere in this offering circular. The following selected consolidated and nonconsolidated financial data as of and for the years ended March 31, 2015 and 2016 are derived from our audited financial statements, which are not included in this offering circular. The following selected consolidated and nonconsolidated financial data as of September 30, 2019 and for the six months ended September 30, 2018 and 2019 are derived from our unaudited interim financial statements as of September 30, 2019 and for the six months ended September 30, 2018 and 2019. Such unaudited interim financial statements as of September 30, 2019 and for the six months ended September 30, 2018 and 2019 are included elsewhere in this offering circular. The information set forth below should be read in conjunction with, and is qualified in its entirety by reference to, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the financial statements contained elsewhere in this offering circular.

We prepare our financial statements in accordance with Japanese GAAP, which may differ in certain significant respects from accounting principles generally accepted in other countries, including accounting principles generally accepted in the United States and the IFRS.

Consolidated Statements of Income:	Year ended March 31,					Six months ended September 30,	
	2015	2016	2017	2018	2019	2018	2019
	(Billions of yen)						
Ordinary income:							
Revenues from insurance and reinsurance	¥5,370.8	¥6,262.0	¥5,236.0	¥5,422.0	¥6,069.2	¥2,778.1	¥2,950.3
Investment income	1,776.7	1,527.3	1,805.2	1,871.2	1,842.3	1,090.8	995.4
Other ordinary income	262.4	268.2	260.5	316.4	315.5	141.0	156.3
Total ordinary income	7,410.0	8,057.5	7,301.8	7,609.8	8,227.1	4,009.9	4,102.2
Ordinary expenses:							
Benefits and other payments	3,960.0	3,948.7	4,151.6	4,407.3	4,597.4	2,192.2	2,250.6
Provision for policy reserves	1,708.0	2,332.1	1,179.1	1,234.4	1,652.6	735.7	829.6
Investment expenses	143.8	231.5	395.1	383.9	371.7	248.0	291.6
Operating expenses	586.0	624.9	708.2	789.2	825.4	402.1	405.4
Other ordinary expenses	393.4	358.9	339.1	322.8	351.3	164.2	170.9
Total ordinary expenses	6,791.4	7,496.2	6,773.4	7,137.9	7,798.6	3,742.3	3,948.4
Ordinary profit	618.6	561.3	528.3	471.8	428.4	267.5	153.7
Extraordinary gains	4.0	112.0	39.8	21.7	17.4	13.4	51.7
Extraordinary losses	181.8	188.3	196.2	223.2	117.8	118.5	63.3
Provision for reserve for dividends to policyholders (limited company)	–	4.4	18.1	17.2	13.8	6.3	6.1
Surplus before income taxes[(1)]	440.7	480.6	353.8	253.0	314.1	156.1	136.0
Income taxes:							
Current	172.5	120.4	99.8	129.5	135.6	60.3	73.7
Deferred	(41.1)	(45.0)	(54.3)	(123.0)	(102.4)	(48.2)	(69.8)
Net surplus[(1)]	309.3	405.1	308.2	246.5	281.0	144.0	132.1
Net surplus attributable to noncontrolling interests[(1)]	1.2	1.6	6.3	2.6	2.2	2.6	(1.6)
Net surplus attributable to the parent company[(1)]	¥ 308.0	¥ 403.4	¥ 301.9	¥ 243.9	¥ 278.7	¥ 141.4	¥ 133.7

Note:

(1) For fiscal periods beginning from the year ended March 31, 2016, "Surplus before income taxes and minority interests," "Surplus before minority interests," "Minority interests" and "Net surplus" have been renamed "Surplus before income taxes," "Net surplus," "Net surplus attributable to non-controlling interests" and "Net surplus attributable to the parent company," respectively, in accordance with changes in accounting standards. However, for purposes of this table, we have used the renamed line item names for the year ended March 31, 2015.

Consolidated Statements of Changes in Net Assets:	2015	2016	2017	2018	2019
	Year ended March 31,				
	(Billions of yen)				
Total net assets:					
Beginning balance	¥4,814.0	¥ 7,518.0	¥6,454.0	¥6,528.9	¥6,922.3
Cumulative effect of change in accounting policies	–	–	1.8	–	–
Beginning balance after reflecting accounting policy changes	–	–	6,455.9	–	–
Increase/decrease:					
Issuance of foundation funds	–	50.0	–	50.0	–
Additions to reserve for dividends to policyholders (mutual company)	(201.7)	(257.2)	(229.8)	(184.0)	(218.3)
Interest on foundation funds	(2.7)	(1.9)	(1.6)	(1.1)	(0.7)
Net surplus attributable to the parent company[1]	308.0	403.4	301.9	243.9	278.7
Redemption of foundation funds	(50.0)	(50.0)	(50.0)	(50.0)	(50.0)
Reversal of land revaluation losses	10.7	1.0	(28.1)	2.9	(6.2)
Increase due to increase in number of associates accounted for under the equity method	¥ –	¥ –	¥ –	¥ –	¥ –
Change in scope of consolidation and equity method accounting	–	(6.4)	–	–	–
Change in the parent's ownership interest due to transactions with noncontrolling interests	–	0.4	(2.5)	(8.8)	1.0
Net change, excluding foundation funds and others	2,639.7	(1,203.2)	83.3	340.6	51.4
Net change	2,704.0	(1,064.0)	73.0	393.3	55.8
Ending balance	¥7,518.0	¥ 6,454.0	¥6,528.9	¥6,922.3	¥6,978.2

Note:

(1) For fiscal periods beginning from the year ended March 31, 2016, "Net surplus" has been renamed "Net surplus attributable to the parent company" in accordance with changes in accounting standards. However, for purposes of this table, we have used the renamed line item name for the year ended March 31, 2015.

Consolidated Balance Sheets Data:	2015	2016	2017	2018	2019	2019
	As of March 31,					As of September 30,
	(Billions of yen)					
Total assets	¥62,648.6	¥70,607.9	¥72,464.2	¥74,392.5	¥78,809.5	¥81,156.1
Policy reserves and other reserves	50,442.5	58,929.0	60,394.0	61,523.0	65,483.7	66,359.3
Total liabilities	55,130.5	64,153.8	65,935.3	67,470.1	71,831.2	73,685.1
Net assets:						
Foundation funds	200.0	200.0	150.0	150.0	100.0	100.0
Reserve for redemption of foundation funds	1,050.0	1,100.0	1,150.0	1,200.0	1,250.0	1,300.0
Reserve for revaluation	0.6	0.6	0.6	0.6	0.6	0.6
Consolidated surplus	541.5	630.7	622.3	625.1	629.5	498.5
Total foundation funds and others	1,792.2	1,931.4	1,923.0	1,975.7	1,980.2	1,899.2
Net unrealized gains on available-for-sale securities	6,023.9	4,721.0	4,588.0	4,918.6	4,943.9	5,470.0
Deferred losses on derivatives under hedge accounting	(231.0)	(123.9)	(65.2)	(59.0)	(31.6)	(3.5)
Land revaluation differences	(88.6)	(86.2)	(58.0)	(60.9)	(54.6)	(54.0)
Foreign currency translation adjustments	36.3	24.8	30.5	28.7	(4.8)	(20.4)
Remeasurement of defined benefit plans	(30.3)	(29.6)	(24.5)	(18.6)	(13.4)	(8.4)
Total accumulated other comprehensive income	5,710.1	4,506.1	4,470.7	4,808.5	4,839.2	5,383.4
Share acquisition rights	–	–	–	–	–	0.5
Noncontrolling interests[(1)]	15.7	16.4	135.2	137.9	158.7	187.7
Total net assets	¥ 7,518.0	¥ 6,454.0	¥ 6,528.9	¥ 6,922.3	¥ 6,978.2	¥ 7,470.9

Note:

(1) For fiscal periods beginning from the year ended March 31, 2016, "Minority interests" has been renamed "Noncontrolling interests" in accordance with changes in accounting standards. For purposes of this table, we have used the renamed line item name for the year ended March 31, 2015.

Other Nonconsolidated Data:	2015	2016	2017	2018	2019
	As of and for the year ended March 31, (Billions of yen and thousands of policies, except percentages and number of sales representatives)				
Number of new policies:					
Individual insurance	4,397.7	4,412.1	3,915.9	3,322.3	4,679.5
Individual annuities	211.3	223.3	425.6	222.1	229.8
Number of policies in force for individual insurance and annuities	24,084.0	26,649.0	28,791.9	30,080.3	31,871.2
Amount of new policies:					
Individual insurance	¥ 7,627.8	¥ 9,401.0	¥ 8,518.7	¥ 5,214.3	¥ 6,921.2
Individual annuities	¥ 1,538.1	¥ 1,462.6	¥ 2,527.5	¥ 1,368.5	¥ 1,508.1
Policy amount in force for individual insurance and annuities	¥168,105.5	¥166,927.1	¥166,467.6	¥161,728.6	¥159,269.9
Annualized premiums from new policies	¥ 287.8	¥ 322.9	¥ 346.3	¥ 322.1	¥ 311.2
Annualized premiums from new policies for bancassurance products	¥ 45.3	¥ 69.2	¥ 23.3	¥ 16.7	¥ 41.6
Annualized premiums from new policies for third-sector products	¥ 41.1	¥ 49.3	¥ 46.3	¥ 42.0	¥ 47.0
Annualized premiums from policies in force(1)	¥ 3,322.4	¥ 3,430.0	¥ 3,562.7	¥ 3,665.7	¥ 3,747.9
Annualized premiums from policies in force for third-sector products	¥ 600.2	¥ 612.5	¥ 622.3	¥ 627.9	¥ 638.3
Revenues from insurance and reinsurance	¥ 5,337.1	¥ 6,080.9	¥ 4,647.3	¥ 4,488.4	¥ 4,775.1
Individual insurance and annuities	¥ 3,545.6	¥ 3,776.9	¥ 3,126.4	¥ 2,997.0	¥ 3,286.3
Group insurance and annuities	¥ 1,735.4	¥ 2,248.8	¥ 1,466.3	¥ 1,437.9	¥ 1,436.2
Interest, dividends and other income	¥ 1,371.7	¥ 1,396.1	¥ 1,365.6	¥ 1,407.3	¥ 1,427.6
Core operating profit(2)	¥ 679.0	¥ 698.1	¥ 634.9	¥ 668.2	¥ 678.2
Capital	¥ 4,206.1	¥ 4,815.4	¥ 5,295.1	¥ 5,819.0	¥ 6,241.7
Foundation funds (*kikin*) and other reserve funds(3)	¥ 3,806.5	¥ 4,164.6	¥ 4,454.2	¥ 4,790.2	¥ 4,992.8
Subordinated debt	¥ 399.5	¥ 650.8	¥ 840.8	¥ 1,028.8	¥ 1,248.8
Solvency margin ratio	930.8%	903.7%	896.0%	917.9%	933.3%
Real net assets(4)	¥ 16,447.7	¥ 16,847.2	¥ 16,231.7	¥ 17,153.6	¥ 17,948.8
General account	¥ 61,169.4	¥ 62,075.8	¥ 63,498.2	¥ 65,178.5	¥ 66,826.7
Number of sales representatives	52,306.0	51,955.0	50,904.0	52,356.0	53,868.0
Retention rate of sales representatives:					
7 months	82.6%	84.9%	85.5%	83.6%	87.0%
13 months	67.4%	69.7%	71.1%	71.7%	73.1%
25 months	45.8%	47.2%	49.5%	51.5%	–
Persistency rate:					
13 months	94.8%	95.0%	94.7%	94.7%	95.7%
25 months	84.5%	86.6%	87.1%	86.2%	86.3%
Surrender and lapse ratio	4.5%	4.4%	4.4%	4.3%	4.4%
Average annual yield of general account assets(5)	2.83%	2.42%	2.19%	2.20%	2.14%

Notes:

(1) Annualized premiums from policies in force includes totals for individual insurance and individual annuities. Annualized premiums are calculated by multiplying the underlying premium installment amounts by a factor determined according to the relevant payment method to arrive at a single annualized amount. For single-premium policies, annualized premiums are calculated by dividing the total premium by the insured period.

(2) Core operating profit is defined as core operating revenues (revenues from insurance and reinsurance, investment income other than capital gains, other ordinary income and other core operating income) less core operating expenses (benefits and

other payments, provision for policy reserves other than provisions for and reversals of contingency reserves, investment expenses other than capital losses, operating expenses, other ordinary expenses and other core operating expenses).

(3) Foundation funds (*kikin*) and other reserve funds consist of foundation funds and others, reserve for price fluctuations in investments in securities, contingency reserves, general allowance for doubtful accounts and others.

(4) Calculated by subtracting non-capital real liabilities from real assets.

(5) Average annual yield of general account assets is calculated using the net amount of investment income and investment expenses (but excluding gains and losses related to separate account assets) as the numerator and the daily average of the book value of general account assets as the denominator.

	As of and for the six months ended September 30,	
Other Nonconsolidated Data:	**2018**	**2019**
	(Billions of yen and thousands of policies, except percentages)	
Number of new policies:		
Individual insurance	2,402	2,361
Individual annuities	105	121
Number of policies in force for individual insurance and annuities	30,976	32,532
Amount of new policies:		
Individual insurance	¥ 3,285.3	¥ 2,965.9
Individual annuities	¥ 660.6	¥ 884.9
Policy amount in force for individual insurance and annuities	¥160,368.6	¥158,006.2
Annualized premiums from new policies	¥ 124.3	¥ 115.2
Annualized premiums from new policies for bancassurance products	¥ 7.9	¥ 18.6
Annualized premiums from new policies for third-sector products	¥ 23.5	¥ 29.4
Annualized premiums from policies in force(1)	¥ 3,680.7	¥ 3,745.3
Annualized premiums from policies in force for third-sector products	¥ 633.2	¥ 648.8
Revenues from insurance and reinsurance	¥ 2,185.3	¥ 2,302.6
Individual insurance and annuities	¥ 1,418.6	¥ 1,557.2
Interest, dividends and other income	¥ 723.7	¥ 717.2
Core operating profit(2)	¥ 362.6	¥ 331.5
Capital	¥ 6,320.9	¥ 6,542.2
Foundation funds (*kikin*) and other reserve funds(3)	¥ 5,072.0	¥ 5,203.3
Subordinated debt	¥ 1,248.8	¥ 1,338.8
Solvency margin ratio	922.5%	983.9%
Real net assets(4)	¥ 16,731.8	¥ 18,992.5
General account	¥ 66,655.5	¥ 68,885.0

Notes:

(1) Annualized premiums from policies in force include totals for individual insurance and individual annuities. Annualized premiums are calculated by multiplying the underlying premium installment amounts by a factor determined according to the relevant payment method to arrive at a single annualized amount. For single-premium policies, annualized premiums are calculated by dividing the total premium by the insured period.

(2) Core operating profit is defined as core operating revenues (revenues from insurance and reinsurance, investment income other than capital gains, other ordinary income and other core operating income) less core operating expenses (benefits and other payments, provision for policy reserves other than provisions for and reversals of contingency reserves, investment expenses other than capital losses, operating expenses, other ordinary expenses and other core operating expenses).

(3) Foundation funds (*kikin*) and other reserve funds consist of foundation funds and others, reserves for price fluctuations in investments in securities, contingency reserves, general allowance for doubtful accounts and others.

(4) Calculated by subtracting non-capital real liabilities from real assets.

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with our financial statements and notes thereto, included elsewhere in this offering circular. Our financial statements have been prepared in accordance with the provisions of the Insurance Business Act and related regulations thereunder and in accordance with Japanese GAAP, which may differ in certain significant respects from accounting principles generally accepted in other countries, including accounting principles generally accepted in the United States, as well as IFRS. ***Except as otherwise specified, the discussion and analysis of our financial condition and results of operations and all financial information set forth in this section are provided on a consolidated basis.***

This section contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of factors, including, but not limited to, those set forth under "Risk Factors" and elsewhere in this offering circular.

Overview

We are the largest private life insurance company in Japan, and one of the largest in the world, in terms of both assets and revenues. We operate primarily in Japan and offer a wide range of products, including life insurance, annuities and other insurance products, to over 11.8 million insured persons and approximately 25,000 corporate customers in Japan that have more than 100 employees, on a nonconsolidated basis as of March 31, 2019. Our ordinary income consists of revenues from insurance and reinsurance, investment income and other ordinary income. We earn most of our ordinary income from revenues from insurance and reinsurance, which accounted for 73.8% and 71.9%, respectively, of our total consolidated ordinary income for the year ended March 31, 2019 and the six months ended September 30, 2019.

On a consolidated basis, our total assets as of March 31, 2019 and September 30, 2019 amounted to ¥78,809.5 billion and ¥81,156.1 billion, respectively, and our revenues from insurance and reinsurance amounted to ¥6,069.2 billion and ¥2,950.3 billion, respectively, for the year ended March 31, 2019 and the six months ended September 30, 2019. As of September 30, 2019, we had a consolidated solvency margin ratio of 1,053.7% (approximately 5.3 times the minimum regulatory requirement) and a nonconsolidated solvency margin ratio of 983.9% (approximately 4.9 times the minimum regulatory requirement), and we currently have financial strength ratings of A+ (positive outlook) from S&P, A1 (stable outlook) from Moody's, A+ (stable outlook) from Fitch, A+ (stable outlook) from A.M. Best, AA (stable outlook) from R&I and AA+ (stable outlook) from JCR.

Recent Developments

Taiju Life

On December 29, 2015, we completed settlement of a tender offer for the outstanding shares of Mitsui Life, thereby making it our majority-owned subsidiary as of December 31, 2015. After completion of squeeze out procedures and the subsequent sales of ordinary shares to parties associated with the Mitsui group, we own approximately 83% of Mitsui Life's total voting rights. Effective April 1, 2019, we rebranded Mitsui Life as Taiju Life. For the year ended March 31, 2019, Taiju Life had revenues from insurance and reinsurance of ¥767.7 billion, core operating profit of ¥53.1 billion and annualized premiums from new policies of ¥53.2 billion on a nonconsolidated basis. Taiju Life's annualized premiums from policies in force for the six months ended September 30, 2019 was ¥520.8 billion on a nonconsolidated basis. As of September 30, 2019, it had total assets of ¥7,586.7 billion, total net assets of ¥596.7 billion, and total real net assets of ¥1,446.9 billion, each on a nonconsolidated basis.

MLC

On October 3, 2016, we acquired 80% of the outstanding shares of MLC, which resulted in MLC becoming our consolidated subsidiary. NAB holds the remaining portion of the outstanding shares of MLC.

Insurance companies in Australia, including MLC, have been experiencing a decline in profitability due to the lengthening of claims durations, increased payments and other factors in connection with income protection products. While MLC has made efforts to remedy its situation, on December 20, 2019, we announced that we and NAB will subscribe for additional shares of MLC for the aggregate value of approximately AUD 290 million (approximately ¥22 billion) to maintain sufficient capital levels. With respect to MLC, as of September 30, 2019, we recorded ¥41.4 billion of goodwill on a consolidated basis and, as of the date when we completed the subscription for additional shares described above, ¥196.6 billion of value of issued capital on a nonconsolidated basis. Based on circumstances as of the date of this offering circular, we will recognize an impairment loss on a portion or the entire amount of goodwill on a consolidated basis during the nine-months ended December 31, 2019. We may also recognize an impairment loss on a portion of the value of issued capital on a nonconsolidated basis during the nine-months ended December 31, 2019. During the fourth quarter of the fiscal year ending March 31, 2020, we will conduct further impairment tests on our carrying amount of goodwill and of the value of issued capital. Based on the results of such tests, we may recognize additional impairment losses with respect to those amounts during the fourth quarter of the fiscal year ending March 31, 2020. See also "Risk Factors—We may not be able to complete or realize benefits of acquisitions or successfully integrate the businesses we acquire".

RNAM

In November 2017, RNAM completed an initial public offering amounting to 10% of the post issuance paid capital of RNAM. In May 2019, we reached an agreement with Reliance Capital Limited ("Reliance Capital") to acquire its stake in RNAM. In August 2019, we conducted a tender offer for the shares of RNAM. As a result, we made RNAM our subsidiary, and we currently own 75% of its shares. Additionally, we intend to rebrand RNAM as Nippon Life India Asset Management Limited, subject to approval by the relevant authorities and other conditions.

TCW

In December 2017, we acquired a 24.75% stake in TCW, a US-based asset management company with approximately $191.6 billion in assets under management as of the end of 2016. After the transaction, the management and employees of TCW held approximately 44.07% of the outstanding shares of TCW, while The Carlyle Group, through its affiliates, held the remaining 31.18%. We seek to enhance our investment capabilities through mandating investment assets and dispatching personnel to TCW. In addition, Nippon Life Group aims to strengthen the strategic alliance with TCW by mutually supplying products and leveraging TCW's domestic and overseas networks.

DWS

In March 2018, we acquired a 5% stake in the initial global offering of DWS, a leading global asset management company based in Frankfurt, at a cost of 325 million euros. We intend to enhance our investment capabilities and asset management business by mandating investing assets to DWS and enhancing mutual interactions in order to meet the diversifying needs of our customers.

Nippon Wealth Life

On May 31, 2018, we completed the acquisition of 85.1% of the issued and outstanding shares of MassMutual Japan. Effective January 1, 2019, we rebranded MassMutual Japan as Nippon Wealth Life. In accordance with applicable accounting policies, we deemed April 1, 2018 as the acquisition date and the date from which MassMutual Japan's results of operations were included in our consolidated results of operations. Nippon Wealth Life mainly offers savings-type products through our bancassurance channels in order to develop and expand the products and distribution channels. For the year ended March 31, 2019, Nippon Wealth Life had revenues from insurance and reinsurance of ¥293.6 billion, core operating profit of ¥30.8 billion, annualized premiums from new policies of ¥149.5 billion on a nonconsolidated basis. Nippon Wealth Life's annualized premiums from policies in force for the six months ended September 30, 2019 was ¥257.6 billion on a nonconsolidated basis. As of September 30, 2019, it had total assets of ¥2,967.1 billion and total net assets of ¥150.6 billion, each on a nonconsolidated basis.

Corporate Reorganization

In December 2018, we acquired the outstanding shares of LHL Co., Ltd. ("LHL"), a spinoff company of the Internet-based advertising business of LIFULL FinTech Co., Ltd. Subsequently, in April 2019, we implemented a corporate reorganization, as a result of which LifeSalon Co., Ltd., Life Plaza Partners Co., Ltd. ("Life Plaza Partners") and HOKEN110 Co., Ltd., formerly our direct subsidiaries, became direct subsidiaries of LHL and our indirect subsidiaries.

Hanasaku Life

We established Hanasaku Life as a wholly owned subsidiary, which began business in April 2019 after obtaining its life insurance business license from the FSA in February 2019. In June 2019, Hanasaku Life began offering a medical insurance product under its brand, featuring lump-sum medical benefits for hospitalization, extensive coverage of lifestyle diseases, and policy rider customizability depending on the needs of the individual customers. Hanasaku Life plans to mainly provide third-sector products, which are competitive low-cost products that meet customer needs, through our agencies or walk-in shop channels.

GGNL

In June 2019, we entered into a definitive agreement to acquire a 35% stake in GGNL a life insurance company under Myanmar's conglomerate Shwe Taung Development Company Limited, at a cost of about $21 million. In November 2019, approval was obtained from the Myanmar financial authorities and the acquisition was completed. Myanmar is a market that is expected to continue to grow given its attractive population profile and steady economic development, after the opening of its insurance sector in 2013 following nearly half a century of government monopoly.

Resolution Life Group Holdings L.P.

In November 2019, we completed an investment of approximately $157 million (approximately ¥17.1 billion) in Resolution Life Group Holdings L.P., an investment limited partnership, out of the full commitment amount. Resolution Life Group Holdings Ltd. is a global insurance company that acquires and manages portfolios of in-force policies worldwide. Resolution Life Group Holdings Ltd. uses Resolution Life Group Holdings L.P. to raise capital for its businesses from institutional investors and other entities. We intend to further enhance our business with Resolution Life Group's capability and experience.

Factors Affecting Results of Operations

Key factors affecting our financial condition and results of operations include the following:

Japanese Insurance Market

Premium income and sales of our insurance products are affected by trends in the Japanese life insurance market. The Japanese life insurance market, the second largest in the world by premium volume, is mature and highly consolidated, characterized by high *per capita* life insurance premiums and a household penetration rate of approximately 90%. However, the total amount of policies in force and penetration rates for the Japanese market have generally been in decline in recent years, due in part to an aging population and shifts in demand reflecting changes in consumer lifestyles and preferences, including later marriages and lower birthrates, and we expect this trend to continue. Nevertheless, we will continue our proactive efforts to develop our business in growth markets, such as the markets for products targeting senior, female and young customer segments, and otherwise adapting our business to the changing environment, while expanding our domestic and overseas insurance businesses. At the same time, however, there has been strong competition for market share among Japan's major life insurance companies as well as newer entrants.

We have been attempting to gain market share by diversifying distribution channels, including important external distributor channels and bancassurance channels, which are making our products and those of our competitors more readily accessible to consumers and easier to compare.

The continued growth of new product areas also affects our results of operations; for example, we have recently seen:

- increasing demand for "living benefits and medical coverage," sometimes referred to as third-sector products, such as medical, cancer and nursing care insurance products, prompted in part by growing concern with the soundness of the Japanese social security system; and
- demand for savings-type products to provide post-retirement income, which we believe may be supported by investors who seek to supplement their social welfare income. The end balance of individual annuity policies in force sold in Japan increased from ¥103.7 trillion as of March 31, 2013 to ¥105.4 trillion as of March 31, 2018 and has remained generally stable since that time, according to the Life Insurance Association.

As a result of the continuing low-interest rate environment, the standard prospective yield has been revised downward by the FSA several times in the past five years, impacting the life insurance market as a whole. See "—Provision for Policy Reserves."

Operating Environment

Our business, financial condition and results of operations are materially affected by financial market and economic conditions in Japan and elsewhere. The reforms and stimulus measures implemented by the Japanese government after the global financial crisis that started in 2008 thus far have generally produced positive results, including increases in stock prices, but the long-term effects on Japan's economy, financial markets, trade balance, interest rates and fiscal position remain uncertain. Particular concerns include the prospect for ending deflation and reaching the BOJ's 2% inflation target, the potential consequences of an increasing budget deficit, volatility of the yen against the U.S. dollar and euro and stagnating or decreasing consumer demand and related impacts on the Japanese stock market. In addition, the introduction of negative interest rates by the BOJ in early 2016 and other changes in fiscal and monetary policies could have an unforeseen impact on Japan's financial markets and economy. Changes to laws and regulations, such as the increase in the Japanese consumption tax from 8% to 10%, which took effect in October 2019, could further hurt consumer sentiment and weaken demand, negatively affecting the Japanese economy.

If interest rates moderately increase in the future through improvements in wages and employment rates in a wide range of industries, it would be favorable for our retail and wholesale insurance sales as well as for our financial condition due to expected stable income gains through an expansion of investment into super long-term bonds.

Recent economic indicators in Japan include the following:

- After closing in 2017 at over 22,000, the Nikkei 225 Index has continued to experience minor volatility. In December 2018 and January 2019, it fell back to the 19,000 level, but has rebounded to the 21,000 level in February 2019. As of December 3, 2019, it was 23,379.81.

- The BOJ has lowered interest rates to below 0%, and the yield on 10-year JGBs entered negative territory for the first time in history during the year ended March 31, 2016. In part due to the BOJ's introduction of yield curve control, the 10-year JGB yield subsequently increased and stabilized, but has recently been negative again. As of December 3, 2019, the yield on 10-year JGBs was (0.02)%.
- In response to, among other things, the BOJ's monetary easing, the yen has continued to remain weak against the dollar and the euro. The yen reached the ¥117 level against the dollar in early January 2017, although it strengthened to the ¥104 level in March 2018. The yen generally depreciated against the euro during 2017 and 2018, reaching the ¥130 level in February 2018. As of December 3, 2019, the yen to dollar and yen to euro central spot exchange rates at 17:00 JST, according to the BOJ, were ¥109.09 and ¥120.83, respectively.
- The seasonally adjusted unemployment rate in Japan was 2.7%, 2.4% and 2.5% as of December 31, 2017 and 2018 and March 31, 2019, respectively, according to the Statistics Bureau of the Ministry of Internal Affairs and Communications of Japan.
- The total financial assets held by Japanese households increased from ¥1,829 trillion as of March 31, 2018 to ¥1,835 trillion as of March 31, 2019, according to data released by the BOJ.
- Japan's real GDP increased by 2.4% and 0.3% in the years ended March 31, 2017 and 2018, according to the Cabinet Office. According to data published by the Cabinet Office, Japan's real GDP increased at an annualized rate of 1.8% during the three months ended June 30, 2019.
- Real estate prices continued to increase during the years ended December 31, 2017 and 2018, although in the year ended December 31, 2018, residential property prices were steady and commercial property prices increased, according to the Ministry of Land, Infrastructure, Transport and Tourism of Japan. Average real estate prices in Tokyo increased in each of the years ended December 31, 2017 and 2018 but remain subject to uncertainty.

In addition, Japan's economy is affected by global economic conditions, which remain uncertain. Outside of Japan, while the economies of developed countries, including the United States and certain European countries, continued to recover, certain emerging economies experienced slower growth. In the United States, the economy has generally been supported by robust household spending, despite relatively weak spending in the corporate sector. Since December 2015, the Federal Open Market Committee has raised the target range for the federal funds rate three times, including most recently from 1.00% to 1.25% in June 2017, after increases of 0.25% in both December 2016 and March 2017. The Federal Reserve's rates were cut in July, September, and October 2019. Outlook for the global economy has become increasingly uncertain due to factors such as China's economic slowdown and heightened geopolitical risks in various regions and countries, including the United Kingdom's anticipated exit from the European Union, the policies pursued by the current presidential administration in the United States, and trade and security tensions, particularly between the United States and China.

Surrenders and New Policies

Income from insurance consists almost entirely of premium income from outstanding insurance policies and annuities. Income from insurance is mainly a function of the amount of policies in force, which in turn is mainly a function of the amount of surrenders and new policies. Over the past several years, surrenders of our policies have been held at low levels. As of March 31, 2015, 2016, 2017, 2018 and 2019, our surrender and lapse ratio with respect to individual insurance and annuities in the aggregate as of the beginning of each year on a nonconsolidated basis was 4.5%, 4.4%, 4.4%, 4.3% and 4.4%, respectively. Annualized premiums in force from individual insurance and individual annuities products have increased steadily for the previous three years, amounting to ¥3,562.7 billion during the year ended March 31, 2017, ¥3,665.7 billion during the year ended March 31, 2018 and ¥3,747.9 billion during the year ended March 31, 2019, each on a nonconsolidated basis.

Factors that affect surrenders and new policies include the following:

- *Amount of new policies sold by sales representatives.* Our core business continues to be the sale of individual policies through our sales representatives. Of our new policies written during the year ended March 31, 2019, approximately 66.9% on a nonconsolidated basis in terms of annualized premiums, were attributable to sales by sales representatives (including at our Nissay Life Plaza service centers). Our ability to maintain or increase our revenues from insurance depends in large part on the size, training and experience of our sales representative force and our sales representatives' ability to establish and maintain customer relationships. We have taken steps to improve the training and management of our sales representatives, to increase their numbers and to deepen their relationships with our customers. We launched our *Mirai no Katachi* product lineup in April 2012, sold through our sales representative channel. Since then we have introduced various new products within that lineup including our *New in 1* and *Daijobu*. For further details on our products and services offering through our sales representative channel, see "Business—Products and Services."

- *Amount and mix of new policies that bancassurance agents are able to sell.* We also rely on our bancassurance agents for new sales of life insurance products. The broad customer base held by Japanese financial institutions is a significant source for us to expand our customer base. We have distribution agreements with approximately 300 financial institutions throughout Japan. Because our relationships with our financial institution distributors are non-exclusive, the level of sales of our products through these channels depends on the competitiveness of our products relative to those of our competitors in terms of pricing, benefits and other features. In this kind of environment, we believe a product introduction and sales strategy that effectively balances profitability and risk management is important, as we are not merely seeking an increase in sales by offering products with higher assumed interest rates or lower commission fees. For example, in response to the low-interest rate environment we, at one point, suspended sales of yen-denominated single-premium products through the bancassurance channel, impacting our overall sales through the bancassurance channel, and have been focused on selling products denominated in foreign currencies, which offer attractive interest rates to our customers. We have since reintroduced our single-premium whole life insurance product, *Yume no Katachi Plus*, due to customer demand. Of our new policies written during the year ended March 31, 2019, approximately 13.4% (in terms of annualized premiums) were attributable to the bancassurance channel.

- *After-sales services.* Surrender and lapse ratios have been maintained at low-levels over the past ten years as a result of our attempt to minimize policy surrenders by providing dedicated after-sales services including regular review of customer contracts and approaching customers whose policies are close to renewal or maturity or who we have not been in touch with for some time.

- *Shift in customer demand.* There has been a shift in customer demand from mortality insurance to living benefits and medical coverage under which the insured amounts are smaller by comparison, which has resulted in an overall decrease in insured amounts. We strive to further improve our customer services to minimize decreases in policies associated with such shift in customer demand and the aging of our customer base.

- *Household income levels.* Household income levels and the relative burden of insurance premium payments on policyholders affect our premium income. Increases and decreases in household income tend to cause corresponding increases or decreases in policy surrenders and in new policy originations, particularly for individual insurance and individual annuity products, thereby affecting our revenues from insurance and reinsurance.

- *Consumer confidence in the life insurance industry*. Changes in consumer confidence in the life insurance industry affect our revenues from insurance and reinsurance. Declining consumer confidence tends to cause both an increase in policy surrenders and a decrease in new policy originations, particularly for individual insurance and individual annuity products, thereby adversely affecting our revenues from insurance and reinsurance. The effect of any such decrease may be partially offset as a result of a migration of customers to us from financially weaker insurance companies. In the aggregate, however, we believe that declining consumer confidence in the life insurance industry adversely affects our revenues from insurance and reinsurance.

- *Market stock prices and interest rate levels*. Market stock prices, interest rates and other determinants of the relative attractiveness of our products as compared to other financial products affect revenues from insurance and reinsurance. For example, in periods of increasing interest rates, surrenders of policies, particularly single-premium individual whole life insurance and individual annuities, tend to increase as policyholders seek investments with higher perceived or actual returns, thereby adversely affecting our revenues from insurance and reinsurance.

- *Competition*. Industry and price competition, including efficiency and productivity of sales representatives and sales agencies, affect revenues from insurance and reinsurance. Increasing competition tends to lead to lower insurance premiums.

- *Demographic trends*. Demographic trends in Japan also affect demand for our life insurance products. In particular, the overall aging of the population and a declining birthrate tend to reduce the demand for traditional mortality insurance products. According to the National Institute of Population and Social Security Research, the population in Japan is estimated to decrease by approximately 12.7%, compared to the population in 2015, to 110.92 million in total by 2040, among which 35.3% will be over the age of 65, an increase of approximately 8.7% from the share of the population over the age of 65 in 2015. The population of all prefectures is expected to be lower compared to 2015. The population over the age of 65 is expected to grow rapidly even in metropolitan areas and Okinawa in which the elderly population has been relatively low. Our core customer base will be impacted by this demographic shift, and to maintain the productivity of our business, we believe it is important to maintain an evenly distributed customer base. We have sought to develop our young customer and female customer segments by offering products designed especially with such customer segments in mind, and by developing new sales channels, such as our "Nitori Insurance + LifeSalon" insurance agencies in certain stores run by Nitori Co., Ltd. and NTT Docomo's offering of our life insurance policies at certain of its mobile phone stores, which we believe can help us reach certain customer segments we have historically had difficulty reaching through our existing channels.

- *Confidence in the Japanese social security system*. Going forward, we believe that diminishing confidence in the Japanese social security system and its ability to provide adequate financial, medical, nursing and other support may positively affect our revenues from insurance and reinsurance in future periods as consumers begin to take personal responsibility for their own financial futures.

Our Product Mix

Because the timing and amount of premiums vary from product to product, changes in the mix of outstanding policies may cause fluctuations in revenues from insurance and reinsurance. In addition, we charge different premiums depending on the insurance product. Changes in the mix of higher and lower premium products outstanding may cause fluctuations in revenues from insurance and reinsurance. For example, an increase in the percentage of lower-premium products may reduce our revenues from insurance and reinsurance, even if the total policy amount in force remains constant.

Performance of Our Investment Portfolio

We hold large investments in debt and equity securities, loans and real estate, mainly in Japan but also in other countries, from which we derive investment income. Our investment portfolio performance is affected by the amount and composition of assets we manage, which is influenced by a variety of factors, including:

- fluctuations in market prices for debt and equity securities and real estate;
- levels of dividend income, which are affected by general market and business conditions;
- the value of our loan portfolio, which is affected by borrower ratings or otherwise; and
- changes in our internal investment strategy, which may affect the mix of assets in our portfolio and cause fluctuations in the level of sales and redemptions of securities.

Interest, dividends and other income from our investment portfolio has steadily increased for the last three years despite declining average yields on interest-earning assets resulting from a protracted period of low interest rate levels in Japan, primarily due to strong performance of domestic and overseas stock markets and the consolidation of Taiju Life and Nippon Wealth Life.

Mortality Rates, Morbidity Rates and Other Factors Affecting Benefit Expenses

Our largest expense has historically been benefits and other payments. Factors that affect the amount of benefits and other payments primarily include:

- the mortality and morbidity rates of insured individuals;
- the rates at which policyholders surrender policies prior to maturity; and
- the maturity schedules of our policies in force.

Although the continued aging and corresponding structural changes of Japan's population may affect mortality and morbidity rates, we do not expect the rise in mortality and morbidity rates to have a material adverse effect on our earnings because these factors have already been taken into account in our insurance premiums, and we believe that this trend will also result in an increased demand for our medical and nursing care policies. In addition, partially in order to manage the risk associated with an unexpected rise in mortality and morbidity rates, we have implemented a risk management system. See "—Risk Management—Insurance Underwriting Risk Management."

Benefits and other payments may also be affected by changes in the policy amount in force of group annuities. When we make group annuities payments, the entire amount paid out affects both benefits and other payments and provision for policy reserves. Because the amounts of group annuities paid tend to be relatively large, payments of group annuities may have a material effect on our aggregate benefits and other payments.

Mortality and morbidity rates also affect our provision for policy reserves. See "—Provision for Policy Reserves."

Provision for Policy Reserves

Policy reserves are established for benefits and other payments related to our outstanding policies that are expected to be paid in the future, enabling us to record related profits effectively on an accrual basis. Under the Insurance Business Act, each year we are required to set aside a "standard policy reserve" to fund future benefit payments.

We calculate the amount of the standard policy reserve using the net level premium method. Under this method, we set aside policy reserves on an assumption that the ratio of net premium to total premium paid remains constant over the payment term of the policy. The net premium is the portion of premiums covering insurance risk, which we determine based on various assumptions, including assumptions affected by external factors such as mortality and morbidity rates and yield on investments established by third parties. In particular:

- Standard mortality rates used in calculating the standard policy reserve are based on rates established by the IAJ and confirmed by the Commissioner of the FSA. In April 2018, revisions to the standard mortality table came into effect and resulted in lower premiums for our life insurance products and higher premiums for some of our third-sector insurance products, such as medical insurance products.
- Assumed yields on investment used in calculating the standard policy reserve are fixed, based on the standard prospective yield established by the FSA, regardless of the actual investment gains received. In recent years, in response to a prolonged low-interest rate environment, the FSA has revised the standard prospective yields downward several times for insurance products sold in Japan. While we have suspended selling single-premium endowment insurance and single-premium annuities, our required policy reserves for single-premium whole life insurance products have increased correspondingly as a result of such decreases in the standard prospective yield.

In general, the amount of provision for policy reserves varies in direct proportion to policy amount in force. However, because a portion of the provision for policy reserves represents the value of assets in our separate accounts, fluctuations in such value may cause the amount of provision for policy reserves to increase or decrease disproportionately to or conversely from the policy amount in force.

In addition, as described further under "—Critical Accounting Estimates—Policy Reserves," we use the net level premium method of calculation, which does not permit policy acquisition costs, which are higher in the first year of the policy, to be offset against the amount of provision for policy reserves and other reserves required. As a result, a relative increase in new policies in a given year tends to put downward pressure on profitability.

The provision for policy reserves is also affected by changes in policy amount in force of group annuities. When group annuity plans are transferred to us from other insurance companies, the entire amount transferred is recorded in premiums, and a corresponding similar amount is added to provision for policy reserves. Because the transferred or paid amounts of group annuities tend to be relatively large, movements in the policy amount in force of group annuities may have a material effect on the aggregate provision for policy reserves.

Our Decisions on Policyholder Dividends

As our participating and semi-participating life insurance products represent core products, our decisions on policyholder dividends for such products may have a material effect on our financial condition and results of operations. As a general policy, each year we pay dividends to our policyholders out of the year's surplus in an amount that we believe is appropriate to balance our goals of returning profits to policyholders and providing for our future financial health. In the past, the Insurance Business Act required mutual life insurance companies to make provisions for reserve for dividends to policyholders of at least 80% of the year's unappropriated surplus (adjusted for certain amounts, such as interest payments on foundation funds), which would ultimately be paid to policyholders as dividends. In 2002, the Ordinance for Enforcement of the Insurance Business Act was amended and the minimum required policyholder dividend payouts for mutual life insurance companies was reduced from 80% to 20%. However, our provisions for reserve for dividends to policyholders in each year since the amendments have been maintained between 90% and 100% of the year's unappropriated surplus with the foregoing adjustments.

Personnel Costs

Our operating expenses consist mainly of personnel costs, which are composed mainly of salaries, including commissions and remuneration paid to sales representatives, and bonuses. Salary costs fluctuate in line with headcount, costs per sales representative and costs per employee.

Commissions to sales representatives are paid primarily based on performance. Bonuses are affected by a combination of the cost of salaries and our results of operations.

Sales commissions and other performance-based compensation make up a significant portion of compensation paid to sales representatives. Sales representatives receive a commission upon obtaining a new policy and periodic commissions in smaller amounts based on the amount outstanding on the policies obtained by such individual representatives. Commissions paid to an individual sales representative increase incrementally as such representative meets defined sales targets for numbers and amounts of new policies and other conditions tied to the performance of after-sales services. Sales representatives generally also receive a fixed amount of remuneration in addition to commissions and other performance-based compensation. An increase in the number of our sales representatives generally correlates to an increase in the proportion of personnel costs as a percentage of operating expenses. As of March 31, 2019, we had 53,868 sales representatives.

Summary of Key Line Items

Ordinary Income

Our ordinary income includes revenues from insurance and reinsurance, investment income and other ordinary income.

Revenues from insurance and reinsurance

Revenues from insurance and reinsurance, which form the core of our ordinary income, consist almost entirely of premium income from outstanding insurance policies and annuities. During the year ended March 31, 2019 and the six months ended September 30, 2019, revenues from insurance and reinsurance accounted for 73.8% and 71.9% of our ordinary income, respectively. Under Japanese GAAP, revenues from insurance and reinsurance are recorded on a cash basis and then adjusted effectively to an accrual basis through provision and reversal of policy reserves (as discussed under "—Critical Accounting Estimates—Policy Reserves").

Investment income

We hold large investments in debt and equity securities, loans and real estate, mainly in Japan but also in other countries, from which we derive investment income. During the year ended March 31, 2019 and the six months ended September 30, 2019, investment income accounted for 22.4% and 24.3% of our ordinary income, respectively.

Interest, dividends and other income and gain on sales of securities (primarily domestic equity securities) have generally been the largest components of our total investment income. Interest, dividends and other income accounted for 86.6% and 80.0% of our total investment income during the year ended March 31, 2019 and the six months ended September 30, 2019, respectively. Gain on sales of securities accounted for 11.2% and 10.6% of our total investment income during the year ended March 31, 2019 and the six months ended September 30, 2019, respectively.

We present investment income and investment expenses separately in our statements of income. Certain categories of investment income and investment expenses, such as gain or loss from assets held in trust, are shown on a net basis as investment income or investment expenses, as the case may be, for the applicable year. Other such categories include gains or losses from separate accounts, derivative financial instruments and foreign exchange.

Gain and loss from separate accounts may materially affect investment income and investment expenses, as all separate account securities are marked to market each period and vary as a function of stock market values as well as by the amounts of investment in the separate accounts. Gain and loss from separate accounts do not, however, materially affect our net surplus from operations, as such gain and loss are almost wholly offset by the corresponding provision for (or transfers from) policy reserves.

Net gain or loss on derivative financial instruments consists primarily of realized and unrealized gains and losses on currency forward contracts. We use currency forward contracts to offset foreign currency exposure primarily with respect to our foreign currency-denominated investments, such as foreign bonds. As of September 30, 2019, most of these currency forward contracts qualified for hedge accounting. For contracts qualifying for hedge accounting, hedging costs are recorded as net loss on derivative financial instruments, while gains and losses on market value changes are not recorded. For those contracts not qualifying for hedge accounting, the entire amount of realized and unrealized gains and losses is recorded as net gain or loss on derivative financial instruments.

Foreign exchange gains or losses consist primarily of gains and losses related to foreign currency-denominated investments, such as foreign bonds of Taiju Life and Nippon Wealth Life, and result from exchange rate fluctuations.

Other ordinary income

Other ordinary income primarily includes income from deferred benefits, income due to reversal of policy reserves, income from annuity riders and fund receipts for claim deposit payments.

Deferred benefits are benefits and other payments due to policyholders which, at such policyholders' request, are deferred by policyholders, entrusted to us and later paid to policyholders with accrued interest. The amount due to policyholders is recorded as an expense in benefits and other payments, even though such amounts are not actually paid to policyholders in that fiscal period. The amount deferred is recorded as other ordinary income and recognized as an expense in the provision for policy reserves. Withheld insurance payments are held in the policy reserves until paid upon policyholder request or at the end of the deferred term.

Reversal of policy reserves fluctuates primarily as a result of changes in group annuities payments and the value of assets in our separate accounts. See "—Factors Affecting Results of Operations—Provision for Policy Reserves."

Claim deposit payments are payments made to policyholders who have requested that benefits and other payments due to them be withheld by and entrusted to us. Claim deposit payments are made either upon the request of the policyholder or at the end of the term of withholding and include interest accrued during the term. Fund receipts for claim deposit payments fluctuate as a result of changes in amounts of deferred insurance payments.

Income from leasing activities of Nissay Leasing Co., Ltd. ("Nissay Leasing") and from sales of software by Nissay Information Technology Co., Ltd. ("Nissay Information Technology"), each of which was our consolidated subsidiary through the year ended March 31, 2019, is also included in other ordinary income.

Ordinary expenses

Our ordinary expenses include benefits and other payments, provision for policy and similar reserves, investment expenses, operating expenses and other ordinary expenses.

Benefits and other payments

Benefits and other payments include death and other claims, annuity payments, health and other benefits, surrender benefits and other refunds. In the year ended March 31, 2019 and the six months ended September 30, 2019, benefits and other payments accounted for 59.0% and 57.0%, respectively, of our total ordinary expenses. Under Japanese GAAP, benefits and other payments are recorded on a cash basis and then adjusted effectively to an accrual basis through provision and reversal of policy reserves (as discussed under "—Critical Accounting Estimates—Policy Reserves").

Provision for policy and similar reserves

Provision for policy and similar reserves include provision for reserve for outstanding claims, provision for policy reserves and provision for interest on reserve for dividends to policyholders. In the year ended March 31, 2019 and the six months ended September 30, 2019, provisions for policy and similar reserves accounted for 21.2% and 21.0%, respectively, of our total ordinary expenses. The provision for reserve for outstanding claims is a provision for a reserve used to fund payments that are due but have not yet been paid on outstanding claims as of the end of the fiscal year. Provision for policy reserves is a provision for reserves established for insurance benefits and other payments related to our outstanding policies that are expected to be paid in the future, enabling us to record related profits effectively on an accrual basis. Policy reserves consist of a premium reserve, an unearned premium reserve, a reserve for refund and a contingency reserve. Under the Insurance Business Act, each year we are required to set aside a "standard policy reserve" to fund future claims payments. See "—Factors Affecting Results of Operations—Provision for Policy Reserves."

At the beginning of each fiscal year, the entire amount of the reserve remaining as of the end of the previous fiscal year is reversed, and the provision for the current fiscal year is transferred to the reserve account. Differences that arise are recorded as provision for, or reversal of, policy reserves. In addition, as discussed above, we recognize the full amount of benefits and other payments on a cash basis, although such payments would generally have already been reserved against in the policy reserves. Any amount of policy reserves in excess of such payments and thereby retained is applied against anticipated future claims, correspondingly reducing the amount of reserves recognized as expenses in the current period.

In general, the amount of provision for policy reserves varies in direct proportion to policy amount in force. However, because a portion of the provision for policy reserves represents the value of assets in our separate accounts, fluctuations in such value may cause the amount of provision for policy reserves to increase or decrease disproportionately to or conversely from the policy amount in force.

Provision for interest on reserve for dividends to policyholders is a provision for reserves used to fund dividends paid to policyholders on an annual basis. See "—Factors Affecting Results of Operations—Our Decisions on Policyholder Dividends."

Investment expenses

Investment expenses consist of interest expenses, loss from assets held in trust, loss on sales of securities, loss on valuation of securities, loss on redemption of securities, loss on derivative financial instruments, foreign exchange losses, provisions for allowance for investment loss, write-offs of loans, depreciation of rental real estate and other assets, other investment expenses and loss from separate accounts. See "—Ordinary Income—Investment income."

Operating expenses

Operating expenses consist mainly of personnel costs. Personnel costs are composed mainly of salaries, including salaries and commissions paid to sales representatives, and bonuses.

Operating expenses also include policy acquisition costs. Japanese GAAP requires that such costs be recognized as expenses as they are incurred. Policy acquisition costs consist of sales-related expenses and costs related to the underwriting of new policies.

Operating expenses are classified into marketing operations, marketing administration and general and administrative expenses.

- Marketing operations and marketing administration include expenses for underwriting new policies. Marketing operations primarily include expenses related to new policy solicitation and assessment, whereas marketing administration primarily includes expenses related to advertising and the sales force.

- General and administrative expenses include expenses for managing policies with insurance handling systems and for asset management.

The life insurance industry is required to accept funding commitments to the LIPPC of an aggregate of up to ¥33 billion per year. All of our payments to the LIPPC are charged to operating expenses when paid. We made contributions of ¥6.6 billion, ¥6.5 billion and ¥6.5 billion to the LIPPC in the years ended March 31, 2017, 2018 and 2019, respectively. We expect the amount of our contribution in the current and future fiscal years to be comparable to the amounts of our contributions made in prior fiscal years.

Other ordinary expenses

Other ordinary expenses consist mainly of deferred benefit payments, certain national and local taxes (including revenue stamp duty, business taxes, fixed property taxes and consumption taxes), depreciation (excluding depreciation of rental real estate and other assets) and provision for accrued severance indemnities.

Sales costs of Nissay Leasing and product development costs of Nissay Information Technology are also included in other ordinary expenses.

Core Operating Profit

Ordinary profit of a life insurance company includes profit from investment activities as well as profit from the insurance business. Thus, profit from the insurance business is not readily ascertainable from the statements of income. For the purpose of disclosing profit from the insurance business, life insurance companies in Japan are required under disclosure standards promulgated by the Life Insurance Association to disclose "core operating profit," also known as "fundamental profit" or "base profit."

Pursuant to these disclosure standards, core operating profit is defined as:

> *core operating revenues:* revenues from insurance and reinsurance, investment income (excluding capital gains), other ordinary income and other core operating income, *less*
>
> *core operating expenses:* benefits and other payments, provision for policy reserves (excluding provisions for and reversals of contingency reserves and excluding provisions for additional policy reserves), investment expenses (excluding capital losses), operating expenses, other ordinary expenses and other core operating expenses.

Core operating profit is calculated without deducting policyholder dividends or hedging costs associated with foreign currency-denominated bonds. See "—Factors Affecting Results of Operations—Our Decisions on Policyholder Dividends" and "—Summary of Key Line Items—Ordinary expenses—Investment expenses."

We believe that core operating profit, viewed in the context of our overall business results as reflected in our financial statements, provides a meaningful metric for understanding our financial performance. The following table sets forth our nonconsolidated core operating profit for the years ended March 31, 2017, 2018 and 2019 and for the six months ended September 30, 2018 and 2019 and reconciles nonconsolidated core operating profit to our nonconsolidated ordinary profit by adding back capital gains and losses as well as other one-time gains and losses:

	Year ended March 31,		
	2017	2018	2019
	(Billions of yen)		
Core operating income:			
Revenues from insurance and reinsurance	¥4,647.3	¥4,488.4	¥4,775.1
Investment income, excluding capital gains	1,407.4	1,472.7	1,452.4
Other ordinary income	143.3	197.4	180.3
Total core operating revenues	¥6,212.2	¥6,170.3	¥6,422.6
Core operating expenses:			
Benefits and other payments	¥3,529.2	¥3,663.1	¥3,654.5
Provision for policy reserves, excluding provisions for and reversals of contingency reserves	1,145.1	884.8	1,134.7
Investment expenses, excluding capital losses	93.9	88.4	83.4
Operating expenses	572.1	600.5	611.9
Other ordinary expenses	236.8	227.2	240.0
Total core operating expenses	¥5,577.3	¥5,502.1	¥5,744.4
Core operating profit	¥ 634.9	¥ 668.2	¥ 678.2
Capital gains	254.0	217.6	216.7
Capital losses	282.9	244.5	270.4
Net capital gains (losses)	(28.9)	(26.9)	(53.7)
Core operating profit, including net capital gains (losses)	¥ 606.0	¥ 641.3	¥ 624.4
Nonrecurring gains (losses)	(147.5)	(230.8)	(240.9)
Ordinary profit[1]	¥ 458.4	¥ 410.4	¥ 383.5

Note:

(1) Ordinary profit = Core operating profit + Net capital gains (losses) + Nonrecurring gains (losses).

	Six months ended September 30,	
	2018	2019
	(Billions of yen)	
Core operating profit	¥ 362.6	¥ 331.5
Capital gains	135.5	153.1
Capital losses	151.3	204.6
Net capital gains (losses)	(15.8)	(51.5)
Core operating profit, including net capital gains (losses)	¥ 346.7	¥ 279.9
Nonrecurring gains (losses)	(104.6)	(117.2)
Ordinary profit[1]	¥ 242.1	¥ 162.6

Note:

(1) Ordinary profit = Core operating profit + Net capital gains (losses) + Nonrecurring gains (losses).

In addition, core operating profit can also be seen as consisting of the following three components:

Mortality and morbidity gains. Primarily, the difference between (x) the actual amount of insurance claims and benefit payments and (y) the expected amount of insurance claims and benefit payments based on the occurrence rate of insurance events estimated at the time insurance premiums are set.

Interest gains. The difference between (x) actual investment returns and (y) assumed interest rates on policy reserves.

Expense margins. Primarily the difference between (x) the actual amount of business expenses and (y) the expected business expenses calculated based on the business expense rates estimated at the time insurance premiums are set.

We believe that providing a discussion of core operating profit through these components is meaningful and helpful to investors in understanding how the difference between actual and expected amounts within such components impact our income from our core insurance business. The following table sets forth a breakdown of our nonconsolidated core operating profit for the years ended March 31, 2015, 2016, 2017, 2018 and 2019 in terms of mortality and morbidity gains, interest gains and expense margins:

	Year ended March 31,					Six months ended September 30,	
	2015	2016	2017	2018	2019	2018	2019
	(Billions of yen)						
Mortality and morbidity gains	¥408.9	¥432.0	¥432.5	¥428.1	¥417.9	¥215.0	¥193.8
Interest gains	190.6	200.4	148.2	203.2	234.0	¥127.4	¥120.3
Expense margins	79.5	65.6	54.1	36.8	26.1	¥ 20.1	¥ 17.3
Core operating profit	¥679.0	¥698.1	¥634.9	¥668.2	¥678.2	¥362.6	¥331.5

Our core operating profit increased by ¥9.9 billion, or 1.5%, to ¥678.2 billion for the year ended March 31, 2019 from ¥668.2 billion for the year ended March 31, 2018, primarily due to an increase in interest gains.

Our core operating profit decreased by ¥31.1 billion, or 8.6%, to ¥331.5 billion for the six months ended September 30, 2019 from ¥362.6 billion for the same period of the previous year, primarily due to a decrease in mortality and morbidity gains. Our mortality and morbidity gains, interest gains and expense margins for the six months ended September 30, 2019 were ¥193.8 billion, ¥120.3 billion and ¥17.3 billion, respectively.

Interest Gains (Losses)

During extended periods of increasing or decreasing market interest rates, actual yield on our investments may rise above or fall below the assumed yields used in pricing premiums of products and in calculation of policy reserves on large portions of our outstanding policies. This yield differential may result in interest gains or interest losses. Such losses are sometimes referred to as negative spread. A description of the calculation of negative spread is provided in the definition of "negative spread" in "Glossary of Certain Terms." Interest gains or losses are not a Japanese GAAP financial measure and should not be viewed as a measure of our financial performance or liquidity under Japanese GAAP or as an alternative to any Japanese GAAP measure.

As set forth in the tables below, the average assumed yield related to our outstanding policies has been decreasing as a result of the replacement, through maturity, surrenders and conversions, of older policies that had a higher assumed yield with newer policies that have a lower assumed yield. From 2006 through 2010, and in 2017, 2018 and 2019, we accumulated additional policy reserves in order to reduce amounts of assumed yield charged to expense. The effect of this decrease in average assumed yield has, however, been partially offset by continued declines in actual yield on our investment portfolio in the low-interest rate environment in Japan.

The following table sets forth, on a nonconsolidated basis, the assumed yields generally used for individual insurance policies and annuities sold by us in the years indicated:

	Year ended March 31,				
	2015	2016	2017	2018	2019
Assumed yield of individual insurance/annuities sold in the years indicated	0.50-1.00%	0.50-3.45%	0.25-3.56%	0.25-3.83%	0.25-4.18%

The following table sets forth, on a nonconsolidated basis, our average assumed yields, average actual yields, and interest gains amount for our outstanding policies for the years indicated.

	Year ended March 31,				
	2015	2016	2017	2018	2019
	(Billions of yen, except percentages)				
Average assumed yield	2.40%	2.33%	2.29%	2.25%	2.18%
Average actual yield	2.82%	2.76%	2.59%	2.66%	2.64%
Interest gains	¥190.6	¥200.4	¥148.2	¥203.2	¥234.0

In addition, we recorded interest gains of ¥127.4 billion and ¥120.3 billion for the six months ended September 30, 2018 and 2019, respectively. Like other Japanese life insurance companies, we struggled in the past with negative spread stemming from the prolonged low-interest rate environment in Japan. However, we have not recorded negative spread on an annual basis since the year ended March 31, 2011.

Reserve for Price Fluctuations in Investments in Securities

See "—Critical Accounting Estimates—Reserve for Price Fluctuations in Investments in Securities."

Unrealized Gains and Losses

Unrealized gains and losses reflect the difference between the book value and market value of certain investment assets. Unrealized gains and losses on securities and real estate are reflected in the computation of total solvency margin and solvency margin ratio. We consider our net unrealized gains on these assets to constitute a buffer against various risks.

We state our available-for-sale securities with readily obtainable fair market value ("marketable available-for-sale securities") at fair market value, and adjust net assets by the amount of any unrealized gains or losses on such securities.

The following table sets forth, as of the dates indicated, a breakdown of net unrealized gains or losses on available-for-sale securities, on a nonconsolidated basis:

	As of March 31,				As of September 30,
	2016	2017	2018	2019	2019
	(Billions of yen)				
Domestic bonds	¥ 268.4	¥ 188.1	¥ 194.7	¥ 235.3	¥ 264.3
Domestic stocks	3,656.7	4,294.2	4,799.3	4,177.7	4,074.7
Foreign bonds	1,872.7	1,087.8	917.1	1,383.7	1,978.2
Foreign stocks and other securities	531.3	614.0	642.1	691.6	771.9
Other securities	186.7	143.6	187.2	258.4	330.4
Others(1)	0.1	0	(0.1)	0	0.6
Total net unrealized gains on available-for-sale securities	¥6,516.1	¥6,327.9	¥6,740.4	¥6,746.9	¥7,420.3

Note:

(1) "Others" comprises monetary receivables purchased and negotiable certificates of deposit.

The changes in total net unrealized gains on available-for-sale securities primarily reflect a general trend of fluctuations in market prices for domestic stocks and foreign bonds in the years ended March 31, 2018 and 2019. In the six months ended September 30, 2019, total net unrealized gains on available-for-sale securities increased primarily due to increases in the value of our holdings of foreign bonds as a result of declining interest rates.

Recent Changes in Accounting Standards

We have applied the consolidated taxation system since April 1, 2019.

Accordingly, effective from the year ended March 31, 2019, we have applied accounting treatments based on the application of the consolidated taxation system in accordance with the

"Revised Practical Solution for Tentative Treatment of Tax Effect Accounting under Consolidated Taxation System (Part 1)" (ASBJ, PITF No. 5) and the "Revised Practical Solution for Tentative Treatment of Tax Effect Accounting under Consolidated Taxation System (Part 2)" (ASBJ, PITF No. 7).

Critical Accounting Estimates

Our audited financial statements included elsewhere in this offering circular are prepared in accordance with Japanese GAAP. Many of the accounting policies require management to make difficult, complex or subjective judgments regarding the valuation of assets and liabilities. The accounting policies are fundamental to understanding our operating and financial review and prospects.

See the notes to our audited financial statements as of and for the years ended March 31, 2017, 2018 and 2019, and our unaudited interim financial statements as of and for the six months ended September 30, 2018 and 2019 included elsewhere in this offering circular, for a discussion of significant accounting policies used in the preparation of our financial statements. Accounting estimates are an integral part of the financial statements prepared by management and are based upon management's current judgments. Certain estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting the policies may differ significantly from management's current judgments. Critical accounting estimates involve significant judgment. The determination of these critical accounting estimates is fundamental to our financial condition and results of operations and requires management to make complex judgments based on information and financial data that may change in future periods. As a result, determinations regarding these items necessarily involve the use of assumptions and subjective judgments as to future events and are subject to change, and the use of different assumptions or data could produce materially different results. In addition, actual results could differ from estimates and may have a material adverse effect on our business, financial condition, results of operations or cash flows.

We believe that the following items represent our critical accounting estimates.

Loss on Valuation of Securities

We recognize impairments in the value of our investments in securities other than securities whose fair value is extremely difficult to determine based upon the degree to which the fair market value of such securities declines and upon certain fluctuations in foreign exchange rates. During the year ended March 31, 2019 and during the six months ended September 30, 2019, we recognized ¥21.3 billion and ¥49.6 billion, respectively, in loss on valuation of securities on a nonconsolidated basis.

Foreign currency-denominated available-for-sale securities, with exchange rates that have significantly fluctuated and where recovery is not expected, are converted to Japanese yen using either the rate on the balance sheet date or the average one-month rate prior to the balance sheet date, whichever indicates a weaker yen. This translation difference is recorded as a loss on valuation of securities. Moreover, translation differences related to bonds included in translation differences of foreign currency-denominated available-for-sale securities held by certain consolidated subsidiaries are recorded as foreign exchange gains/losses, net, while translation differences related to other foreign currency-denominated available-for-sale securities are recorded as a separate component of net assets.

The decision as to which securities are subject to loss recognition involves significant management judgment. Under the accounting standards we have adopted, impairment losses are recognized for stocks (including foreign stocks) whose market value has fallen significantly from the acquisition cost as measured by the average market value in the month preceding the relevant balance sheet date. In certain cases, such as where the market value of the stock falls significantly during the month preceding the relevant balance sheet date, impairment losses are recognized based on the market value as of the balance sheet date.

The criteria by which the market value of a security is judged to have fallen significantly are as follows:

- the ratio of the average market value of the security in the month preceding the final day of the fiscal year to the acquisition cost is 50% or less; or
- the ratio of the average market value of the security in the month preceding the final day of the fiscal year to the acquisition cost is greater than 50% and less than or equal to 70% and for which the fair value of the security for the past two years, the condition of the issuing company and other aspects of the security meet certain defined requirements.

Our judgment of the possibility and magnitude of a future recovery in the fair value of a security may inherently rely on our subjective views concerning the creditworthiness of the issuer of the securities, market uncertainties and various other factors. Different judgments could lead to different conclusions regarding the need to recognize impairments in value.

Policy Reserves

Policy reserves are reserves set forth in accordance with Article 116 of the Insurance Business Act. See "Regulation of the Japanese Life Insurance Industry—Insurance Business Act—Financial Regulation—Policy reserves." Policy reserves are recognized based on the following methodology:

- Reserves for policies concluded in or after April 1996, other than those in which factors used as a basis for computing policy reserves and insurance premiums are alterable and those for variable insurance, are computed by the net level premium method based on the assumption rates locked in at the sales and renewal prescribed by the Insurance Business Act and the statement of calculation procedures.
- Reserves for other policies are determined by the net level premium method using the assumption rates locked in at the sales and renewal prescribed by the statement of calculation procedures.

Contingency Reserve

Within our policy reserves required under the Insurance Business Act, we maintain a contingency reserve to cover losses resulting from unexpectedly high claims or unexpectedly low actual yield on investments due to unforeseen catastrophes or poor market performance. This contingency reserve may be used only to cover such losses. The Insurance Business Act establishes the minimum provision for each fiscal year and the maximum amount of reserve with parameters pursuant to a formula based on insurance risk and other factors within which an insurance company may make provisions for, or cause the reversal of, the contingency reserve. When the mortality rate margin or investment yield margin becomes negative, the Insurance Business Act allows the use of contingency reserves for the negative portion. Pursuant to FSA regulations, a benefit amount equal to a "minimum guarantee" is required to be paid upon death or the commencement of the annuity for variable insurance and variable annuity policies, respectively, and provisions for the contingency reserve are required in respect of the related minimum guarantee risk. We reserved ¥1,544.2 billion, ¥1,680.7 billion and ¥1,825.9 billion on a consolidated basis as of March 31, 2017, 2018 and 2019, respectively. Our contingency reserve as of September 30, 2019 totaled ¥1,880.7 billion on a consolidated basis. We expect to continue to make appropriate provisions to the reserves.

Reserve for Price Fluctuations in Investments in Securities

Pursuant to provisions of the Insurance Business Act, we maintain a reserve to cover losses due to price fluctuations in assets subject to market price volatility, particularly investments in stocks, bonds and foreign currency-denominated investments. This reserve may be used only to reduce deficits arising from price fluctuations of those assets. The provision for reserve for price fluctuations in investments in securities is charged to extraordinary losses. The Insurance Business Act establishes a minimum provision and a maximum amount of reserve for each fiscal year with parameters derived using a formula based on investment risk and other factors within which an insurance company may make provision for, or cause reversal of, the reserve for price fluctuations in investments in securities, the amounts of which will be recorded on the statement of income as either extraordinary losses or gains, respectively. We are permitted under the Insurance Business Act to use the reserve for price fluctuations in investments in securities up to the amount of any net capital loss.

We reserved ¥1,135.7 billion, ¥1,345.9 billion and ¥1,460.1 billion on a consolidated basis as of March 31, 2017, 2018 and 2019, respectively. Our reserve for price fluctuations in investments in securities as of September 30, 2019 totaled ¥1,516.6 billion on a consolidated basis. We expect to continue to make appropriate provisions to the reserves.

Deferred Tax Assets and Deferred Tax Liabilities

We record deferred tax assets and deferred tax liabilities using the asset and liability approach to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax basis of assets and liabilities. In establishing the appropriate amount of deferred tax assets, we evaluate available evidence, both positive and negative, concerning our future taxable income and other possible sources for realization of the deferred tax assets, and the statutory tax rate for the calculation of deferred tax assets and deferred tax liabilities. Our judgment of the likelihood of realization of deferred tax assets may inherently rely on our subjective views concerning uncertainties with respect to future taxable income and other factors. As a result, the amount of actual taxable income may be different from our current estimates, which would result in a larger or smaller amount of deferred tax assets or deferred tax liabilities than have been recognized.

Allowance for Doubtful Accounts

We have established an allowance for doubtful accounts in accordance with our self-assessment guidelines. The allowance for doubtful accounts is recognized as a reduction of the carrying amount of loans. With respect to loans to borrowers who are subject to bankruptcy, reorganization or rehabilitation or other similar proceedings ("bankrupt obligors") and borrowers who have financially failed but are not yet subject to bankruptcy, reorganization or rehabilitation or other similar proceedings ("quasi-bankrupt obligors"), we provide for a specific allowance for the loan balance less estimated amounts collectible from collateral, guarantees or other means. For loans to borrowers with a high potential risk of failure, we determine and provide for the necessary specific allowance amount based on an overall assessment of such borrowers' ability to pay after subtracting from the loan balance the amount collectible from collateral, guarantees or other means. With respect to loans in other classifications, we provide for a general allowance by applying a historical loan-loss ratio determined over a fixed period. Each loan is subject to assessment in accordance with our self-assessment guidelines and guidelines issued by the FSA.

The allowance for doubtful accounts represents management's estimate of probable loan losses inherent in our portfolio. This evaluation process is subject to numerous management estimates and judgments.

The following factors are considered in categorizing debtors:

- the characteristics of the debtor's industry;
- the actual state of the debtor's finances;
- the conditions to borrowing of the debtor and the state of repayments;
- the prospects of continuation of the debtor's business and its profitability;
- the ability of the debtor to repay, estimated based on its cash flows;

- the outlook for implementation of management improvement plans and other remedial measures; and
- expectations for support by other financial institutions and the debtor's parent company, if any.

Results of Operations

The following table sets forth certain information relating to our results of operations for the years ended March 31, 2017, 2018 and 2019 and the six months ended September 30, 2018 and 2019:

	Year ended March 31,			Six months ended September 30,	
	2017	2018	2019	2018	2019
	(Billions of yen)				
Ordinary income:					
Revenues from insurance and reinsurance	¥5,236.0	¥5,422.0	¥6,069.2	¥2,778.1	¥2,950.3
Investment income	1,805.2	1,871.2	1,842.3	1,090.8	995.4
Other ordinary income	260.5	316.4	315.5	141.0	156.3
Total ordinary income	¥7,301.8	¥7,609.8	¥8,227.1	¥4,009.9	¥4,102.2
Ordinary expenses:					
Benefits and other payments	¥4,151.6	¥4,407.3	¥4,597.4	¥2,192.2	¥2,250.6
Provision for policy reserves	1,179.1	1,234.4	1,652.6	735.7	829.6
Investment expenses	395.1	383.9	371.7	248.0	291.6
Operating expenses	708.2	789.2	825.4	402.1	405.4
Other ordinary expenses	339.1	322.8	351.3	164.2	170.9
Total ordinary expenses	¥6,773.4	¥7,137.9	¥7,798.6	¥3,742.3	¥3,948.4
Ordinary profit	¥ 528.3	¥ 471.8	¥ 428.4	¥ 267.5	¥ 153.7
Extraordinary gains	39.8	21.7	17.4	13.4	51.7
Extraordinary losses	196.2	223.2	117.8	118.5	63.3
Provision for reserve for dividends to policyholders (limited company)	18.1	17.2	13.8	6.3	6.1
Surplus before income taxes	¥ 353.8	¥ 253.0	¥ 314.1	¥ 156.1	¥ 136.0
Income taxes:					
Current	¥ 99.8	¥ 129.5	¥ 135.6	¥ 60.3	¥ 73.7
Deferred	(54.3)	(123.0)	(102.4)	(48.2)	(69.8)
Net surplus	¥ 308.2	¥ 246.5	¥ 281.0	¥ 144.0	¥ 132.1
Net surplus attributable to noncontrolling interests	6.3	2.6	2.2	2.6	(1.6)
Net surplus attributable to the parent company	¥ 301.9	¥ 243.9	¥ 278.7	¥ 141.4	¥ 133.7

The following table presents our annualized premiums from individual insurance and individual annuities, including medical coverage, living benefits, etc., for both policies in force and new policies for the periods indicated, on a nonconsolidated basis:

	Year ended March 31,			Six months ended September 30,	
	2017	2018	2019	2018	2019
	(Billions of yen)				
Policies in force:(1)					
Individual insurance	¥2,608.9	¥2,686.1	¥2,738.3	¥2,689.3	¥2,715.3
Individual annuities	953.8	979.5	1,009.6	991.4	1,029.9
Total	¥3,562.7	¥3,665.7	¥3,747.9	¥3,680.7	¥3,745.3
Medical coverage, living benefits, etc.(2)	¥ 622.3	¥ 627.9	¥ 638.3	¥ 633.2	¥ 648.8
New policies:(1)(3)					
Individual insurance	¥ 234.9	¥ 262.3	¥ 246.0	¥ 95.7	¥ 76.5
Individual annuities	111.4	59.8	65.1	28.6	38.7
Total	¥ 346.3	¥ 322.1	¥ 311.2	¥ 124.3	¥ 115.2
Medical coverage, living benefits, etc.(2)	¥ 46.3	¥ 42.0	¥ 47.0	¥ 23.5	¥ 29.4

Notes:

(1) Annualized premiums includes totals for individual insurance and individual annuities. Annualized premiums are calculated by multiplying the underlying premium installment amounts by a factor determined according to the relevant payment method to arrive at a single annualized amount. For single-premium policies, annualized premiums are calculated by dividing the total premium by the insured period.

(2) The amount of medical coverage, living benefits, etc. represents the annualized premium relating to medical benefits (hospitalization and surgical benefits), living benefits (specified illness and nursing care benefits) and waiver of premium benefits (excluding disability benefits but including specified illness and nursing care benefits).

(3) Annualized new policy net premium amount includes net increases due to conversions.

The following table sets forth a breakdown of our insurance premiums on a nonconsolidated basis by product line for the periods indicated:

	Year ended March 31,			Six months ended September 30,	
	2017	2018	2019	2018	2019
	(Billions of yen)				
Individual insurance	¥2,443.9	¥2,297.3	¥2,618.3	¥1,096.4	¥1,234.1
Individual annuities	682.5	699.6	668.0	322.2	323.0
Group insurance	263.4	267.2	257.1	131.9	123.1
Group annuities	1,202.9	1,170.7	1,179.0	608.6	596.4
Others	53.3	52.6	51.6	25.8	25.6
Total	¥4,646.2	¥4,487.6	¥4,774.2	¥2,185.1	¥2,302.4

Numbers of Policies and Policy Amounts for Our Main Product Lines

The following tables set forth changes in the number of policies and policy amounts in force for our main product lines for the years ended March 31, 2017, 2018 and 2019 and the six months ended September 30, 2018 and 2019 on a nonconsolidated basis. See also "Business—Products and Services."

Individual insurance

Individual insurance is our main business area, mainly marketed through our *Mirai no Katachi* product lineup, and includes whole life insurance, term life insurance, endowment insurance and third-sector products. The popularity of our main product, *Mirai no Katachi*, among a variety of customers has continued into the year ended March 31, 2019 and the six months ended September 30, 2019, with the number of policies having continued to increase. In the year ended March 31, 2019, the number and amount of new policies in the individual insurance market increased compared to the prior year, primarily due to strong sales of *Daijobu* Specified Serious Disease Coverage Insurance. The number and amount of new policies, however, declined in the six months ended September 30, 2019 compared to the same period in the prior year as a result of the comparatively less strong sales of the same product in the prior year.

	Year ended March 31,						Six months ended September 30,			
	2017		2018		2019		2018		2019	
	Number of policies	Policy amount	Number of policies	Policy amount	Number of policies	Policy amount	Number of policies	Policy amount	Number of policies	Policy amount
	(Thousands of policies and billions of yen)									
At the beginning of the period	23,123.9	¥145,116.3	24,986.1	¥143,237.0	26,194.2	¥138,147.7	26,194.2	¥138,147.7	27,907.1	¥135,332.6
Increase due to:										
New policies	2,180.7	8,981.9	1,944.0	5,813.0	2,198.5	6,939.8	1,035.0	3,227.5	1,027.9	2,927.7
Renewals	9.2	665.4	16.5	602.2	21.5	483.8	8.0	251.0	11.2	227.0
Reinstatements	1.2	15.2	1.0	10.6	0.8	8.0	0.4	4.1	0.3	3.4
Conversion	1,735.1	5,875.1	1,378.3	4,466.8	2,481.0	8,333.4	1,367.6	4,654.1	1,333.1	4,254.7
Variable amount	–	0.9	–	0.9	–	1.0	–	0.3	–	0.2
Decrease due to:										
Death	84.0	670.3	91.6	682.8	97.7	689.7	46.3	327.4	49.7	342.5
Maturity	120.1	457.1	131.8	563.2	131.0	540.8	62.2	268.2	62.1	239.4
Decrease of benefits	–	1,105.0	–	1,004.8	–	875.2	–	454.4	–	397.4
Decrease from conversion	541.7	6,338.2	520.2	5,065.5	1,348.7	8,352.0	741.1	4,596.3	921.0	4,216.4
Cancellation	1,297.6	6,568.4	1,368.1	6,532.5	1,392.7	6,393.9	689.3	3,190.2	716.2	3,089.5
Expiration	8.8	140.4	6.9	102.6	5.8	74.6	3.2	43.5	2.6	30.5
Decrease from variable amount	–	0.4	–	0.4	–	1.3	–	0.2	–	0.4
Decrease due to other changes	11.8	2,138.0	13.0	2,030.9	12.7	1,653.4	5.5	840.8	5.9	796.4
At period-end	24,986.1	143,237.0	26,194.2	138,147.7	27,907.1	135,332.6	27,057.6	136,563.4	28,521.9	133,633.0
Net increase (decrease)	1,862.2	¥ (1,879.3)	1,208.1	¥ (5,089.2)	1,712.8	¥ (2,815.0)	863.3	(1,584.2)	614.7	(1,699.6)

Individual annuities

In response to the shifting of customer demand from mortality insurance to savings-type products, the number of policies and policy amounts increased period on period during the years ended March 31, 2017, 2018 and 2019 and the six months ended September 30, 2019. We continue to cultivate new customers and product sales through our *Mirai no Katachi* and *Gran Age*. See "Business—Products and Services—Individual Annuities."

	Year ended March 31,						Six months ended September 30,			
	2017		2018		2019		2018		2019	
	Number of policies	Policy amount[1]	Number of policies	Policy amount[1]	Number of policies	Policy amount[1]	Number of policies	Policy amount[1]	Number of policies	Policy amount[1]
	(Thousands of policies and billions of yen)									
At the beginning of the period	3,525.1	¥21,810.7	3,805.7	¥23,230.6	3,886.0	¥23,580.9	3,886.0	¥23,580.9	3,964.0	¥23,937.2
Increase due to:										
New policies	415.4	2,509.9	214.8	1,357.9	221.0	1,499.3	101.3	657.8	116.2	874.1
Reinstatements	0.0	0.2	0.0	0.1	0.0	0.1	0.0	0.0	0.0	0.0
Increase from conversion	10.2	68.9	7.2	45.8	8.7	53.7	4.1	24.4	5.0	35.0
Decrease due to:										
Death	10.4	49.1	10.8	50.7	11.2	51.2	5.3	24.6	5.4	24.8
Completion of payments	28.3	19.3	32.3	22.8	33.3	23.4	14.7	10.2	14.8	10.3
Decrease of insurance amount	–	63.5	–	67.5	–	60.7	–	29.7	–	24.3
Decrease from conversion	8.1	51.3	5.9	35.2	7.8	44.9	3.8	21.6	4.6	24.1
Cancellation	87.6	559.5	90.5	568.5	95.1	591.1	47.0	288.1	47.9	289.6
Expiration	0.5	3.2	0.4	2.5	0.3	2.2	0.2	1.1	0.1	1.1
Decrease due to other changes	9.9	168.4	1.6	108.4	3.7	150.5	1.6	82.3	2.0	98.8
At period-end	3,805.7	23,230.6	3,886.0	23,580.9	3,964.0	23,937.2	3,918.7	23,805.2	4,010.4	24,373.1
Net increase (decrease)	280.5	¥ 1,419.8	80.3	¥ 350.2	77.9	¥ 356.3	32.6	¥ 224.2	46.3	435.9

Note:

(1) The policy amount for individual annuities is the sum of (a) the funds held for annuity payments at the time such payments are to commence and (b) the policy reserve amount for annuities for which such payments have already commenced. Because the policy reserve amount changes over time, in contrast to the static nature of policy amounts of insurance policies, the amount of net increase (decrease) in the policy amount column does not match the total of the individual items.

Group insurance

Although we face a difficult domestic operating environment, which includes a declining birthrate and an aging population as well as a decrease of full-time employment, we believe there are increasing business opportunities in the form of group insurance with employee contributions due to the higher expectation for the role of businesses to supplement existing social security. Such products are designed to increase financial independence and self-reliance. The number of insured in the group insurance segment and the revenue from such products steadily increased in the year ended March 31, 2019 and the six months ended September 30, 2019. See "Business—Products and Services—Group Insurance."

	Year ended March 31,						Six months ended September 30,			
	2017		2018		2019		2018		2019	
	Number of insured	Policy amount	Number of insured	Policy amount	Number of insured	Policy amount	Number of insured	Policy amount	Number of insured	Policy amount
	(Thousands of insured and billions of yen)									
At the beginning of the period	26,499.5	¥93,289.9	26,509.1	¥94,326.3	27,473.8	¥95,511.9	27,473.8	¥95,511.9	27,582.1	¥97,102.2
Increase due to:										
New policies	204.2	568.2	149.1	304.3	120.0	580.8	78.4	504.8	55.0	123.2
Renewals	14,013.4	58,295.6	14,126.2	58,314.8	15,276.2	59,464.5	8,590.3	31,824.5	8,594.6	33,094.9
Midterm enrollment	2,127.8	7,384.4	2,943.4	7,480.5	2,142.7	6,925.2	1,213.4	3,798.0	1,192.4	3,886.7
Increase of insurance amount	–	2,049.3	–	2,443.7	–	2,157.8	–	1,423.6	–	1,100.0
Decrease due to:										
Death	47.8	104.3	46.8	102.2	46.2	101.3	21.4	46.8	21.2	46.9
Maturity	14,103.6	58,722.2	14,216.8	59,000.7	15,393.6	59,898.8	8,657.5	32,183.6	8,704.4	33,166.2
Withdrawal	2,157.8	5,673.5	1,941.0	4,983.5	1,912.8	4,831.5	1,022.5	2,226.4	1,067.9	2,498.4
Decrease of insurance amount	–	2,678.1	–	2,638.2	–	2,454.1	–	1,309.1	–	1,522.9
Cancellation	25.7	78.8	49.6	631.8	78.5	251.1	50.2	194.1	11.9	26.5
Expiration	0.3	1.5	0.3	1.1	0.2	1.3	0.0	0.5	0.1	0.4
Decrease due to other changes	0.5	1.1	(0.5)	(1.5)	(0.5)	(1.5)	(0.2)	(0.7)	(0.1)	(0.6)
At period-end	26,509.1	94,326.3	27,473.8	95,511.9	27,582.1	97,102.2	27,604.5	97,103.0	27,618.8	98,046.2
Net increase (decrease)	9.5	¥ 1,036.4	964.7	¥ 1,185.6	108.2	¥ 1,590.2	130.6	¥ 1,591.0	36.7	¥ 944.0

Group annuities

As a result of our sound investment performance and our continuous sales efforts in new products designed to secure stable profits with limited exposure to price fluctuation risk, the policy amounts in the group annuities segment steadily increased during the years ended March 31, 2017, 2018 and 2019 and the six months ended September 30, 2019, however, the number of insured continued to decline period over period. To mitigate the negative spread risk from declining interest rates and liquidity risk due to surrenders upon rising interest rates, we maintain a solid risk management system, including a system by which we suspend sales of certain products depending on interest rate levels. See "Business—Products and Services—Group Annuities."

	Year ended March 31,						Six months ended September 30,			
	2017		2018		2019		2018		2019	
	Number of insured[1]	Policy amount[2]	Number of insured[1]	Policy amount[2]	Number of insured[1]	Policy amount[2]	Number of insured[1]	Policy amount[2]	Number of insured[1]	Policy amount[2]
	(Thousands of insured and billions of yen)									
At the beginning of the period	10,397.0	¥12,375.7	9,727.3	¥12,625.4	9,344.8	¥12,854.1	9,344.8	¥12,854.1	8,860.7	¥13,177.0
Increase due to:										
New policies	5.0	3.6	1.4	0.3	8.1	0.5	8.1	0.3	0.2	0.2
Decrease due to:										
Annuity payments	3,065.0	399.5	3,027.2	378.4	2,831.9	351.1	1,385.0	172.7	1,327.9	164.0
Single payments	459.2	394.1	433.3	394.9	434.3	409.3	218.2	224.7	227.3	251.7
Cancellation	285.8	103.4	351.4	87.1	165.3	44.4	14.7	23.7	0.1	26.4
At period-end	9,727.3	12,625.4	9,344.8	12,854.1	8,860.7	13,177.0	9,336.0	13,074.1	8,858.1	13,339.7
Net increase (decrease)	(669.6)	¥ 249.6	(382.4)	¥ 228.7	(484.1)	¥ 322.9	(8.8)	¥ 219.9	(2.5)	¥ 162.6

Notes:

(1) The number of insured in the table above is measured as of the beginning or end, as the case may be, of the applicable period. As a result, the amount of net increase in the number of insured column does not match the total of the individual items.

(2) For policy amount, the new policy amount is equal to the initial premium payment and the total policy amount in force is equal to the amount of outstanding corresponding policy reserves. Because the amount of policy reserves changes over time, in contrast to the static nature of policy amounts of annuity policies, the amount of net increase (decrease) in the policy amount column does not match the total of the individual items.

Separate accounts

Assets related to our individual variable insurance and individual variable annuities and a portion of our group annuity products, including group employee pension fund insurance and national pension fund insurance, are held in our separate accounts. Separate account assets and liabilities represent funds that we administer and invest to meet specific investment objectives of policyholders and for which such policyholders bear the investment risk of the invested assets. The following table sets forth the amount of separate account assets as of the dates indicated, on a nonconsolidated basis:

	As of March 31,			As of September 30,	
	2017	2018	2019	2018	2019
	(Billions of yen)				
Individual variable insurance	¥ 116.0	¥ 114.8	¥ 110.1	¥ 118.5	¥ 106.6
Individual variable annuities	41.9	43.4	41.2	44.4	38.2
Group annuity products	1,157.8	1,135.7	1,106.6	1,149.8	1,118.8
Total separate account assets	¥1,315.7	¥1,294.1	¥1,257.9	¥1,312.8	¥1,263.8

In the year ended March 31, 2019, separate account assets in each of the individual variable insurance category declined year on year, following a year on year decrease in the previous year, while individual variable annuities decreased year on year. Group annuity product-related separate account assets decreased in the year ended March 31, 2019, following a year on year decrease in the previous year. As of September 30, 2019, total separate account assets increased as compared to March 31, 2019, primarily due to an increase in group annuity products.

The following table sets forth the policy amount in force for term and whole life individual variable insurance as of the dates indicated, on a nonconsolidated basis:

	As of March 31,			As of September 30,	
	2017	2018	2019	2018	2019
	(Billions of yen)				
Individual variable insurance (defined term)	¥ 5.5	¥ 21.2	¥ 76.1	¥ 55.1	¥ 88.3
Individual variable insurance (whole life)	479.0	463.3	449.8	456.9	443.4

Comparison of the Six months ended September 30, 2018 and 2019

Ordinary income

	Six months ended September 30,	
	2018	2019
	(Billions of yen)	
Ordinary income:		
Revenues from insurance and reinsurance	¥2,778.1	¥2,950.3
Investment income	1,090.8	995.4
Other ordinary income	141.0	156.3
Total ordinary income	¥4,009.9	¥4,102.2

Ordinary income increased by ¥92.2 billion, or 2.3%, to ¥4,102.2 billion for the six months ended September 30, 2019 from ¥4,009.9 billion for the same period of the previous year, primarily due to increases in revenues from insurance and reinsurance, as described below.

Revenues from insurance and reinsurance. Revenues from insurance and reinsurance increased by ¥172.2 billion, or 6.2%, to ¥2,950.3 billion for the six months ended September 30, 2019 from ¥2,778.1 billion for the same period of the previous year, primarily due to increases in sales of our products through bancassurance channels of Nippon Life and Nippon Wealth Life.

The following table shows a breakdown of our net investment income for the six months ended September 30, 2018 and 2019:

	Six months ended September 30, 2018	Six months ended September 30, 2019
	(Billions of yen)	
Investment income:		
Interest, dividends and other income	¥ 802.4	¥796.4
Gain on trading securities	8.9	28.1
Gain on sales of securities	131.0	105.1
Gain on derivative financial instruments, net	–	48.0
Foreign exchange gains, net	103.5	–
Gain from separate accounts, net	43.0	14.8
Others	1.8	2.8
Total investment income	¥1,090.8	¥995.4
Investment expenses:		
Interest expenses	¥ 16.6	¥ 18.5
Loss from assets held in trust, net	9.3	3.2
Loss on sales of securities	70.8	18.4
Loss on valuation of securities	4.3	50.1
Loss on derivative financial instruments, net	114.9	–
Foreign exchange losses, net	–	171.3
Others	31.8	29.9
Total investment expenses	248.0	291.6
Net investment income	¥ 842.7	¥703.8

Net investment income. Net investment income decreased by ¥138.9 billion, or 16.5%, to ¥703.8 billion for the six months ended September 30, 2019 from ¥842.7 billion for the same period of the previous year, primarily due to foreign exchange loss, which was partially offset by a gain on derivative financial instruments.

Other ordinary income. Other ordinary income increased by ¥15.3 billion, or 10.9%, to ¥156.3 billion for the six months ended September 30, 2019 from ¥141.0 billion for the same period of the previous year.

Ordinary expenses

	Six months ended September 30, 2018	Six months ended September 30, 2019
	(Billions of yen)	
Ordinary expenses:		
Benefits and other payments	¥2,192.2	¥2,250.6
Provision for policy reserves	735.7	829.6
Investment expenses	248.0	291.6
Operating expenses	402.1	405.4
Other ordinary expenses	164.2	170.9
Total ordinary expenses	¥3,742.3	¥3,948.4

Ordinary expenses increased by ¥206.0 billion, or 5.5%, to ¥3,948.4 billion for the six months ended September 30, 2019 from ¥3,742.3 billion for the same period of the previous year, primarily due to an increase in provision for policy reserves and benefits and other payments.

Benefits and other payments. Benefits and other payments increased by ¥58.4 billion, or 2.7%, to ¥2,250.6 billion for the six months ended September 30, 2019 from ¥2,192.2 billion for the same period of the previous year.

Provision for policy reserves. Provision for policy reserves increased by ¥93.9 billion, or 12.8%, to ¥829.6 billion for the six months ended September 30, 2019 from ¥735.7 billion for the same period of the previous year, primarily due to an increase in provision for policy reserves by Nippon Life.

Investment expenses. See discussion of "—Net investment income" above.

Operating expenses. Operating expenses increased by ¥3.3 billion, or 0.8%, to ¥405.4 billion for the six months ended September 30, 2019 from ¥402.1 billion for the same period of the previous year.

Other ordinary expenses. Other ordinary expenses increased by ¥6.7 billion, or 4.1%, to ¥170.9 billion for the six months ended September 30, 2019 from ¥164.2 billion for the same period of the previous year.

Ordinary profit

As a result of the foregoing, ordinary profit decreased by ¥113.8 billion, or 42.5%, to ¥153.7 billion for the six months ended September 30, 2019 from ¥267.5 billion for the same period of the previous year due to factors including additional policy reserves.

Extraordinary gains and losses

Extraordinary gains increased by ¥38.2 billion, or 283.5%, to ¥51.7 billion for the six months ended September 30, 2019 from ¥13.4 billion for the same period of the previous year, primarily due to a gain on re-measurement of the fair value of equity as a result of our step acquisition of Reliance Nippon Life Asset Management. Extraordinary losses decreased by ¥55.2 billion, or 46.6%, to ¥63.3 billion for the six months ended September 30, 2019 from ¥118.5 billion for the same period of the previous year, primarily due to a decrease in provision for reserve for price fluctuations in investment in securities.

Surplus before income taxes

As a result of the foregoing, surplus before income taxes decreased by ¥20.1 billion, or 12.9%, to ¥136.0 billion for the six months ended September 30, 2019 from ¥156.1 billion for the same period of the previous year.

Income taxes

	Six months ended September 30,	
	2018	**2019**
	(Billions of yen)	
Income taxes:		
Current	¥ 60.3	¥ 73.7
Deferred	(48.2)	(69.8)

Current income taxes. Current income taxes increased by ¥13.3 billion, or 22.1%, to ¥73.7 billion for the six months ended September 30, 2019 from ¥60.3 billion for the same period of the previous year.

Deferred income taxes. Deferred income taxes increased by ¥21.5 billion, or 44.7%, to ¥(69.8) billion for the six months ended September 30, 2019 from ¥(48.2) billion for the same period of the previous year.

Net surplus

Net surplus decreased by ¥11.8 billion, or 8.3%, to ¥132.1 billion for the six months ended September 30, 2019 from ¥144.0 billion for the same period of the previous year.

Net surplus attributable to the parent company

Net surplus attributable to the parent company decreased by ¥7.6 billion, or 5.4%, to ¥133.7 billion for the six months ended September 30, 2019 from ¥141.4 billion for the same period of the previous year.

Comparison of the Years Ended March 31, 2019 and 2018

Ordinary income

	Year ended March 31,	
	2018	**2019**
	(Billions of yen)	
Ordinary income:		
Revenues from insurance and reinsurance	¥5,422.0	¥6,069.2
Investment income	1,871.2	1,842.3
Other ordinary income	316.4	315.5
Total ordinary income	¥7,609.8	¥8,227.1

Ordinary income increased by ¥617.3 billion, or 8.1%, to ¥8,227.1 billion for the year ended March 31, 2019 from ¥7,609.8 billion for the previous year, primarily due to an increase in revenues from insurance and reinsurance as described below, despite a slight decrease in investment income.

Revenues from insurance and reinsurance. Revenues from insurance and reinsurance increased by ¥647.1 billion, or 11.9%, to ¥6,069.2 billion for the year ended March 31, 2019 from ¥5,422.0 billion for the previous year, primarily due to the consolidation of Nippon Wealth Life and increases in income for Nippon Life and Taiju Life.

The following table shows a breakdown of our net investment income for the years ended March 31, 2018 and 2019:

	Year ended March 31,	
	2018	2019
	(Billions of yen)	
Investment income:		
Interest, dividends and other income	¥1,496.5	¥1,596.0
Gain on trading securities	22.5	12.1
Gain on sales of securities	252.4	205.4
Gain on redemptions of securities	14.9	6.4
Foreign exchange gains, net	16.1	–
Reversal of allowance for doubtful accounts	0.5	–
Other investment income	1.8	3.1
Gain from separate accounts, net	66.1	19.1
Total investment income	¥1,871.2	¥1,842.3
Investment expenses:		
Interest expenses	¥ 24.3	¥ 35.3
Loss from assets held in trust, net	3.2	2.5
Loss on sales of securities	126.8	145.6
Loss on valuation of securities	11.3	19.0
Loss on redemptions of securities	23.3	8.1
Loss on derivative financial instruments, net	144.7	83.9
Foreign exchange losses, net	–	16.8
Provision for allowance for doubtful accounts	–	6.3
Depreciation of rental real estate and other assets	17.4	18.9
Other investment expenses	32.4	34.7
Total investment expenses	383.9	371.7
Net investment income	¥1,487.3	¥1,470.5

Net investment income. Net investment income decreased by ¥16.7 billion, or 1.1%, to ¥1,470.5 billion for the year ended March 31, 2019 from ¥1,487.3 billion for the previous year, primarily due to a decrease in investment income. This decrease is primarily attributable to decreases in gain on sales of securities and gain from separate accounts, net, despite an increase in interest dividends and other income and a decrease in total investment expenses resulting primarily from a decline in loss on derivative financial instruments, net.

Other ordinary income. Other ordinary income decreased by ¥0.8 billion, or 0.3%, to ¥315.5 billion for the year ended March 31, 2019 from ¥316.4 billion for the previous year.

Ordinary expenses

	Year ended March 31,	
	2018	2019
	(Billions of yen)	
Ordinary expenses:		
Benefits and other payments	¥4,407.3	¥4,597.4
Provision for policy reserves	1,234.4	1,652.6
Investment expenses	383.9	371.7
Operating expenses	789.2	825.4
Other ordinary expenses	322.8	351.3
Total ordinary expenses	¥7,137.9	¥7,798.6

Ordinary expenses increased by ¥660.7 billion, or 9.3%, to ¥7,798.6 billion for the year ended March 31, 2019 from ¥7,137.9 billion for the previous year, primarily due to an increase in benefits and other payments and provision for policy reserves.

Benefits and other payments. Benefits and other payments increased by ¥190.0 billion, or 4.3%, to ¥4,597.4 billion for the year ended March 31, 2019 from ¥4,407.3 billion for the previous year, primarily due to the consolidation of Nippon Wealth Life.

Provision for policy reserves. Provision for policy reserves increased by ¥418.1 billion, or 33.9%, to ¥1,652.6 billion for the year ended March 31, 2019 from ¥1,234.4 billion for the previous year, primarily due to an increase in provision for policy reserves by Nippon Life and the consolidation of Nippon Wealth Life.

Investment expenses. See discussion of "—Net investment income" above.

Operating expenses. Operating expenses increased by ¥36.1 billion, or 4.6%, to ¥825.4 billion for the year ended March 31, 2019 from ¥789.2 billion for the previous year, primarily due to an increase in sales fee through the bancassurance channels of Nippon Life and the consolidation of Nippon Wealth Life.

Other ordinary expenses. Other ordinary expenses increased by ¥28.5 billion, or 8.8%, to ¥351.3 billion for the year ended March 31, 2019 from ¥322.8 billion for the previous year.

Ordinary profit

As a result of the foregoing, ordinary profit decreased by ¥43.3 billion, or 9.2%, to ¥428.4 billion for the year ended March 31, 2019 from ¥471.8 billion for the previous year.

Extraordinary gains and losses

Extraordinary gains decreased by ¥4.3 billion, or 19.9%, to ¥17.4 billion for the year ended March 31, 2019 from ¥21.7 billion for the previous year, primarily due to the gain on disposals of fixed assets relating to disposals of plant and equipment. Extraordinary losses decreased by ¥105.4 billion, or 47.2%, to ¥117.8 billion for the year ended March 31, 2019 from ¥223.2 billion for the previous year, primarily due to a decrease in provision for reserve for price fluctuations in investments in securities.

Surplus before income taxes

As a result of the foregoing, surplus before income taxes was ¥314.1 billion for the year ended March 31, 2019, an increase of ¥61.1 billion, or 24.2%, compared to ¥253.0 billion for the year ended March 31, 2018.

Income taxes

	Year ended March 31,	
	2018	**2019**
	(Billions of yen)	
Income taxes:		
Current	¥ 129.5	¥ 135.6
Deferred	(123.0)	(102.4)

Current income taxes. Current income taxes increased by ¥6.1 billion, or 4.7%, to ¥135.6 billion for the year ended March 31, 2019 from ¥129.5 billion for the previous year.

Deferred income taxes. Deferred income taxes decreased by ¥20.5 billion to ¥(102.4) billion for the year ended March 31, 2019 from ¥(123.0) billion for the previous year, primarily as a result of accruing deferred tax assets in relation to our contingency reserve and price fluctuation reserve.

Net surplus

Net surplus increased by ¥34.4 billion, or 14.0%, to ¥281.0 billion for the year ended March 31, 2019 from ¥246.5 billion for the previous year.

Net surplus attributable to the parent company

Net surplus attributable to the parent company increased by ¥34.8 billion, or 14.3%, to ¥278.7 billion for the year ended March 31, 2019 from ¥243.9 billion for the previous year.

Comparison of the Years Ended March 31, 2018 and 2017

Ordinary income

	Year ended March 31, 2017	2018
	(Billions of yen)	
Ordinary income:		
Revenues from insurance and reinsurance	¥5,236.0	¥5,422.0
Investment income	1,805.2	1,871.2
Other ordinary income	260.5	316.4
Total ordinary income	¥7,301.8	¥7,609.8

Ordinary income increased by ¥307.9 billion, or 4.2%, to ¥7,609.8 billion for the year ended March 31, 2018 from ¥7,301.8 billion for the previous year due to increases in revenues from insurance and reinsurance as described below.

Revenues from insurance and reinsurance. Revenues from insurance and reinsurance increased by ¥186.0 billion, or 3.6%, to ¥5,422.0 billion for the year ended March 31, 2018 from ¥5,236.0 billion for the previous year, primarily due to an increase in Taiju Life's revenues and a full-year contribution of MLC.

The following table shows a breakdown of our net investment income for the years ended March 31, 2017 and 2018:

	Year ended March 31, 2017	2018
	(Billions of yen)	
Investment income:		
Interest, dividends and other income	¥1,458.3	¥1,496.5
Gain on trading securities	–	22.5
Gain on sales of securities	287.1	252.4
Gain on redemptions of securities	6.0	14.9
Foreign exchange gains, net	–	16.1
Reversal of allowance for doubtful accounts	1.3	0.5
Other investment income	1.9	1.8
Gain from separate accounts, net	50.4	66.1
Total investment income	¥1,805.2	¥1,871.2
Investment expenses:		
Interest expenses	¥ 22.3	¥ 24.3
Loss from assets held in trust, net	1.9	3.2
Loss on trading securities	5.3	–
Loss on sales of securities	123.7	126.8
Loss on valuation of securities	27.8	11.3
Loss on redemptions of securities	32.9	23.3
Loss on derivative financial instruments, net	116.2	144.7
Foreign exchange losses, net	16.4	–
Write-offs of loans	0.0	–
Depreciation of rental real estate and other assets	17.8	17.4
Other investment expenses	30.2	32.4
Total investment expenses	395.1	383.9
Net investment income	¥1,410.0	¥1,487.3

Net investment income. Net investment income increased by ¥77.2 billion, or 5.5%, to ¥1,487.3 billion for the year ended March 31, 2018 from ¥1,410.0 billion for the previous year, primarily due to increases in investment income from interest, dividend and other income and a decrease in total investment expenses resulting primarily from decreases in loss on valuation of securities, loss on redemption of securities and foreign exchange losses, net, which was partially offset by an increase in loss on derivative financial instruments, net.

Other ordinary income. Other ordinary income increased by ¥55.9 billion, or 21.5%, to ¥316.4 billion for the year ended March 31, 2018 from ¥260.5 billion for the previous year primarily due to a reversal of reserve for outstanding claims.

Ordinary expenses

	Year ended March 31,	
	2017	2018
	(Billions of yen)	
Ordinary expenses:		
Benefits and other payments	¥4,151.6	¥4,407.3
Provision for policy reserves	1,179.1	1,234.4
Investment expenses	395.1	383.9
Operating expenses	708.2	789.2
Other ordinary expenses	339.1	322.8
Total ordinary expenses	¥6,773.4	¥7,137.9

Ordinary expenses increased by ¥364.5 billion, or 5.4%, to ¥7,137.9 billion for the year ended March 31, 2018 from ¥6,773.4 billion for the previous year, primarily due to an increase in benefits and other payments.

Benefits and other payments. Benefits and other payments increased by ¥255.6 billion, or 6.2%, to ¥4,407.3 billion for the year ended March 31, 2018 from ¥4,151.6 billion for the previous year.

Provision for policy reserves. Provision for policy reserves increased by ¥55.3 billion, or 4.7%, to ¥1,234.4 billion for the year ended March 31, 2018 from ¥1,179.1 billion for the previous year, primarily due to an increase in provision for additional policy reserves by Taiju Life, which was partially offset by a decrease in the provision for policy reserves by Nippon Life.

Investment expenses. See discussion of "—Net investment income" above.

Operating expenses. Operating expenses increased by ¥81.0 billion, or 11.4%, to ¥789.2 billion for the year ended March 31, 2018 from ¥708.2 billion for the previous year, primarily due to an increase in operating expenses by MLC and commission fee by Nippon Life.

Other ordinary expenses. Other ordinary expenses decreased by ¥16.3 billion, or 4.8%, to ¥322.8 billion for the year ended March 31, 2018 from ¥339.1 billion for the previous year, primarily due to a decrease in deferred annuity payments by Nippon Life.

Ordinary profit

As a result of the foregoing, ordinary profit decreased by ¥56.5 billion, or 10.7%, to ¥471.8 billion for the year ended March 31, 2018 from ¥528.3 billion for the previous year.

Extraordinary gains and losses

Extraordinary gains decreased by ¥18.1 billion, or 45.5%, to ¥21.7 billion for the year ended March 31, 2018 from ¥39.8 billion for the previous year, primarily due to a decrease in gains on disposal of fixed assets. Extraordinary losses increased by ¥26.9 billion, or 13.7%, to ¥223.2 billion for the year ended March 31, 2018 from ¥196.2 billion for the previous year, primarily due to an increase in provision for reserve for price fluctuations in investments in securities, which was partially offset by decreases in losses on disposals of fixed assets and impairment losses.

Surplus before income taxes

As a result of the foregoing, surplus before income taxes was ¥253.0 billion for the year ended March 31, 2018, a decrease of ¥100.7 billion, or 28.5%, compared to the year ended March 31, 2017.

Income taxes

	Year ended March 31,	
	2017	2018
	(Billions of yen)	
Income taxes:		
Current	¥ 99.8	¥ 129.5
Deferred	(54.3)	(123.0)

Current income taxes. Current income taxes increased by ¥29.6 billion, or 29.7%, to ¥129.5 billion for the year ended March 31, 2018 from ¥99.8 billion for the previous year.

Deferred income taxes. Deferred income taxes increased by ¥68.6 billion to ¥(123.0) billion for the year ended March 31, 2018 from ¥(54.3) billion for the previous year, primarily as a result of accruing deferred tax assets in relation to our contingency reserve and price fluctuation reserve.

Net surplus

Net surplus decreased by ¥61.7 billion, or 20.0%, to ¥246.5 billion for the year ended March 31, 2018 from ¥308.2 billion for the previous year.

Net surplus attributable to the parent company

Net surplus attributable to the parent company decreased by ¥58.0 billion, or 19.2%, to ¥243.9 billion for the year ended March 31, 2018 from ¥301.9 billion for the previous year.

Liquidity and Capital Resources

Cash Flows

The following table sets forth information about our consolidated cash flows during the years ended March 31, 2017, 2018 and 2019:

	Year ended March 31,		
	2017	2018	2019
	(Billions of yen)		
Net cash provided by operating activities	¥ 1,546.8	¥ 1,506.3	¥ 1,962.2
Net cash used in investing activities	(1,683.7)	(1,310.9)	(1,993.8)
Net cash provided by financing activities	261.3	170.9	148.3
Effect of exchange rate changes on cash and cash equivalents	6.3	(12.4)	(1.7)
Net increase in cash and cash equivalents	130.8	353.8	114.9
Cash and cash equivalents at the beginning of the year	1,410.5	1,541.4	1,897.0
Cash and cash equivalents at the end of the year	¥ 1,541.4	¥ 1,897.0	¥ 2,011.9

Life insurance companies generally produce a positive cash flow from operating activities, as measured by the amount by which cash inflows are adequate to meet obligations to policyholders and normal operating expenses as they are incurred. The remaining cash flow is generally used to increase the asset base to provide funds to meet future benefits and other product-related payments and for writing and acquiring new business. Net cash provided by operating activities is roughly equal to the sum of revenues from insurance and reinsurance and interest, dividends and other income, less benefits and other payments and operating expenses. We recorded positive cash flows in operating activities in each of the years ended March 31, 2017, 2018 and 2019. For the year ended March 31, 2019, net cash provided by operating activities increased by ¥455.9 billion over the previous year, primarily due to an increase in sales of single-premium whole life policy and group annuity. For the year ended March 31, 2018, net cash provided by operating activities decreased by ¥40.5 billion over the previous year, primarily due to a decrease in sales of single-premium whole life policy and group annuity.

Life insurance companies generally produce a negative cash flow from investing activities, because life insurance companies allocate surplus cash generated from operating activities for use in investing activities. For the year ended March 31, 2019, net cash used in investing activities increased by ¥682.8 billion over the previous year, primarily due to an increase in purchases of securities, which was partially offset by an increase in proceeds from sales and redemptions of securities. For the year ended March 31, 2018, net cash used in investing activities decreased by ¥372.7 billion over the previous year, primarily due to a decrease in purchases of securities, which was partially offset by a decrease in proceeds from sales and redemptions of securities.

For the year ended March 31, 2019, net cash provided by financing activities decreased by ¥22.5 billion over the previous year, primarily due to a decrease in proceeds from issuance of foundation funds, which was partially offset by an increase in proceeds from issuance of corporate bonds. For the year ended March 31, 2018, net cash provided by financing activities decreased by ¥90.4 billion over the previous year, primarily due to decreases in proceeds from borrowing and issuance of corporate bonds, which was partially offset by a decrease in payment for borrowing.

Liquidity and Liquidity Management

Our principal cash requirements consist of benefits and other product-related payments, payments in connection with new investments, income and other taxes, operating expenses, payment of policyholder dividends, policy surrender payments and policy loans.

Our principal sources of cash include life insurance and annuity premiums, investment income and proceeds from the sale or maturity of investments. Our portfolio of liquid assets constitutes an additional source of cash to meet unexpected cash outflows. These liquid assets include cash and deposits, publicly traded stocks and bonds categorized as marketable available-for-sale securities.

We seek, to the extent possible, to manage the maturity and liquidity mix of our investments to match the projected payment requirements of our products. Accordingly, we classify our investments by level of liquidity. Domestic bonds form the largest portion of our general account investment portfolio. Of the balance of domestic bonds held by us, as of September 30, 2019, approximately 87.5% was categorized as policy-reserve-matching bonds, which are carried at amortized cost on our balance sheet and are not marked-to-market. For companies using fund segment accounting, Japanese GAAP requires the recategorization of policy-reserve-matching bonds in a particular fund segment as available-for-sale securities carried at fair market value upon the sale prior to maturity of any such bond categorized as a policy-reserve-matching bond.

Although the amount of policy surrenders is generally a liquidity concern to insurance companies, our business, aside from group annuities, consists mainly of individual and group life insurance, the consumers of which tend to be less sensitive to changes in interest rates. In addition, the terms of our insurance and annuity products generally limit the payment of cash surrender values in the case of policy surrenders early in the policy term and for policies with short policy terms. Even when cash surrender values are paid out, they involve substantial policy surrender penalties. In addition, a substantial portion of our assets consists of high-liquidity assets such as JGBs and cash and deposits. Based on the foregoing, we believe that we are well positioned from a liquidity standpoint.

We maintain overdraft agreements with major domestic banks. We do not currently expect to use such sources of cash in the near term. In addition, we continually enter into bond repurchase agreements to obtain daily funds settlements.

Our management believes that our sources of cash are adequate to meet our current cash requirements.

Capital Resources

We, like other mutual life insurance companies, draw on a broad range of resources for capital. Such resources include the capital and surplus on the balance sheet, including foundation funds, as well as other items such as certain reserves and subordinated debt. Furthermore, unrealized gains on assets also function as a source of capital for mutual life insurance companies.

Foundation funds (kikin) and reserve for redemption of foundation funds (kikin-shokyaku-tsumitate-kin). The Insurance Business Act allows mutual companies in Japan to procure funds by offering foundation funds (*kikin*). Foundation funds serve as the primary source of capital for Japanese mutual life insurance companies. These funds are similar to loans, as an interest payment, maturity date and other items must be established at the time of the offering. In the event of a bankruptcy or similar development, repayment of the principal and interest of foundation funds is subordinated to the repayment of amounts owed to ordinary creditors and insurance claims and benefit payments owed to policyholders. Upon redemption of foundation funds, mutual companies are required to make an addition to the reserve for redemption of foundation funds (*kikin-shokyaku-tsumitate-kin*), which serves as surplus, equal to the amount redeemed. As a result, the full amount of foundation funds remains as a part of our capital even after redemption.

In recent years, we raised capital through foundation funds on several occasions:

- ¥50.0 billion in August 2017, scheduled to mature in 2021.
- ¥50.0 billion in August 2019, scheduled to mature in 2024.

As a result of the above, as of the date hereof, the balance of our foundation funds was ¥100.0 billion and reserve for redemption of foundation funds was ¥1,300.0 billion.

Reserves and subordinated debt. Certain items carried as liabilities on our balance sheet function as additional sources of capital under the Insurance Business Act. Our contingency reserve provides a buffer against losses that arise from unexpectedly high claims due to unforeseen catastrophes or from poor market performance. Our reserve for price fluctuations in investments in securities provides a cushion for unexpected declines, mainly in stock market values. Both the contingency reserve and the reserve for price fluctuations in investments in securities contribute to our solvency margin.

Qualifying subordinated debt provides another buffer against unexpected shocks. Our total subordinated debt outstanding as of September 30, 2019, included the following:

- In October 2012, we issued and sold $2,000,000,000 of 5.00% step-up callable subordinated notes due 2042 (the "2012 Notes") pursuant to an indenture dated October 18, 2012 between us and The Bank of New York Mellon as trustee, paying agent, calculation agent, make-whole calculation agent and notes registrar. Beginning on, and including, October 18, 2012 to, but excluding, October 18, 2022, the 2012 Notes bear interest at 5.00% *per annum* payable semi-annually, and beginning on October 18, 2022, the 2012 Notes will bear interest at a floating rate *per annum* equal to 4.24% above the London interbank offered rate, for three-month deposits payable quarterly.
- In October 2014, we issued and sold $2,250,000,000 of 5.10% step-up callable subordinated notes due 2044 (the "2014 Notes") pursuant to an indenture dated October 16, 2014 between us and The Bank of New York Mellon as trustee, paying agent, calculation agent, make-whole calculation agent and notes registrar. Beginning on, and including, October 16, 2014 to, but excluding, October 16, 2024, the 2014 Notes bear interest at 5.10% *per annum* payable semi-annually, and beginning on October 16, 2024 and any date which falls five, or a multiple of five, years thereafter, the rate of interest of the 2014

Notes will be reset to the sum of the applicable 5-year dollar mid-swap rate and 3.65% *per annum*, payable semi-annually.

- In April 2015, we issued and sold ¥75,000,000,000 of 1.52% subordinated notes due 2045 with interest deferral options (the "2015 JPY Notes"). Beginning on, and including, the day immediately following April 30, 2015 to, and including, April 30, 2025, the 2015 JPY Notes bear interest at 1.52% *per annum* payable semi-annually, and every date which falls five, or a multiple of five, years thereafter, the rate of interest of the 2015 JPY Notes will be reset to the sum of the applicable 5-year yen mid-swap rate and 1.95% *per annum*, payable semi-annually.

- In January 2016, we issued and sold $1,500,000,000 of 4.70% step-up callable subordinated notes due 2046 (the "2016 Notes") pursuant to an indenture dated January 20, 2016 between us and The Bank of New York Mellon as trustee, paying agent, calculation agent, make-whole calculation agent and notes registrar. Beginning on, and including, January 20, 2016 to, but excluding, January 20, 2026, the 2016 Notes bear interest at 4.70% *per annum* payable semi-annually, and beginning on January 20, 2026 and any date which falls five, or a multiple of five, years thereafter, the rate of interest of the 2016 Notes will be reset to the sum of the applicable 5-year dollar mid-swap rate and 3.75% *per annum*, payable semi-annually.

- In April 2016, we issued and sold ¥70,000,000,000 of 0.94% subordinated notes due 2046 with interest deferral options and ¥30,000,000,000 of 1.12% subordinated notes due 2051 with interest deferral options (together, the "April 2016 JPY Notes"). Beginning on, and including, the day immediately following April 27, 2016 to, and including, April 27, 2026 and April 27, 2031, respectively, the April 2016 JPY Notes bear interest at 0.94% and 1.12% *per annum*, respectively, payable semi-annually, and every date which falls five, or a multiple of five, years thereafter, the rate of interest of the April 2016 JPY Notes will be reset to the sum of the applicable 5-year yen mid-swap rate and 1.80% and 1.80%, *per annum*, respectively, payable semi-annually.

- In November 2016, we issued and sold ¥75,000,000,000 of 0.91% subordinated notes due 2046 with interest deferral options and ¥15,000,000,000 of 1.10% subordinated notes due 2051 with interest deferral options (together, the "November 2016 JPY Notes"). Beginning on, and including, the day immediately following November 22, 2016 to, and including, November 22, 2026 and November 22, 2031, respectively, the November 2016 JPY Notes bear interest at 0.91% and 1.10% *per annum*, respectively, payable semi-annually, and every date which falls five, or a multiple of five, years thereafter, the rate of interest of the November 2016 JPY Notes will be reset to the sum of the applicable 5-year yen mid-swap rate and 1.70% and 1.70%, *per annum*, respectively, payable semi-annually.

- In April 2017, we issued and sold ¥100,000,000,000 of 1.05% subordinated notes due 2047 with interest deferral options (the "2017 JPY Notes"). Beginning on, and including, the day immediately following April 19, 2017 to, and including, April 19, 2027, the 2017 JPY Notes bear interest at 1.05% *per annum* payable semi-annually, and every date which falls five, or a multiple of five, years thereafter, the rate of interest of the 2017 JPY Notes will be reset to the sum of the applicable 5-year yen mid-swap rate and 1.79% *per annum*, payable semi-annually.

- In September 2017, we issued and sold $800,000,000 of 4.00% subordinated notes due 2047 with interest deferral options (the "2017 USD Notes") pursuant to an indenture dated September 19, 2017 between us and The Bank of New York Mellon as trustee, paying agent, calculation agent, make-whole calculation agent and notes registrar. Beginning on, and including, September 19, 2017 to, but excluding, September 19, 2027, the 2017 USD Notes bear interest at 4.00% *per annum* payable semi-annually, and beginning on September 19, 2027 and any date which falls five, or a multiple of five, years thereafter, the rate of interest of the 2017 USD Notes will be reset to the sum of the applicable 5-year dollar mid-swap rate and 2.88% *per annum*, payable semi-annually.

- In April 2018, we financed ¥100,000,000,000 of a 1.05% subordinated loan due 2048 (the "April 2018 JPY Loan"). Beginning on, and including, the day immediately following April 27, 2018 to, and including, April 27, 2028, the April 2018 JPY Loan bears interest at 1.05% *per annum* payable semi-annually, and every date which falls five, or a multiple of five, years thereafter, the rate of interest of the April 2018 JPY Loan will be reset to the sum of the applicable 5-year yen mid-swap rate and 1.74% *per annum*, payable semi-annually.
- In September 2018, we financed ¥120,000,000,000 of a 1.03% subordinated loan due 2048 (the "September 2018 JPY Loan"). Beginning on, and including, the day immediately following September 18, 2018 to, and including, September 18, 2028, the September 2018 JPY Loan bears interest at 1.03% *per annum* payable semi-annually, and every date which falls five, or a multiple of five, years thereafter, the rate of interest of the September 2018 JPY Loan will be reset to the sum of the applicable 5-year yen mid-swap rate and 1.66% *per annum*, payable semi-annually.
- In April 2019, we financed ¥90,000,000,000 of a 0.95% subordinated loan due 2049 (the "April 2019 JPY Loan"). Beginning on, and including, the day immediately following April 22, 2019 to, and including, April 22, 2029, the April 2019 JPY Loan bears interest at 0.95% *per annum* payable semi-annually, and every date which falls five, or a multiple of five, years thereafter, the rate of interest of the April 2019 JPY Loan will be reset to the sum of the applicable 5-year yen mid-swap rate and 1.77% *per annum*, payable semi-annually.

In addition, in November 2019, we financed ¥80,000,000,000 of a 0.85% subordinated loan due 2049 (the "November 2019 JPY Loan"). Beginning on, and including, the day immediately following November 21, 2019 to, and including, November 21, 2029, the November 2019 JPY Loan bears interest at 0.85% *per annum* payable semi-annually, and every date which falls five, or a multiple of five, years thereafter, the rate of interest of the November 2019 JPY Loan will be reset to the sum of the applicable 5-year yen mid-swap rate and 1.69% per annum, payable semi-annually.

Each series of subordinated notes and each subordinated loan described above (collectively, the "Subordinated Debt") constitute our irrevocable, direct, unsecured and subordinated obligations and rank *pari passu* and without preference among themselves, with the other Subordinated Debt and with the Notes being offered hereby and in priority to (i) claims of holders of interests in foundation funds and (ii) claims of any other instruments that are expressly designated as being junior to the Subordinated Debt as to priority of liquidation payment. The material terms of each series of the Subordinated Debt are substantially the same as those of the Notes being offered hereby. The Subordinated Debt and the Notes being offered hereby are considered liquidation parity securities. See "Description of the Notes."

The following table sets forth the amounts of our capital, comprising foundation funds and others, reserve for price fluctuations in investments in securities, contingency reserve, general allowance for doubtful accounts, others and subordinated debt on a nonconsolidated basis, as of the dates indicated:

	As of March 31,			As of September 30,
	2017	2018	2019	2019
	(Billions of yen)			
Foundation funds (*kikin*) and other reserve funds	¥4,454.2	¥4,790.2	¥4,992.8	¥5,203.3
Foundation funds and others(1)	1,556.0	1,582.1	1,573.0	1,675.2
Reserve for price fluctuations in investments in securities	1,116.7	1,282.1	1,381.6	1,435.6
Contingency reserve	1,523.4	1,663.3	1,777.1	1,830.6
General allowance for doubtful accounts	1.5	1.1	0.7	1.6
Others	256.5	261.3	260.2	260.2
Subordinated debt	840.8	1,028.8	1,248.8	1,338.8
Capital	¥5,295.1	¥5,819.0	¥6,241.7	¥6,542.2

(1) The amount is after excluding estimated distributed income (which includes interest on foundation funds and provision for reserve for dividends to policyholders) on the appropriation of surplus plus total valuations, conversions and others from total net assets on the nonconsolidated balance sheets.

Other Capital Resources

Unrealized gains on assets. Unrealized gains on assets on a nonconsolidated basis also function in certain respects as a capital resource. As of March 31, 2017, 2018 and 2019 and the six months ended September 30, 2019, our unrealized gains on assets totaled ¥10,457.7 billion, ¥10,942.6 billion, ¥11,187.4 billion and ¥12,238.3 billion, respectively. For the year ended March 31, 2019 and six months ended September 30, 2019, the increase in unrealized gains on assets primarily reflected increases in the value of our holdings of domestic and foreign bonds.

Off-Balance Sheet Arrangements

Other than as described in this offering circular, we have no material off-balance sheet arrangements.

Policy Reserves

Pursuant to requirements under the Insurance Business Act, we maintain policy reserves for the fulfillment of future obligations under life insurance contracts. The policy reserves are intended to allocate a portion of the insurance premiums received during a particular accounting period to one or more succeeding accounting periods to the extent such portion relates to insurance coverage for such succeeding accounting periods, and thereby to enable the insurance company to record related profits effectively on an accrual basis. The minimum amount to be set aside as policy reserves is determined based on actuarial calculations performed in accordance with applicable regulations. Although calculation methods producing reduced levels of reserves are permitted for financially unsound or newly established companies, we use the net level premium method of calculation. This method assumes a constant amount of net premiums over the term of the relevant policy in calculating the amount of standard policy reserve required to fund all future policy benefits. The net level premium reserve is calculated using the respective standard prospective yields established by the FSA for single-premium individual whole life insurance, single-premium individual annuities and all other insurance products, and a mortality rate set by the IAJ and confirmed by the Commissioner of the FSA. The standard prospective yields for single-premium endowment insurance and single-premium individual annuities were revised downward from 1.0% to 0.5% and from 0.5% to 0.0% for products sold starting in April 2015 and July 2016, respectively, and from 1.0% to 0.25% for regular premium insurance products sold starting from April 2017. In addition, the standard prospective yield for single-premium individual whole life insurance was revised downward from 0.75% to 0.25% and from 0.25% to 0.00% for products sold starting in July 2016 and January 2020, respectively, in each case based on the historical 3-month and 1-year-average yields of newly issued 10-year and 20-year JGBs. The net premium level method does not allow policy acquisition costs, which are higher in the first year of the policy, to be offset against the amount of provision for policy reserves required. An alternative calculation method known as the "Zillmer method" produces reduced levels of reserves in the first year of the policy by allowing policy acquisition costs to be offset against the amount of provision for policy reserves required. This method is often used by financially unsound or newly established companies. When insurance claims arise, we record the full amount of such claims paid as benefits and claims expense. When the policy ends, the related decrease in provision for policy reserves is allocated to offset payment of benefits.

In addition to policy reserve amounts related to expected future benefits and other payments, a contingency reserve is included in the policy reserves to account for the risk of insurance payment events occurring at a higher than expected rate and the risk of actual yield on our investments being lower than the assumed yield related to outstanding policies. See "Regulation of the Japanese Life Insurance Industry—Insurance Business Act—Financial Regulation."

The following is a breakdown of our policy reserves by product line and contingency reserve on a nonconsolidated basis for the dates shown:

	As of March 31,		
	2017	2018	2019
	(Billions of yen)		
General account:			
Individual insurance	¥27,429.0	¥27,676.0	¥28,144.3
Individual annuities	10,413.9	10,887.1	11,338.3
Group insurance	49.3	50.2	46.9
Group annuities	11,487.3	11,736.4	12,081.4
Other	454.3	455.3	454.8
Separate account:			
Individual insurance	112.7	111.2	108.7
Individual annuities	41.9	43.4	41.2
Group insurance	–	–	–
Group annuities	1,138.1	1,117.7	1,095.6
Other	–	–	–
Contingency reserve	1,523.4	1,663.3	1,777.1
Total	¥52,650.2	¥53,741.0	¥55,088.6

Solvency Margin Ratio

The solvency margin ratio was introduced by the Japanese government as a means of measuring the financial soundness of insurance companies to provide for better policyholder protection under a system of prompt corrective action. The solvency margin ratio is a measure of capital adequacy calculated by dividing the solvency margin amount (defined as net assets, less certain items, plus certain reserves, unrealized gains on assets and certain other items, discussed below) by a quantified measure of the total risk borne by the company, which is calculated as "risk exceeding ordinary forecast" based on Articles 86 and 87 of the Ordinance for Enforcement of the Insurance Business Act and the Ministry of Finance Public Notice No. 50, as amended issued in 1996.

As an indicator of an insurance company's ability to pay claims in the event of risk exceeding ordinary forecasts, in the event that the solvency margin ratio falls below a fixed level, the regulatory authorities may require the insurance company to submit a plan for management reform. According to the Ordinance of the Cabinet Office and the Ministry of Finance No. 45 of

2000, as amended, insurance companies with solvency margin ratios of 200% or higher are considered sound and not requiring early-stage corrective measures. If the ratio falls below 200%, the Commissioner of the FSA may order the insurer to submit and implement a plan for business improvement. If it falls below 100%, the Commissioner of the FSA may order the insurance company to take measures to enhance solvency, including an order to implement a suspension or deduction of shareholder or policyholder dividend payments and director bonuses. If it falls below 0%, the Commissioner of the FSA may order the insurance company to suspend all or parts of its operations for a certain period specified by the Commissioner of the FSA. As of March 31, 2019, our solvency margin ratio on a nonconsolidated basis was 933.3%. See "Regulation of the Japanese Life Insurance Industry—Insurance Business Act—Financial Regulation."

The manner of calculation of the solvency margin ratios has been revised several times. Starting from the year ended March 31, 2012, the FSA required insurance companies to calculate their solvency margin ratios on a consolidated basis as well as on a nonconsolidated basis.

The following table sets forth our solvency margin ratio on a nonconsolidated basis, and information related to its calculation, as of March 31, 2018 and 2019 and September 30, 2019:

	As of March 31,		As of September 30,
	2018	**2019**	**2019**
	(Billions of yen, except percentages)		
Foundation funds (*kikin*) and other reserve funds:	¥ 4,790.2	¥ 4,992.8	¥ 5,203.3
Foundation funds and others	1,582.1[(1)]	1,573.0[(1)]	1,675.2
Reserve for price fluctuations in investments in securities	1,282.1	1,381.6	1,435.6
Contingency reserve	1,663.3	1,777.1	1,830.6
General allowance for doubtful accounts	1.1	0.7	1.6
Others	261.3	260.2	260.2
Net unrealized gains on available-for-sale securities (before tax) and deferred losses on derivatives under hedge accounting (before tax)[(2)]	5,996.4	5,995.1	6,590.8
Net unrealized gains on real estate[(3)]	259.7	358.2	359.1
Excess of continued Zillmerized reserve	1,476.9	1,566.3	1,604.5
Qualifying subordinated debt	1,028.8	1,248.8	1,338.8
Excess of continued Zillmerized reserve and qualifying subordinated debt not included in margin calculation	–	–	–
Deduction clause	(0.3)	(13.0)	(34.7)
Others	33.0	29.1	(78.3)
Solvency margin gross amount (A)	¥13,584.9	¥14,177.6	¥14,983.7
Underwriting risk (R1)	119.8	117.5	116.7
Underwriting risk of third-sector insurance (R8)	79.2	81.3	80.5
Assumed yield risk (R2)	371.2	364.6	361.7
Minimum guarantee risk (R7)	5.5	5.5	5.5
Investment risk (R3)	2,514.4	2,597.8	2,608.3
Business management risk (R4)	61.8	63.3	63.4
Total amount of risk (B)[(4)]	¥ 2,959.9	¥ 3,038.0	¥ 3,045.6
Solvency margin ratio[(5)]	917.9%	933.3%	983.9%

Notes:

(1) The amount is after excluding estimated distributed income (which includes interest on foundation funds and provision for reserve for dividends to policyholders) on the appropriation of surplus plus total valuations, conversions and others from total net assets on the nonconsolidated balance sheets.

(2) Multiplied by 90% if gains or 100% if losses.

(3) Multiplied by 85% if gains or 100% if losses.

(4) Total amount of risk = $R_4 + \sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2}$

(5) Solvency margin ratio = $\frac{(A) \times 100}{(B) \times (1/2)}$

As set forth in the above table, our nonconsolidated solvency margin ratio increased to 933.3% as of March 31, 2019 from 917.9% as of March 31, 2018, primarily due to the financing of subordinated loans and the increase of reserves. Our nonconsolidated solvency margin ratio increased to 983.9% as of September 30, 2019, primarily due to an increase in gains on valuation of securities and an increase in reserves.

The following table sets forth our solvency margin ratio on a consolidated basis, and information related to its calculation, as of March 31, 2018 and 2019 and September 30, 2019:

	As of March 31,		As of September 30,
	2018	**2019**	**2019**
	(Billions of yen, except percentages)		
Foundation funds (*kikin*) and other reserve funds:	¥ 5,143.2	¥ 5,437.6	¥ 5,543.0
Foundation funds and others	1,852.1(1)	1,888.3(1)	1,881.2
Reserve for price fluctuations in investments in securities	1,345.9	1,460.1	1,516.6
Contingency reserve	1,680.7	1,825.9	1,880.7
Extraordinary contingency reserve	–	–	–
General allowance for doubtful accounts	2.1	2.2	3.2
Others	262.1	260.9	261.1
Net unrealized gains on available-for-sale securities (before tax) and deferred losses on derivatives under hedge accounting (before tax)(2)	6,048.4	6,083.2	6,750.2
Net unrealized gains on real estate(3)	272.4	374.3	376.7
Net unrecognized actuarial differences and unrecognized prior service costs	(25.8)	(18.7)	(11.7)
Excess of continued Zillmerized reserve	1,679.9	1,798.9	1,836.9
Qualifying subordinated debt	1,208.8	1,512.0	1,602.0
Excess of continued Zillmerized reserve and qualifying subordinated debt not included in margin calculation	–	–	–
Deduction clause	(249.9)	(260.7)	(235.4)
Others	73.8	102.4	(6.7)
Solvency margin gross amount (A)	¥14,150.8	¥15,029.1	¥15,855.0
Underwriting risk (R1)	159.5	164.9	161.3
General underwriting risk (R5)	–	–	–
Huge disaster risk (R6)	–	–	–
Underwriting risk of third-sector insurance (R8)	90.2	93.0	92.4
Underwriting risk related to small amount and short-term insurance providers (R9)	–	–	–
Assumed yield risk (R2)	425.9	432.6	429.2
Minimum guarantee risk (R7)	10.5	9.3	9.2
Investment risk (R3)	2,414.0	2,498.7	2,495.9
Business management risk (R4)	62.0	63.9	63.7
Total amount of risk (B)(4)	¥ 2,923.5	¥ 3,015.8	¥ 3,009.1
Solvency margin ratio(5)	968.0%	996.6%	1,053.7%

Notes:

(1) The amount after excluding estimated distributed income (which includes interest on foundation funds and provision for reserve for dividends to policyholders) on the appropriation of surplus plus total accumulated other comprehensive income, deferred assets and goodwill from total net assets on the consolidated balance sheets.

(2) Multiplied by 90% if gains or 100% if losses.

(3) Multiplied by 85% if gains or 100% if losses.

(4) Total amount of risk = $\left[\left\{ \left(R_1^2 + R_5^2 \right)^{\frac{1}{2}} + R_8 + R_9 \right\}^2 + \left(R_2 + R_3 + R_7 \right)^2 \right]^{\frac{1}{2}} + R_4 + R_6$

(5) Solvency margin ratio = $\frac{(A)x100}{(B)x(1/2)}$

(6) Pursuant to the Insurance Business Act, calculations of solvency margin ratio on a consolidated basis include subsidiaries excluded from consolidation in our consolidated financial statements due to insignificance.

As set forth in the above table, our consolidated solvency margin ratio increased to 996.6% as of March 31, 2019 from 968.0% as of March 31, 2018, primarily due to the financing of subordinated loans by Nippon Life and the increase of reserves. Our consolidated solvency margin ratio increased to 1,053.7% as of September 30, 2019, primarily due to an increase in gains on valuation of securities and an increase in reserves.

Real Net Assets

The amount of real net assets is calculated by subtracting non-capital real liabilities from real assets. For these purposes, real assets are equal to an amount calculated based on assets reflected in the balance sheet (including, but not limited to, assets such as marketable securities and real estate with readily obtainable fair value) in accordance with the method promulgated by the Ordinance of the Cabinet Office and the Ministry of Finance No. 45 of 2000, as amended, while non-capital real liabilities are equal to an amount calculated based on liabilities reflected in the balance sheet (excluding certain amounts such as the reserve for price fluctuations in investments in securities and the contingency reserve) in accordance with the method promulgated by the FSA and the Ministry of Finance. The FSA examines real net assets to determine whether a company is functionally insolvent for the purpose of taking prompt corrective actions.

For example, even if an insurance company's solvency margin ratio falls below 0%, if real net assets is a positive amount or expected to be a positive amount, the Commissioner of the FSA may order a suspension of shareholder and policyholder dividend payments and director bonuses or such other measures as may be taken for a company with a ratio from 0% to 100% rather than suspend the operations of the company. Similarly, even if the solvency margin ratio is above 0%, if the amount of real net assets is a negative amount or expected to be a negative amount, the Commissioner may suspend the operations of the company.

As of March 31, 2017, 2018 and 2019 and as of September 30, 2019, our nonconsolidated real net assets totaled ¥16,231.7 billion, ¥17,153.6 billion, ¥17,948.8 billion and ¥18,992.5 billion, respectively.

Financial Strength Ratings

Our financial strength ratings reflect each ratings agency's opinion of our financial strength, operating performance and ability to meet our obligations to policyholders, and are not evaluations directed toward the protection of holders of the Notes. Financial strength ratings do not in any way reflect evaluations of the safety and security of the Notes and are not a recommendation to buy, sell or hold securities. The ratings are subject to revision or withdrawal at any time by the assigning ratings agency. Each of these financial strength ratings should be evaluated independently. Our current financial strength ratings are as follows:

Ratings Agency	Rating	Rating Structure
S&P Global Ratings	A+	Third highest of fourteen rating categories and highest within the category based on modifiers (*e.g.*, A+, A and A- within the same category)
Moody's Investors Service	A1	Third highest of nine rating categories and highest within the category based on modifiers (*e.g.*, A1, A2 and A3 are within the same category)
Fitch Ratings	A+	Third highest of nine rating categories and highest within the category based on modifiers (*e.g.*, A+, A and A- are within the same category)
A.M. Best	A+	Highest of seven rating categories and second highest within the category based on modifiers (*e.g.*, A++ and A+ are within the same category)
Rating and Investment Information, Inc.	AA	Second highest of nine rating categories and second highest within the category based on modifiers (*e.g.*, AA+, AA and AA- are within the same category)
Japan Credit Rating Agency, Ltd.	AA+	Second highest of eleven rating categories and second highest within the category based on modifiers (*e.g.*, AA+, AA and AA- are within the same category)

Status of Problem Loans, Reserves and Coverage

Our balance of problem loans (*i.e.*, loans to bankrupt borrowers, delinquent loans, loans that are delinquent for over three months and restructured loans, each as defined under the Ordinance for Enforcement of the Insurance Business Act) on a nonconsolidated basis was ¥32.0 billion, ¥29.7 billion and ¥31.6 billion as of March 31, 2017, 2018 and 2019, respectively. Our ratios of problem loans to all loans on a nonconsolidated basis were 0.41%, 0.40% and 0.43% as of March 31, 2017, 2018 and 2019, respectively. See "Business—Investments—Loans."

Risk Management

Overview

To ensure sound management and maintain the confidence of customers, we believe that it is increasingly important to identify and manage risks. Consequently, risk management is a high priority.

In our risk management activities, we identify areas of risk to which our business is susceptible and create risk monitoring systems, guidelines and rules and take other steps to address risk. We comprehensively manage these risks in terms of overall impact on operations.

We have formed independent risk management units to provide cross-checking functions. The Auditing Department conducts inspections on the effectiveness of risk management as a double-checking function.

We are currently working on upgrading our enterprise risk management ("ERM"). ERM is a program in which the risks associated with a company's operations are identified in a comprehensive and systematic manner in order to achieve corporate targets. These risks are managed and controlled by using an integrated and strategic approach. The ultimate objectives of ERM are to consistently increase earnings over the long term and ensure financial soundness. We recognize the necessity of ERM in order to sustain stable dividend payments to policyholders in the future and fulfill our responsibility to provide long-term protection for customers through a variety of products and services responding to customers' demands. Our ERM approach is to exhaustively and systematically capture risks and conduct business operations in strong consideration of the relation between earnings and risks.

Integrated Risk Management

We take an integrated management approach to the various risks facing the entire company. We centrally manage each type of risk regardless of division lines while also integrating all of the types of risk to manage them as the overall risk status for the entire company.

We implement "stress tests" that assume such scenarios as a dramatic deterioration in the operating environment or increased payments for claims and benefits due to disasters such as a major earthquake. We then analyze the effects of these scenarios on our financial soundness and report the results of the stress tests to the Risk Management Committee and, where appropriate, use the results in developing strategies to strengthen our financial soundness.

Insurance Underwriting Risk Management

Insurance underwriting risk is the risk that assumptions in establishing insurance premiums, including with respect to the economy, the rate of occurrence of covered claims, results of investments and administrative expenses, may differ from actual results. Insurance underwriting risk can give rise to losses when factors such as economic conditions, the incidence rate of insured events, asset management results and operational expenses do not correspond with the assumptions made when premiums were set.

Life insurance companies are generally required to bear the risks that they underwrite for a long period of time, which requires an estimation of the future risks that may occur as well as proper risk management. This requires the setting of reasonable premium rates that enable stable payment of insurance claims and an appropriate level of risk control for upholding coverage responsibilities based on examination and assessment of the health condition of the insured at the time of insurance underwriting. In addition, we employ our ALM system, conduct appropriate benefit settlement assessments and adhere to rigorous cost management principles with the aim of responding flexibly to changes in the business environment and other conditions. In addition, we seek to avoid paying improper claims by being selective in the policies we choose to underwrite and conducting appropriate payment assessment. We also conduct strict cost control by implementing appropriate and effective budgets.

Risks related to pricing. We set insurance premiums in consultation with our expert staff, including physicians and actuaries, who analyze statistical data indicating the frequency of benefits and other payments. We also conduct numerous simulations to verify whether or not we will be able to meet future coverage obligations at various premium levels.

We set assumed mortality and morbidity rates at levels that we believe to be appropriate based on insurance company data and research results prepared by physicians and actuaries. We regularly assess actual mortality and morbidity rates and revise sales terms, appraisal standards for insurance underwriting and assumed mortality and morbidity rates.

Assumed yield is set based upon market trends and regular assessment of investment results and trends in preferences for savings-type products. For example, assumed yields for interest-sensitive products, such as savings-type products and group pension plans, may be frequently changed to avoid negative spread in the event of a sudden increase in sales of savings-type products when interest rates fall significantly.

Risks related to underwriting and assessing payment. The function of our Policy Assessment Department is to assess medical risks and fraudulent claims risks. The Policy Assessment Department supervises policies from the time of underwriting to the time of payment assessment. The department's expert staff receive regular training and examinations to develop their assessment capabilities in line with increasingly complicated and specialized assessment procedures. At the time of underwriting, the Policy Assessment Department utilizes examinations and assessments of medical specialist staff, assessments of fraudulent claims staff and verifications of independent organizations. We may reject a potential policy on the grounds of medical or fraudulent claims risk, or require special terms, including extra premiums if, for example, the results of a medical evaluation failed to meet certain criteria. At the time of assessing payment, we utilize assessments of medical specialist staff and verifications of independent organizations to lessen the likelihood of an inappropriate payment.

We utilize databases provided by a third party to check unusual activities by potential customers, such as the taking out of large policies with multiple insurers for life or hospitalization coverage, and to confirm the identity of policyholders.

Furthermore, we maintain a Medical Research Department in order to further improve product development and underwriting risk control based upon medical data analysis and up-to-date medical technology.

Reinsurance Policies. One of our strategies for diversifying risk is reinsurance. In such cases, we determine the cede and assume reinsurance details by means of a review conducted by the Risk Management Committee after considering the types and characteristics of risks. Moreover, in reinsurance transactions, we evaluate the creditworthiness of each reinsurer based on credit ratings provided by major rating agencies and other factors and manage accounts so that transactions do not focus excessively on specific reinsurers.

Liquidity Risk Management

Liquidity risk can be categorized into cash flow risk and market liquidity risk.

Cash flow risk. Cash flow risk is the risk that we may not have ready access to a sufficient amount of cash to meet our needs at any given time. A cash flow problem may arise because of a decline in insurance premiums, an increase in surrenders or withdrawals, or an outflow of cash because of a major event or catastrophe. In such cases, we may suffer losses from disposing of assets at discounted prices in order to secure cash in a timely manner. We manage cash flow risk by maintaining an amount of high-liquidity assets above levels set forth in the asset management plan and daily cash flow. Furthermore, in the event of an actual deterioration in our cash flow condition, we establish limits on the amount of low-liquidity assets that may be kept under management.

Market liquidity risk. Market liquidity risk is the risk that we will suffer investment losses from being unable to trade in the market or being compelled to trade at unfavorable prices because of a volatile or disrupted market. We manage market liquidity risk by establishing limits on market transaction amounts during times of relative illiquidity in the markets and revising such limits to reflect changes in market conditions.

Investment Risk Management

Overview. Asset investment risk is composed of market risk (including interest rate, stock price and foreign exchange rate fluctuation risk), credit risk and real estate investment risk and generally refers to the risk of losses incurred as a result of fluctuations in the market value of assets and liabilities. We have established an Investment Risk Management Department within our Risk Management Department to manage investment risk comprehensively, in order to pursue stable returns while keeping losses within an acceptable range.

The Investment Risk Management Department manages asset investment risk through oversight of the investment execution sections, daily monitoring of asset investment performance, analysis of levels of market, credit and real estate investment risk, and through creation of asset risk management policies and controls. The Investment Risk Management Department reports to the Risk Management Committee regularly with respect to asset investment risk issues.

Market risk. We measure, manage and monitor the market risk associated with our investments on a continuous basis. Market risk generally is the risk of loss resulting from changes in interest rates, stock prices and foreign exchange rates. Our general account assets, which constituted 98.2% of our nonconsolidated total assets as of September 30, 2019, are subject to market risk based on our investment activities.

Separate account assets, which are assets related to our individual variable insurance, individual variable annuities and a portion of group variable annuities, form the remainder of our total assets. The policyholders of these products bear the market risk related to separate account investments.

We have established and implemented comprehensive policies and procedures to manage the effects of potential market volatility. Specifically, we calculate our exposure to losses that may occur within one year using the value-at-risk method of statistical analysis. By utilizing the value-at-risk method, we calculate market risk in numerical terms to facilitate a more thorough approach to management of market risk. We also employ the loss-cut rule to limit potential losses with respect to assets under management. The loss-cut rule is a method of limiting losses within an established range by selling assets when they have incurred losses of an established amount.

Curbing of excessive losses for each financing and investment transaction is also critical to our market risk strategy, as is the control of market risk with respect to our full portfolio. To curb excessive losses, we have implemented maximum holding ceilings based on the nature of the assets we hold, and our Investment Risk Management Department regularly reports to our Risk Management Committee regarding compliance with these ceilings. To control general market risk with respect to our portfolio, we quantify our exposure to market risk by calculating our exposure to losses using the value-at-risk method and control such risk by setting limits based on such exposure. We have also established a system to control risk within acceptable levels in the event of a breach of our risk guidelines.

Interest rates. Our exposure to interest rate changes results from our significant holdings of bonds and loans and our interest rate-sensitive liabilities. These bonds include JGBs, municipal bonds and corporate bonds, all of which are exposed to changes in medium- to long-term yen interest rates. We also have holdings in non-yen-denominated bonds issued mainly by foreign governments and corporations. We manage interest rate risk by optimizing the characteristics of our investment portfolio in relation to our liabilities. We employ ALM techniques to reduce the adverse effects of interest rate volatility, including optimizing the characteristics of our investment portfolio in relation to our liabilities as well as the use of derivative instruments. However, because on average our outstanding insurance and annuity products have a longer duration than that of our investments, a rise in interest rates generally will increase our future profits while negatively impacting net unrealized gains on fixed-income securities in the current year and vice versa.

Stock prices. Our investments in stocks expose us to changes in share prices, particularly share prices in Japan. We manage this risk on an integrated basis with other market risks using the value-at-risk method and other risk management techniques.

Foreign exchange rates. Our exposure to fluctuations in foreign exchange rates results mainly from our holdings of non-yen-denominated stocks and bonds. See "Business—Investments—Foreign Investments." The main currencies to which we are exposed are the U.S. dollar and the euro. We manage foreign exchange rate risk through a policy of hedging against changes in foreign currency exchange rates and limiting unhedged exposure, which we monitor using the value-at-risk method. We hedge our foreign exchange rate risk with respect to a portion of the principal and interest on our non-yen-denominated bonds. The remaining risk is managed on an integrated basis with other market risks using the value-at-risk method and other risk management techniques.

Credit risk. Credit risk refers to the risk of incurring losses when the value of assets, primarily loans and bonds, declines or disappears due to a deterioration in the financial condition of a party to whom credit has been extended. We believe that it is important to examine each transaction rigorously from a credit risk perspective so as to set terms appropriate to the level of risk involved. For a description of our loans, see "Business—Investments—Loans."

We have established a Credit Department independent of the departments responsible for handling financing and investment activities. We maintain guidelines to ensure that our returns are commensurate with the risks we undertake. We manage credit risk by assessing the credit risk of and assigning an internal credit rating to each of our borrowers based on in-house fundamental analysis and credit ratings assigned by ratings agencies and by monitoring the internal ratings of such borrowers. We monitor the mix of our loan portfolio by categorizing and diversifying our loans by borrower credit rating group and industry in order to manage our risk of credit concentration. Internal credit ratings of obligors are received annually. In addition, we perform "Monte Carlo" simulations to evaluate credit risk using the value-at-risk method.

Real estate investment risk. Real estate investment risk refers to the risk that our real estate-related income may decrease because of a decline in rent, a decrease in number of tenants or other factors or a general decline in real estate prices due to market forces. See "Business—Investments—Real Estate."

The Credit Department has been tasked with managing real estate investment risk. Cognizant of the long-term and illiquid nature of real estate investments, we seek to define and adhere to clearly established investment and evaluation standards in acquiring real estate. We set a minimum investment return level for each property as well as maximum permitted loss levels. For properties that do not meet our standards, we consider measures by which we may maintain rental income or potentially sell the properties in question. Furthermore, in making a real estate investment decision, we utilize appraisers independent from our operations to add another level of control in managing real estate investment risk.

Operational Risk Management

Operational risk is the risk of failure of our business operations due to human error. Operational risk includes the risk that our officers, employees (including sales representatives) and third-party sales agencies neglect or fail to perform their duties. Operational risk also includes employee misconduct, such as fraudulent activity, improper use, data leaks or disclosure of confidential information and failure to comply with laws or our compliance procedures. Our Operational Risk Management Department manages operational risk through oversight of various execution sections, branches and service centers and reports directly to senior management with respect to operational risk issues. For example, the Operational Risk Management Department has established an internal inspection system that involves random inspections of sales departments and branches by the main office auditing department and twice-a-year random inspections of sales departments by branches.

Because operational risks exist throughout our operations, we have developed administrative rules and provide training to mitigate and prevent administrative risk and to implement proper and effective administrative procedures.

Computer System Risk Management

Computer system risk is the risk that we may suffer harm to our operations, including the management of our policies, the investment of our assets and the maintenance of statistics, owing to risks related to our information technology systems. Such risks include breakdowns, natural disasters, human errors, destruction, theft and illegal use. A major failure in our information technology systems would disrupt, among other things, the servicing of customers at various branches and the investment of our assets and may have long-term consequences such as a loss of customer confidence which may result in policy surrenders. Our System Risk Management Department manages system risk through coordination with and oversight of the information protection officers in each department and branch, creation of system risk policy and integration of company-wide system risk policies and reports to the System Risk Management Subcommittee with respect to system risk issues.

To manage system risk, we have established a system risk management policy and an information security policy to protect our information technology assets from a variety of system risks. To protect our computer systems from catastrophes, we maintain our main and backup computer centers in Osaka. After the Great East Japan Earthquake in March 2011, we enhanced our backup procedures at both our Tokyo Headquarters and Osaka Head Office, increased our equipment of emergency power generators and improved our business continuity plan.

Derivative Instruments

We use derivative instruments, including interest rate swaps and swap options, foreign exchange forwards, currency options and swaps, equity forwards, equity futures and equity options, for the following purposes:

- to hedge the fluctuations in the market value of our investments;
- to hedge foreign currency exposure primarily with respect to the principal of our investments;
- on a supplemental basis with our investments to cover the time before such investments can be incorporated into our asset portfolio or as a measure to address liquidity risk; and
- to adjust the term or the type of interest (fixed or floating) related to investments in our asset portfolio.

Our use of derivative instruments is primarily to hedge the risk associated with our existing asset portfolio, which consists mainly of foreign exchange risk. However, we occasionally enter into derivatives contracts to supplement our investment objectives, taking into account liquidity needs and transaction costs. Such activity is, however, limited to derivative transactions with a defined amount of risk that are executed in connection with our annual investment plan. We also establish position frameworks and position percentages for all our derivative transactions. We applied hedge accounting for foreign exchange swaps and forward contracts.

We reflect unrealized gains and losses related to derivative transactions that are not eligible for hedge accounting in ordinary income and ordinary expenses. The following table sets forth the unrealized gains and losses related to derivative transactions in our general account including both those eligible and not eligible for hedge accounting:

	As of March 31,		
	2017	2018	2019
	(Billions of yen)		
Interest-rate transactions	¥ (3.8)	¥ 2.5	¥ 67.3
Currency rate-related transactions	11.2	90.5	(96.6)
Stock-related transactions	(71.5)	(2.8)	(0.6)
Bond-related transactions	–	–	–
Other	–	–	–
Total	¥(64.1)	¥90.2	¥(29.9)

The following tables set forth the contract amount, fair value and differences between contract value and market value on currency forward contracts in our general account entered into as of the dates indicated:

	As of March 31, 2017		
	Contract amount	**Fair value**	**Net gains (losses)**
	(Billions of yen)		
Foreign exchange forward contracts			
Sold:			
U.S. dollars	¥5,437.7	¥42.7	¥42.7
Euros	2,727.5	22.3	22.3
Total, including others	¥9,629.6	¥92.1	¥92.1
Purchased:			
U.S. dollars	¥ 7.7	¥ 0.0	¥ 0.0
Euros	–	–	–
Total, including others	¥ 10.4	¥ 0.0	¥ 0.0

	As of March 31, 2018		
	Contract amount	**Fair value**	**Net gains (losses)**
	(Billions of yen)		
Foreign exchange forward contracts			
Sold:			
U.S. dollars	¥4,615.4	¥105.1	¥105.1
Euros	3,626.2	38.4	38.4
Total, including others	¥9,738.9	¥175.1	¥175.1
Purchased:			
U.S. dollars	¥ 52.4	¥ 0.0	¥ 0.0
Euros	0.0	(0.0)	(0.0)
Total, including others	¥ 70.5	¥ (0.0)	¥ (0.0)

	As of March 31, 2019		
	Contract amount	**Fair value**	**Net gains (losses)**
	(Billions of yen)		
Foreign exchange forward contracts			
Sold:			
U.S. dollars	¥4,125.4	¥(12.9)	¥(12.9)
Euros	3,204.1	20.9	20.9
Total, including others	¥8,798.2	¥ (3.2)	¥ (3.2)
Purchased:			
U.S. dollars	¥ 102.0	¥ 0.0	¥ 0.0
Euros	20.5	(0.1)	(0.1)
Total, including others	¥ 283.7	¥ (0.3)	¥ (0.3)

Business

Except as otherwise specified, financial and other information for us contained in this "Business" section is presented on a nonconsolidated basis.

Overview

We are the largest private life insurance company in Japan in terms of both assets and revenues. We operate primarily in Japan and offer a wide range of products, including life insurance, annuities and other insurance products, to over 11.8 million insured persons and approximately 25,000 corporate customers in Japan that have more than 100 employees on a nonconsolidated basis as of March 31, 2019. As of March 31, 2019, Nippon Life, Taiju Life and Nippon Wealth Life together provided insurance products to 13.83 million insured persons.

Our core business is life insurance for individuals in Japan's retail market. Our innovative *Mirai no Katachi* product lineup allows customers to combine a wide variety of coverage into personally tailored insurance portfolios. We also sell individual annuity, group insurance and group annuity products. On a consolidated basis, our business includes asset management, investment trust management and information technology products and services. Also, we have been expanding our overseas operations in an effort to secure revenue sources outside of the Japanese market and to capture the growth of overseas markets.

According to the Swiss Re Institute's Sigma World Insurance, Japan is the second largest life insurance market in the world by premium volume. It is also a highly concentrated and mature market, with the top five private life insurance companies accounting for 58.0% of the market share by premium income, excluding Japan Post Insurance, for the year ended March 31, 2019, according to public disclosures. We hold the largest market share in Japan with 19.5% by premium income (on a combined basis of Nippon Life, Taiju Life and Nippon Wealth Life) among private life insurance companies for the year ended March 31, 2019 and aim to strengthen our position as Japan's leading private life insurance company. While our core business is the sale of individual insurance products through our sales representative channel, we are also working to diversify our product portfolio and sales channels. For example, as of March 31, 2019, individual insurance, group annuities, individual annuities, group insurance and others made up 57.3%, 21.1%, 15.4%, 5.0% and 1.1%, respectively, of the revenues from insurance and reinsurance of Nippon Life, Taiju Life and Nippon Wealth Life on a combined basis, and our sales representatives, financial institutions and third-party sales agencies accounted for 49.4%, 37.0% and 13.5%, respectively, of our annualized premiums from new policies on a combined basis for the year ended March 31, 2019.

Strengths

Dominant presence in the domestic life insurance market and solid financial performance.

We hold a leading position in the life insurance market in Japan in terms of several key financial measures including total assets, net assets and revenues from insurance and reinsurance as of and for the year ended March 31, 2019. As of March 31, 2019, we also exceeded other market players in Japan in terms of annualized premiums on new policies and annualized premiums for policies in force and also the amount of policies in force, all on a combined basis, which is measured as the sum of individual insurance and individual annuities for Nippon Life, Taiju Life and Nippon Wealth Life. We also maintained a strong solvency margin ratio (996.6% as of March 31, 2019 on a consolidated basis) and enjoy the highest credit ratings within our industry in Japan (A+ (Positive) from S&P; A1 (Stable) from Moody's; AA (Stable) from R&I; and AA+ (Stable) from JCR).

We have built our leading presence in the domestic life insurance market over time, supported by steady performance at Nippon Life on a nonconsolidated basis as well as strategic acquisitions of Taiju Life and Nippon Wealth Life in recent years. We have historically maintained stable levels of revenues from insurance and reinsurance and interest and dividends income. Our consolidated revenues from insurance and reinsurance was ¥2,778.1 billion and ¥2,950.3 billion for the six months ended September 30, 2018 and 2019, respectively, and our consolidated interest and dividends income was ¥802.4 billion and ¥796.4 billion for the six months ended September 30, 2018 and 2019, respectively. Our nonconsolidated core operating profit, which was ¥678.2 billion for the year ended March 31, 2019, has also been stable since March 31, 2014 particularly by maintaining stable mortality and morbidity gains.

In addition, annualized premiums from new policies for individual insurance and individual annuities on a combined basis steadily increased between the years ended March 31, 2015 and March 31, 2017 and increased significantly from ¥370.8 billion for the year ended March 31, 2018 to ¥513.9 billion for the year ended March 31, 2019 due to the consolidation of Taiju Life and Nippon Wealth Life. Annualized premiums from new policies for individual insurance and individual annuities on a combined basis were ¥210.4 billion for the six months ended September 30, 2018 and ¥204.6 billion for the six months ended September 30, 2019, which remained relatively stable. Annualized premiums from policies in force for individual insurance and individual annuities on a combined basis also increased steadily since the year ended March 31, 2015, reaching ¥4,534.6 billion for the year ended March 31, 2019 due to steady growth at Nippon Life and (from the year ended March 31, 2016) Taiju Life, as well as the recent consolidation of Nippon Wealth Life. Annualized premiums from policies in force for individual insurance and individual annuities on a combined basis remained relatively stable at ¥4,524.7 billion for the six months ended September 30, 2019. Policies in force on a combined basis were ¥182,049.6 billion as of March 31, 2019 and ¥180,353.7 billion as of September 30, 2019. Our nonconsolidated annualized premiums from new policies have been stable with decreases in the years ended March 31, 2018 and 2019 due to the impact of a revision in premiums in April 2017 and competition in the market for insurance products for business owners. Our nonconsolidated annualized premiums in force have maintained a steady growth trend due to low surrender and lapse ratios and high persistency rates, representing a cumulative annual growth rate of 3.1%.

Stable operating performance with a robust sales representative force.

Our sales representatives, which accounted for 66.9% on a nonconsolidated basis of our annualized premiums from new policies for the year ended March 31, 2019, are the foundation of our steady growth and we have more sales representatives than other leading insurance providers in Japan on a nonconsolidated basis. On a nonconsolidated basis, our annualized premiums from new polices attributable to our sales representatives were ¥242.5 billion, ¥253.7 billion, ¥323.0 billion, ¥305.3 billion and ¥269.5 billion for the years ended March 31, 2015, 2016, 2017, 2018 and 2019.

In addition, we have steadily improved our persistency rates for insurance policies, which have demonstrated an upward trend since March 31, 2007 due to our key initiatives in sales activities such as after-sales follow-up visits. As of March 31, 2015, our 13-month and 25-month persistency rates were 94.8% and 84.5%, respectively. As of March 31, 2019, our persistency rates were 95.7% for 13-month contracts and 86.3% for 25-month contracts. At the same time, our surrender and lapse ratio with respect to individual insurance and annuities in the aggregate has declined or remained steady decreasing from 4.5% as of March 31, 2015 to 4.4% as of March 31, 2019.

We also believe that the strength of our sales representative channel, combined with our innovative *Mirai no Katachi* product lineup, the non-participating insurance product lineup of Taiju Life and our strategic shift towards protection type products distributed through our sales representative channel, will continue to contribute to maintaining high levels of persistency and customer satisfaction, supporting our overall profitability. See "—Products and Services—Individual Insurance."

Solid asset management with prudent ALM management.

We are dedicated to managing our assets in the best interests of our customers and with an eye toward stability over the long term. We have successfully maintained a diverse asset portfolio, which includes domestic bonds and stocks, foreign bonds and stocks, loans, real estate and others. As the majority of our foreign currency-denominated assets have been hedged, we have high tolerance to the current volatile market environment where the yen is strong.

We believe this diverse asset portfolio supports secure and stable returns over the medium- to long-term. Domestic bonds accounted for 35.2% of our total general account assets as of March 31, 2019, while domestic stocks accounted for only 13.4%. The majority of our domestic and foreign bond holdings have received either a AAA or AA rating from rating agencies. As of March 31, 2019, 10.2% of our total bonds, excluding JGBs, were rated as AAA, 57.0% as AA, 15.7% as A, 15.8% as BBB and the rest as BB or below or unrated. We also reduced our risk exposure over the medium and long term by diversifying our portfolio by asset type, maturity, country and currency.

Given the sustained low-interest rate environment in Japan, we have also been carrying out additional initiatives to maintain positive spread. For example, while we are maintaining long-term stable investment income from our yen-denominated interest bearing assets, we are also supporting medium- to long-term earnings through selective investment in higher-yielding assets. We also continually assess the suitability of our products given current market conditions and have controlled the guaranteed interest rate on some products to maintain a positive spread against the average assumed yield. We have maintained a positive spread between our investment return on core operating profit, which was 2.64% for the year ended March 31, 2019, and the average assumed yield. This is because we not only enhanced our investment return through increasing our investments in foreign credit bonds and growing fields, but also controlled the average assumed yield which steadily declined from 2.40% for the year ended March 31, 2015 to 2.18% for the year ended March 31, 2019.

Strong capital base and financial soundness.

We have successfully maintained a strong capital base despite challenging conditions and an economic outlook which remains uncertain. In recent years, we have steadily increased our capital through accumulation of internal reserves and periodic issuances of subordinated debt and foundation funds. We recorded capital of ¥6,542.2 billion as of September 30, 2019. For a detailed breakdown of our capital, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Capital Resources." In addition, despite the volatile market environment, we have maintained a high level of unrealized gains, and break-even points on investments remain substantially lower than current market levels.

We have maintained our solvency margin ratios well in excess of the legally required minimum of 200% despite volatility in the Japanese stock market. As of September 30, 2019, our consolidated and nonconsolidated solvency margin ratios were 1,053.7% and 983.9%, respectively. In addition, as of September 30, 2019, Taiju Life and Nippon Wealth Life had solvency margins of 1,211.9% and 962.8%, respectively, each on a nonconsolidated basis. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Solvency Margin Ratio."

Strategies

In recent years, there have been pronounced structural demographic changes in Japan, such as population decline, a falling birthrate and the aging of society, as well as the concentration of the population in urban areas. At the same time, life insurance customer needs have been diversifying. We have seen other trends such as a decline in the ratio of policyholders in our young customer sector, diversification in enrollment channels and fierce competition in urban areas. In order to respond to these and other changing market conditions, we intend to focus on expanding within the domestic market where we believe there is still ample space to grow and focus on growth as a group, including our overseas businesses and asset management business.

Specifically, in April 2017, we began implementing our current mid-term management plan, *Zen Shin* Next Stage, following the early achievement of many of our goals under our previous mid-term management plan, *Zen Shin* Project, under which we endeavored to expand our domestic life insurance business, strengthened the profitability of our group companies and established a strong business base by accumulating additional capital. In November 2019, we revised the numerical targets of our mid-term management plan due to an increase in subsidiary companies and a temporary stoppage of sales of our term insurance product for corporate customers.

Under the slogan of "Working to be the leading company in the time of 100-year life," we aim to improve profitability amid the ultra-low interest rate environment, harness the total capabilities of the Nippon Life Group to address population decline and other long-term management challenges and solidify our leading presence among life insurance companies in Japan over the long term.

Under our current mid-term management plan, we intend to pursue the following strategies:

- increase profitability in the current challenging environment by:
  - developing products that balance profitability with the capacity to meet customer needs;
  - developing distribution channels tailored to our customers' lifestyles and expanding our customer support services to suit regional characteristics and the social environment; and
  - enhancing our investment management capabilities to secure stable profit.
- expand the social role of the Nippon Life Group by delivering value to our customers beyond the boundaries of insurance; and
- steadily expand the profit of group businesses, focusing on both existing businesses and corporate acquisitions.

We intend to support these growth strategies by steadily strengthening our financial base. Through these strategies, we aim to:

- achieve ¥4.5 trillion in annualized premiums from policies in force in our domestic life insurance business (Nippon Life, Taiju Life, Nippon Wealth Life and Hanasaku Life) by the year ending March 31, 2021;
- expand the number of policyholders we serve in our domestic life insurance business (Nippon Life, Taiju Life, Nippon Wealth Life and Hanasaku Life) to 14.4 million people by March 31, 2021;
- increase annual net income of our group companies (net income of subsidiaries in our overseas insurance business, asset management business, and businesses that contribute to the development of our domestic life insurance market, after adjusting for certain expenses, multiplied by our share ownership) to ¥70 billion by the year ending March 31, 2021; and
- steadily accumulate capital of ¥6.5 trillion on a nonconsolidated basis by March 31, 2021 to attain financial soundness.

As of March 31, 2019, we have made steady progress toward achieving these goals.

The numerical targets and strategic initiatives in our current mid-term management plan described above are forward-looking statements. See "Forward-Looking Statements." Our ability to achieve these numerical targets or implement these strategic initiatives is subject to risks and uncertainties, including those described under "Risk Factors" and elsewhere in this offering circular. These numerical targets and strategic initiatives are based on a number of assumptions, beliefs and expectations established at the time the mid-term management plan was announced in March 2017 and revised in November 2019. Such assumptions, beliefs and expectations involve *significant subjective judgment and relate to matters that may be outside of our control, such as assumptions about the economic environment and key macroeconomic indicators. For example, we assumed that, over the four-year period covered by the mid-term management plan, domestic and foreign stock market indices, relevant foreign exchange rates and domestic interest rates would remain unchanged. There can be no assurance that we will achieve the numerical targets or strategic initiatives set forth in our current mid-term management plan.*

Increase profitability in the current challenging environment.

Developing products that balance profitability with the capacity to meet customer needs.

We believe that our flexible products and services position us to capture the diverse needs of our changing customer base while maintaining profitability. Our goal is to offer greater convenience to customers by maintaining a more diversified product lineup and infrastructure than any of our peers and to provide more sophisticated services to meet the needs of seniors, women and the younger generation, as well as our core customers.

Diverse customer needs require the rethinking of traditional insurance products and services. We continually review, update and expand our product offerings while maintaining a focus on individual life insurance. In recent years, we have focused on introducing new products within our *Mirai* no *Katachi* product line up, such as *New in 1* and *Daijobu*, as well as products that address an environment characterized by an ageing society and declining population and products that address our customers' needs for asset growth.

Developing distribution channels tailored to our customers' lifestyles and expanding our customer support services to suit regional characteristics and the social environment.

One of our core strategies is the diversification of our multi-channel distribution system which is comprised of sales representatives, financial institutions and third-party sales agencies. With respect to our sales representatives, we had, as of March 31, 2017, 2018 and 2019, respectively, 50,904, 52,356 and 53,868 in Japan which surpass other major Japanese insurers. Our sales representatives in Japan have long been the key channel for sales of our products, and due to the importance of face-to-face contact in life insurance sales in Japan, sales representatives will remain a critical distribution channel. We continue to seek to solidify our leading status in this area where we have a competitive advantage or know-how, such as by increasing our number of sales representatives and improving their customer consulting skills.

In recent years we have seen an increase in the number and variety of distribution channels available to supplement our sales representatives, including more than 17,000 third-party sales agencies, approximately 300 financial institutions in our bancassurance channel, 99 Nissay Life Plazas, call centers and the Internet. We are developing varied sales and service channels to support and complement our sales representative channel and aim to further simplify our administrative procedures so that potential customers can apply for our products from anywhere and at any time. As a result of recent acquisitions and the establishment of a new company, we have also successfully diversified our product offerings and distribution channels. We will take further steps to increase our market shares in sales channels other than the sales representative channel, including third-party sales agencies and financial institutions. We also have entered the independent agency retail market to reach customers that we have not been able to gain access to through our conventional sales and service channels.

A critical aspect of our achieving improved persistency rates and reduced surrender and lapse ratios in recent years has been our dedication to providing superior customer service, including after-sales service. Among other initiatives in this area, in recent years we have introduced a number of consulting, referral and advisory services.

Through these efforts and other efforts, particularly those aimed at strengthening our customer support services for seniors and our regional network, we plan to proactively expand our customer base.

Enhancing our investment management capabilities to secure stable profit.

We are seeking to build a foundation for medium- to long-term growth that will allow us to continue to succeed in a time when it is no longer uncommon for our customers to live to be one hundred years old. Key parts of that growth strategy are securing stable investment yield and strengthening our risk-tolerance capabilities through the global diversification of our investments. Our asset management approach is based on portfolio diversification from a long-term standpoint. We are responding to the current extended period of low interest rates by continuing to increase investment in overseas and corporate bonds to build a better risk-return portfolio. In addition, we plan to expand our investments in sectors of high forecast growth, such as the environmental and infrastructure sectors. To achieve this, in 2018, we increased our target in accumulated investment and finance in growing fields such as ESG bonds, emerging markets and overseas project finance through the year ending March 31, 2021 from ¥1.5 trillion to ¥2.0 trillion, including increasing our investment in ESG and similar types of bonds, such as green bonds from ¥200 billion to ¥700 billion. From April 2017 through September 2019, we made investments amounting to approximately ¥1,846.5 billion in growing fields of which approximately ¥581.0 billion is comprised of ESG related investments. We have also increased our investment in foreign credit bonds, which increased from ¥1.5 trillion as of March 31, 2014 to ¥6.7 trillion as of September 30, 2019, and as of September 30, 2019 we have made investments in over 30 countries.

Steadily expand the profit of group businesses, focusing on both existing businesses and corporate acquisitions.

To establish a foundation for medium- to long-term growth, we will seek to expand our share of the domestic life insurance market while also working to expand the group's overall earnings capacity through our overseas insurance business, asset management business, and other businesses that will further cultivate our domestic life insurance business. We have been making efforts to strengthen our group-wide businesses and to establish a business structure through which we can achieve net income contribution from our group companies of ¥70 billion by the year ending March 31, 2021. Since the year ended March 31, 2015, net income contribution from our group companies has steadily increased. We had net income contribution from our group companies of ¥56.5 billion for the year ended March 31, 2019, which included ¥12.2 billion from Taiju Life, ¥7.7 billion from MLC and ¥16.6 billion from Nippon Wealth Life, as compared to net income contribution from our group companies of ¥75.4 billion for the year ended March 31, 2018, which included ¥53.8 billion from Taiju Life (which included a non-recurring capital gain) and ¥5.1 billion from MLC. Net income contributions from our group companies for the year ended March 31, 2017 was ¥43.2 billion, which included ¥24.8 billion from Taiju Life (which included a non-recurring capital gain) and ¥3.5 billion from MLC (for the three months period of October 1, 2016 to December 31, 2016), and net income contribution from our group companies for the year ended March 31, 2016 was ¥15.6 billion, which included ¥2.0 billion from Taiju Life (for the three months period of January 1, 2016 to March 31, 2016). However, for the six months ended September 30, 2019, net income contribution from our group companies decreased to ¥11.3 billion compared to ¥30.6 billion for the same period in the prior year mainly due to non-recurring accounting losses of Taiju Life and Nippon Wealth Life from the decline of overseas interest rates as well as increased payments to income protection products of MLC.

Similarly, our portion of revenues from insurance and reinsurance attributable to our group companies has expanded from 0.6% from others for the year ended March 31, 2015 to 12.7% from Taiju Life, 4.8% from Nippon Wealth Life and 3.8% from overseas insurance and others for the year ended March 31, 2019. We had revenues from insurance and reinsurance of ¥5,370.8 billion for the year ended March 31, 2015 and ¥6,069.2 billion for the year ended March 31, 2019.

In the domestic life insurance market, we are building systems at the group level to facilitate the development of more flexible insurance products to meet diverse customer needs, while also upgrading our networks with financial institutions and agencies in line with the increasing diversification of our domestic sales channels. As part of our domestic growth strategy, on December 29, 2015 we acquired the outstanding shares of Mitsui Life (rebranded as Taiju Life) and, after subsequently making it our wholly owned subsidiary, we currently own approximately 83% of its total voting rights. We have strived to achieve synergies with Taiju Life by leveraging, among other things, the strength of our combined product lineup. In May 2018, we acquired 85.1% of the outstanding shares of MassMutual Japan (rebranded as Nippon Wealth Life), which mainly provides single-premium savings products primarily through bancassurance channels. We also established Hanasaku Life as a wholly owned subsidiary and it began business in April 2019 as a provider of mainly third-sector products primarily through third-party sales agencies. We also continuously seek opportunities to expand our profit base through alliances with and investments in other financial institutions and other corporate groups in Japan and by forging long-term partnerships with prominent companies in other countries around the world as part of our strategy to steadily expand our operations further. In evaluating such opportunities, we take into account the manner and scale of investment best suited for each particular market. See "—Domestic Strategic Alliances and Investments."

In our overseas insurance business and others (which accounted for 3.8% of our consolidated revenues from insurance and reinsurance for the year ended March 31, 2019), we will continue to evaluate and selectively pursue opportunities to strengthen our existing overseas operations including through acquisitions, as evidenced by our purchase of a majority stake in MLC, a life insurance company located in Australia, and our purchase of a minority stake in GGNL, a life insurance company in Myanmar, from Grand Guardian Insurance Holdings. We aim to specifically acquire products, services and know-how not yet developed in Japan while sharing our own expertise in product development, channel development and service and solidifying our growth through consolidated net income contributions from each investment. With respect to our existing relationships, we provide additional regional support enterprises to our existing systems in order to provide support by region, share expertise between local subsidiaries, strengthen our business development channels and expand operations using strategies customized to regional and market-specific characteristics. In addition to the acquisitions mentioned above, we are engaged in the life insurance business in the United States, China, India, Thailand and Indonesia through capital investments or joint venture arrangements, and we intend to selectively expand our overseas life insurance business. See "—Overseas Operations and Strategic Alliances."

We are also engaged in enhancing the position of our domestic and overseas asset management business as a core group business because of its compatibility with our life insurance business and its strong growth potential. In Japan, we are reinforcing our assets under management in the areas of mutual funds and annuities in close collaboration with NAM and other domestic and overseas business alliances, while further enhancing product development that leverages the group's asset management expertise. Overseas, we intend to capture high market growth through a combination of new investments and efforts to build on existing alliances with our overseas investment partners. For example, in December 2017, we acquired a 24.75% stake in TCW, a US-based asset management company, and in September 2019, we completed increasing our stake in RNAM to 75% and made it our subsidiary. See "—Overseas Operations and Strategic Alliances."

To support these and our other growth strategies, we plan to increase our capital so that we can meet our insurance-related liabilities over the long term, while ensuring our ability to generate steady returns on managed assets. In accumulating capital, our objectives are to attain financial soundness by enhancing our capacity to mitigate necessary risks associated with our accelerated growth strategy and preparing for prospective changes in international capital requirements. Under our current mid-term management plan, we have set a target of accumulating capital of ¥6.5 trillion on a nonconsolidated basis by March 31, 2021, which we exceeded as of September 30, 2019. Given the sustained low-interest rate environment in Japan, we continue to steadily accumulate capital in order to meet our medium- to long-term goal to attain financial soundness. We will also further promote enterprise risk management plans to set targets for profit and financial soundness, introduce economic value-based indicators with reference to the international trend in insurance capital requirements, implement a flexible rebalancing of resources and capital, and conduct an integral management of risk and return, while also seeking to improve our operational efficiency on a continual basis.

Products and Services

We offer various types of individual life insurance and annuity products as well as group insurance and annuity products, with over 11.8 million insured persons and approximately 25,000 corporate customers in Japan that have more than 100 employees, on a nonconsolidated basis as of March 31, 2019. In addition, our subsidiaries offer asset management, investment trust management and information technology services.

Our *Mirai no Katachi* product platform for individual insurance and annuity products, which is offered through our exclusive sales representatives, simplifies and repackages our product offerings according to the specific needs of each customer. The concept behind our *Mirai no Katachi* lineup is to simplify and repackage our product lineup for *"buffet style"* consumption. We believe that the flexibility of our *Mirai no Katachi* product lineup, which allows customers to combine a wide variety of coverage into personally tailored insurance portfolios, is critical to our capturing of growth opportunities in the senior, female and young customer segments. Prior to our introduction of the *Mirai no Katachi* product platform, we mainly offered whole life insurance with term rider, which combined whole life insurance and term policy riders to provide for a higher payment in case the insured dies within the specified period. Term riders offer extensive coverage with relatively inexpensive premiums, and whole life with term riders has traditionally been our main life insurance product. However, *Mirai no Katachi* does not distinguish between main policies and term riders and allows customers to combine 13 types of various coverage from death to retirement coverage into personally tailored insurance portfolios. After enrollment, customers can freely revise policy details according to changes in their needs and stages of life. For example, customers can add new insurance, increase coverage amounts, and selectively revise only the parts they need to change. Customers can change their policy details to more precisely meet their protection needs at any time. Since its launch, we have sold more than eight million *Mirai no Katachi* policies. In April 2018, we launched *Daijobu* Specified Serious Disease Coverage Insurance and *New in 1* General Hospitalized Insurance in April 2019.

In addition, we have other lineups of insurance products such as educational endowment insurance, and single-premium whole life insurance products.

Individual Insurance

Individual insurance is our main product line. The number and amount of individual insurance policies in force were approximately 28.5 million policies and ¥133.6 trillion, respectively, as of September 30, 2019. The amount of new individual insurance policies written, including net increases in policy amounts due to conversions, were ¥6,921.2 billion and ¥2,965.9 billion, respectively, during the year ended March 31, 2019 and the six months ended September 30, 2019. Premiums from individual insurance constituted 54.8% and 53.6% of total insurance premiums for the year ended March 31, 2019 and the six months ended September 30, 2019, respectively.

Mirai no Katachi product lineup

Whole life insurance. Whole life insurance including whole life with term rider, a product we had previously sold accounted for 17.9% of our total policy amount in force for individual insurance policies as of March 31, 2019. Whole life insurance pays death benefits to the beneficiary on the death of the insured irrespective of when the insured dies. Whole life insurance may be combined with term life insurance to provide for a higher payment if the insured dies within the specified period. Surrender benefits will increase over the elapsed time since enrollment and policyholders may receive annuities instead of a single-premium death benefit payment. Whole life insurance accounted for 2.2% of new policy amounts written for individual insurance during the year ended March 31, 2019.

Term life insurance. Term life insurance accounted for 24.1% of our total policy amount in force for individual insurance policies as of March 31, 2019. Term life insurance provides extensive death benefits with inexpensive premiums, which are generally lower relative to those for a whole life insurance policy. It is also possible to combine survival benefits which provide special payouts every three years and at maturity in addition to death protection for a set period. Term life insurance accounted for 30.1% of new individual insurance policy amounts written for individual insurance during the year ended March 31, 2019.

Endowment insurance. Endowment insurance accounted for 2.1% of our total policy amount in force for individual insurance policies as of March 31, 2019. Endowment insurance enables asset formation over a set period while providing death protection to pay a death benefit if the insured dies within a specified term or a maturity benefit of the same amount in case the insured survives to the end of that term. Endowment insurance with survival benefits accounted for 1.1% of new individual insurance policy amounts written for individual insurance during the year ended March 31, 2019.

Third-sector products. Third-sector products consist of living benefits and medical care insurance products. Third-sector market has been an increasingly important part of our business and we expect it will continue to be so in the future, particularly with respect to our target growth markets of senior, female and young customer segments. Annualized premiums from third-sector policies in force as of March 31, 2019 were ¥638.3 billion, an increase of 1.7% compared to ¥627.9 billion for the previous year and annualized premiums from new sales of such third-sector policies for the year ended March 31, 2019 were ¥47.0 billion, an increase of 12.1% compared to ¥42.0 billion for the year ended March 31, 2018. Recently, in April 2018, we launched *Daijobu* Specified Serious Disease Coverage Insurance, and in April 2019, we launched a medical insurance product called *New in 1* featuring a lump-sum payment of benefits, replacing our prior comprehensive medical insurance product.

- *Living benefits products.* Dread disease insurance provides a single-premium in case of specified illness, nursing care insurance pays a benefit if the insured person requires a specified level of nursing care and physical disability insurance covers certain conditions once the insured person becomes physically disabled. These three types of living benefit products also have death coverage.

- *Medical coverage.* Medical care insurance offers comprehensive medical protection for hospitalization and surgery. It is sometimes combined with death coverage or living-benefit-type products to prepare for unexpected events like injuries and serious diseases such as cancer. This coverage offers a lower premium.

Other individual insurance

In July 2015, we introduced a single-premium whole life insurance policy with a variable return in a designated currency, including Australian dollars, U.S. dollars and euros, under the name *Long Dream GOLD*. In October 2018 and April 2019, we introduced *Long Dream GOLD 2* and *Long Dream GOLD 3*, respectively, as the successor products to *Long Dream GOLD*.

In October 2016, we introduced *ChouChou!*, the life insurance industry's first product in Japan that covers infertility treatments and maternity benefits for women. ChouChou! provides protection against death and the three dread diseases—cancer, heart disease and strokes—as well as provides birth support benefits for female policyholders aged 16 through 40. ChouChou! pays out a benefit when the insured gives birth, provides coverage for specified fertility treatments and provides a lump-sum payment upon maturity.

In April 2017, we launched Nissay *Platinum Phoenix*, a new long-term term insurance product for corporate customers that has a period of extensive coverage for accidents. This product allows customers to efficiently protect their business and prepare business succession funds, while curbing premiums by keeping down death benefits for deaths caused by something other than accident for a certain period of time after the policy is purchased. The period that the death benefit is kept down can be set to match the health condition of the executive(s) and the company's particular needs, allowing the company to obtain the coverage it needs in an order-made fashion. In February 2019, we had temporarily suspended the sale of *Platinum Phoenix* while the Japanese tax authorities review the appropriate tax treatment of this insurance product. The Japanese tax authorities have since completed their review, and we restarted sales of the product in September 2019.

In October 2017, we introduced *Moshimo No Tokino Seikatsuhi*, a disability income benefits insurance product without surrender value. This product is designed to pay monthly living costs if an insured cannot work due to a prescribed disability such as hospitalization or in-home medical treatment.

In October 2019, we introduced *Dream Present 2* as a successor product to *Dream Present*, a variable life insurance product with a designated currency living benefit. *Dream Present 2* addresses the need for stable benefits by providing policyholders with the option to set a benefit target in yen at a fixed rate in addition to previously available options to set a benefit target in yen or to receive benefits as is. The product also newly includes a five-year period course to address a wide range of gifting needs.

Individual Annuities

The number and amounts of individual annuity policies in force were approximately 4.0 million policies and ¥24,373.1 billion, respectively, as of September 30, 2019. The amount of new individual annuity policies, including net decreases in policy amounts due to conversions, was ¥1,508.1 billion and ¥884.9 billion during the year ended March 31, 2019 and the six months ended September 30, 2019, respectively. Premiums from individual annuities constituted 14.0% and 14.0% of total insurance premiums for the year ended March 31, 2019 and the six months ended September 30, 2019, respectively.

Individual annuities. Our individual annuity products mainly consist of individual fixed annuities, marketed under the *Mirai no Katachi* product lineup. We offer fixed annuity products that pay benefits for a fixed term and those that pay benefits throughout the life of the insured. Deposits made into these contracts are allocated to our general account, and we bear the risk that investments in the general account may not meet the assumed yields. A single-premium benefit payment is made upon the death of the insured prior to commencement of annuity payments.

In April 2016, we began offering *Gran Age*, our long-life insurance with a low cash surrender value, as a new insurance product for senior citizens that helps them live a long time in retirement with security and freedom. This product is designed to help senior citizen customers enjoy a secure and free life by paying out more benefits while the insured is alive, in contrast to traditional death protection policies, which only pay benefits on the death of the insured.

Group Insurance

Our group insurance products include mainly group term life insurance and group credit life insurance. The amount of group insurance policies in force was ¥98.0 trillion as of September 30, 2019. The amount of new group insurance policies was ¥580.8 billion and ¥123.2 billion during the year ended March 31, 2019 and the six months ended September 30, 2019, respectively. Premiums from group insurance constituted 5.4% and 5.3% of total insurance premiums for the year ended March 31, 2019 and the six months ended September 30, 2019, respectively.

Group term life insurance. Group term life insurance accounted for 24.2% of our total policy amounts in force for group insurance policies as of March 31, 2019. Group term life insurance is similar to term life insurance offered on an individual basis. Only one application is processed on behalf of the many individuals covered under the policy. We offer these products through corporations and other organizations as sponsored benefit programs with premiums paid by the organizations or on a non-sponsored basis with premiums paid by the insured. Group insurance policies are offered on a one-year renewable basis.

Group credit life insurance. Group credit life insurance accounted for 36.9% of our total policy amounts in force for group insurance policies as of March 31, 2019. Under this type of policy, in the event of the death or severe disability of the insured, we pay a benefit that is applied toward the repayment of the insured's housing loans. The amount of the benefit depends upon the amount of the remaining debt.

Group Annuities

We offer group annuity products that can be packaged to meet the specific needs of a corporation or other organization to offer defined benefit, defined contribution and other plans to its employees or other organization members. These plans offer fixed pension benefits with premium payments calculated based on the amounts of the fixed benefits. A portion of the plan can be allocated to the separate account so that variable returns based on actual investment results can be received. Plans that meet specified conditions may qualify for preferential tax treatment. Products include pension benefits insurance for retired employees; employee pension fund insurance, which is a publicly mandated pension fund system funded by corporate and employee contributions; and national pension fund insurance, which is a public pension system also funded by voluntary contributions of individuals. We offer our group annuity products to pension funds of large corporations and public pension funds. Premiums from group annuities constituted 24.7% and 25.9% of total insurance premiums for the year ended March 31, 2019 and the six months ended September 30, 2019, respectively.

We provide products and services that corporations may use to offer defined contribution plans to their employees. These plans do not guarantee minimum returns but rather reflect the results of investments made in a variety of segregated accounts among which the individual may allocate plan assets. Plan assets may be transferred to the plan of a new employer when the employee changes employment. We offer various products for investment of plan assets, including contribution-type pension benefits insurance, which is funded by individual employee contributions. In June 2018, we introduced *Target Risk Plan Account*, a defined contribution plan for corporate pension benefit plans which operates by setting a target risk level and periodically rebalancing the portfolio based on such target risk level using quantitative rules in order to minimize fluctuations of returns.

Other Insurance Products

We offer other insurance, including financial insurance, financial annuities, group disability insurance and reinsurance.

Selected Information on Our Insurance Products

The following table sets forth selected information regarding our individual insurance, individual annuities, group insurance and group annuities:

	As of and for the year ended March 31,		
	2017	2018	2019
	(Thousands of policies and billions of yen)		
Individual Insurance Products			
Whole life insurance with term rider:			
Number of new policies	–	–	–
Number of new policies including conversions	–	–	–
New policy amount	¥ –	¥ –	¥ –
New policy amount including conversions	¥ –	¥ –	¥ –
Total number of policies	1,867.7	1,564.1	1,259.7
Total policy amount in force	¥ 38,480.9	¥ 31,239.9	¥ 24,184.0
Whole life insurance:			
Number of new policies	90.1	35.9	30.7
Number of new policies including conversions	189.1	93.8	110.0
New policy amount	¥ 521.0	¥ 173.2	¥ 160.8
New policy amount including conversions	¥ 800.7	¥ 301.4	¥ 334.1
Total number of policies	4,809.2	4,798.0	4,755.6
Total policy amount in force	¥ 29,499.1	¥ 29,127.8	¥ 28,681.7

	As of and for the year ended March 31,		
	2017	2018	2019
	(Thousands of policies and billions of yen)		
Term life insurance:			
Number of new policies	141.6	167.7	166.8
Number of new policies including conversions	345.9	333.1	434.1
New policy amount	¥ 2,729.8	¥ 1,296.5	¥ 1,237.2
New policy amount including conversions	¥ 5,438.1	¥ 3,309.6	¥ 4,591.5
Total number of policies	1,729.9	1,888.2	2,055.1
Total policy amount in force	¥ 31,674.2	¥ 32,054.0	¥ 32,637.4
Endowment insurance:			
Number of new policies	52.6	31.6	34.0
Number of new policies including conversions	57.6	34.9	38.6
New policy amount	¥ 242.6	¥ 140.7	¥ 151.8
New policy amount including conversions	¥ 256.2	¥ 149.3	¥ 161.7
Total number of policies	806.5	740.1	680.0
Total policy amount in force	¥ 3,439.3	¥ 3,149.2	¥ 2,881.5
Dread disease insurance:			
Number of new policies	449.0	390.0	364.4
Number of new policies including conversions	767.4	641.9	783.9
New policy amount	¥ 2,062.9	¥ 1,847.7	¥ 1,757.4
New policy amount including conversions	¥ 3,286.9	¥ 2,824.8	¥ 3,494.7
Total number of policies	3,167.1	3,531.2	3,873.2
Total policy amount in force	¥ 12,849.1	¥ 14,485.5	¥ 16,058.0
Cancer insurance:			
Number of new policies	165.8	144.3	134.0
Number of new policies including conversions	373.8	312.8	399.6
New policy amount	¥ –	¥ –	¥ –
New policy amount including conversions	¥ –	¥ –	¥ –
Total number of policies	1,848.5	1,998.7	2,153.6
Total policy amount in force	¥ 22.8	¥ 21.4	¥ 20.3
Nursing care insurance:			
Number of new policies	270.6	221.6	202.8
Number of new policies including conversions	491.7	400.4	512.0
New policy amount	¥ 1,097.7	¥ 846.0	¥ 762.1
New policy amount including conversions	¥ 2,018.6	¥ 1,580.9	¥ 2,046.9
Total number of policies	2,220.7	2,406.5	2,585.7
Total policy amount in force	¥ 9,192.7	¥ 9,842.4	¥ 10,424.7
Medical insurance:(1)			
Number of new policies	555.1	519.5	496.0
Number of new policies including conversions	1,002.3	880.3	1,085.4
New policy amount	¥ 0.3	¥ 0.2	¥ 0.2
New policy amount including conversions	¥ 0.3	¥ 0.2	¥ 0.2
Total number of policies	4,762.3	5,210.8	5,651.4
Total policy amount in force	¥ 5.7	¥ 5.8	¥ 6.1
Physical disability insurance:			
Number of new policies	256.7	248.3	236.1
Number of new policies including conversions	475.8	428.0	545.8
New policy amount	¥ 956.3	¥ 897.0	¥ 842.0
New policy amount including conversions	¥ 1,647.7	¥ 1,469.7	¥ 1,872.3
Total number of policies	2,232.4	2,446.1	2,655.0
Total policy amount in force	¥ 7,487.1	¥ 8,183.5	¥ 8,830.5
Other individual insurance(2):			
Number of new policies	198.8	184.6	533.3
Number of new policies including conversions	211.8	196.7	769.9
New policy amount	¥ 1,371.0	¥ 611.6	¥ 2,028.1
New policy amount including conversions	¥ 1,408.2	¥ 643.7	¥ 2,771.4
Total number of policies	1,541.5	1,610.0	2,237.3
Total policy amount in force	¥ 10,585.5	¥ 10,037.7	¥ 11,608.0
Total individual insurance products:			
Number of new policies	2,180.7	1,944.0	2,198.5
Number of new policies including conversions	3,915.9	3,322.3	4,679.5
New policy amount	¥ 8,981.9	¥ 5,813.0	¥ 6,939.8
New policy amount including conversions	¥ 14,857.0	¥ 10,279.9	¥ 15,273.3
Total number of policies	24,986.1	26,194.2	27,907.1
Total policy amount in force	¥143,237.0	¥138,147.7	¥135,332.6

	As of and for the year ended March 31,		
	2017	2018	2019
	(Thousands of policies and billions of yen)		
Individual Annuity Products[3]			
Number of new policies	415.4	214.8	221.0
Number of new policies including conversions	425.6	222.1	229.8
New policy amount	¥ 2,509.9	¥ 1,357.9	¥ 1,499.3
New policy amount including conversions	¥ 2,578.9	¥ 1,403.8	¥ 1,553.1
Total number of policies	3,805.7	3,886.0	3,964.0
Total policy amount in force	¥ 23,230.6	¥ 23,580.9	¥ 23,937.2
Group Insurance Policies			
Number of new policies	204.2	149.1	120.0
New policy amount	¥ 568.2	¥ 304.3	¥ 580.8
Total number of policies	26,509.1	27,473.8	27,582.1
Total policy amount in force	¥ 94,326.3	¥ 95,511.9	¥ 97,102.2
Group Annuity Products[4]			
Number of new policies	5.0	1.4	8.1
New policy amount	¥ 3.6	¥ 0.3	¥ 0.5
Total number of policies	9,727.3	9,344.8	8,860.7
Total policy amount in force	¥ 12,625.4	¥ 12,854.1	¥ 13,177.0

Notes:

(1) Medical insurance mainly consists of general medical insurance, children's medical life insurance and limited injury insurance.

(2) Other individual mainly consists of educational endowment insurance, juvenile insurance and single-premium whole life insurance sold through the bancassurance channel.

(3) The policy amount for individual annuities is the sum of (a) the funds held for annuity payments at the time such payments are to commence and (b) the policy reserve amount for annuities for which such payments have already commenced.

(4) For group annuity products, the new policy amount is equal to the initial premium payment and the policy amount in force is equal to the amount of outstanding corresponding policy reserves.

Policyholder Participation

We offer participating and semi-participating policies. Holders of participating policies receive yearly dividends. These dividends are calculated based on three variables: mortality and morbidity rate margin, investment yield margin and administrative expense margin. If the combined effect of actual mortality and morbidity rates, yield on investments and administrative expense levels during a given period is more favorable to us compared to the assumptions used when pricing these products, a net surplus will generally result for that period. A portion of the net surplus attributable to participating policies may then be distributed to the policyholder as policyholder dividends. We may pay a terminal dividend, depending on the product, in addition to the regular policyholder dividends.

Products and Services of Consolidated Group Businesses

Asset management and investment trust management. NAM is an asset management firm that leverages the asset management capabilities of Nippon Life and its group companies. Through discretionary management, advisory services and investment trust products, NAM provides high-quality asset management services for corporate and individual customers. We are working with NAM to co-develop a variable annuity product. As of March 31, 2019, the total assets under management of NAM amounted to ¥13.0 trillion, consisting of ¥4,779.2 billion in the investment advisory business and ¥8,229.7 billion in the investment trust business, an increase from ¥10.6 trillion and ¥11.7 trillion in total assets under management as of March 31, 2017 and 2018, respectively. In February 2018, we acquired 10% of the outstanding shares of NAM that were previously held by Putnam Investments and made NAM into our wholly owned subsidiary.

Information technology. Nissay Information Technology plays a key role in advancing our IT strategy, which includes the goal of increasing the sophistication and efficiency of our business systems to improve customer services, and supporting our IT systems, including TASKALL tablet devices used by our sales representatives which replaced the previously employed REVO laptop devices. Nissay Information Technology also offers its services to third parties, such as other life insurance providers and medical service providers.

Taiju Life. Taiju Life (formerly Mitsui Life) is a mid-sized Japanese life insurance company with 7,243 sales representatives as of March 31, 2019 that offers individual and group life insurance products, group pension plans and group annuity investment products in Japan. It became our subsidiary in December 2015 and, effective April 1, 2019, was rebranded as Taiju Life. We have strived to achieve synergies with it by leveraging, among other things, the strength of our combined product lineup, including its non-participating insurance products. In October 2017, our sales representative channel began sales of *Dream Road*, a single-premium endowment insurance product. In addition, in July 2018, sales of Nippon Life's *Gakushi Hoken* Nissay Educational Endowment Insurance and *Genki* Nissay Juvenile Insurance were launched through Taiju Life's sales representative channel. We are also co-developing an Sumitomo Mitsui Banking Corporation and regional bank bancassurance channel product together with Taiju Life.

MLC. MLC is a leading Australian life insurance company with a strong and diversified sales network that became our subsidiary in October 2016. It benefits from NAB's continuing support as a shareholder and distribution partner and utilizes NAB's advisor and bancassurance channels to distribute an extensive range of products ranging from traditional life insurance, such as term insurance, to income protection insurance and group insurance. For the year ended December 31, 2018, MLC had premium income of ¥193.5 billion, total stockholder's equity of ¥158.7 billion and total assets of ¥453.5 billion.

Nippon Wealth Life. In May 2018, we acquired 85.1% of the outstanding shares of MassMutual Japan, which had been a wholly owned subsidiary of MassMutual International LLC, a US-based financial services company offering a wide range of life insurance, annuities, retirement plans / 401(k)s and investment trusts. In January 2019, MassMutual Japan was rebranded as Nippon Wealth Life. MassMutual International LLC continues to hold the remaining stake in Nippon Wealth Life.

Hanasaku Life. We established Hanasaku Life as a wholly owned subsidiary, which began business in April 2019 after obtaining its life insurance business license from the FSA in February 2019. In June 2019, Hanasaku Life began offering a medical insurance product under its brand, featuring lump-sum medical benefits for hospitalization, extensive coverage of lifestyle diseases, and policy rider customizability depending on the needs of the individual customers.

Sales and Marketing

Multi-Channel Sales Structure

Sales representative channel

We have a large network of sales representatives that market products mainly to individual customers. In our effort to promote "face-to-face services," we strive to ensure that new and existing policyholders are visited at least once a year by their representative. Our face-to-face ethic is critical both to our social mission as a life insurance company and to the success of our customer service. For example, in the wake of the Great East Japan Earthquake in March 2011, our ability to respond quickly and efficiently to customer needs was essential to the financial recovery of households all across Japan.

As of March 31, 2019, Nippon Life had 53,868 sales representatives and, when combined with Taiju Life and Nippon Wealth Life, had 61,111 sales representatives (including sales representative positions held by sales managers) operating through 99 sales offices located throughout Japan. Our sales representatives, over 95% of whom are women, are licensed pursuant to industry-wide standards. Door-to-door sales and workplace sales constitute the primary means by which our sales representatives market our products to new customers. Of new policies written in the year ended March 31, 2019, 66.9% of annualized premiums were attributable to sales by sales representatives (including our Nissay Life Plazas). Our annualized premiums from new policies attributable to the sales representative channel for the year ended March 31, 2019 and the six months ended September 30, 2019 were ¥208.3 billion and ¥85.4 billion, respectively, compared to ¥209.8 billion and ¥89.2 billion, respectively, for the same periods in the previous year.

We refer to our sales representatives as "Nissay Total Partners," which signifies that our sales representatives provide total support for customers and their families by providing comprehensive insurance products and services. We believe that Nissay Total Partners should, among other things, be able to explain the range of our products and services and advise as to which of those products and services best meet the needs of our customers. We offer our sales representatives extensive training and continuing education courses. In addition to on-the-job training, our sales representatives participate in periodic formal training courses. At the beginning of their careers, all sales representatives participate in an intensive training course taught by experienced instructors. Sales representatives may continue their education at training centers established at each of our branches, which offer training materials and satellite broadcast programs, and are staffed by full-time consulting experts.

We also offer sales representatives a number of standardized life insurance industry courses in which they can receive varying levels of degrees and licenses, including an Affiliated Financial Planner ("AFP") license. We believe that training is critical for our Nissay Total Partners to be able to offer products and services effectively. As of April 2019, approximately 29,000 of our sales representatives and administrative personnel are licensed AFPs. Licensed AFPs are qualified to offer high-level financial and tax planning advice, which we believe may further their effectiveness.

In the year ended March 31, 2008, we established a new evaluation framework for our sales representatives. Under this framework, their primary assignments are based on visiting existing customers and gathering information to capture potentially new policies. The fixed amount of compensation is guaranteed if basic assignments are fulfilled for a certain period after they enter the company. Since incorporating this new framework, our retention rate of sales representatives generally has improved.

The seven-month retention rate of sales representatives was 87.0% for those recruited in the year ended March 31, 2019, the 13-month retention rate for those recruited in the year ended March 31, 2018 was 71.7% and the 25-month retention rate for those recruited in the year ended March 31, 2017 was 49.5%. We believe that our retention rates are generally in line with those of our competitors.

Specialized channel. In addition to the main sales representative channel described above, we also employ corporate worksite financial coordinators on a fixed-salary basis to develop the corporate and worksite markets in the Tokyo metropolitan area and 13 other large cities in Japan. As of March 31, 2019, we employed approximately 2,900 corporate worksite financial coordinators throughout Japan, and the total number of coordinators has been increasing each year since the program's launch in March 2009. We view the corporate and worksite markets as the most important in large cities such as Tokyo and Osaka, given that we can reach a vast number of corporate employees through such markets. To meet the changing demands of our customers, we have developed such industry-based channels in addition to the area-based sales representative channels, and endeavor to provide high-quality financial planning and consulting services, which we believe has resulted in improvement in our persistency rate and acquisition of new customers.

Nissay Life Plazas. We also market our products through Nissay Life Plazas, which are service centers providing customers and potential customers with information seminars and advice on insurance products, as well as on tax, asset management, and medical and nursing care. As of July 2019, we had 99 Nissay Life Plazas, which are visited by approximately 190,000 customers per year. Procedures and consultations involving insurance policies are an important activity of these plazas. To meet a broad range of customers' needs, there are also specialized consulting services covering asset management, preparations for healthcare and nursing care, the accumulation of savings by parents to pay for their children's education and other subjects. They also work to build people's familiarity with insurance by offering a wide range of services, including free seminars on a variety of themes, tax accountant consultation services (at some plazas) and providing information related to life events.

Third-party sales agencies

We sell life insurance through our network of third-party sales agencies, including tax accountants, professional life and non-life insurance sales agencies and major financial institutions and their related agencies throughout Japan, which included approximately 17,000 agencies as of March 31, 2019. We have also experienced steady growth in the number of policies in force, the policy amount in force and the number of customers in the third-party sales agencies channel. Sales via third-party sales agencies have consistently increased as a percentage of our overall sales. Of new policies written in the year ended March 31, 2019, 19.7% of annualized premiums were attributable to sales via third-party sales agencies. In December 2018, we acquired the outstanding shares of LHL, a spinoff company of the Internet-based advertising business of LIFULL FinTech Co., Ltd. Subsequently, in April 2019, we implemented a corporate reorganization, as a result of which LifeSalon, Life Plaza Partners and HOKEN110, formerly our direct subsidiaries, became direct subsidiaries of LHL and our indirect subsidiaries.

Bancassurance channel

We sell individual annuities and single-premium whole life insurance through the service counters of financial institutions under agency agreements with approximately 300 financial institutions, including banks, securities companies and credit unions throughout Japan. We have enhanced products sold through this channel, including variable single-premium increasing-benefit whole life insurance. As a result, we have recorded steady growth in premium revenues. Of new policies written in the year ended March 31, 2019, 13.4% of annualized net premiums were attributable to sales via financial institutions.

Corporate and Asset Management Sales

Based in major metropolitan areas and elsewhere in Japan, corporate relationship managers mainly market group insurance and group annuity products directly to large corporations and public entities, providing a full range of consulting services, and also work closely with our sales representatives to support workplace retail sales activities.

Corporate relationship managers also market our investment advisory services to pension funds of large corporations and to public pension funds. In addition, local branches of various Japanese securities companies and banks market investment trusts managed by NAM to retail investors.

Sales Support

Our sales representatives are supported in their sales activities by our advanced IT infrastructure. Our sales representatives utilize a state-of-the-art wireless “TASKALL” tablet devices, which replaced the previously employed REVO laptop devices in April 2019, that enables them to handle customer requests swiftly and paper-free while maintaining the traditional face-to-face format that is so critical to the success of our sales representative channel. With these devices, sales representatives can display marketing materials and application forms, make standard benefit and inheritance tax calculations, manage customer information, report their sales activities and access information regarding existing policies. These TASKALL devices have been distributed to all sales representatives throughout Japan and feature functions to develop insurance proposals, process applications and complete various procedures “on the spot.” Using TASKALL, we are able to reduce the need for repeat visits by sales representatives, because we can wirelessly confirm the sufficiency and accuracy of information entered by our customers.

Customer Support Services

Face-to-Face Customer Service

In August 2007, we introduced Policy Details Confirmation Activities (“PDCA”). The goal of PDCA is for our sales representatives to visit each of our policyholders to ensure that policyholders are knowledgeable about the contents of their policies and to increase customer satisfaction with our products. As a result of PDCA, customer satisfaction has risen steadily since the year ended

March 31, 2008, particularly among customers who have been visited by one of our sales representatives. In addition, we use the feedback that we receive from policyholder visits to improve our products and management.

We believe that largely due to our after-sales follow-up visits, we have been able to maintain our surrender and lapse ratio at approximately the same level over the past five years, from 4.5% for the year ended March 31, 2015 to 4.4% for the year ended March 31, 2019.

The following table sets forth the surrender and lapse ratio of our individual insurance and individual annuities.

	Year ended March 31,					Six months ended September 30,
	2015	2016	2017	2018	2019	2019
	(Billions of yen, except percentages)					
Policy amount at the beginning of the period . . .	¥171,895.9	¥168,105.5	¥166,927.1	¥166,467.6	¥161,728.6	¥159,269.9
Surrender and lapse amount	7,819.6	7,449.4	7,271.6	7,206.2	7,062.0	3,410.8
Policy amount at the end of the period . . .	168,105.5	166,927.1	166,467.6	161,728.6	159,269.9	158,006.2
Surrender and lapse ratio . . .	4.5%	4.4%	4.4%	4.3%	4.4%	2.1%

Call Center and Online Services

Our call centers provide customers with an efficient means to gain access to information about their insurance policies. We also provide an online service for our policyholders to supplement the services available through our customer support phone service. With the assistance of this online service, customers can conveniently and expeditiously receive direct deposits of loan amounts and deferred annuities into specified accounts. Other services include an Internet site through which customers can view information regarding their policies and make certain changes to personal data. We also allow policyholders to obtain policy loans, withdraw dividends, view their account, pay premiums and receive other services through many ATMs operated by third parties. Customer service is also available via post.

Zutto Motto Service

In April 2010, we launched our *Zutto Motto* Service in response to customer feedback through PDCA. The *Zutto Motto* Service reflects our commitment to work "forever and more" for the satisfaction of our policyholders and their families, including through enhanced after-sales services. Policyholders and their families are incentivized to provide updated personal information to us through this service by acquiring and accumulating a quasi-mileage program called "Thanks Mile," which can be utilized to obtain various gifts or vouchers under the "Happy Present Menu," the "Premium Chance Menu" and the "Heartful Support Menu." We then utilize such customer information to optimize our services and documentation processes, including insurance claim and benefit procedures, so that the customer enjoys a more seamless and easier experience. In April 2017, we newly added *Health Support Miles* to the *Zutto Motto* Service and we aim to further enhance the *Health Support Miles* program going forward, including by allowing customers to earn Thanks Miles based on the *aruku& (arukuto)* walking application for smartphones developed by Mapion.

Services for Elderly Customers

In connection with our "Gran Age Project," we provide various services for our elderly customers, including after services when they become policyholders and make payments, so that they can maintain their policies with peace of mind. In April 2016, we began offering the industry's first service for life insurance beneficiaries, Nissay Bereaved Relative Support Service. It is free of charge and the support we provide includes offering telephone consultation regarding tax, procedural, and other matters that need to be addressed upon a policyholder's death, providing materials to be used as a reference in determining inheritance taxes according to the amount of inheritance, and support in completing various administrative procedures and referrals to professionals that can handle such procedures on behalf of the beneficiary. In furtherance of the mission of our "Gran Age Project," in March 2018, we released *Nissay Brain Training*, an extended capability ("skill") for Amazon Alexa-enabled devices that allow customers to conduct cognitive training activities intended to help prevent the onset of Alzheimer's disease. In December 2018, we introduced "Gran Age Star," a package of services for our elderly customers including identity guarantee service, daily life support, and, after-death services such as burial, cremation and handling of personal items of the deceased customer.

Other Services

From April 2012, we began offering to our customers consulting house calls by expert customer care managers of the Nichii Group, in which our customers can consult with such care managers about their nursing care concerns. In April 2013, we launched the Child-raising Advice Hotline to provide around-the-clock telephone counseling with specialists regarding the health and care of children. We also launched Wellness-dial f to provide female customers with a hotline for advice on women-specific symptoms and syndromes in March 2014. These services are offered through Life Care Partners Co., Ltd. In April 2014, we started offering a specialist physician referral service to a selected group of customers through Best Doctors. In February 2015, we introduced our online *N-Concierge* service, which provides free around-the-clock assistance for a wide range of products to people covered by eligible Nippon Life corporate policies and people working in the human resources or general affairs departments of our corporate clients, and which was further expanded in service scope in February 2018. In July 2018, we introduced *N-Assist*, an Internet-based service for existing and prospective customers of our individual annuity products, offering answers to asset management-related inquiries, simulation of changes in account balances over time, and assistance with the selection of an appropriate asset management plan that best suits their needs.

Overseas Operations and Strategic Alliances

Although we consider the large and profitable domestic market to be our primary focus, we have taken and continue to take steps to develop our business overseas, where we expect there are growth opportunities not present here in Japan.

Currently, we are engaged in and plan to engage in life insurance businesses and asset management businesses in countries overseas, including Australia, China, India, Thailand, Indonesia, Myanmar, the United States and Europe, through capital investments and joint venture arrangements.

We recognize that such overseas investments expose us to a number of risks due to cultural and societal differences. For example, certain developing countries, such as in Asia, pose unique challenges in terms of political and economic instability, underdeveloped regulatory regimes and other challenges. Depending on the jurisdiction, there may also be limitations or other restrictions on foreign investments.

To mitigate these risks, we often make our overseas investments by building long-term relationships with trustworthy partners and helping them to grow their business further by sharing our expertise.

To further increase revenues in our overseas business, we plan to pursue a broad range of possibilities and examine the best way of expanding businesses based on the characteristics of the respective overseas markets. For example, we continue to actively consider international opportunities in our insurance and asset management business across the globe, where we seek to expand profitability by expanding into asset management. In addition, we have established and expect to continue to establish other long-term partnerships with prominent companies in various countries around the world as part of our overall corporate strategy.

Recently, we have entered into the following:

- In December 2017, we acquired a 24.75% stake in TCW, a US-based asset management company with approximately $191.6 billion in assets under management as of the end of 2016. After the transaction, the management and employees of TCW held approximately 44.07% of the outstanding shares of TCW, while The Carlyle Group, through its affiliates, held the remaining 31.18%. We seek to enhance our investment capabilities through mandating investment assets and dispatching personnel to TCW. In addition, Nippon Life Group aims to strengthen the strategic alliance with TCW by mutually supplying products and leveraging TCW's domestic and overseas networks.

- In March 2018, we acquired a 5% stake in the initial global offering of DWS, a leading global asset management company based in Frankfurt, at a cost of 325 million euros. We intend to enhance our investment capabilities and asset management business by mandating investing assets to DWS and enhancing mutual interactions in order to meet the diversifying needs of our customers.

- In May 2019, we reached an agreement with Reliance Capital to acquire its stake in RNAM. In August 2019, we conducted a tender offer for the shares of RNAM. As a result, we made RNAM our subsidiary, and we currently own 75% of its shares.

- In June 2019, we entered into a definitive agreement to acquire a 35% stake in GGNL, a life insurance company under Myanmar's conglomerate Shwe Taung Development Company Limited, at a cost of about $21 million. In November 2019, approval was obtained from the Myanmar financial authorities and the acquisition was completed. Myanmar is a market that is expected to continue to grow given its attractive population profile and steady economic development, after the opening of its insurance sector in 2013 after nearly half a century of government monopoly.

- In November 2019, we completed an investment of approximately $157 million (approximately ¥17.1 billion) in Resolution Life Group Holdings L.P., an investment limited partnership, out of the full commitment amount. Resolution Life Group Holdings Ltd. is a global insurance company that acquires and manages portfolios of in-force policies worldwide. Resolution Life Group Holdings Ltd. uses Resolution Life Group Holdings L.P. to raise capital for its businesses from institutional investors and other entities. We intend to further enhance our business with Resolution Life Group's capability and experience.

Domestic Strategic Alliances and Investments

As part of our ongoing strategy to expand product and service offerings in Japan, we regularly evaluate potential strategic transactions such as alliances, joint ventures, acquisitions and other opportunities involving established financial institutions. Recently, we have entered into the following:

- In May 2018, we acquired 85.1% of the outstanding shares of MassMutual Japan, which had been a wholly owned subsidiary of MassMutual International LLC, a US-based financial services company offering a wide range of life insurance, annuities, retirement plans / 401(k)s and investment trusts. In January 2019, MassMutual Japan was rebranded as Nippon Wealth Life.

- We established Hanasaku Life as a wholly owned subsidiary, which began business in April 2019 after obtaining its life insurance business license from the FSA in February 2019. In June 2019, Hanasaku Life began marketing its medical insurance product.

Pricing and Underwriting

Pricing of our life insurance and annuity products is based mainly on assumptions with respect to expected mortality and morbidity rates, rates of return on investments and administrative expenses.

We maintain underwriting policies and guidelines intended to prevent actual insurance payment events from occurring at a higher rate than the expected mortality and morbidity rates. Our insurance underwriting involves a centralized application and risk evaluation process that determines whether the risk unique to a particular applicant, including mortality and morbidity risk and risk of insurance fraud, is consistent with the amount of risk that we are willing to accept. We consider the risk characteristics of the individual to be insured, including a detailed medical condition, occupational and financial profile and we maintain strict guidelines regarding the examinations required for the type and amount of each policy. For example, in the case of policies that provide for death benefits exceeding a specified level, the insured party must undergo medical examinations performed by physicians employed by or affiliated with us. Other products offering lower benefits require simpler examination procedures, such as interviews with insurance interview specialists, submission of the results of a physical examination or in some cases only a written self-declaration.

We underwrite our group policies generally by evaluating the risk characteristics of the prospective insured group.

Additionally, when introducing new products or product lines, our product development departments conduct thorough evaluations of the insurance underwriting risk on existing policies to assess the risks associated with pricing of new products or product lines, which often involves the use of assumptions based on limited experience when compared to existing products or product lines.

To maintain high standards of underwriting quality and consistency, we engage in a series of ongoing internal underwriting audits at our branches and corporate headquarters.

From time to time, we revise the assumed yield used to calculate the premium rate on our insurance products based on changes to the standard prospective yield fixed by the FSA, which is used to compute the standard policy reserve and indirectly influences the pricing of our products.

The standard prospective yield for level premium insurance was reduced by the FSA from 1.0% to 0.25% for products sold starting from April 2017, which requires us to increase the policy reserves for new policies sold after such date. Accordingly, we lowered the assumed yield for various products, reducing it from 1.15% to 0.40% for whole life insurance and long-term term life insurance, from 1.15% to 0.85% for annuity insurance with a duration of more than 20 years and from 1.35% to 0.85% for annuity insurance with a duration of 20 years or less and educational endowment insurance. In light of the reduction, we have increased the insurance premium rates charged for some individual insurance products and annuities.

In April 2018, we implemented a price reduction for certain products including death protection in response to a downward revision in the expected mortality rate. However, at the same time, we revised the assumed yield for protection type products from 1.15%/1.35% to 0.85% resulting in the rise of premiums for such products.

See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Risk Management—Insurance Underwriting Risk Management."

Investments

Our investments are divided into two categories of account, the general account and the separate account. Payments to customers for products providing a fixed benefit are made from investments in our general account. We bear the risk that investments in the general account will not yield sufficient return to cover benefits paid for products for which premiums are calculated based on a fixed assumed yield.

In contrast, products for which customers bear the investment risk are paid from funds managed in a separate account. These products include individual variable insurance, individual variable annuities and group annuities with separate account policy riders. While there are no regulations restricting allocation of separate account assets to specified classes of investments, we generally invest such assets in investments for which market prices are readily available so that we may efficiently realize the returns for payment to policyholders.

Of our ¥70,148.9 billion of nonconsolidated total assets as of September 30, 2019, general account assets accounted for ¥68,885.0 billion. The balance consisted of separate account assets in the amount of ¥1,263.8 billion.

Management of Investments

We invest our general account assets based on a policy that seeks to achieve both stability and profitability. Relying on the ALM approach, we make investments based on the characteristics of our liabilities, such as cost and duration, while at the same time seeking to augment earnings in the medium to long term by assuming a certain degree of risk within a permitted range with reference to our available risk buffer. In particular, we put emphasis on investment and finance in growing fields, including ESG investments, with a goal toward securing a long-term, stable investment return.

- *Stability*. Recognizing that the key to stability lies in maintaining a proper portfolio structure, we invest based on an annual investment plan and the long-term objectives of our portfolio, which take into consideration the characteristics of our liabilities. We consider the allocation between yen-denominated interest bearing assets and riskier assets and the expected duration of yen-denominated interest bearing assets to be important factors in the establishment and implementation of the investment plan.
- *Profitability*. We seek to augment medium- to long-term earnings by selectively investing in various assets, such as domestic and foreign stocks, foreign bonds, notes, loans and real estate, that we believe bear a favorable risk-return trade-off. We conduct risk control such that the total value-at-risk of the investment portfolio, which is calculated using a statistical analysis, is within the permitted range according to our available risk buffer. In addition, we also monitor value-at-risk for market risk and credit risk, and, as necessary, establish appropriate limits to maintain a balance between profitability and stability.

ALM is a mechanism employed by us to manage our investment assets in a manner appropriate to our liabilities, primarily insurance contracts. Our ALM methods differ for each product group, but the following key objectives apply to all groups:

- maintenance of earnings that exceed liability costs (assumed yields);
- determination of a reasonable dividend policy;
- maintenance of appropriate liquidity for payment of insurance claims; and
- maintenance of adequate solvency as a risk buffer in case of deterioration in the investment environment.

Based on these key objectives, we create portfolios that serve as core medium- to long-term investments, based on our ALM approach to controlling assets and liabilities. Among other factors, we analyze and evaluate (i) liability cash flows, (ii) interest rate risk and (iii) levels of permissible risk for each product in deciding our medium- to long-term investment plan at meetings of the managing directors and Risk Management Committee. Specifically, to supply stable long-term yields promised to policyholders, we have positioned public and corporate bonds and loans that we expect to provide stable yen-denominated revenue as our primary assets.

There is a gap in duration between the assets and liabilities associated with individual insurance and individual annuities, the largest part of our business. In order to extend asset duration in the medium term and reduce the duration gap gradually, we have undertaken a strategy of investing in long-term bonds that satisfy our interest rate targets as well as utilizing interest rate swaps and swap options.

We seek to maintain long-term stable investment income from yen-denominated interest bearing assets, while also supporting medium- to long-term earnings through selective investment in riskier assets such as domestic and foreign stocks and foreign bonds. Our current investment plan for particular asset classes is as follows:

- *Domestic bonds*. We intend to secure yields through foreign bonds converted to yen interest rates using currency swaps and yen-denominated corporate bonds, and invest in government bonds taking into account interest rate levels.
- *Hedged foreign currency-denominated bonds*. We intend to invest in foreign credit bonds and project finances to gain investment spreads as an alternative to foreign government bonds while taking into account a necessary awareness of their higher hedging costs.
- *Non-hedged foreign currency-denominated bonds*. We intend to flexibly control overall exposure to foreign exchange risk while monitoring interest rates and foreign exchange rate levels.
- *Domestic and foreign stocks*. We intend to invest in domestic and foreign companies focusing on growth potential. We also plan to invest in alternative assets for diversification.

We are exposed to a variety of sources of investment risk, including:

- market risk associated with changes in interest rates, stock prices and foreign exchange rates;
- credit risk relating to the potential for losses incurred when the value of assets, primarily loans and bonds, declines or disappears due to a deterioration in the financial condition of a party to whom credit has been extended; and
- real estate risk relating to the potential for a decrease in real estate income because of a decline in rent, a decrease in number of tenants or other factors or a general decline in real estate prices due to market forces.

See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Risk Management."

Regulatory Restrictions on Investments

Japanese regulations previously restricted the percentage of general account assets that could be allocated to specified types of investments. However, these provisions were abolished in April 2012, and currently there are no regulations restricting the percentage of general account assets that may be allocated to domestic or overseas investments.

Japanese regulations do not impose restrictions on the maximum percentage of assets that may be allocated to specific classes of investments within separate account assets. The Insurance Business Act restricts us from making certain types of specified investments. See "Regulation of the Japanese Life Insurance Industry—Insurance Business Act—Restrictions on Scope of Business—Restrictions on investments."

Overall Composition of Investments

The following table summarizes invested assets and other assets in our general account as of the dates indicated:

	As of March 31, 2015		As of March 31, 2016		As of March 31, 2017		As of March 31, 2018		As of March 31, 2019		As of September 30, 2019	
	Book value	% of total	Book value	% of total	Book value	% of total	Book value	% of total	Book value	% of total	Book value	% of total
	(Billions of yen, except percentages)											
Cash, deposits and call loans	¥ 1,004.7	1.6%	¥ 1,003.7	1.6%	¥ 1,077.9	1.7%	¥ 1,063.4	1.6%	¥ 1,079.3	1.6%	¥ 1,133.0	1.6%
Receivables under securities borrowing transactions	–	–	–	–	–	–	–	–	–	–	–	–
Monetary receivables purchased	498.7	0.8	419.9	0.7	326.2	0.5	278.2	0.4	244.0	0.4	213.4	0.3
Proprietary trading securities	–	–	–	–	–	–	–	–	–	–	–	–
Assets held in trust	–	–	1.9	0.0	3.3	0.0	10.4	0.0	13.1	0.0	10.7	0.0
Investments in securities(1)	48,833.9	79.8	50,133.7	80.8	51,871.5	81.7	53,744.3	82.5	55,514.3	83.1	57,042.3	82.8
Domestic bonds	22,654.4	37.0	23,354.8	37.6	22,460.1	35.4	22,381.3	34.3	23,527.5	35.2	23,720.8	34.4
Domestic stocks	9,075.2	14.8	8,107.6	13.1	8,695.2	13.7	9,358.8	14.4	8,955.4	13.4	8,885.7	12.9
Foreign securities	16,144.9	26.4	17,158.1	27.6	18,855.0	29.7	19,371.0	29.7	19,859.5	29.7	20,990.9	30.5
Foreign bonds	12,077.2	19.7	13,425.1	21.6	14,379.4	22.6	14,433.5	22.1	13,871.0	20.8	14,529.0	21.1
Foreign stocks and other securities	4,067.6	6.6	3,733.0	6.0	4,475.6	7.0	4,937.5	7.6	5,988.4	9.0	6,461.9	9.4
Other securities	959.3	1.6	1,513.0	2.4	1,861.0	2.9	2,633.0	4.0	3,171.7	4.7	3,444.8	5.0
Loans	8,357.6	13.7	8,121.4	13.1	7,749.5	12.2	7,468.3	11.5	7,438.7	11.1	7,455.5	10.8
Policy loans	736.5	1.2	695.8	1.1	654.7	1.0	619.0	0.9	582.7	0.9	566.9	0.8
Industrial and consumer loans	7,621.0	12.5	7,425.6	12.0	7,094.8	11.2	6,849.2	10.5	6,855.9	10.3	6,888.5	10.0
Real estate(2)	1,696.5	2.8	1,677.9	2.7	1,619.2	2.6	1,607.3	2.5	1,649.6	2.5	1,649.0	2.4
Investment property	1,079.9	1.8	1,079.6	1.7	1,022.3	1.6	1,010.5	1.6	1,048.4	1.6	1,054.1	1.5
Deferred tax assets	–	–	–	–	–	–	–	–	–	–	–	–
Other assets	784.4	1.3	720.6	1.2	853.1	1.3	1,008.7	1.5	891.9	1.3	1,384.0	2.0
Allowance for doubtful accounts	(6.5)	(0.0)	(3.5)	(0.0)	(2.8)	(0.0)	(2.4)	(0.0)	(4.4)	(0.0)	(3.1)	(0.0)
Total	¥61,169.4	100.0%	¥62,075.8	100.0%	¥63,498.2	100.0%	¥65,178.5	100.0%	¥66,826.7	100.0%	¥68,885.0	100.0%
Foreign currency denominated assets	¥13,978.7	22.9%	¥15,178.3	24.5%	¥17,036.1	26.8%	¥18,015.8	27.6%	¥18,719.5	28.0%	¥20,033.7	29.1%

Notes:

(1) Available-for-sale securities are stated at fair value.

(2) Real estate is recorded as the sum total of land, buildings and construction in progress.

The following table summarizes changes in invested assets and other assets in our general account for the periods indicated:

	Year ended March 31,		
	2017	2018	2019
	(Billions of yen)		
Cash, deposits and call loans	¥ 74.1	¥ (14.4)	¥ 15.9
Receivables under securities borrowing transactions	–	–	–
Monetary receivables purchased	(93.6)	(48.0)	(34.1)
Proprietary trading securities	–	–	–
Assets held in trust	1.4	7.0	2.7
Investments in securities	1,737.8	1,872.7	1,770.0
Domestic bonds	(894.6)	(78.8)	1,146.2
Domestic stocks	587.5	663.6	(403.3)
Foreign securities	1,696.9	515.9	488.4
Foreign bonds	954.3	54.0	(562.4)
Foreign stocks and other securities	742.5	461.9	1,050.9
Other securities	347.9	772.0	538.6
Loans	(371.9)	(281.1)	(29.5)
Policy loans	(41.1)	(35.6)	(36.2)
Industrial and consumer loans	(330.7)	(245.5)	6.6
Real estate	(58.6)	(11.9)	42.2
Investment property	(57.3)	(11.8)	37.9
Deferred tax assets	–	–	–
Other assets	132.5	155.6	(116.8)
Allowance for doubtful accounts	0.6	0.4	(2.0)
Total	¥1,422.3	¥1,680.3	¥1,648.1
Foreign currency denominated assets	¥1,857.8	¥ 979.6	¥ 703.7

Investment Results

The following table sets forth the average rates of return based on net investment income for each of the components of our investment portfolio in our general account for the periods indicated:

	Year ended March 31,		
	2017	2018	2019
Cash, deposits and call loans	(0.00)%	0.04%	0.16%
Receivables under securities borrowing transactions	–	–	–
Monetary receivables purchased	2.00	1.88	1.83
Proprietary trading securities	–	–	–
Assets held in trust	(94.29)	(32.68)	(13.74)
Investments in securities	2.35	2.42	2.33
Domestic bonds	1.93	1.81	1.85
Domestic stocks	7.54	7.02	6.57
Foreign securities	1.57	2.12	1.94
Foreign bonds	1.12	1.51	1.37
Foreign stocks and other foreign securities	3.31	4.12	3.55
Loans	1.76	1.67	1.53
Industrial and consumer loans	1.50	1.39	1.26
Real estate	2.89	2.70	2.70
Investment property	4.51	4.29	4.29
General account total	2.19	2.20	2.14
Overseas investment	1.58%	2.07%	1.88%

Average Balance of Assets

The following table sets forth the average balance of assets in our general account for each of the periods indicated, calculated based on the averages of daily ending balances:

	Year ended March 31,		
	2017	2018	2019
	(Billions of yen)		
Cash, deposits and call loans	¥ 406.6	¥ 445.9	¥ 988.0
Receivables under securities borrowing transactions	–	–	–
Monetary receivables purchased	359.6	290.6	252.9
Proprietary trading securities	–	–	–
Assets held in trust	2.0	10.0	18.6
Investments in securities	44,670.8	46,438.1	48,147.9
Domestic bonds	22,638.9	22,177.0	22,807.3
Domestic stocks	4,373.6	4,445.2	4,722.2
Foreign securities	16,161.0	17,799.0	17,971.1
Foreign bonds	12,819.1	13,690.6	13,234.5
Foreign stocks and other foreign securities	3,341.9	4,108.3	4,736.6
Loans	8,021.4	7,652.2	7,467.5
Industrial and consumer loans	7,347.6	7,017.7	6,867.1
Real estate	1,663.3	1,615.6	1,624.4
Investment property	1,065.4	1,017.5	1,022.8
General account total	¥56,688.7	¥58,087.0	¥60,288.6
Overseas investment	¥16,755.7	¥18,551.8	¥19,240.9

Unrealized Gains and Losses

Our investments in securities other than subsidiaries and affiliates are classified into four categories:

- proprietary trading securities (including assets held in trust for which we are the beneficiary), which are securities held for the purpose of generating profits through trading of such securities;
- held-to-maturity debt securities, which are debt securities that are expected to be held to maturity;
- policy-reserve-matching bonds, which are debt securities that are held long-term to match our policy reserves; and
- available-for-sale securities, which are all other securities.

Marketable available-for-sale securities are stated at fair value. Unrealized gains and losses on marketable available-for-sale securities are included in a separate component of net assets, net of income taxes, unless a decline in fair value is considered not temporary, in which case the decline is recognized in earnings as a valuation loss. Held-to-maturity debt securities, policy-reserve-matching bonds and available-for-sale securities without readily obtainable fair value are stated at amortized cost or book value. For the purpose of computing realized gains and losses, cost is determined on a moving average method.

The table below shows the unrealized gains and losses related to our held-to-maturity debt securities as of September 30, 2019:

	As of September 30, 2019		
	Book value	Fair value	Net unrealized gains (losses)
	(Billions of yen)		
Held-to-maturity debt securities	¥ –	¥ –	¥ –

The following table sets forth the unrealized gains and losses related to our policy-reserve-matching bonds as of September 30, 2019:

	As of September 30, 2019		
	Book value	Fair value	Net unrealized gains (losses)
	(Billions of yen)		
Policy-reserve-matching bonds	¥20,839.6	¥25,224.9	¥4,385.3

The following table sets forth the unrealized gains and losses related to our marketable available-for-sale securities as of September 30, 2019:

	As of September 30, 2019		
	Amortized cost	Fair value	Net unrealized gains (losses)
	(Billions of yen)		
Marketable available-for-sale securities:			
Domestic bonds	¥ 2,926.0	¥ 3,190.4	¥ 264.3
Domestic stocks	4,276.1	8,350.9	4,074.7
Foreign bonds	12,433.4	14,411.6	1,978.2
Foreign stocks and other foreign securities	4,582.5	5,354.4	771.9
Other securities	3,024.5	3,354.9	330.4
Monetary receivables purchased	27.7	28.4	0.6
Certificates of deposit	232.8	232.7	(0.0)
Total	¥27,503.2	¥34,923.6	¥7,420.3

The following table sets forth stocks of our subsidiaries and affiliates and available-for-sale securities that cannot be assigned a market value basis as of September 30, 2019:

	As of September 30, 2019
	Book value
	(Billions of yen)
Stocks of subsidiaries and affiliates	¥1,052.9
Other securities	552.5
Unlisted domestic stocks	57.1
Unlisted foreign stocks	75.0
Other	420.4
Total	¥1,605.4

As of March 31, 2017, 2018 and 2019, net unrealized gains (losses) on real estate amounted to ¥198.9 billion, ¥261.7 billion and ¥372.4 billion, respectively. Net unrealized gains (losses) on real estate are comprised of the sum of our land account and leasehold account, and valuation of real estate is calculated with reference to publicly disclosed appraisal values.

Domestic Bonds

Domestic bonds consist mainly of publicly traded debt securities and debt securities with readily obtainable market value and represented 35.4%, 34.3%, 35.2% and 34.4% of total assets in our general account as of March 31, 2017, 2018 and 2019 and September 30, 2019, respectively. Our domestic bonds had an average yield of 1.93%, 1.81% and 1.85% for the years ended March 31, 2017, 2018 and 2019, respectively. The break-even point (the point at which our net unrealized gains/losses are zero) for our bond holdings, as measured in terms of 10-year JGBs, was 1.0% as of September 30, 2019 assuming that changes in the interest rates of bonds held in our portfolio were identical to changes in 10-year JGBs, regardless of the maturities of such bonds, and such break-even point was above the then current market level.

By book value, approximately 87.5% of our domestic bonds in our general accounts were either policy-reserve-matching bonds or held-to-maturity securities as of September 30, 2019. We invest mainly in debt securities issued by Japanese national and local governments, other public entities and corporations which, based on our internal analysis, have high credit quality. None of the domestic bonds we own were in default as of September 30, 2019.

The following table sets forth the amount of domestic bonds we owned in our general account as of the dates indicated:

	As of March 31, 2017						
	1 year or under	Over 1 year through 3 years	Over 3 years through 5 years	Over 5 years through 7 years	Over 7 years through 10 years	Over 10 years (Including maturities not fixed)	Total
	(Billions of yen)						
National government bonds	¥318.8	¥ 484.1	¥791.3	¥1,141.4	¥3,358.7	¥13,164.1	¥19,258.6
Local government bonds	54.2	215.2	7.0	18.3	90.4	571.4	956.8
Corporate bonds	205.5	356.6	111.6	164.7	306.9	1,099.0	2,244.6
Total	¥578.6	¥1,056.0	¥910.1	¥1,324.5	¥3,756.1	¥14,834.6	¥22,460.1

	As of March 31, 2018						
	1 year or under	Over 1 year through 3 years	Over 3 years through 5 years	Over 5 years through 7 years	Over 7 years through 10 years	Over 10 years (Including maturities not fixed)	Total
	(Billions of yen)						
National government bonds	¥172.0	¥588.9	¥ 934.0	¥1,643.8	¥3,073.6	¥13,043.6	¥19,456.1
Local government bonds	100.6	95.7	6.0	26.7	86.7	565.4	881.5
Corporate bonds	281.2	120.2	131.7	138.9	418.5	952.8	2,043.6
Total	¥553.8	¥805.0	¥1,071.9	¥1,809.5	¥3,578.9	¥14,562.0	¥22,381.3

	As of March 31, 2019						
	1 year or under	Over 1 year through 3 years	Over 3 years through 5 years	Over 5 years through 7 years	Over 7 years through 10 years	Over 10 years (Including maturities not fixed)	Total
	(Billions of yen)						
National government bonds	¥267.9	¥779.5	¥1,109.8	¥1,987.6	¥2,807.7	¥13,856.3	¥20,809.1
Local government bonds	90.1	6.9	18.1	40.6	100.3	533.4	789.7
Corporate bonds	63.7	110.2	189.7	131.6	561.7	871.5	1,928.6
Total	¥421.8	¥896.8	¥1,317.7	¥2,159.8	¥3,469.8	¥15,261.3	¥23,527.5

As of March 31, 2019, 88.4%, 8.2% and 3.4% of our domestic bond portfolio was made up of national government bonds, corporate bonds and local government bonds, respectively. In addition, as of March 31, 2019, 1.8%, 3.8%, 5.6% 9.2%, 14.7% and 64.9% of our domestic bond portfolio consisted of bonds with maturity dates 1 year or under, over 1 year through 3 years, over 3 years through 5 years, over 5 years through 7 years, over 7 years through 10 years and over 10 years and others, respectively.

Loans

Loans represented 12.2%, 11.5%, 11.1%, and 10.8% of total assets in our general account as of March 31, 2017, 2018 and 2019 and September 30, 2019, respectively, and consist mainly of fixed interest rate, unsecured loans to large corporations. Loans include loans to borrowers located outside of Japan.

Each proposed loan is rated based on an evaluation of the ability of the borrower, and the guarantor in the case of a guaranteed loan, to repay the loan, as well as the specific terms of the loan. We closely monitor loans that we consider to have higher than normal credit risk.

The following table shows the amounts of loans in our general account, excluding policy loans, based on the type of loan as of the dates indicated:

	As of March 31,		
	2017	2018	2019
	Book value	Book value	Book value
	(Billions of yen)		
Corporate loans—international and domestic	¥5,303.4	¥5,096.1	¥5,111.8
Loans to national, international and government-affiliated organizations	29.0	24.3	21.7
Loans to public entities	419.8	452.1	453.4
Housing loans	792.7	798.6	810.5
Consumer loans	422.6	393.0	378.8
Other loans	127.0	84.9	79.4
Total(1)	¥7,094.8	¥6,849.2	¥6,855.9

Note:

(1) Of the total amounts of loans, ¥158.3 billion, ¥197.4 billion and ¥350.6 billion were made to borrowers located outside of Japan as of March 31, 2017, 2018 and 2019, respectively.

The following table sets forth the amounts of loans in our general account, excluding policy loans, based on the type of collateral as of the dates indicated:

	As of March 31,					
	2017		2018		2019	
	Book value	% of total	Book value	% of total	Book value	% of total
	(Billions of yen, except percentages)					
Secured loans:						
Loans secured by securities	¥ 9.0	0.1%	¥ 8.1	0.1%	¥ 8.0	0.1%
Loans secured by real estate, movables and foundations	18.4	0.3	16.9	0.2	15.6	0.2
Loans secured by personal guarantees	8.9	0.1	7.3	0.1	6.1	0.1
Subtotal	36.4	0.5	32.4	0.5	29.7	0.4
Guarantee loans	175.9	2.5	186.8	2.7	179.0	2.6
Fiduciary loans	5,666.9	79.9	5,438.3	79.4	5,457.6	79.6
Other loans	1,215.4	17.1	1,191.6	17.4	1,189.4	17.3
Total(1)	¥7,094.8	100.0%	¥6,849.2	100.0%	¥6,855.9	100.0%

Note:

(1) Of the total amounts of loans, ¥265.1 billion, ¥209.6 billion and ¥161.6 billion were subordinated loans as of March 31, 2017, 2018 and 2019, respectively.

We make loans to corporations across a wide range of industries, with a significant portion of total loans being made to domestic corporations in the financial services, utilities and wholesale trades. We also make loans to various government and non-government entities in Japan. The following table shows the amounts of loans, excluding policy loans, in our general account based on industry as of the dates indicated:

	As of March 31,					
	2017		2018		2019	
	Book value	% of total	Book value	% of total	Book value	% of total
	(Billions of yen, except percentages)					
Domestic						
Manufacturing	¥1,295.9	18.3%	¥1,115.2	16.3%	¥1,058.9	15.4%
Food	104.4	1.5	102.1	1.5	96.1	1.4
Textiles and apparel	33.6	0.5	22.2	0.3	19.3	0.3
Wood, wood products	2.6	0.0	2.4	0.0	2.0	0.0
Pulp and paper	72.7	1.0	59.1	0.9	60.6	0.9
Printing	17.7	0.3	15.8	0.2	15.6	0.2
Chemicals	253.5	3.6	182.1	2.7	201.3	2.9
Oil and coal products	72.6	1.0	79.9	1.2	87.5	1.3
Ceramics, soil and stone	42.5	0.6	42.6	0.6	42.2	0.6
Iron and steel	196.6	2.8	180.5	2.6	183.9	2.7
Non-ferrous metals	19.1	0.3	18.3	0.3	19.0	0.3
Metal products	14.4	0.2	8.7	0.1	9.1	0.1
General purpose, production, and industrial machinery	136.6	1.9	124.4	1.8	101.0	1.5
Electric appliances	121.4	1.7	94.3	1.4	73.7	1.1
Transportation equipment	176.3	2.5	157.4	2.3	121.1	1.8
Other manufacturing products	31.0	0.4	24.5	0.4	25.7	0.4
Agriculture and forestry	–	–	–	–	–	–
Fishery	2.0	0.0	–	–	–	–
Mining, quarrying and gravel mining	5.0	0.1	4.5	0.1	2.5	0.0
Construction	35.2	0.5	32.1	0.5	31.1	0.5
Electric power, gas, heat supply and waterworks	1,159.2	16.3	1,208.1	17.6	1,235.9	18.0
Information and communication	154.9	2.2	151.2	2.2	129.9	1.9
Logistics and postal services	660.8	9.3	647.0	9.4	626.6	9.1
Wholesale trade	862.7	12.2	803.0	11.7	770.8	11.2
Retail trade	57.4	0.8	54.7	0.8	51.7	0.8
Financing and insurance	562.3	7.9	518.5	7.6	468.9	6.8
Real estate	415.5	5.9	433.7	6.3	471.9	6.9
Rental and leasing services	247.6	3.5	255.4	3.7	239.0	3.5
Professional, scientific, and technical services	1.6	0.0	1.8	0.0	1.5	0.0
Lodging	15.3	0.2	23.0	0.3	23.4	0.3
Restaurants	3.2	0.0	3.1	0.0	3.1	0.0
Lifestyle and leisure	64.6	0.9	42.9	0.6	44.2	0.6
Education and training	1.7	0.0	1.5	0.0	1.6	0.0
Medical and welfare	1.2	0.0	1.2	0.0	1.0	0.0
Other services	15.5	0.2	11.1	0.2	10.2	0.1
Local organizations and public entities	158.6	2.2	151.0	2.2	142.6	2.1
Individuals (residential / consumption / local taxes / other)	1,215.5	17.1	1,191.6	17.4	1,189.4	17.3
Subtotal	¥6,936.4	97.8%	¥6,651.8	97.1%	¥6,505.3	94.9%
Overseas						
Governments and public entities	¥ 36.4	0.5%	¥ 32.3	0.5%	¥ 30.0	0.4%
Financial institutions	10.0	0.1	14.2	0.2	60.3	0.9
Commerce and industry	111.9	1.6	150.8	2.2	260.2	3.8
Subtotal	158.3	2.2	197.4	2.9	350.6	5.1
Total	¥7,094.8	100.0%	¥6,849.2	100.0%	¥6,855.9	100.0%

The following table sets forth the amounts of loans in our general account based on interest rate type and contractual maturity date as of the dates indicated:

	1 year or under	Over 1 year through 3 years	Over 3 years through 5 years	Over 5 years through 7 years	Over 7 years through 10 years	Over 10 years (Including maturities not fixed)	Total
	(Billions of yen)						
As of March 31, 2017:							
Fixed-rate loans	¥ 947.8	¥1,280.5	¥1,101.2	¥786.6	¥861.3	¥1,647.0	¥6,624.7
Variable-rate loans	58.7	94.6	116.6	59.6	42.9	97.4	470.0
Total	¥1,006.5	¥1,375.2	¥1,217.8	¥846.3	¥904.2	¥1,744.5	¥7,094.8
As of March 31, 2018:							
Fixed-rate loans	¥ 843.5	¥1,312.1	¥ 993.7	¥669.2	¥829.5	¥1,626.1	¥6,274.3
Variable-rate loans	54.5	93.7	109.8	71.9	103.1	141.6	574.9
Total	¥ 898.0	¥1,405.8	¥1,103.6	¥741.2	¥932.6	¥1,767.7	¥6,849.2
As of March 31, 2019:							
Fixed-rate loans	¥ 843.2	¥1,253.2	¥ 959.7	¥638.3	¥773.4	¥1,666.3	¥6,134.5
Variable-rate loans	53.1	155.7	112.2	78.2	126.9	195.2	721.4
Total	¥ 896.4	¥1,408.9	¥1,072.0	¥716.5	¥900.4	¥1,861.5	¥6,855.9

The following table sets forth the total number of corporate borrowers located in Japan and the amount of loans to such borrowers in our general account, together with a breakdown based on the size of the borrower, as of the dates indicated:

	As of March 31,					
	2017		2018		2019	
	Number/ amount	% of total	Number/ amount	% of total	Number/ amount	% of total
	(Billions of yen, except percentages and number of borrowers)					
Large companies:(1)						
Number of borrowers	889	35.5%	845	37.0%	783	38.1%
Amount of loans	¥4,523.3	87.3	¥4,295.5	87.1	¥4,115.9	85.9
Medium-sized companies:(2)						
Number of borrowers	347	13.9%	312	13.7%	261	12.7%
Amount of loans	¥ 75.8	1.5	¥ 72.4	1.5	¥ 67.2	1.4
Small companies:(3)						
Number of borrowers	1,268	50.6%	1,127	49.3%	1,011	49.2%
Amount of loans	¥ 582.3	11.2	¥ 562.9	11.4	¥ 608.1	12.7
Total loans to domestic companies:						
Number of borrowers	2,504	100.0%	2,284	100.0%	2,055	100.0%
Amount of loans	¥5,181.5	100.0	¥4,931.0	100.0	¥4,791.2	100.0

Notes:

(1) Large companies include companies with stated capital of at least ¥1 billion and more than 300 employees (more than 50 employees in the case of retailers and restaurants; more than 100 employees in the case of service companies and wholesalers).

(2) Medium-sized companies include companies with stated capital of more than ¥300 million and less than ¥1 billion (more than ¥50 million and less than ¥1 billion in the case of retailers, restaurants and service companies; more than ¥100 million and less than ¥1 billion in the case of wholesalers) and more than 300 employees (more than 50 employees in the case of retailers and restaurants; more than 100 employees in the case of service companies and wholesalers).

(3) Small companies include all other companies.

The following table is a breakdown of foreign loans in our general account as of the dates indicated, based on the location of the borrower. These loans were all either denominated in yen or, for loans denominated in a foreign currency, were currency-hedged by swaps as of each of the dates indicated:

	As of March 31,					
	2017		2018		2019	
	Book value	% of total	Book value	% of total	Book value	% of total
	(Billions of yen, except percentages)					
Foreign loans:						
North America	¥102.0	64.4%	¥ 95.5	48.4%	¥107.3	30.6%
Europe	30.0	18.9	49.1	24.9	123.8	35.3
Oceania	–	–	14.2	7.2	35.3	10.1
Asia	3.4	2.2	3.3	1.7	1.0	0.3
Central and South America	8.8	5.6	7.1	3.6	39.7	11.3
Middle East	–	–	–	–	15.2	4.4
Africa	–	–	18.0	9.1	18.0	5.2
International organizations	14.0	8.8	10.0	5.1	10.0	2.9
Total	¥158.3	100.0%	¥197.4	100.0%	¥350.6	100.0%

We classify problem loans according to three different standards described below.

Disclosed claims based on categories of borrowers. We disclose our commercial loan assets (including principal, lent securities, accrued interest, suspense payments and guarantees of obligations) based on the following categories which reflect the status of the borrower: (i) bankrupt and quasi-bankrupt loans, (ii) doubtful loans, (iii) substandard loans and (iv) normal loans. The following table sets forth our loans on a consolidated basis classified on the foregoing basis as of the dates indicated:

	As of March 31,					
	2017		2018		2019	
	Book value	% of total loan assets	Book value	% of total loan assets	Book value	% of total loan assets
	(Billions of yen, except percentages)					
Bankrupt and quasi-bankrupt loans(1)	¥ 10.0	0.1%	¥ 10.2	0.1%	¥ 10.0	0.1%
Doubtful loans(2)	18.9	0.2	18.7	0.2	20.2	0.2
Substandard loans(3)	3.1	0.0	2.1	0.0	1.9	0.0
Subtotal	32.2	0.3	31.1	0.3	32.2	0.3
Normal loans(4)	11,726.7	99.7	11,735.3	99.7	12,194.4	99.7
Total	¥11,758.9	100.0%	¥11,766.4	100.0%	¥12,226.6	100.0%

Notes:

(1) Bankrupt and quasi-bankrupt loans are nonperforming assets and similar loans to borrowers that have fallen into bankruptcy due to reasons, including initiation of bankruptcy proceedings, commencement of reorganization proceedings or submission of an application to commence rehabilitation proceedings. For bankrupt and quasi-bankrupt loans, the estimated uncollectible amount calculated by subtracting the amount of collateral value or the amount collectible under guarantees from the balance of loans is directly deducted from the total loan amount. The estimated uncollectible amounts with respect to bankrupt and quasi-bankrupt loans was ¥0.7 billion, ¥0.2 billion and ¥3.3 billion as of March 31, 2017, 2018 and 2019, respectively.

(2) Doubtful loans are nonperforming assets with a strong likelihood that loan principal cannot be recovered or interest cannot be received according to the loan agreement because of difficulties in the financial condition and business performance of a borrower that has not yet entered into bankruptcy.

(3) Substandard loans include loans that are delinquent for over three months or are restructured loans. Loans that are delinquent for over three months are loans, other than loans described in note (1) or (2) above, with principal or interest being unpaid for over three months counting from the day after the due date based on the loan agreement. Restructured loans are loans, other than loans described in note (1) or (2) above and loans that are delinquent for over three months, that provide certain concessions favorable to the borrower with the intent of supporting the borrower's restructuring. Examples of such concessions include reducing or exempting interest, postponing principal or interest payments, releasing credits, or providing other benefits to the borrower.

(4) Normal loans are loans, other than loans described in note (1), (2) or (3) above, to borrowers whose financial condition and business performance exhibit no particular problems.

Disclosed claims based on repayment condition. We disclose our risk-monitored loans, as defined in the Insurance Business Act, based on the repayment condition of principal on our loans on a consolidated basis as follows:

	As of March 31,					
	2017		2018		2019	
	Book value	% of total risk-monitored loans	Book value	% of total risk-monitored loans	Book value	% of total risk-monitored loans
	(Billions of yen, except percentages)					
Loans to bankrupt borrowers(1)(2)	¥ 1.7	5.5%	¥ 1.5	4.9%	¥ 1.2	4.0%
Delinquent loans(2)(3)	27.2	84.7	27.3	88.1	29.0	90.0
Loans that are delinquent for over three months(4)	–	–	–	–	–	–
Restructured loans(5)	3.1	9.8	2.1	7.0	1.9	6.0
Total	¥32.2	100.0%	¥31.0	100.0%	¥32.2	100.0%

Notes:

(1) Loans to bankrupt borrowers are loans with principal or interest payments being overdue for a significant period of time and interest not being accrued, including the following: (a) loans to borrowers that are legally bankrupt through filings for proceedings under the Corporate Reorganization Act, Civil Rehabilitation Act, Bankruptcy Act, or Companies Act of Japan (Act No. 86 of 2005, as amended), (b) loans to borrowers that have notes suspended from being traded, and (c) loans to borrowers that have filed for legal proceedings similar to the aforementioned proceedings based on overseas laws.

(2) For loans to bankrupt borrowers and delinquent loans (including collateralized and guaranteed loans), an estimated uncollectible amount (calculated by subtracting estimated collectible amounts based on collateral and guarantees from total loans) is directly deducted from the total loan amount. The amount directly deducted from loans to bankrupt borrowers for the years ended March 31, 2017, 2018 and 2019 were ¥0.4 billion, ¥0.01 billion and ¥3.1 billion, respectively. The amount directly deducted from delinquent loans for the same periods were ¥0.2 billion, ¥0.2 billion and ¥0.1 billion, respectively.

(3) Delinquent loans are loans, other than loans described in note (1) above, with interest not accrued and loans for which interest payments have been extended for the purpose of assisting and supporting the borrower in restructuring its business.

(4) Loans that are delinquent for over three months are loans, other than loans described in note (1) or (2) above, for which principal payments, interest payments or both are in arrears for three months or more under the terms of the loan agreement.

(5) Restructured loans are loans, other than loans described in note (1), (2) or (3) above, for which certain concessions favorable to the borrower, such as concessionary interest rates, rescheduling or postponement of due dates for principal payments, interest payments or both, release from repayment or other agreements have been made for the purpose of assisting and supporting the borrower in restructuring its business.

Self-assessment of loan assets. The problem loan classifications under the categories of obligors and repayment situations described above are derived from classifications of both obligors and individual loans under the self-assessment guidelines provided under the "Inspection Manual of Insurance Companies" issued by the FSA. We review our self-assessment semi-annually.

Domestic Stocks

Domestic stocks represented 13.7%, 14.4%, 13.4% and 12.9% of total assets in our general account as of March 31, 2017, 2018 and 2019 and September 30, 2019, respectively, and consisted mainly of investments in common stock. The break-even point for our stock holdings was approximately ¥11,000 on the Nikkei 225 Index as of September 30, 2019, assuming that the market value of our stock portfolio changes in parallel to the Nikkei 225 Index and approximately 800 on the Tokyo Stock Price Index as of September 30, 2019, assuming that the market value of our stock portfolio changes in parallel to the Tokyo Stock Price Index, was below the then current market level.

We own stocks of domestic corporations across a wide range of industries. The following table sets forth the amounts of our domestic stocks in our general account, based on the industry of the issuer as of the dates indicated:

	As of March 31,					
	2017		2018		2019	
	Book value(1)	% of total	Book value(1)	% of total	Book value(1)	% of total
	(Billions of yen, except percentages)					
Fishery, agricultural and forestry	¥ 4.4	0.1%	¥ 3.9	0.0%	¥ 5.0	0.1%
Mining	1.3	0.0	1.5	0.0	1.3	0.0
Construction	143.7	1.7	165.7	1.8	153.2	1.7
Manufacturing:						
Food	328.0	3.8	327.4	3.5	322.0	3.6
Textiles and apparel	122.4	1.4	130.3	1.4	107.3	1.2
Pulp and paper	25.8	0.3	29.2	0.3	28.7	0.3
Chemicals	854.7	9.8	954.1	10.2	890.7	9.9
Pharmaceuticals	737.1	8.5	772.5	8.3	759.0	8.5
Oil and coal products	24.2	0.3	28.1	0.3	21.8	0.2
Rubber products	98.2	1.1	98.8	1.1	85.4	1.0
Glass and ceramic products	86.4	1.0	89.1	1.0	77.3	0.9
Iron and steel	142.8	1.6	137.8	1.5	118.8	1.3
Non-ferrous metals	85.4	1.0	87.3	0.9	72.8	0.8
Metal products	47.4	0.5	44.8	0.5	32.8	0.4
Machinery	531.7	6.1	597.6	6.4	483.4	5.4
Electric appliances	987.6	11.4	1,157.4	12.4	998.4	11.1
Transportation equipment	1,309.3	15.1	1,401.8	15.0	1,300.5	14.5
Precision instruments	114.3	1.3	119.9	1.3	119.1	1.3
Other products	100.3	1.2	101.8	1.1	103.2	1.2
Electric power and gas	361.7	4.2	345.5	3.7	393.5	4.4
Transportation, information and communication:						
Land transportation	534.0	6.1	538.0	5.7	624.9	7.0
Marine transportation	8.8	0.1	7.2	0.1	4.8	0.1
Air transportation	11.7	0.1	13.9	0.1	18.1	0.2
Warehousing and harbor transportation services	9.4	0.1	10.5	0.1	10.4	0.1
Information and communication	217.6	2.5	247.4	2.6	289.6	3.2
Trade and Services:						
Wholesale trade	283.2	3.3	326.0	3.5	312.1	3.5
Retail trade	240.1	2.8	282.7	3.0	269.7	3.0
Finance and insurance:						
Banking	543.5	6.3	543.6	5.8	421.4	4.7
Securities and trading	58.1	0.7	79.2	0.8	67.8	0.8
Insurance	442.4	5.1	438.9	4.7	569.1	6.4
Other financial services	48.6	0.6	55.8	0.6	52.0	0.6
Real estate	42.2	0.5	46.7	0.5	49.4	0.6
Services	147.3	1.7	172.8	1.8	190.4	2.1
Total	¥8,695.2	100.0%	¥9,358.8	100.0%	¥8,955.4	100.0%

Note:

(1) Available-for-sale securities are stated at fair value.

Foreign Securities

Foreign securities represented 29.7%, 29.7%, 29.7% and 30.5% of total assets in our general account as of March 31, 2017, 2018 and 2019 and September 30, 2019, respectively, and consisted mainly of investments in bonds issued by foreign governments and agencies. Cash and cash equivalents denominated in currencies other than yen are categorized under “Cash and cash equivalents" and loans to borrowers located outside of Japan are categorized under "Loans." Neither is included in foreign securities unless otherwise noted.

The average yield on foreign investments (interest, dividends and realized gains and losses) was 1.57%, 2.12% and 1.94% for the years ended March 31, 2017, 2018 and 2019, respectively.

The break-even point for our foreign securities was approximately ¥78 to $1.00 as of September 30, 2019, assuming that all of our foreign currency-denominated securities were converted into dollars as of the same date, was below the then current market level.

The following table sets forth the amounts of foreign investments in our general account (including non-yen-denominated cash, cash equivalents and other assets) classified as denominated in foreign currency, swapped into yen or denominated in yen as of the dates indicated:

	As of March 31,					
	2017		2018		2019	
	Book value	% of total	Book value	% of total	Book value	% of total
	(Billions of yen, except percentages)					
Foreign currency denominated assets:						
Foreign bonds	¥13,901.0	71.0%	¥14,090.3	68.4%	¥13,553.6	63.3%
Foreign stocks	817.7	4.2	934.9	4.5	889.2	4.2
Investment trust and others	2,317.4	11.8	2,990.5	14.5	4,276.7	20.0
Subtotal	17,036.1	87.0	18,015.8	87.5	18,719.5	87.4
Foreign currency denominated assets with fixed yen value:						
Investment trust and others	248.4	1.3	290.9	1.4	281.2	1.3
Japanese yen-denominated assets:						
Loans to non-residents	58.8	0.3	55.0	0.3	73.8	0.3
Foreign bonds and other assets	2,248.0	11.5	2,235.4	10.9	2,341.7	10.9
Subtotal	2,306.9	11.8	2,290.4	11.1	2,415.6	11.3
Net overseas loans and investment	¥19,591.5	100.0%	¥20,579.2	100.0%	¥21,416.4	100.0%

The following table sets forth the amounts of foreign investments denominated in a foreign currency in our general account based on the type of foreign currency as of the dates indicated:

	As of March 31,					
	2017		2018		2019	
	Book value	% of total	Book value	% of total	Book value	% of total
	(Billions of yen, except percentages)					
U.S. dollar	¥10,514.7	61.7%	¥10,242.9	56.9%	¥11,321.9	60.5%
Euro	3,601.5	21.1	4,773.9	26.5	4,655.2	24.9
British pound	1,379.7	8.1	1,401.5	7.8	1,394.0	7.4
Australian dollar	654.8	3.8	748.5	4.2	729.0	3.9
Indian rupee	136.2	0.8	138.1	0.8	138.1	0.7
Polish zloty	117.6	0.7	133.4	0.7	124.3	0.7
Others	631.3	3.7	577.3	3.2	356.8	1.9
Net foreign currency denominated assets	¥17,036.1	100.0%	¥18,015.8	100.0%	¥18,719.5	100.0%

The following tables set forth the amounts of foreign investments in our general account based on the location of the issuer as of the dates indicated:

	As of March 31, 2017					
	Foreign bonds		Foreign stocks and other securities		Total	
	Book value(1)	% of total	Book value(1)	% of total	Book value(1)	% of total
	(Billions of yen, except percentages)					
North America	¥ 8,409.3	58.5%	¥ 526.7	11.8%	¥ 8,936.1	47.4%
Europe	4,714.7	32.8	573.2	12.8	5,288.0	28.0
Oceania	538.9	3.7	182.1	4.1	721.0	3.8
Asia	261.8	1.8	321.8	7.2	583.7	3.1
Central and South America(2)	252.6	1.8	2,871.5	64.2	3,124.1	16.6
Middle East	–	–	–	–	–	–
Africa	–	–	–	–	–	–
International organizations	201.9	1.4	–	–	201.9	1.1
Total	¥14,379.4	100.0%	¥4,475.6	100.0%	¥18,855.0	100.0%

Notes:

(1) Available-for-sale securities are stated at fair value.

(2) Investments in issuers located in Central and South America consist mainly of unit trusts, limited partnerships, limited liability companies and other special purpose vehicles located in the Cayman Islands which are managed by selected investment advisers and whose primary investments are in stocks and bonds issued in major international markets.

	As of March 31, 2018					
	Foreign bonds		Foreign stocks and other securities		Total	
	Book value(1)	% of total	Book value(1)	% of total	Book value(1)	% of total
	(Billions of yen, except percentages)					
North America	¥ 7,372.7	51.1%	¥ 575.9	11.7%	¥ 7,948.6	41.0%
Europe	5,690.6	39.4	563.5	11.4	6,254.2	32.3
Oceania	563.2	3.9	181.1	3.7	744.3	3.8
Asia	286.9	2.0	354.3	7.2	641.3	3.3
Central and South America(2)	282.1	2.0	3,262.5	66.1	3,544.6	18.3
Middle East	–	–	–	–	–	–
Africa	–	–	–	–	–	–
International organizations	237.8	1.6	–	–	237.8	1.2
Total	¥14,433.5	100.0%	¥4,937.5	100.0%	¥19,371.0	100.0

Notes:

(1) Available-for-sale securities are stated at fair value.

(2) Investments in issuers located in Central and South America consist mainly of unit trusts, limited partnerships, limited liability companies and other special purpose vehicles located in the Cayman Islands which are managed by selected investment advisers and whose primary investments are in stocks and bonds issued in major international markets.

	As of March 31, 2019					
	Foreign bonds		Foreign stocks and other securities		Total	
	Book value(1)	% of total	Book value(1)	% of total	Book value(1)	% of total
	(Billions of yen, except percentages)					
North America	¥ 6,769.8	48.8%	¥ 600.8	10.0%	¥ 7,370.7	37.1%
Europe	5,574.9	40.2	482.3	8.1	6,057.3	30.5
Oceania	561.7	4.0	180.7	3.0	742.4	3.7
Asia	409.8	3.0	330.5	5.5	740.4	3.7
Central and South America(2)	326.6	2.4	4,394.0	73.4	4,720.6	23.8
Middle East	–	–	–	–	–	–
Africa	–	–	–	–	–	–
International organizations	227.9	1.6	–	–	227.9	1.1
Total	¥13,871.0	100.0%	¥5,988.4	100.0%	¥19,859.5	100.0%

Notes:

(1) Available-for-sale securities are stated at fair value.

(2) Investments in issuers located in Central and South America consist mainly of unit trusts, limited partnerships, limited liability companies and other special purpose vehicles located in the Cayman Islands which are managed by selected investment advisers and whose primary investments are in stocks and bonds issued in major international markets.

The following table sets forth the contractual maturity dates for our foreign bonds and other securities in our general account as of the dates indicated:

	1 year or under	Over 1 year through 3 years	Over 3 years through 5 years	Over 5 years through 7 years	Over 7 years through 10 years	Over 10 years (Including maturities not fixed)	Total
	(Billions of yen)						
As of March 31, 2017:							
Foreign securities:	¥377.6	¥ 863.0	¥1,263.0	¥1,116.6	¥2,129.1	¥13,105.5	¥18,855.0
Foreign bonds	376.7	838.4	1,226.7	1,088.4	2,069.1	8,779.9	14,379.4
Foreign stocks and other securities	0.9	24.6	36.2	28.1	60.0	4,325.5	4,475.6
As of March 31, 2018:							
Foreign securities:	¥231.5	¥1,249.1	¥1,233.1	¥ 786.3	¥2,437.6	¥13,433.2	¥19,371.0
Foreign bonds	222.4	1,231.4	1,198.8	752.9	2,379.5	8,648.1	14,433.5
Foreign stocks and other securities	9.1	17.7	34.2	33.3	58.0	4,785.0	4,937.5
As of March 31, 2019:							
Foreign securities:	¥545.5	¥1,211.2	¥ 998.9	¥ 944.0	¥3,193.6	¥12,966.0	¥19,859.5
Foreign bonds	538.4	1,185.8	963.1	917.6	3,111.7	7,154.0	13,871.0
Foreign stocks and other securities	7.0	25.3	35.8	26.3	81.9	5,811.9	5,988.4

Real Estate

Real estate represented 2.6%, 2.5%, 2.5% and 2.4% of the total assets in our general account as of March 31, 2017, 2018 and 2019 and September 30, 2019, respectively. We hold real estate for both operating and investment purposes. Real estate held for operating purposes includes mainly office space and employee housing. Real estate held for investment purposes includes mainly commercial buildings held for rental income. Investments in real estate are diversified based on location within Japan and type of real estate. We manage our real estate investments to maximize rental and other income. Of our real estate investments as of September 30, 2019, 65.6% was held for leasing purposes.

The following table sets forth the amounts of real estate and other tangible fixed assets in our general account as of the dates indicated:

	As of March 31,					
	2017		2018		2019	
	Book value	% of total	Book value	% of total	Book value	% of total
	(Billions of yen, except percentages and numbers of buildings)					
Land	¥1,107.2	67.5%	¥1,089.2	66.8%	¥1,121.3	66.7%
Buildings	471.7	28.7	475.5	29.2	512.7	30.5
Lease assets	11.7	0.7	12.6	0.8	9.7	0.6
Construction in progress	40.2	2.5	42.5	2.6	15.4	0.9
Other tangible fixed assets	9.9	0.6	10.8	0.7	21.1	1.3
Total	¥1,641.0	100.0%	¥1,630.8	100.0%	¥1,680.5	100.0%
Amount of real estate:	¥1,619.2	100.0%	¥1,607.3	100.0%	¥1,649.6	100.0%
For business operations	567.4	35.0	563.8	35.1	572.9	34.7
For lease	1,051.7	65.0	1,043.5	64.9	1,076.6	65.3
Number of buildings held for leasing	284	–	274	–	267	–

Assets Held in Trust

On a consolidated basis, we had ¥3.5 billion, ¥10.6 billion, ¥13.3 billion and ¥10.9 billion of assets held in trust as of March 31, 2017, 2018 and 2019 and September 30, 2019, respectively.

Japanese Life Insurance Industry

Japan is the second largest life insurance market in the world after the United States, based on total premium volume. The following table shows life premiums per capita for the world's five largest life insurance markets as measured by premium volume for calendar year 2018 (except for Japan whose data is based on the April 1, 2018 to March 31, 2019 fiscal year):

	Life premium per capita in 2018
	(dollars)
Japan	$2,629
United Kingdom	3,532
France	2,370
United States	1,810
China	221

Source: Sigma No.3/2019 "Sigma World insurance in 2018" (Swiss Re).

The Life Insurance Association had 42 life insurance companies in Japan as members as of October 1, 2019, including Japan Post Insurance, foreign-owned companies, subsidiaries of non-life insurance companies and other smaller life insurance companies that have recently entered the market. In addition, public announcements and press releases by the five largest life insurance groups, excluding Japan Post Insurance, indicated that they had a 58.0% market share in the Japanese life insurance market on the basis of total volume of premium income, in the year ended March 31, 2019. We held the largest market share with 19.5% by premium income among private life insurance companies.

Life Insurance Policyholders Protection Corporation of Japan

We, like other Japanese life insurance companies, are required to support policyholders of failed life insurance companies through payments to the LIPPC. The LIPPC was established pursuant to the Insurance Business Act in 1998 to provide a system for the protection of policyholders of failed life insurance companies. The LIPPC is authorized to provide funds in connection with the transfer of insurance policies from a failed life insurance company to a successor company and perform certain other specified functions. See "Regulation of the Japanese Life Insurance Industry—Insurance Business Act—Regulation for the Protection of Policyholders."

The life insurance industry is required to accept funding commitments to the LIPPC of an aggregate of up to ¥33 billion per year. This funding obligation is allocated among all Japanese life insurance companies licensed under the Insurance Business Act based on amounts of premium and certain investment income and policy reserves. The allocation amounts are revised annually. We made contributions of ¥6.6 billion, ¥6.5 billion and ¥6.5 billion to the LIPPC in the years ended March 31, 2017, 2018 and 2019, respectively. We expect the amount of our contribution in the current and future fiscal years to be comparable to the amounts of our contributions made in prior fiscal years. However, as stated above, this amount is adjusted annually based on the relative size of our premium and certain investment income and policy reserve amounts within the life insurance industry as a whole and could be increased. All of our payments to the LIPPC are charged to operating expenses when paid.

In addition to these annual contributions, the LIPPC may borrow up to an aggregate of ¥460 billion from banks, insurance companies and other financial institutions, with the authorization of the Commissioner of the FSA and the Minister of Finance. The LIPPC may, in accordance with its rules, request that licensed life insurance companies provide security for any such borrowings. As of March 31, 2019, the LIPPC had no outstanding balance of borrowings.

While members of the LIPPC, including us, are still required to make an aggregate upper limit funding commitment in the amount of ¥33 billion per year, and while the LIPPC is entitled to request that we and other LIPPC members provide security for its borrowings, the National Diet of Japan (the "Diet") amended the Insurance Business Act in 2005 to permit the Japanese government to cover losses in excess of ¥460 billion, minus the aggregate balance of the LIPPC's borrowings, in the event of life insurance company failures. This amendment became effective in 2006 and applies to failures of life insurance companies occurring through March 31, 2022.

Competition

We believe that competition in the Japanese insurance industry is based on a number of factors, including service, product features, price, financial strength ratings and other indicators of financial health, marketing methods and brand recognition. We face intense competition in the Japanese life insurance market from both domestic and foreign-owned life insurance companies and from large domestic financial service providers that either have their own insurance subsidiaries or enter into cooperative arrangements with major insurance companies. Some of these companies offer products not offered by us, or may have more competitive pricing, higher financial strength ratings, better brand recognition or greater financial resources than we do.

Competition has increased in the Japanese life insurance market in recent years due to industry deregulation, bancassurance channel targeting by competitors, an overall decline in demand for insurance products with death benefits and increased competition from foreign-owned insurance companies, among other factors. Japan's financial sector has also experienced significant consolidation in recent years, and further consolidation could affect the competitive environment for the sale and distribution of life insurance products.

Japan Post Insurance, the life insurance subsidiary of Japan Post Holdings, enjoys competitive advantages in the Japanese insurance market due to its large existing customer base, access to the nationwide network of post offices of Japan Post and favorable public perception of its stability due to its association with the government. Japan Post Insurance completed another public offering in April 2019, lowering Japan Post Holdings' ownership share to 64.5%. Pursuant to its privatization mandate, Japan Post Holdings has announced its plans to further reduce its equity interest in Japan Post Insurance to around 50% in multiple stages. However, there continues to be uncertainty over the timing of future sell downs. Therefore, there may remain an appearance of government support for Japan Post Insurance, which could provide it with a competitive advantage over us. Furthermore, while Japan Post Insurance is currently required to obtain government approvals in order to enter into new businesses, under the applicable law governing the privatization, including expansion of the types of insurance policies it sells or asset management services it provides, if Japan Post Holdings disposes of 50% or more of its equity holdings in Japan Post Insurance, such legal restrictions may be substantially relaxed, thereby allowing Japan Post Insurance more flexibility to expand the scope of its business, including through the expansion of the types of insurance policies that it sells or asset management services in which it engages. Consequently, as we compete with Japan Post Insurance in our primary business operations, we may be adversely affected by such competition.

In addition, Japan Post Holdings has entered into a strategic alliance with and acquired a minority stake in AFLAC, under which, among other things, Japan Post Insurance offers AFLAC cancer insurance policies. Furthermore, in March 2016, Japan Post Insurance and Dai-ichi Life Insurance Company, Limited agreed to form a strategic business alliance to strengthen the cooperation between the two companies with respect to: (i) the life insurance business in Vietnam; (ii) the asset management business; and (iii) joint research on domestic life insurance businesses. Such competition may intensify as a result of further deregulation of Japan Post Insurance accompanying such privatization or any favorable treatment given to Japan Post Insurance by the government. We may also face competition from various cooperative associations such as the Japan Agricultural Cooperatives, the National Federation of Workers and Consumers Insurance Cooperatives and the Japanese Consumers' Co-operative Union, all of which offer competing life insurance products.

Information Technology

We use information technology to facilitate the operations of all aspects of our business, including the management of our policies, the investment of our assets and the maintenance of statistics and customer information as well as in our sales process. We also maintain a system for fostering continued innovation in multiple aspects of our operations.

We currently maintain our primary information management and retention systems at a facility in Osaka. A back-up system, which is regularly updated, is also maintained at a facility in Tokyo. We also maintain customer call service centers and Internet-based customer service sites.

In addition to these centralized facilities, all of our sales representatives are equipped with laptops. Starting in April 2019, we have distributed wireless TASKALL devices to all of our sales representatives throughout Japan that feature functions to develop insurance proposals, process applications and complete various procedures "on the spot" and paper-free, replacing the prior REVO wireless devices that had been introduced in April 2012. See "—Sales and Marketing—Sales Support."

In August 2018, we launched a smartphone app, which supports biometric login authentication, allowing policyholders to conveniently apply for policy loans within the app. In October 2019, we expanded available services in the app, including, among other features, the ability for policyholders to check the terms of their insurance policies.

In 2019, we launched the new *Nissay digital five year plan* with the aim of further accelerating our digitalization and meeting the increasing demands of customers for convenience, speediness and cost-effectiveness.

Protection of Information Assets

We have established a policy entitled "Principal Guidelines for Information Asset Protection" to protect information assets, including client information, confidential management information and the systems that process such information. In addition, we have established specific guidelines to protect client information, including the "Private Information Protection Guidelines." In accordance with these guidelines, we strive to heighten awareness of information asset protection.

Compliance

We believe that it is essential for our directors, officers, employees and sales representatives to conduct themselves properly and responsibly. We strive to maintain a customer-first perspective while strictly observing laws and regulations.

Our Board of Directors established the Compliance Program and updates such program every year. Our Compliance Committee analyzes and proposes solutions to issues related to insurance solicitation and administration while promoting company-wide compliance. We obtain opinions of outside experts in connection with some of our compliance efforts relating to the preparation of sales materials and have recently reorganized and increased the number of compliance officers.

We have maintained the Code of Conduct for many years, which sets forth rules and regulations to which all directors, officers, employees and sales representatives are expected to adhere. We also maintain the Legal Compliance Manual, which explains the Code of Conduct as well as the responsibilities of each division from a compliance perspective. We strive to increase awareness of compliance issues among employees and management by disseminating information and providing training. The Code of Conduct and Legal Compliance Manual are updated regularly in line with legal, regulatory and other changes.

We provide ongoing sales ethics training for our marketing staff through internal satellite broadcasts and newsletters. The Auditing Department monitors such training for effectiveness.

Legal Proceedings

We are subject to legal actions in the ordinary course of our business. These legal actions include claims related to individual sales practices and denial or delay of claims payments. We are not involved in any litigation or other legal proceedings that, if determined adversely to us, would individually or in the aggregate be expected to have a material adverse effect on our business or results of operations.

Properties

We own or lease real property for our registered head office in Osaka, executive office in Tokyo, 99 branches (as of March 31, 2019) and other facilities located nationwide. We believe that our properties are suitable for our business as currently conducted and adequately maintained. The above properties do not include properties that we own for investment purposes only.

Employees and Personnel

As of March 31, 2019, we had 73,260 employees and personnel, including 53,868 sales representatives and 19,392 administrative personnel. We consider our level of remuneration and non-wage benefits to be generally competitive with those offered by other major Japanese life insurance companies. In the year ended March 31, 2008, we established a new evaluation framework for our sales representatives. Under this framework, their primary assignments are based on visiting existing customers and gathering information to capture potentially new policies. The fixed amount of compensation is guaranteed if basic assignments are fulfilled for a certain period after they enter the company. Since incorporating this new framework, our retention rate of sales representatives generally has improved. Most of our full-time non-management employees are members of a labor union. We consider our labor relations to be excellent.

We have a 401(k)-style defined-contribution pension plan for our employees. However, most employees are covered by non-contributory defined benefit plans. Under defined benefit plans, qualified employees are entitled to single-premium, annuity payments or both based on salary, length of service and reason for termination of employment. To determine the expected long-term yield on assets related to such benefit plans, we consider historical returns on long-term domestic bonds. Our assumed long-term yield on plan assets was 1.4% in the year ended March 31, 2019.

Management and Corporate History

Directors, Corporate Auditors and Executive Officers

The following table sets forth our current Directors, Corporate Auditors and Executive Officers as of October 4, 2019:

Name	Position	Date first elected as director or corporate auditor or executive officer
Yoshinobu Tsutsui	Representative Director, Chairman	2004
Hiroshi Shimizu	Representative Director, President	2009
Takeshi Furuichi	Representative Director, Vice Chairman	2004
Masaru Nakamura	Representative Director, Executive Vice President	2011
Tomiji Akabayashi	Representative Director, Executive Vice President	2012
Akito Arima	Director(1)	1994
Shin Ushijima	Director(1)	2007
Kazuo Imai	Director(1)	2008
Satoshi Miura	Director(1)	2017
Yosuke Matsunaga	Director and Senior Managing Executive Officer	2012
Yuji Mikasa	Director and Managing Executive Officer	2013
Yutaka Ideguchi	Director and Managing Executive Officer	2013
Yasushi Hasegawa	Director and Managing Executive Officer	2014
Nobuto Fujimoto	Director and Managing Executive Officer	2014
Satoshi Asahi	Director and Managing Executive Officer	2014
Chizuru Yamauchi	Director and Managing Executive Officer	2015
Satoshi Tanaka	Director and Managing Executive Officer	2015
Kazuhide Toda	Director and Managing Executive Officer	2015
Hirohiko Iwasaki	Director and Managing Executive Officer	2015
Tetsuaki Ogami	Director and Executive Officer	2018
Takashi Imai	Corporate Auditor(2)	1995
Kantaro Toyoizumi	Corporate Auditor(2)	2004
Keiichi Tadaki	Corporate Auditor(2)	2009
Ryoji Sato	Corporate Auditor(2)	2016
Kazuo Kobayashi	Senior Corporate Auditor(3)	2007
Koki Utsumi	Corporate Auditor(3)	2017
Seiji Kito	Senior Managing Executive Officer	2012
Norihiko Umazume	Managing Executive Officer	2013
Junjiro Tabata	Managing Executive Officer	2013
Hiroshi Ozeki	Managing Executive Officer	2014
Masakazu Omura	Managing Executive Officer	2015
Yoshihiro Matsumoto	Executive Officer	2016
Kazuyuki Saigo	Executive Officer	2016
Hideki Ono	Executive Officer	2016
Toshihiro Nakashima	Executive Officer	2016
Yasushi Sasaki	Executive Officer	2017
Naoki Akahori	Executive Officer	2017
Tatsuya Haraguchi	Executive Officer	2017
Kazuo Sato	Executive Officer	2017
Kazuya Kishibuchi	Executive Officer	2017
Mitsugi Iwasaki	Executive Officer	2017
Kazuyuki Tanaka	Executive Officer	2018
Masaki Kakiyama	Executive Officer	2018
Akiko Osawa	Executive Officer	2018
Norihiro Fujimasa	Executive Officer	2018
Keizo Hasehira	Executive Officer	2018
Chiaki Oosone	Executive Officer	2018
Minoru Kimura	Executive Officer	2018
Yasutoyo Takada	Executive Officer	2018

Name	Position	Date first elected as director or corporate auditor or executive officer
Takayuki Maeda	Executive Officer	2019
Eiichi Hanawa	Executive Officer	2019
Tetsuya Ueda	Executive Officer	2019
Seiichi Tachi	Executive Officer	2019
Yoshitaka Nakamura	Executive Officer	2019
Naoki Akiyama	Executive Officer	2019

Notes:

(1) Outside director.

(2) Outside corporate auditor.

(3) Full time corporate auditor.

Our Board of Directors has the ultimate responsibility for the administration of our affairs. Our Articles of Incorporation provide for not more than 25 Directors. Directors are elected by the board of representative policyholders. The normal term of office of Directors is two years, although they may serve any number of consecutive terms. The Board of Directors elects from among its members one or more Representative Directors, who have the authority individually to represent us. Under our Articles of Incorporation, the Board of Directors may also elect from among its members an Honorary Chairman, a Chairman, a Vice Chairman, a President and one or more Executive Vice Presidents, Senior Managing Directors and Managing Directors.

Our Articles of Incorporation provide for not more than six Corporate Auditors. Corporate Auditors, at least half of whom must be persons who have not been Directors or employees of Nippon Life or any of its subsidiaries, are elected by the board of representative policyholders. The normal term of office of Corporate Auditors is four years, although they may serve any number of consecutive terms.

In January 2015, we established the Outside Directors Committee as part of our efforts to enhance corporate governance. The Outside Directors Committee is chaired by and comprises a majority of members invited from outside Nippon Life, and serves as an advisory body to the Board of Directors. It deliberates on the appointment of corporate officers and matters relating to compensation, as well as other important management-related issues, and reports the results of its deliberations to the Board of Directors.

The Corporate Auditors form the Board of Corporate Auditors. Corporate Auditors are under a statutory duty to review the administration by the Directors of our affairs, to examine our financial statements and business reports submitted by the Board of Directors to the board of representative policyholders, and to report their opinions thereon to the participating policyholders. They are obligated to attend meetings of the Board of Directors and to express their opinions if necessary, but they are not entitled to vote. Corporate Auditors also have a statutory duty to provide their report to the Board of Corporate Auditors, which must submit its auditing report to a Representative Director. The Board of Corporate Auditors will also determine matters relating to the duties of the Corporate Auditors, such as audit policy and methods of investigation of our affairs and property.

In addition to Corporate Auditors, we must appoint independent auditors, who have the statutory duties of examining the financial statements to be submitted by a Representative Director to the board of representative policyholders and reporting thereon to the Board of Corporate Auditors and a Representative Director. Deloitte Touche Tohmatsu LLC acts as our independent auditor.

Corporate History

We trace our history of 130 years back to our foundation in 1889 when we were formed as a limited liability life insurance company, where we were the first company in the Japanese life insurance business to issue policyholder dividends. In 1899, we reached the first place in terms of policies in force in the Japanese life insurance industry.

The hyperinflation that followed the Second World War had a devastating effect on the entire Japanese life insurance industry, including us. In 1947, we began operations as a mutual life insurance company based on legislation designed to restructure and reorganize the industry.

We have also entered into key business alliances and acquisitions which have fueled our growth and strengthened our position as a leading private life insurance company. These include, among others, our acquisition of the majority interest of Mitsui Life in 2015, which was since rebranded as Taiju Life, our acquisition of the majority interest of MLC in 2016, and our acquisition of the majority interest of MassMutual Japan in 2018, which was since rebranded as Nippon Wealth Life.

In recent years, we believe we have been at the forefront of the Japanese life insurance industry, consistently introducing innovative products that meet our customers' diversified needs. We plan to continue to review our business portfolio and reallocate our resources in order to further improve profitability while realizing sustainable profit growth over the long-term, in order to maintain our position as the leading private life insurance company in Japan, in terms of both assets and revenue.

Subsidiaries and Affiliates

We conduct our business together with our subsidiaries and affiliates (non-subsidiary companies in which we hold, directly or indirectly, 20% to 50% of the issued share capital, or over which we hold significant influence with respect to its finances, operations or businesses). As of March 31, 2019, we had 56 subsidiaries, 12 of which were consolidated subsidiaries. As of the same date, we had 25 affiliates, 14 of which were accounted for under the equity method.

The following table sets forth information on our principal direct and indirect subsidiaries and affiliates as of March 31, 2019:

Name	Country	Main business		Issued capital	Percentage of voting rights held directly by Nippon Life	Percentage of voting rights held by Nippon Life subsidiaries or affiliates[(1)]
				(Millions except as noted)	(%)	(%)
Consolidated Subsidiaries						
TAIJU LIFE INSURANCE COMPANY LIMITED (formerly, Mitsui Life Insurance Co., Ltd.)	Japan	Life insurance business	¥	167,280	82.60	–
Nippon Wealth Life Insurance Co., Ltd. (formerly, MassMutual Life Insurance Company)	Japan	Life insurance business	¥	30,519	85.11	–
Nissay Asset Management Corporation.	Japan	Investment management, investment advisory and type II financial instruments services	¥	10,000	100.00	–
Nissay Credit Guarantee Co., Ltd.	Japan	Credit guarantee services	¥	950	100.00	–
Nissay Leasing Co., Ltd.	Japan	Leasing services	¥	3,099	70.00	–
Nissay Capital Co., Ltd.	Japan	Venture capital services	¥	3,000	100.00	–
Nissay Information Technology Co., Ltd.	Japan	Software development and information processing services	¥	4,000	75.00	3.00
Nippon Life Insurance Company of America	U.S.A.	Life insurance business	$	3.6	96.96	–
MLC Limited	Australia	Life insurance business	A$	2,045	80.00	–
NLI Commercial Mortgage Fund, LLC	U.S.A.	Mortgage loans	$	100	100.00	–
NLI Commercial Mortgage Fund II, LLC	U.S.A.	Mortgage loans	$	100	100.00	–
NLI US Investments, Inc.	U.S.A.	Investments	$	2[(2)]	100.00	–
Affiliates accounted for under the equity method						
Corporate-Pension Business Service Co., Ltd.	Japan	Corporate pension system management	¥	6,000	49.00	1.00
The Master Trust Bank of Japan, Ltd.	Japan	Trust and custody services	¥	10,000	33.50	–

Name	Country	Main business	Issued capital	Percentage of voting rights held directly by Nippon Life	Percentage of voting rights held by Nippon Life subsidiaries or affiliates[(1)]
			(Millions except as noted)	(%)	(%)
Great Wall Changsheng Life Insurance Co., Ltd.	China	Life insurance business	2,167 RMB	28.57	–
Bangkok Life Assurance Public Company Limited	Thailand	Life insurance business	1,707 THB	24.21	–
Reliance Nippon Life Insurance Company Limited	India	Life insurance business	11,963 INR	49.00	–
PT Asuransi Jiwa Sequis Life	Indonesia	Life insurance business	77,630 IDR	0.01	68.34[(3)]
Reliance Nippon Life Asset Management Limited	India	Investment advisory and discretionary investment contract services	6,120 INR	42.88	–
Post Advisory Group, LLC	U.S.A.	Investment advisory and discretionary investment contract services	$ 2.6	–	19.63
PT Sequis	Indonesia	Insurance holding company operations	4,240 IDR	29.26	–
The TCW Group Inc.	U.S.A.	Investment advisory and discretionary investment contract services	$ 200.0	–	100.00[(4)]

Notes:

(1) "Percentage of voting rights held by Nippon Life subsidiaries or affiliates" shows the percentage of voting rights held by Nippon Life consolidated subsidiaries or affiliates accounted for under the equity method based on the total number of voting rights of the outstanding shares.

(2) The figure provides issued capital in dollars.

(3) Represents voting rights held by our equity-method affiliate, PT Sequis, in which we hold 0.01% direct ownership and 29.26% of the total voting rights.

(4) The percentage of voting rights shown is that held by a subsidiary of Clipper Holding, L.P., of which 24.75% of voting rights are held by our subsidiary NLI US Investments, Inc.

Regulation of the Japanese Life Insurance Industry

Insurance Business Act

Nippon Life is regulated principally under the Insurance Business Act, which governs both life and non-life insurance businesses in Japan. Pursuant to the Insurance Business Act, the Prime Minister has the authority to supervise insurance companies in Japan. Most of such authority is delegated to the Commissioner of the FSA, who in turn has delegated a part of such authority to the Directors of the Local Finance Bureaus of the Ministry of Finance. Certain of the provisions of and regulations under the Insurance Business Act and certain other recent regulatory developments are briefly described below. In this description, the term "insurance products" includes annuity products that are sold by life insurance companies in Japan. Such annuity products are regarded as insurance products for purposes of the Insurance Business Act, and the term "insurance" should be interpreted accordingly.

Under the Insurance Business Act, the insurance underwriting business may be conducted by a licensed joint stock corporation, a licensed mutual company or the Japanese branch of a licensed foreign insurer, with certain limited exceptions. Nippon Life is a licensed mutual company. A mutual company is a corporate structure provided for in the Insurance Business Act, pursuant to which policyholders (excluding holders of non-participating policies) may directly participate in the management of a mutual company. Instead of the general meeting of policyholders corresponding to the general meeting of shareholders in respect of a joint stock corporation, the Insurance Business Act permits a mutual company in its articles of incorporation to establish a board of representative policyholders which consists of representative policyholders elected from among participating and semi-participating policyholders. All of the Japanese mutual life insurance companies, including Nippon Life, have established boards of representative policyholders. At each of its annual meetings, the board of representative policyholders receives a report and explanation regarding the business and settlement of accounts and adopts resolutions concerning important matters such as disposition of surplus and election of directors. The term of office of representative policyholders is limited to no more than four years by the Insurance Business Act. Nippon Life's representative policyholders are nominated by the representative policyholders' nominating committee established by Nippon Life taking into account geographical distribution, age, gender and occupations to obtain a balanced representation.

Supervisory Control

Licensing requirements. Under the Insurance Business Act, a license must be obtained from the Prime Minister in order to engage in the business of underwriting insurance for the general public, with certain exceptions. There are two types of insurance business licenses, one for underwriting life insurance and one for underwriting non-life insurance, and the same entity may not obtain both types of licenses. Only mutual companies with foundation funds (including statutory reserve for redemption of foundation funds (*kikin-shokyaku-tsumitate-kin*)) of ¥1 billion or more, or joint stock corporations with paid-in capital of ¥1 billion or more, are entitled to obtain such licenses. The issuance of a license is subject to satisfaction of certain requirements relating to financial condition, prospective results of operations, knowledge, experience, social credibility, insurance products to be offered, and the manner of calculation of insurance premiums, policy reserves, etc. An applicant for an insurance license must submit to the Prime Minister, together with the application for license, certain documents such as its articles of incorporation, a statement of the manner of operations, a form of general policy conditions and a statement of the manner of calculation of insurance premiums and policy reserves. The Prime Minister or the Commissioner of the FSA also has the authority to order the suspension of businesses in whole or in part, dismissal of officers including directors, executive officers, accounting advisers, corporate auditors and independent auditors, and revocation of licenses, in the event of violation of material provisions of laws or regulations or in certain other cases prescribed by the Insurance Business Act. Foreign insurance companies may not engage, with limited exceptions, in the insurance business in Japan without establishing a branch office or similar in Japan and obtaining a license from the Prime Minister. Application procedures and requirements for such a license are substantially the same as in the case of Japanese insurance companies. Also, the Prime Minister, the Commissioner of the FSA and the Director of the relevant Local Finance Bureau of the Ministry of Finance have supervisory authority over foreign insurance companies' branches and offices in Japan, which is similar to the authority they have over insurance companies in Japan.

An amendment to the Insurance Business Act in 2006 introduced the concept of small-amount, short-term insurers. Joint-stock corporations or mutual companies that are registered as small-amount, short-term insurers with the relevant Local Finance Bureaus may conduct insurance underwriting business, with restrictions on the maximum amount of insurance payments and premiums received and the insured period. The small-amount, short-term insurers are subject to less strict regulations than insurers with a license.

Authority of the Commissioner of the FSA. An insurance company must obtain approval from the Commissioner of the FSA with respect to (a) any change in its products or any other term provided in the statement of manner of operations, the form of general policy conditions or the statement of the manner of calculation of insurance premiums and policy reserves (although some of these changes are subject only to prior notification requirements) or certain material provisions of the articles of incorporation, (b) establishment or acquisition of certain subsidiaries, (c) demutualization, mutualization, merger, consolidation, company split, dissolution or cessation of insurance business or (d) transfer of insurance policies, transfer or acquisition of a business in which any or all of the parties thereto are insurance companies, or entrustment to any other insurance company of its administration or property. The Commissioner of the FSA also has extensive supervisory authority over insurance companies, including:

- issuance of orders to insurance companies or their subsidiaries requiring such entities to submit reports or materials concerning the condition of the insurance companies' business and assets;
- examination of the operation of insurance companies at their or their subsidiaries' offices and other premises;
- setting of standards for measuring the soundness of the management of insurance companies;
- issuance of orders to insurance companies to change any term provided in any statement of the manner of operations, the form of general policy conditions, or statement of the manner of calculation of insurance premiums and policy reserves; and
- issuance of orders to insurance companies to submit or amend business improvement plans or to suspend all or part of their business.

Registration requirements. Under the Insurance Business Act, life insurance solicitors, including sales representatives, independent sales agencies and insurance brokers must be registered with the Director of the relevant Local Finance Bureau. The Directors of the Local Finance Bureaus also have the authority to revoke any existing registration upon the occurrence of certain events set forth in the Insurance Business Act and to supervise the operation of such life insurance solicitors.

Reporting requirements. Insurance companies in Japan are subject to various reporting requirements under the Insurance Business Act. Among these requirements, insurance companies in Japan must submit to the Commissioner of the FSA annual and semi-annual business reports in each business year, as well as notifications with respect to any increase in foundation funds or paid-in capital, appointment or resignation of representative directors, directors who engage in the ordinary business of the insurance company, corporate auditors, representative executive officers, executive officers, members of audit committee or independent auditors, the issuance of stock acquisition rights or bonds with stock acquisition rights (applicable only to a joint stock corporation) or subordinated bonds or the borrowing of subordinated loans.

Deregulatory measures. In recent years, a number of deregulatory measures have been adopted in the life insurance industry. For instance, effective from April 1996, it is no longer necessary for insurance companies in Japan to obtain the approval of the Minister of Finance or the Commissioner of the FSA for any change in the terms of insurance contracts to be entered into by pension funds or other sophisticated customers or for any change in the terms of group annuities or certain other products specified in the Insurance Business Act and related regulations. Instead of obtaining the approval of the Minister of Finance or the Commissioner of the FSA, insurance companies are now required to file prior notifications to the Commissioner of the FSA with respect to these matters.

Also, sales representatives were previously not permitted to work for more than one life insurance company. However, this exclusivity requirement was relaxed in 1996 by an amendment to the Insurance Business Act in 1995. As a result of this amendment, an independent sales agency may become a sales representative of two or more life insurance companies in certain circumstances specified by the relevant cabinet order as not being likely to result in impairing the protection of policyholders in light of the relevant factors including the ability of the sales representative to carry on the insurance solicitation. Based on this exception, banks registered as independent sales agencies under the Insurance Business Act for over-the-counter insurance sales activities may also act as sales representatives for two or more life insurance companies.

Regulations on solicitation. The Insurance Business Act prohibits certain solicitation activities, such as false notice or nondisclosure of important matters, for the purpose of protecting potential insurance policyholders. In addition, recent amendments to the Insurance Business Act, which became effective in May 2016, established general rules for insurance solicitation to promote more appropriate solicitation practices. These general rules impose on insurance companies and life insurance solicitors, including sales representatives, independent sales agencies and insurance brokers (i) an obligation to ascertain the customer's wishes and to propose products in accordance with the customer's wishes and (ii) an obligation to provide customers with product information and other necessary information during insurance solicitation.

Furthermore, sales representatives of life insurance companies, independent sales agencies and insurance brokers are prohibited under the Insurance Business Act from selling insurance policies (excluding certain insurance policies specified by the Commissioner of the FSA) to employees and other persons affiliated with their own company, for the purpose of protecting such employees and other persons from coercive purchasing under pressure from their employers or other affiliated entities.

Restrictions on Scope of Business

Scope of business. Under the Insurance Business Act, insurance companies in Japan are permitted to engage only in the business of underwriting insurance pursuant to its license, investing premium revenues and other assets, and certain other businesses set forth in the Insurance Business Act (with the prior approval of the Commissioner of the FSA for certain types of businesses), including:

- representation of or carrying out certain services on behalf of other insurance companies and financial service operators, including preparation or delivery of documents relating to the underwriting of insurance, collection of premiums, payment of insurance claims and benefits or execution of insurance policies (including brokerage), each for or on behalf of other insurance companies or other financial service operators, and acting as an agent with respect to banking and certain financial instruments businesses;
- providing guarantees for third parties;
- underwriting bonds issued or guaranteed by the Japanese government or bonds issued by Japanese municipal governments or handling of public offerings of bonds so underwritten;
- acquisition or transfer of accounts receivable;

- underwriting bonds issued by a special purpose company (*tokutei mokuteki kaisha*) under the Act on Securitization of Assets of Japan (Act No. 105 of 1998, as amended) or the handling of public offerings of bonds so underwritten;
- acquisition or transfer of short-term notes (i.e., paperless commercial paper);
- handling of private placements of securities;
- dealing in, or acting as an intermediary, broker or agent with respect to dealing in, certain kinds of financial futures and other derivatives;
- certain types of securities business specified in the Insurance Business Act and the FIEA, such as the sale of units of investment funds;
- handling of public offering of, or commissioning the administration of, municipal government bonds or corporate bonds or other bonds;
- trust business concerning secured bonds that is carried out pursuant to the Secured Bond Trust Act of Japan (Act No. 52 of 1905, as amended);
- investment advisory business;
- execution of, or acting as an intermediary, broker or agent with respect to execution of, agreements to obtain or transfer carbon dioxide equivalent quotas;
- fund transfer business as provided for in the Act Concerning Settlement of Funds of Japan (Act No. 59 of 2009, as amended); and
- trust business relating to insurance claims paid.

Regulation concerning third-sector insurance products. In the Japanese insurance industry, life insurance products and non-life insurance products are called "first-sector" and "second-sector" insurance products, respectively, and insurance products which do not fit into either category are called "third-sector" insurance products.

Before the deregulation described below, third-sector insurance products were permitted to be sold as independent products only by foreign-owned or small to medium-sized life insurance companies, although large life insurance companies and life insurance subsidiaries of non-life insurance companies were permitted to sell such products as riders to first-sector insurance products.

Deregulation has gradually relaxed the restrictions imposed on the sale of third-sector insurance products, and currently it is possible for life insurance companies (including life insurance subsidiaries of non-life insurance companies) in Japan to sell third-sector non-life insurance products. Non-life insurance companies in Japan are also now permitted to sell third-sector life insurance products.

Restrictions on scope of business of subsidiaries. The Insurance Business Act restricts the types of businesses in which insurance companies in Japan may engage through subsidiaries. Previously, the Insurance Business Act prohibited life insurance companies in Japan from directly, or indirectly through subsidiaries, engaging in the non-life insurance business and also prohibited non-life insurance companies in Japan from directly, or indirectly through subsidiaries, engaging in the life insurance business. As a result of deregulation, however, life insurance companies in Japan are permitted to have non-life insurance subsidiaries, and non-life insurance companies in Japan are permitted to have life insurance subsidiaries. In addition, as a result of further deregulation, it became possible for insurance companies in Japan to have subsidiaries engaging in certain financial instruments businesses, including securities business, or banking business, with the prior approval of, or prior notice to, the Commissioner of the FSA. Holding companies that hold more than 50% of the voting rights of an insurance company (the "insurance holding companies"), can hold subsidiaries engaging in businesses identical to the foregoing only with prior notice, and may also hold subsidiaries engaging in other businesses with the prior approval of the Commissioner of the FSA (all such permitted subsidiary businesses "Permitted Subsidiary Business").

In order to promote foreign expansion of Japanese insurance companies, restrictions on the scope of business of foreign subsidiaries of Japanese insurance companies have been relaxed. In 2012, the Insurance Business Act was amended to permit Japanese insurance companies to hold foreign subsidiaries engaging in businesses other than the Permitted Subsidiary Business if such foreign subsidiaries are acquired as a result of the acquisition of certain types of foreign insurance companies or foreign insurance holding companies. However, under the Insurance Business Act, Japanese insurance companies must dispose of or otherwise remove such foreign subsidiaries as subsidiaries within five years following the acquisition, unless an extension is obtained from the Commissioner of the FSA. In addition, in November 2014, a further amendment to the Insurance Business Act became effective, permitting Japanese insurance companies to hold foreign subsidiaries engaging in businesses other than the Permitted Subsidiary Business if such foreign subsidiaries are acquired as a result of the acquisition of certain types of foreign banks, financial institutions or financial holding companies, although, as mentioned above, they must dispose of or otherwise remove such foreign subsidiaries as subsidiaries within five years following the acquisition, unless an extension is obtained from the Commissioner of the FSA.

Restrictions on shareholdings of another company. With the exception of certain companies that are allowed to be subsidiaries of insurance companies, the Insurance Business Act generally prohibits an insurance company and/or its subsidiaries from acquiring or holding aggregate voting rights of another domestic company in excess of 10% of the total voting rights of all shareholders of such domestic company. Also, the Act Concerning Prohibition of Private Monopoly and Maintenance of Fair Trade of Japan (Act No. 54 of 1947, as amended) generally prohibits an insurance company from acquiring or holding voting rights of another domestic company in excess of 10% of the total voting rights of all shareholders of such domestic company without obtaining the prior approval of the Fair Trade Commission pursuant to the standards established by the Fair Trade Commission.

Restrictions on insurance business by other financial corporations. Securities companies, banks and other financial institutions (other than insurance companies) were previously prohibited from engaging in the insurance business or selling insurance products in Japan. However, in line with the relaxation of the restriction on the scope of business able to be engaged in by insurance companies and their subsidiaries, the legal barriers preventing securities companies, banks and other financial institutions from entering into the insurance markets have gradually been lifted.

Cooperative associations (*kyosai*) are mutual aid societies traditionally formed by a group of persons such as those with the same occupation or regional community, which provide mutual aids, such as funeral expenses, from the pooled contributions of members. Except for some cooperative associations, including the Japan Agricultural Cooperatives, the National Federation of Workers and Consumers Insurance Cooperatives and the Japanese Consumers' Co-operative Union, which are regulated by special laws, cooperative associations are subject to regulations under the Insurance Business Act as a result of an amendment to the Insurance Business Act that became effective in 2006. In 2011, the Insurance Business Act and related regulations were further amended such that cooperative associations which meet certain requirements would be allowed to provide mutual aids with the special authorization of the relevant authorities, even if they have no insurance business licenses.

Restrictions on investments. Under the Insurance Business Act, aggregate investments by an insurance company in Japan in any single company and its related companies (including the purchase of debt or equity securities issued by, and loans to or deposits with, such company or any of its related companies) may not exceed 10% (or 3% in the case of loans and guarantees) of its general account assets, as prescribed in the related regulations, except as approved by the Commissioner of the FSA. If an insurance company has subsidiaries or affiliates, except as approved by the Commissioner of the FSA, the aggregate investments by such insurance company and its subsidiaries and affiliates in a single company or its related companies may not exceed 10% (or 3% in the case of loans and guarantees) of the aggregate of such insurance company's general account assets, as prescribed in the related regulations, and the equity of such subsidiaries and affiliates, which aggregate amount will be adjusted to such extent as may be deemed necessary by the Commissioner of the FSA. However, these restrictions are not applicable with regard to the investment by an insurance company in its subsidiary, on the condition that such subsidiary is also an insurance company or an insurance holding company and the investment is via the purchase of shares of such subsidiary.

Financial Regulation

Foundation funds. Foundation funds (sometimes referred to as "*kikin*" or "funds") serve as capital for Japanese mutual companies. Unlike paid-in capital for joint stock corporations, however, foundation funds have a stated maturity and accrue interest payment obligations on a subordination basis.

The mutual company is permitted to make principal and interest payments under the foundation funds so long as the payments in any particular year are approved by the board of representative policyholders and do not exceed certain maximum amounts prescribed in the Insurance Business Act (such amounts, the "distributable principal surplus" with respect to principal payments and the "distributable interest surplus" with respect to interest payments).

Under the Insurance Business Act, the mutual company is required to obtain approval of the board of representative policyholders each year in order to distribute surplus for the payment of interest on the foundation funds. The mutual company is also required under the Insurance Business Act to obtain approval of its representative policyholders each year in order to distribute surplus for the payment of principal of the foundation funds. In addition, in order for a mutual company to make principal payments with respect to the foundation funds, it will also be required under the Insurance Business Act to have accumulated statutory reserve for redemption of foundation funds (*kikin-shokyaku-tsumitate-kin*) in an amount equal to the principal payment.

If in any particular year, the conditions mentioned above are not met, a mutual company will be unable in that year to make all or part of the principal or interest payments due under the foundation funds. In such cases, the holder of the foundation funds would not be able to compel the mutual company to make such payment. Notwithstanding the above, if the board of directors fails to adopt a resolution approving a voluntary reserve for redemption of foundation funds for a payment of principal due under the foundation funds, the holder of the foundation funds may be able to make a claim against the mutual company for the payment of principal, but only in an amount less than or equal to the amount accumulated under the voluntary reserve for redemption of foundation funds.

Policyholder dividends. The Insurance Business Act provides that the distribution of policyholder dividends by insurance companies in Japan must be made in a fair and equitable manner in accordance with the provisions of the related regulations. An insurance company must calculate the amount of profits to be reserved for distribution of policyholder dividends for each type of insurance policy categorized by the nature of the policy, and must choose a calculation method from among those set forth in the regulations. The regulations also provide that the amount of reserve for dividends to policyholders may not exceed the aggregate sum of the following:

- the amount of policyholder dividends which were distributed but reserved with interest;
- the amount of distributed but unpaid dividends, excluding dividends prescribed in the above item but including dividends to be paid in the following fiscal year at the end of each fiscal year;
- the amount of dividends which would be required to be paid to policyholders if all participating policies were prematurely terminated; and

- certain other amounts similar in nature to the amounts mentioned above, to be calculated in accordance with the method prescribed in the statement of the manner of calculation of insurance premiums and policy reserves.

The Insurance Business Act requires an insurance company which is a mutual company to apply a certain percentage of unappropriated retained earnings to provision for reserve for dividends to policyholders and reserve for balancing policyholder dividends. In addition, the Actuarial Standards of Practice for Life Insurance Companies provide certain criteria which must be considered by the chief actuary in determining whether the distribution of policyholder dividends by a life insurance company is made in a fair and equitable manner. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Results of Operations—Our Decisions on Policyholder Dividends."

Policy reserves. Under the Insurance Business Act, insurance companies in Japan are required to provide policy reserves at the end of each fiscal year for the fulfillment of future obligations under insurance policies. The policy reserves of life insurance companies shall be calculated based on the amount of insurance premiums actually received and shall consist of the following:

- premium reserve;
- unearned premium reserve;
- reserve for refunds; and
- contingency reserve.

The Insurance Business Act and related regulations provide that the amounts of the premium reserve and reserve for refunds with respect to certain insurance policies specified in such regulations must not be lower than the amount of the "standard policy reserve." The concept of "standard policy reserve" was introduced by an amendment to the Insurance Business Act effective in April 1996 to ensure the financial soundness of life insurance companies. A public notice issued under the Insurance Business Act by the then Ministry of Finance in 1996, as amended, sets forth the method of provision for the standard policy reserve and the assumed yield and the standard mortality rates which must be adopted or used in calculating the amounts of the standard policy reserve, regardless of the amount of insurance premiums actually received. Pursuant to this public notice, the amount of the standard policy reserve must in general be calculated by the net level premium method, applying an assumed yield applicable as of the date of entering into the insurance policies and applying the standard mortality rates which must be set by the IAJ and confirmed by the Commissioner of the FSA. As to the insurance policies entered on or before March 31, 2015, the assumed yield was set as applied across all types of insurance policies. However, the assumed yield applicable to the insurance policies entered on or after April 1, 2015 may vary among different types of insurance policies, and the assumed yield applicable to certain types of insurance policies with lump-sum premiums set forth in the public notice above may be changed every three months, in contrast to such assumed yield as applicable to the other types of insurance policies which may be changed only once a year. Standard mortality rates are based on the rates set forth in the standard mortality table established by the IAJ and confirmed by the Commissioner of the FSA. The standard mortality table has been revised and as so revised is applied to new insurance policies sold on and after April 1, 2018. The public notice provides different rules for calculation of the amount of the standard policy reserve for variable insurance policies in which a life insurance company guarantees the minimum amount of payment and of which premiums are administered in separate accounts of such life insurance company. The amounts of the premium reserve and reserve for refunds with respect to insurance policies which are not subject to the provision of standard policy reserve, unearned premium reserve and contingency reserve must be calculated as set out in a statement of the manner of calculation of insurance premiums and policy reserves by each life insurance company based on the amount of insurance premiums actually received.

Appointment of chief actuary. Under the Insurance Business Act, each life insurance company is required to appoint a chief actuary by resolution of its board of directors, and the chief actuary so appointed must participate in the calculation of insurance premiums, policy reserves, policyholder dividends, reserve for outstanding claims and certain other matters set forth in the ministerial ordinance promulgated under the Insurance Business Act. Also, the chief actuary must examine, at the end of every fiscal year, whether the provision of policy reserves and the distribution of policyholder dividends have been made appropriately and whether it is difficult to continue the insurance business (based upon the reasonable estimate made in accordance with actuarial principles of the future revenue and expense) and whether the solvency margin ratio (as explained below) of the insurance company has been appropriately calculated based upon actuarial principles, and must submit an opinion to the board of directors of such life insurance company and provide a copy of such opinion to the Commissioner of the FSA. The Commissioner of the FSA may seek explanations with respect to the opinion issued by the chief actuary or seek advice on any matter in which the chief actuary is involved.

Solvency margin ratio. Under the Insurance Business Act, the Commissioner of the FSA has the authority to set standards for measuring the financial soundness of the management of insurance companies in Japan. The solvency margin ratio is a standard designed to measure the ability of insurance companies to make payment for insurance claims and other claims upon the occurrence of unforeseeable events such as natural disasters. The concept of the solvency margin ratio was introduced by an amendment to the Insurance Business Act and related regulations which became effective in April 1996. The manner of calculation of the solvency margin ratios is provided in an Ordinance of the Ministry of Finance promulgated under the Insurance Business Act, as amended, and by public notices and administrative directives issued previously by the Ministry of Finance and currently by the FSA. It has been revised several times as recently as April 17, 2019 to ensure that the solvency margin ratios represent more appropriately the ability of insurance companies in Japan to make required payments upon the occurrence of unforeseeable events. Currently, the solvency margin ratio for life insurance companies is calculated on a nonconsolidated basis pursuant to the following formula:

$$\text{Nonconsolidated solvency margin ratio} = \frac{\text{(Solvency margin gross amount)x100}}{\text{(Total amount of risk)x1/2}}$$

In the above formula:

"Solvency margin gross amount" represents the sum of the following:

- net assets or foundation funds (less certain items);
- reserve for price fluctuations in investments in securities;
- contingency reserve;
- general reserve for possible loan losses;
- net unrealized gains/losses on certain securities (multiplied by 90% if gains or 100% if losses), deferred unrealized gains and losses on derivatives under hedge accounting and land (multiplied by 85% if gains or 100% if losses); and
- certain other items (including perpetual subordinated debt which satisfy certain requirements (such as deferral of interest payment obligations) and dated subordinated debt with maturity longer than five years).

"Total amount of risk" is a quantified measure of the total unforeseeable risk borne by the life insurance company, which consists of risk amounts calculated based on standards specified by the Commissioner of the FSA as follows:

- the amount of the "underwriting risk (other than underwriting risk of third-sector insurance)" and the "underwriting risk of third-sector insurance," that is, the risk which may arise as a result of the actual rate of occurrence of insurance events exceeding normal expectation;

- the amount of the "assumed yield risk," that is, the risk of failing to secure the assumed yield which serves as the basis of calculation of the policy reserves;
- the amount of the "minimum guarantee risk," that is, the risk associated with any insurance policy with a separate account, that may arise if the amount of the assets in the relevant separate account does not reach the minimum amount of the payment guaranteed under such insurance policy due to price fluctuations of the assets in such separate account or other reasons which may arise beyond normal expectation;
- the amount of the "investment risk," that is, the aggregate sum of (i) the amount equal to the "risk of price fluctuation," or the risk which may arise due to, among other things, fluctuation of prices of securities and any other assets held by the insurance company beyond normal expectation, (ii) the amount equal to the "credit risk," or the risk which may arise due to, among other things, default of obligations by a counterparty to any transaction with respect to securities and any other assets held by the insurance company, (iii) the amount equal to the "affiliate companies' risk," or the risk which may arise due to, among other things, investment in any affiliate company, (iv) the amount equal to the "derivative transaction risk," or the risk which may arise due to, among other things, certain futures or forward transactions or certain derivative transactions, (v) the amount equal to the "credit spread risk," or the risk which may arise due to, among other things, fluctuation of prices beyond normal expectations with respect to credit derivatives transactions, and (vi) the amount equal to the "reinsurance risk," or the risk which may arise due to reinsurance transactions; and
- the amount of the "business management risk," that is, the other risks beyond normal expectation in the company's business.

The FSA is currently undertaking a comprehensive review of the solvency regulation and plans to revise it in two stages, short- and mid-term. The short-term revisions were concluded by the amendments to the calculation standards of the solvency margin ratio that were introduced and effected from March 31, 2012, including:

(i) restrictions on the inclusion of certain items in the amount of solvency margin, such as certain surplus portions of the policy reserves and deferred tax assets related to net loss carried forward, and with regard to subordinated debt, the total amount of subordinated debt and certain surplus portions of the policy reserves to be included in the solvency margin is limited to the amount of core margin (*chukaku-teki shiharai yoryoku*), generally calculated by summing up net assets, reserve for price fluctuations in investments in securities, contingency reserve and unappropriated portions of reserve for dividends to policyholders, and making certain deductions (including loss on valuation of other securities) and adjustments. However, this limitation is not applied in the case of "specified subordinated debt" or "*tokutei fusaisei shihon*" which satisfies not only certain requirements for subordinated debt under previous regulations (such as limitation of redemption and deferral of interest payment obligations), but also additional requirements under the current regulations (such as stricter restrictions on coupon step-up and the requirement of deferred interest being non-cumulative or cumulative but deferrable for an unlimited period);

(ii) requirement of stricter and more elaborate risk assessment, by such means as raising the confidence level of the coefficient of each risk (from 90% to 95%), renewing statistical data to be used as the basis of the coefficient of each risk and introducing a calculation of the investment diversification effect related to the price change risk based on each company's portfolio; and

(iii) requirement of chief actuaries' confirmation on the appropriate calculation of the solvency margin ratio.

In addition, since March 31, 2012, amendments to the Insurance Business Act introduced the consolidated solvency margin ratio regulation, covering insurance companies or insurance holding companies and their subsidiaries and affiliates.

The consolidated solvency margin ratio for life insurance companies is calculated on a consolidated basis pursuant to the following formula:

$$\text{Consolidated solvency margin ratio} = \frac{(\text{Solvency margin gross amount})\text{x}100}{(\text{Total amount of risk})\text{x}1/2}$$

In the above formula:

"Solvency margin gross amount" represents the sum of the same items shown on a consolidated balance sheet as described in the formula for the nonconsolidated basis and certain other items. Since March 31, 2014, for calculation of the consolidated solvency margin ratio, the amounts of unrecognized actuarial differences and unrecognized prior service costs shall be included in the solvency margin gross amount.

"Total amount of risk" is a quantified measure of the total unforeseeable risk borne by the life insurance company group, which consists of risk amounts calculated on the basis of standards specified by the Commissioner of the FSA.

In connection with the development and possible introduction of new standards for solvency assessment by the IAIS, the FSA is considering the adoption of an economic value-based solvency regime and use of internal models in the course of medium-term review of solvency margin regulations. In June 2010, June 2014, June 2016 and June 2018, the FSA conducted the field tests of an economic value-based solvency regime covering all insurance companies in Japan, the results of which were published in 2011, 2015, 2017 and 2019, respectively. See "Risk Factors—As a Japanese insurance company, we are subject to extensive oversight of our business practices and must maintain a solvency margin ratio at or above required levels."

Subordinated debt (fusaisei shihon). Under the solvency regulations as prescribed in the Insurance Business Act and its related rules, subordinated debt (*fusaisei shihon*) may be included in the amount of solvency margin subject to certain conditions or qualification. In order for an amount of debt to qualify as a subordinated debt which may be included into the amount of solvency margin (*fusaisei shihon choutatsu shudan to*), it must satisfy either of the following conditions:

(i) a debt instrument which (a) is unsecured, subordinated to any other debts and fully paid-in; (b) will not be subject to redemption except at the option and sole discretion of the issuer and under certain conditions as specified in the related rules thereto; (c) may be used for loss compensation; and (d) interest deferral provisions exist; or

(ii) a subordinated debt obligation with fixed maturity which (a) has a maturity period of over five years at the time of execution; and (b) in the event where early redemption provisions exist, such early redemption to be at the option and sole discretion of the issuer and under certain conditions as specified in the related rules thereto.

In addition, the amount of such qualifying subordinated debt that may be included into the amount of solvency margin is subject to certain limitations as specified in the related rules thereto, except for certain "specified subordinated debt" as detailed in "—Solvency margin ratio" above.

Prompt corrective action. The Commissioner of the FSA has the authority to order an insurance company with an insufficient solvency margin ratio or negative real net assets, as defined below, to take prompt corrective action. In general, insurance companies with solvency margin ratios of 200% or higher are considered sound. If the ratio falls below 200%, the Commissioner of the FSA may order the insurance company to submit and implement a business improvement plan that will reasonably ensure the soundness of the management. If the ratio falls below 100%, the

Commissioner of the FSA may order the insurance company to take measures to enhance solvency, including without limitation:

- suspension or reduction of payment of dividends to policyholders or payment of remuneration to directors;
- revision of the manner of calculation of insurance premiums for new insurance policies;
- reduction of business expenses;
- suspension or reduction of investments in certain manners;
- closure of offices other than the head or main office;
- curtailment of businesses other than insurance underwriting;
- curtailment of business of sales offices, subsidiaries and affiliates; and
- disposition of shares or other equity interests in subsidiaries and affiliates.

If the solvency margin ratio falls below 0%, the Commissioner of the FSA may order the insurance company to suspend all or part of its operations for a period of time, as specified by the Commissioner of the FSA; however, even if the solvency margin ratio falls below 0%, if the amount of real net assets of the insurance company is positive or expected to be positive, the Commissioner of the FSA may order a suspension of payment of policyholder dividend and remuneration to directors or such other measures as may be taken for an insurance company with a ratio from 0% to 100%, rather than suspend the operations of the insurance company. Furthermore, even if the solvency margin ratio is above 0%, if the amount of real net assets of the insurance company is negative or expected to be negative, the Commissioner of the FSA may suspend all or part of the operations of the insurance company. The amount of real net assets is calculated by subtracting non-capital real liabilities from real assets. For these purposes, real assets are equal to an amount calculated based on assets reflected in the balance sheet (including, but not limited to, assets such as marketable securities and real estate with readily obtainable fair value) in accordance with the method promulgated by the Ordinance of the Cabinet Office and the Ministry of Finance No. 45 of 2000, as amended, while non-capital real liabilities are equal to an amount calculated based on liabilities reflected in the balance sheet (excluding certain amounts such as the reserve for price fluctuations in investments in securities and the contingency reserve) in accordance with the method promulgated by the Commissioner of the FSA and the Minister of Finance.

In addition to the above, the Commissioner of the FSA is authorized under the Insurance Business Act, when it considers that in view of the business condition or assets of an insurance company, it is difficult for the insurance company to continue its business, or that because the business operations of the insurance company are grossly inappropriate, continuation of such business would likely be detrimental to the protection of policyholders, to (i) order the insurance company to discuss the merger or suspension of its business operations or transfers of its insurance portfolio or implementation of any other necessary measures, or (ii) order an insurance custodian to take over the administration of the business and assets of the insurance company.

Regulation for the Protection of Policyholders

Alteration of policy terms. The Insurance Business Act permits a life insurance company which is likely to have difficulty in continuing its business to alter its policy terms, inter alia, reduce the assumed yield to policyholders. In order to implement such alteration of policy terms, in the case of a mutual company, after the approval of the Commissioner of the FSA has been obtained, recognizing such likelihood of difficulty in continuing its business, the board of representative policyholders has to decide on a plan to alter the policy terms, in principle, with the approval required of three-fourths or more of the representative policyholders attending a board of the representative policyholders meeting at which half or more of all representative policyholders shall attend. Further, the insurance company must obtain the approval of the Commissioner of the FSA after the approval of the board of representative policyholders. In the case where more than 10% of the total number of policyholders whose policies will be subject to the plan object and the amount provided in the ministerial ordinance promulgated under the Insurance Business Act as the amount of the claims regarding the insurance policies of such objecting policyholders exceeds 10% of the aggregate amount of the claims regarding the insurance policies subject to the plan, the alteration shall not be carried out. Notwithstanding the foregoing, the assumed yield may not currently be reduced to less than 3% as prescribed in the cabinet order under the Insurance Business Act.

Life Insurance Policyholders Protection Corporation of Japan. The Insurance Business Act prescribes the establishment and the manner of operations of corporations for the protection of insurance policyholders and requires that all life insurance companies participate in such a corporation and make contributions pursuant to the articles of incorporation of such corporation. The LIPPC is the sole corporation for the protection of life insurance policyholders that has been established to date. All life insurance companies doing business in Japan are members of the LIPPC. The LIPPC is responsible for providing support to maintain outstanding insurance policies issued by failing life insurance companies. "Failing life insurance companies" in this context mean life insurance companies that (i) suspend or, based on the state of their operations or assets, are likely to suspend payment of insurance claims, or (ii) are unable to perform their obligations, or are likely to be, unable to perform their obligations, with their assets. The support to be provided by the LIPPC includes the following:

- financial aid for the transfer of insurance policies from a failing life insurance company to another life insurance company, merger of a failing life insurance company into another life insurance company or acquisition of shares of a failing life insurance company by another life insurance company or an insurance holding company;
- establishment and management of a successor life insurance company which will assume the liabilities for all insurance policies of the failing life insurance company by way of transfer of insurance portfolios, or merger with the failing life insurance company, provided that no other insurance company is expected to assume liabilities under the insurance policies sold by the failing life insurance company;
- assumption of all or a part of the insurance policies sold by a failing life insurance company, provided that no other insurance company is expected to assume liabilities under such insurance policies;
- financial aid for payment of insurance claims by a failing life insurance company suspending the payment pursuant to an order for suspending business operations under the Insurance Business Act, or due to reorganization or bankruptcy proceedings; and
- purchase from policyholders of their unpaid insurance claims against a failing life insurance company.

The amount of financial aid which can be provided by the LIPPC is, with certain exceptions depending upon the kind of insurance policy, principally limited to an amount which is necessary to maintain 90% (for policies with a high assumed yield, lower than 90%) of the sum of the policy reserves (not including the contingency reserve), the reserve for outstanding claims and the reserve for dividends to policyholders or participating policyholder dividends (excluding the undistributed portion thereof) pertaining to insurance policies.

In addition to annual contributions from its member companies, the LIPPC may borrow a maximum of ¥460 billion in total from banks, insurance companies or financial institutions with the approval of the Commissioner of the FSA and the Minister of Finance. The Insurance Business Act and related regulations provide that, if the LIPPC needs funds in excess of ¥460 billion (with certain exceptions) to support life insurance companies which fail between April 1, 2006 to March 31, 2022, the Japanese government may, subject to provision in a budget approved by the Diet, subsidize the LIPPC.

Policyholders' lien. Every holder of a life insurance policy issued by a Japanese life insurance company has a statutory lien (*sakidori tokken*) over the life insurance company's total assets with respect to the amount of reserve for payment to the insured under such policy. In addition, each person (including the policyholder) who has any right (i) to receive insurance claims or benefits, (ii) to seek compensation by a life insurance company for damages suffered by such person or (iii) to receive any refund, surplus, dividend or other distribution from the company, has a statutory lien over the life insurance company's total assets with respect to the amount of such right. The rights secured by statutory liens created under the Insurance Business Act have priority over the rights of general creditors, and are subordinated only to the rights secured by certain other statutory liens or by mortgages, pledges or other security interests.

Reorganization (kosei) proceedings. Previously, reorganization proceedings under the Corporate Reorganization Act of Japan (Act No. 154 of 2002, as amended), were available only to joint stock corporations. However, by an enactment of the Act Concerning Special Handling of Reorganization Procedures for Financial Institutions, Etc. of Japan (Act No. 95 of 1996, as amended), such proceedings became applicable to mutual insurance companies, and the Commissioner of the FSA was given the authority to file a petition for commencement of reorganization proceedings at any time when any fact constituting a reason for commencement of bankruptcy proceedings is likely to occur, even if such mutual insurance company is not then actually failing. The trustee appointed in reorganization proceedings has the right to cancel any existing contracts other than insurance contracts entered into by the company.

Deposit Insurance Act

The Deposit Insurance Act of Japan (Act No. 34 of 1971, as amended) (the "Deposit Insurance Act") was originally enacted in order to protect depositors when banks and other banking institutions fail to meet their obligations. The Deposit Insurance Act was amended effective from March 2014, for the purpose of introducing a new resolution regime for failed financial institutions, including insurance companies, with a view to preventing systemic risks. The new regime has the following characteristics: (i) financial institutions including banks, insurance companies and securities companies and their holding companies are subject to the regime, (ii) necessary measures such as provision of liquidity and financial assistance are implemented under the supervision or control of the Deposit Insurance Corporation of Japan, and for which contractual bail-in options (writing down of unsecured subordinated debt and converting unsecured subordinated debt into equity) are exercised and (iii) the expenses for implementation of the measures under this regime are borne by the financial industry with an exception under which it may be partially borne by the government of Japan.

Insurance Act

Insurance contracts in Japan had been governed as commercial transactions by the Commercial Code of Japan (Act No. 48 of 1899, as amended) (the "Commercial Code"). In June 2008, the Insurance Act of Japan (Act No. 56 of 2008, as amended) (the "Insurance Act") was newly promulgated, which became the primary law to govern insurance contracts when it came into effect on April 1, 2010.

The Insurance Act provides for formation, effect and other issues regarding insurance contracts, and is applied to life insurance contracts, non-life insurance contracts and accident and health insurance contracts, as well as mutual aid contracts. In addition to the establishment of rules for a change of an insurance beneficiary, measures to prevent moral hazard and other improvements, the Insurance Act also strengthens policyholder protections, as compared to previous legislative measures. This includes the following:

- Under the Commercial Code, a policyholder and an insured party were required to provide notice regarding important matters concerning the possibility of death or survival of the insured whether or not expressly requested by the life insurer. In contrast, the Insurance Act requires them to provide notice regarding important matters only when the life insurer expressly requests that it be provided with notice of such matters.

- In the case where the possibility of death has significantly decreased after the execution of a life insurance policy, the policyholder shall have the right to request a reduction of the insurance premium.
- Even if a payment date for an insurance benefit is specified in a life insurance policy and such date has not yet arrived, the life insurer shall be obliged to pay the insurance benefit after a reasonable period of time has elapsed for the insurer to be able to confirm the items necessary for payment of the insurance benefit.
- Any agreement which is less favorable for any policyholder, any insured and/or any insurance beneficiary than the measures stipulated in the above mentioned provisions of the Insurance Act shall be invalid.
- When a life insurance contract is executed, the life insurer must deliver to the policyholder a document explaining the contents of the insurance contract and certain other items without delay.

In addition, the Insurance Act has established a new rule for the protection of certain insurance beneficiaries. Under this rule, insurance beneficiaries can defeat cancellation of certain insurance contracts by a third party who holds a right of cancellation, such as an attaching creditor or bankruptcy administrator, with the consent of the policyholder, by the payment of a certain amount to such third party and by giving notice to the insurer within one month of the cancellation.

Financial Instruments and Exchange Act

The FIEA generally requires that any person or entity that is to engage in the financial instruments business be registered with the Director of the competent Local Finance Bureau as a registered financial instruments business operator. NAM is registered with the Director of the Kanto Local Finance Bureau as a financial instruments business operator qualified to provide investment advisory services, investment management services and certain securities dealing businesses under the FIEA, and its operations are subject to the supervision of the Commissioner of the FSA and the Director of the Kanto Local Finance Bureau. The manner of operations of registered financial instruments operators is set forth in the FIEA and related regulations.

The FIEA also requires that each life insurance company be registered as a registered financial institution with the Director of the competent Local Finance Bureau if it is to engage in certain financial instruments businesses, including certain securities dealing businesses, permitted to financial institutions under the FIEA. Life insurance companies so registered are subject to the supervision of the Director of such Local Finance Bureau with respect to their financial instruments business substantially in the same manner as are financial instruments business operators in Japan. Nippon Life is registered with the Director of the Kinki Local Finance Bureau as a registered financial institution and subject to the supervision of such Director with respect to its financial instruments business. Further, if the life insurance company is to engage in such financial instruments business for an unspecified number of customers, the life insurance company is required to set forth the contents and method of said business and acquire approval from the Commissioner of the FSA pursuant to the Insurance Business Act. Nippon Life has acquired such approval.

Although the FIEA does not directly regulate insurance policies, the Insurance Business Act provides for the regulation of insurance policies with strong investment characteristics, such as foreign currency-denominated insurance and variable insurance, to the effect that the rules for sales and solicitation activities for such insurance products would be subject to similar restrictions as those established under the FIEA. These rules include, among others, (i) regulations on advertisements, (ii) obligation to deliver documents in a written form which must clearly state the possibility of incurring losses and the amount of fees, prior to concluding a contract, (iii) prohibition of loss compensation, and (iv) the suitability rule. These restrictions apply to sales representatives, independent sales agencies and insurance brokers, as well as insurance companies.

Act on Sales of Financial Products and Consumer Contracts Act

The Act on Sales of Financial Products of Japan (Act No. 101 of 2000, as amended) is designed to protect investors in financial products, including insurance products. Under this law, financial service providers, including Nippon Life as a life insurance company, are required to provide adequate explanations to customers of certain material matters such as risks of losses incurred by customers and mechanisms of such financial products causing losses, and to ensure that their solicitation of customers to purchase financial products is made in a fair manner, taking into account each customer's knowledge, experience, financial condition and purpose of purchasing such products. This law also prohibits financial service providers from providing a conclusive statement or misleading information in respect of any uncertain matter in connection with sales of financial products. Financial service providers are held liable for damages suffered by their customers as a result of any failure to meet these obligations. The amount of damages is refutably presumed by the law to be the loss of capital.

The Consumer Contracts Act of Japan (Act No. 61 of 2000, as amended) is designed to protect individual consumers who enter into contracts, or consumer contracts, with business operators, including Nippon Life, in light of the wide disparity between individual consumers and business operators in terms of the volume and quality of information and bargaining power. Under this law, a consumer may cancel, within the shorter of six months after the consumer is entitled to ratify the contract and five years after the contract date, any consumer contract entered into by such consumer if he or she has proposed or agreed to enter into the relevant consumer contract due to his or her misunderstanding arising from a material false statement, a failure to provide material information that is disadvantageous to consumers, or a conclusive statement as to any uncertain future matter by the business operator. A similar cancellation right is also given to consumers if the relevant consumer contract was entered into by a consumer due to solicitation by a business operator in a certain troubling manner. This law also requires business operators to ensure that the terms of consumer contracts are provided in a simple and clear manner so that they are understandable to consumers and the Act's amendment, which took effect in June 2019, provides that, depending on the purposes of the consumer contracts, business operators shall make efforts to give necessary information to consumers regarding the contents of those contracts, taking into account each consumer's knowledge and experience. A consumer contract clause that is unfairly prejudicial to the interests of consumers will be void under this Act. Examples of void clauses include: (i) a total waiver of consumers' rights to seek compensation from a business operator for damages suffered by them as a result of the business operator's default; and (ii) waiver of consumers' cancellation rights caused by a business operator's default or, in case of contracts under which the consumer has paid any consideration, the latent defects. In addition, a clause granting rights to business operators to determine whether consumers may assert or exercise their abovementioned rights for compensation or cancellation will be void under this law.

Act on Special Civil Court Procedures for Recovery of Collective Consumer Damages

The Act on Special Civil Court Procedures for Recovery of Collective Consumer Damages of Japan (Act No. 96 of 2013, as amended) (the "Special Procedures Act") was promulgated on December 11, 2013 and became effective in October 2016. Under the Special Procedures Act, certain types of consumer groups, subject to approval by the Prime Minister ("Qualified Consumer Groups"), may initiate lawsuits ("Confirmation Suits") for the purpose of confirming that a particular business operator, including Nippon Life, is liable to large numbers of consumers for monetary obligations arising from a specified cause, based on contracts between such business operator and consumers (a "Common Obligation"). In the event that the existence of a Common Obligation is confirmed through a Confirmation Suit, the relevant Qualified Consumer Group is required, except in limited circumstances, to apply for establishment of a simplified procedure by which individual covered consumers may seek determination of the specific amount of the business operator's liability to them, if any. This procedure is then submitted to the covered consumers for approval, and those approving may submit claims thereunder to the business operator through the relevant Qualified Consumer Group.

Act Preventing Transfer of Profits Generated from Crime

Under the Act Preventing Transfer of Profits Generated from Crime of Japan (Act No. 22 of 2007, as amended) (the "Act Preventing Transfer of Profits Generated from Crime"), financial institutions and other entities, including Nippon Life, are required to perform customer identification procedures and keep records of customer identifications and transactions with customers as prescribed by a ministerial ordinance. The Act Preventing Transfer of Profits Generated from Crime also requires financial institutions and other entities, including Nippon Life, to report to a competent authority if they suspect that any property accepted from a customer has been obtained illegally or the customer conducts certain criminal acts. Customer identification requirements were tightened by the amendment to the Act Preventing Transfer of Profits Generated from Crime which has been in effect from October 2016.

Personal Information Protection Act

The Personal Information Protection Act aims to protect personal information in the context of a society increasingly reliant on information technology. The Personal Information Protection Act contains various provisions including those imposing obligations on a business enterprise, including Nippon Life, utilizing personal information databases which store personal information such as addresses, family members and medical histories. Pursuant to those provisions, a business enterprise utilizing personal information databases is required to (i) specify the purpose of the use of the personal information as clearly as possible, (ii) refrain from using the personal information beyond such purpose without consent by the person to whom such information relates, (iii) notify the person to whom such information relates or publish the purpose of the use when or prior to acquiring the personal information, and (iv) disclose the personal information if the person to whom such information relates requests it. Further, in certain cases, the person to whom such information relates may request the business enterprise to correct, add, refrain from using or erase the personal data. An amendment to this Act, which includes introduction of new regulation on handling of anonymous personal data, became effective in May 2017.

International Solvency Margin Regulations

Additional requirements, such as the global insurance capital standard published by the IAIS in November 2019 as part of its Common Framework for the Supervision of IAIGs ("ComFrame"), as described below, could result in significant changes to the current solvency margin regulations. Although we are not currently designated as an IAIG, we could become subject to these new requirements in the future, potentially resulting in new limitations on our business or investment activities.

ComFrame is a set of international supervisory requirements focusing on the effective group-wide supervision of IAIGs. ComFrame sets out a comprehensive range of quantitative requirements specific to IAIGs, and requirements for supervisors of IAIGs. ComFrame is built and expands upon the high level requirements and guidance currently set out in the IAIS Insurance Core Principles ("ICPs"). ComFrame was originally within a modular structure consisting of three modules, but the IAIS recently approved a plan to restructure ComFrame and integrate it directly into the ICPs. In connection with ComFrame, IAIS is in the process of developing a global insurance capital standard ("ICS") applicable to IAIGs. IAIS published the initial ICS for extended field testing in July 2017, the revised ICS in July 2018 and the level 1 document for ICS version 2.0. ComFrame was adopted in November 2019.

Legislation in the European Union could also affect our business. The Solvency II Directive (2009/138/EEC) ("Solvency II"), which was adopted in November 2009 and became effective on January 1, 2016, reforms the insurance industry's solvency framework, including minimum capital and solvency requirements, governance requirements, risk management and public reporting standards. Solvency II is expected to be accompanied by Omnibus II, an EU proposal adopted in March 2014 for a directive that also contains provisions for the capital treatment of products with long-term guarantees.

The foregoing international requirements and developments could impact our business and the manner in which we operate both within and outside Japan. The possibility of inconsistent and conflicting regulation applicable to us also exists as law makers and regulators in multiple jurisdictions simultaneously pursue these initiatives.

Description of the Notes

The Notes will be issued pursuant to an indenture to be dated on or around January 23, 2020 (the "Indenture") between Nippon Life and The Bank of New York Mellon in its respective capacities as (i) trustee, (ii) paying agent, (iii) calculation agent, (iv) notes registrar and (v) transfer agent.

The following description of the Notes is a summary of the detailed provisions of the Notes and the Indenture. It does not purport to be complete. This summary is subject to and is qualified by reference to all the provisions of the Notes and the Indenture, including the definitions of certain terms used therein. Nippon Life urges you to read those documents in their entirety because they, and not this description, define the rights of holders of the Notes. You may make written request for copies of those documents from the corporate trust office of the trustee located at 240 Greenwich Street, New York, NY 10286, U.S.A. The holders of the Notes are deemed to have notice of all the provisions of the Notes and the Indenture.

> *Please note that, if in the future Nippon Life conducts a demutualization under the Insurance Business Act or any similar applicable law or regulations and becomes a joint-stock corporation (a "demutualization event"), certain provisions of the Notes will automatically be amended as described in italics below. Unless otherwise described below, the amended provisions will form part of the terms and conditions of the Notes upon the effectiveness of a demutualization event.*

General

The Notes initially will be limited to $1,150,000,000 aggregate principal amount. The Notes will be issued in fully registered form, without coupons, with a minimum denomination of $200,000 and integral multiples of $1,000 in excess thereof. The interest payment dates shall be January 23 and July 23 of each year (each an "interest payment date"), beginning on July 23, 2020, until the Notes are fully redeemed. The Notes will mature on January 23, 2050 and will only be redeemable or repayable as described under "—Redemption" and "—Events of Acceleration; Limited Rights of Acceleration."

From, and including, January 23, 2020 to, but excluding, January 23, 2030 (the "first call date"), the Notes will bear interest at 3.400% *per annum*, payable semi-annually in arrears on each interest payment date, unless deferred.

The rate of interest of the Notes will be reset on the first call date and every date which falls five, or a multiple of five, years thereafter (each a "reset date"), until all Notes are fully redeemed. From, and including, each reset date to, but excluding, the next following reset date or the date on which the Notes are finally redeemed, whichever is the earlier (each such period a "reset interest period"), the interest rate *per annum* on the Notes will be equal to the "reset interest rate," which is the sum of the applicable 5-year U.S. Treasury Rate (such term as defined in, and subject to the provisions described under, "—Determination of Reset Interest Rate" below) on the second business day immediately preceding each relevant reset date (each a "reset determination date") and 2.612% *per annum* (the "margin"), payable semi-annually in arrears on each interest payment date, beginning on July 23, 2030, unless deferred.

If any interest payment date falls on a day that is not a business day (as defined below), then Nippon Life will make the required payment of principal or interest (or additional amounts, as described in "—Taxation and Additional Amounts," if any) on the next succeeding business day, and no additional interest will accrue in respect of the payment made on that next succeeding business day.

Interest on the Notes will be paid to the persons in whose names the Notes are registered as of the close of business on the 15th calendar day (whether or not such date is a business day) immediately preceding the applicable interest payment date (each, an "interest payment record date"). The principal of, and interest on, the Notes will be payable in U.S. dollars (or in such other coin or currency of the United States of America as of the time of payment that is legal tender for the payment of public or private debts).

"Business day" for the purposes of the Indenture and the Notes means a day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which commercial banking institutions are authorized or required by law, regulation or executive order to close in New York City, London or Tokyo.

Interest on the Notes will be calculated on the basis of a 360-day year of twelve 30-day months, rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

If any payment in respect of the Notes by Nippon Life or its paying agent is subject to deduction or withholding imposed pursuant to or in connection with Sections 1471-1474 of the U.S. Internal Revenue Code or U.S. Treasury regulations or guidance issued thereunder, including deduction or withholding pursuant to an agreement with the U.S. Treasury, inter-governmental agreement or legislation adopted by any non-U.S. jurisdiction in connection with these provisions ("FATCA"), the amount so deducted or withheld will be treated as paid under the Notes for all purposes, and no additional amounts will be paid on the Notes with respect to such deduction or withholding.

Determination of Reset Interest Rate

The U.S. Treasury Rate shall be calculated by the calculation agent. The calculation agent shall not be responsible to Nippon Life, holders of the Notes or any third party for any failure of the Reference Treasury Dealers to provide quotations as requested of them or as a result of the calculation agent having acted on any quotation or other information given by any Reference Treasury Dealers which subsequently may be found to be incorrect or inaccurate in any way.

"U.S. Treasury Rate" means, with respect to any reset date for which such rate applies, the rate per annum equal to: (1) the yield, under the heading which represents the average for the week immediately prior to the reset determination date, appearing in the most recently published statistical release designated "H.15," or any successor publication that is published by the Board of Governors of the Federal Reserve System that establishes yields on actively traded U.S. Treasury securities adjusted to constant maturity, under the caption "Treasury Constant Maturities," for the maturity of five years; or (2) if such release (or any successor release) is not published during the week immediately prior to the reset determination date or does not contain such yields, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, calculated using a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such reset date.

If the U.S. Treasury Rate cannot be determined, for whatever reason, as described under (1) or (2) above, "U.S. Treasury Rate" means the rate in percentage per annum as notified by the calculation agent to Nippon Life equal to the yield on U.S. Treasury securities having a maturity of five years as set forth in the most recently published statistical release designated "H.15 (519)" under the caption "Treasury constant maturities" (or any successor publication that is published weekly by the Board of Governors of the Federal Reserve System and that establishes yields on actively traded U.S. Treasury securities adjusted to constant maturity under the caption "Treasury constant maturities" for the maturity of five years) at 5:00 p.m. (New York City time) on the last available date preceding the reset determination date on which such rate was set forth in such release (or any successor release).

"Comparable Treasury Issue" means, with respect to any reset interest period, the U.S. Treasury security or securities selected by an Independent Investment Banker with a maturity date on or about the last day of such reset interest period and that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities denominated in U.S. dollars and having a maturity of five years.

"Comparable Treasury Price" means, with respect to any reset date, (i) the arithmetic average of the Reference Treasury Dealer Quotations for such reset date (calculated on the reset determination date preceding such reset date), after excluding the highest and lowest such Reference Treasury Dealer Quotations, or (ii) if fewer than five such Reference Treasury Dealer Quotations are received, the arithmetic average of all such quotations, or (iii) if fewer than two such Reference Treasury Dealer Quotations are received, then such Reference Treasury Dealer Quotation as quoted in writing to the calculation agent by a Reference Treasury Dealer.

"Independent Investment Banker" means one of the Reference Treasury Dealers to be selected by Nippon Life.

"Reference Treasury Dealer" means each of up to five banks selected by Nippon Life (following, where practicable, consultation with the calculation agent), or the affiliates of such banks, which are (i) primary U.S. Treasury securities dealers, and their respective successors, or (ii) market makers in pricing corporate bond issues denominated in U.S. dollars.

"Reference Treasury Dealer Quotations" means with respect to each Reference Treasury Dealer and any reset date, the arithmetic average, as determined by the calculation agent, of the bid and offered prices for the applicable Comparable Treasury Issue, expressed in each case as a percentage of its principal amount, at 11:00 a.m. (New York City time), on the reset determination date.

Status of the Notes; Subordination

The Notes will constitute irrevocable, direct, unsecured and subordinated obligations of Nippon Life. Claims in respect of the Notes shall at all times rank *pari passu* and without any preference among themselves and *pari passu* with liquidation parity securities (as defined below), as to priority of liquidation payment in the sense that payment in respect of the Notes is limited upon the occurrence of a subordination event (as defined below), as described in the following paragraph, and in priority to (i) claims of holders of interests in the foundation funds (*kikin*) of Nippon Life and (ii) claims of any other instruments of Nippon Life that are expressly designated as being junior to the Notes as to priority of liquidation payment.

"Liquidation parity securities" means (i) our $2,000 million aggregate principal amount of 5.00% step-up callable subordinated notes due 2042, $2,250 million aggregate principal amount of 5.10% step-up callable subordinated notes due 2044, $1,500 million aggregate principal amount of 4.70% step-up callable subordinated notes due 2046, $800 million aggregate principal amount of 4.00% step-up callable subordinated notes due 2047, ¥75 billion aggregate principal amount of 1.52% step-up callable subordinated notes due 2045, ¥70 billion aggregate principal amount of 0.94% step-up callable subordinated notes due 2046, ¥30 billion aggregate principal amount of 1.12% step-up callable subordinated notes due 2051, ¥75 billion aggregate principal amount of 0.91% step-up callable subordinated notes due 2046, ¥15 billion aggregate principal amount of 1.10% step-up callable subordinated notes due 2051, ¥100 billion aggregate principal amount of 1.05% step-up callable subordinated notes due 2047, ¥100 billion aggregate principal amount of 1.05% step-up callable subordinated loan due 2048, ¥120 billion aggregate principal amount of 1.03% step-up callable subordinated loan due 2048, ¥90 billion aggregate principal amount of 0.95% step-up callable subordinated loan due 2049 and ¥80 billion aggregate principal amount of 0.85% step-up callable subordinated loan due 2049 and (ii) any other liabilities of Nippon Life that are expressly designated as being on a parity with, or ranking *pari passu* with, the Notes as to priority of liquidation payment, and, for the avoidance of doubt, shall not include foundation funds obligations.

> *Upon the occurrence of a demutualization event, the immediately preceding paragraph shall be amended to read as follows:*
>
> *The Notes will constitute irrevocable, direct, unsecured and subordinated obligations of Nippon Life. Claims in respect of the Notes shall at all times rank pari passu and without any preference among themselves and pari passu with liquidation parity securities (as defined below), as to priority of liquidation payment in the sense that payment in respect of the Notes is limited upon the occurrence of a subordination event (as defined below), as described in the following paragraph, and in priority to (i) claims of holders of common stock and preferred stock (including the most senior preferred stock) of Nippon Life and (ii) claims of any other instruments of Nippon Life that are expressly designated as being junior to the Notes as to priority of liquidation payment.*

"Liquidation parity securities" means (i) our $2,000 million aggregate principal amount of 5.00% step-up callable subordinated notes due 2042, $2,250 million aggregate principal amount of 5.10% step-up callable subordinated notes due 2044, $1,500 million aggregate principal amount of 4.70% step-up callable subordinated notes due 2046, $800 million aggregate principal amount of 4.00% step-up callable subordinated notes due 2047, ¥75 billion aggregate principal amount of 1.52% step-up callable subordinated notes due 2045, ¥70 billion aggregate principal amount of 0.94% step-up callable subordinated notes due 2046, ¥30 billion aggregate principal amount of 1.12% step-up callable subordinated notes due 2051, ¥75 billion aggregate principal amount of 0.91% step-up callable subordinated notes due 2046, ¥15 billion aggregate principal amount of 1.10% step-up callable subordinated notes due 2051, ¥100 billion aggregate principal amount of 1.05% step-up callable subordinated notes due 2047, ¥100 billion aggregate principal amount of 1.05% step-up callable subordinated loan due 2048, ¥120 billion aggregate principal amount of 1.03% step-up callable subordinated loan due 2048, ¥90 billion aggregate principal amount of 0.95% step-up callable subordinated loan due 2049 and ¥80 billion aggregate principal amount of 0.85% step-up callable subordinated loan due 2049 and (ii) any other liabilities of Nippon Life that are expressly designated as being on a parity with, or ranking pari passu with, the Notes as to priority of liquidation payment.

Upon the occurrence of a subordination event, the obligations of Nippon Life pursuant to the Notes shall be subordinated in right of payment to all senior indebtedness (as defined below) of Nippon Life, and so long as such subordination event continues, no payment will be made under the Notes (except for such amounts as have become due and payable, other than solely by way of acceleration, prior to the date on which a subordination event shall have occurred) unless and until a condition for liquidation payment (as defined below) shall have occurred.

"Condition for liquidation payment" means (i) in the case of a subordination event under clause (a) of the definition of "subordination event," the total amount of any and all senior indebtedness of Nippon Life, claims in respect of which having been filed within the prescribed period in the liquidation proceedings or of which Nippon Life has knowledge shall have been paid in full in the liquidation proceedings pursuant to the relevant law, (ii) in the case of a subordination event under clause (b) of the definition of "subordination event," the total amount of any and all senior indebtedness of Nippon Life listed on the final distribution list, as amended, submitted to the court in the bankruptcy proceedings shall have been paid or provided for in full (including discharge by deposit of funds with the competent authority) pursuant to the relevant law, (iii) in the case of a subordination event under clause (c) of the definition of "subordination event," the total amount of any and all senior indebtedness which is listed in the reorganization plan of Nippon Life at the time when the court's approval of the reorganization plan becomes final and conclusive shall have been paid in full in the reorganization proceedings to the extent that the liabilities shall have been fixed, (iv) in the case of a subordination event under clause (d) of the definition of "subordination event," the total amount of any and all senior indebtedness which is listed in the rehabilitation plan of Nippon Life at the time when the court's approval of the rehabilitation plan becomes final and conclusive shall have been paid in full in the rehabilitation proceedings to the extent that the liabilities shall have been fixed, provided that if the court finally and conclusively approves summary or consent rehabilitation proceedings or the cancellation of the rehabilitation plan, or the rehabilitation proceedings are finally and conclusively cancelled or discontinued by the court, Nippon Life shall be deemed to have never been subject to a subordination event under clause (d) of the definition of "subordination event," and accordingly this paragraph shall not apply, or (v) in the case of a subordination event under clause (e) of the definition of "subordination event," conditions equivalent to those set forth in (i), (ii), (iii) or (iv) above have been fulfilled (provided that if the imposition of any such condition is not allowed under such proceedings, any amount which becomes due under the Notes shall become payable in accordance with the Notes and shall not be subject to such condition).

The rights of the holders of the Notes will be reinstated with respect to any payments made to the holders that are subsequently avoided in the bankruptcy, reorganization or rehabilitation proceedings (or other equivalent proceedings pursuant to any applicable law of any jurisdiction other than Japan) of Nippon Life, as though such payments had not been made. A holder of a Note, by acceptance of the Note, agrees that (i) if any payment on the Note is made to the holder after the occurrence of a subordination event and the amount of the payment shall exceed the amount, if any, that should have been paid to the holder upon the proper application of the subordination provisions of the Note, the payment of the excess amount shall be deemed null and void and the holder shall be obliged to return the amount of the excess payment within ten days after receiving notice of the excess payment, and (ii) upon the occurrence of a subordination event and so long as the subordination event shall continue, the holder shall not exercise any right to set off any liabilities of Nippon Life under the Note (except for such amounts as have become due and payable, other than solely by way of acceleration, prior to the date on which a subordination event shall have occurred) against any liabilities of the holder owed to Nippon Life unless, until and only in the amount as the liabilities of Nippon Life under the Notes become payable pursuant to the proper application of the subordination provisions (provided, however, in the case of subordination event (d) below, that if the court finally and conclusively approves summary or consent rehabilitation proceedings or the cancellation of the rehabilitation plan, or the rehabilitation proceedings are finally and conclusively cancelled or discontinued by the court, Nippon Life shall be deemed to have never been subject to such subordination event).

No amendment or modification to the subordination provisions contained in the Indenture that is prejudicial to any creditor in respect of any present or future senior indebtedness of Nippon Life shall be made in any respect. No such amendment or modification shall in any event be effective against any such creditor.

"Subordination event" means any one of the following events:

(a) a liquidation proceeding (including the voluntary liquidation proceeding (*tsujo seisan*) or special liquidation proceeding (*tokubetsu seisan*)) shall have commenced with respect to Nippon Life pursuant to the Insurance Business Act or any successor legislation thereto;

(b) a court of competent jurisdiction in Japan shall have commenced bankruptcy proceedings with respect to Nippon Life pursuant to the provisions of the Bankruptcy Act or any successor legislation thereto;

(c) a court of competent jurisdiction in Japan shall have commenced reorganization proceedings with respect to Nippon Life pursuant to the provisions of the Special Reorganization Act or any successor legislation thereto;

(d) a court of competent jurisdiction in Japan shall have commenced rehabilitation proceedings with respect to Nippon Life pursuant to the provisions of the Civil Rehabilitation Act of Japan (Act No. 225 of 1999, as amended) (the "Civil Rehabilitation Act") or any successor legislation thereto; and

(e) Nippon Life shall have become subject to liquidation, bankruptcy, reorganization, rehabilitation or other equivalent proceedings pursuant to any applicable law of any jurisdiction other than Japan, which proceedings have an equivalent effect to those set out in (a), (b), (c) or (d) above.

Upon the occurrence of a demutualization event, references to the "Insurance Business Act" and the "Special Reorganization Act" in subparagraphs (a) and (c) of the definition of "subordination event" above shall be changed to the "Companies Act of Japan (Act No. 86 of 2005, as amended) (the "Companies Act")" and the "Corporate Reorganization Act of Japan (Act No. 154 of 2002, as amended) (the "Corporate Reorganization Act")," respectively.

"Senior indebtedness" means all benefits and claims and other liabilities of Nippon Life (including, for the avoidance of doubt, statutory subordinated bankruptcy claims (*retsugoteki hasan saiken*) as defined in the Bankruptcy Act) other than liabilities under the Notes, any liquidation parity securities, claims of holders of interests in the foundation funds *(kikin)* or claims of any other instruments that are expressly designated as being junior to the Notes as to priority of liquidation payment.

Upon the occurrence of a demutualization event, the phrase," claims of holders of interests in the foundation funds (kikin)" in the first sentence of the immediately preceding paragraph shall be deleted.

As a consequence of the subordination provisions in the Notes, in the event of the occurrence of a subordination event, the holders of the Notes may recover less ratably than the holders of insurance policies and other unsubordinated liabilities of Nippon Life. Holders of the Notes may be required to pursue their claims with respect to the Notes in Japan. To the extent that holders of the Notes are entitled to any recovery in any action or proceeding in Japan, the holders might not be entitled in the action or proceeding to a recovery in U.S. dollars and might be entitled in the action or proceeding only to a recovery in Japanese yen. Nippon Life will agree pursuant to the terms of the Notes to indemnify the holders of the Notes against certain losses incurred as a result of any judgment or order being given or made for any amount due under the Notes and the judgment or order being expressed and paid in a currency other than U.S. dollars. Any amounts due under this indemnification and any additional amounts due in respect of Japanese withholding taxes as provided by the terms of the Notes will be subordinated in right of payment in any such proceeding.

Pursuant to the provisions of the Insurance Business Act, the Bankruptcy Act, the Special Reorganization Act or the Civil Rehabilitation Act, the holders of liabilities, both subordinated and unsubordinated, of Nippon Life will be required to file a proof of claims in Japan upon the occurrence of a subordination event. Upon the expiration of the period for filing the proofs, based on those filed and the records of Nippon Life, an official list of liabilities that will be entitled to receive distribution in a bankruptcy, reorganization or rehabilitation proceeding will be determined pursuant to the provisions of the Bankruptcy Act, the Special Reorganization Act or the Civil Rehabilitation Act. To the extent that any liabilities senior to the Notes are not included on the final official list in Japan or are not accorded equivalent status pursuant to any applicable law of any jurisdiction other than Japan, the liabilities will no longer rank senior to any amounts payable under the Notes.

Upon the occurrence of a demutualization event, references to the "Insurance Business Act" and the "Special Reorganization Act" in the immediately preceding paragraph shall be changed to the "Companies Act" and the "Corporate Reorganization Act," respectively.

The Indenture and the Notes do not contain any limitations on the amount of senior indebtedness or other liabilities that may be hereafter incurred or assumed, including through guarantee obligations, by Nippon Life.

Deferral of Interest Payments; Arrears of Interest

Optional Deferral of Interest Payments

Nippon Life may, at its sole discretion, elect to defer payment of all (and no less than all) of the interest accrued on the Notes on any interest payment date, so long as such interest payment date does not constitute a mandatory interest deferral date (as defined under "—Mandatory Deferral of Interest Payments"). Any such election to defer payment of interest accrued as of an interest payment date shall not constitute a default by Nippon Life for any purpose. Any such accrued interest, the payment of which is so deferred, so long as such interest remains unpaid, shall constitute arrears of interest and shall be subject to the provisions described under "—Arrears of Interest." In order to elect deferral of payments, Nippon Life must provide written notice to the trustee, the paying agent and the holders of the Notes no later than one business day prior to the interest payment record date for the relevant interest payment date.

Upon the occurrence of a demutualization event, the first sentence of the immediately preceding paragraph shall be amended to read as follows:

Nippon Life may, at its sole discretion, elect to defer payment of all (and no less than all) of the interest accrued on the Notes on any interest payment date, so long as such interest payment date does not constitute a mandatory interest deferral date (as defined under "—Mandatory Deferral of Interest Payments" below) or a compulsory interest payment date (as defined under "—Compulsory Interest Payments" below).

Mandatory Deferral of Interest Payments

If, as of a date that is five business days prior to the interest payment record date for any interest payment date, (i) a capital deficiency event (as defined below) has occurred and is continuing or (ii) any payment in relation to the Notes or a liquidation parity security has been deferred and continues to be in deferral, Nippon Life shall be required to (a) defer payment of all (and no less than all) of the interest accrued on the Notes as of such interest payment date and (b) provide written notice to the trustee, the paying agent and the holders of the Notes at least one business day prior to the interest payment record date for the relevant interest payment date. Any such mandatory deferral of interest accrued on the Notes as of an interest payment date shall not constitute a default by Nippon Life for any purpose. Any such accrued interest, the payment of which is so deferred, so long as such interest remains unpaid, shall constitute arrears of interest and shall be subject to the provisions described under "—Arrears of Interest." Any such interest payment date subject to this mandatory deferral requirement shall constitute a "mandatory interest deferral date."

Upon the occurrence of a demutualization event, the phrases "(i)" and, "or (ii) any payment in relation to the Notes or a liquidation parity security has been deferred and continues to be in deferral" in the first sentence of the immediately preceding paragraph shall be deleted.

A "capital deficiency event" shall be deemed to have occurred if, as of the relevant date, (i) the capital adequacy condition (as defined below) is not met or would not be met as a result of such payment of interest on the Notes or (ii) the Commissioner of the FSA has issued any order of prompt corrective action (*souki zesei sochi*) in relation to regulatory capital requirements to Nippon Life and such order remains in effect.

The "capital adequacy condition" shall be met if, as of the relevant date, (i) Nippon Life's solvency margin ratio (or such other measure of capital adequacy then used by the applicable regulatory requirements) meets or exceeds the regulatory minimum capital requirements (as defined below), and (ii) a deferral of interest on the Notes is not required under the then applicable regulatory requirements in Japan (or an official application or interpretation of such regulations, including a decision of a court or a tribunal in Japan).

"Regulatory minimum capital requirements" means, as of any date, the then applicable solvency margin ratio (or such other measure of capital adequacy then used by the applicable regulatory requirements) required to be maintained under the Insurance Business Act and related regulations (including any successor laws and regulations) or any other solvency margin or capital adequacy regulations or regulatory capital rules of the FSA or other applicable governmental authority then in effect that are applicable to Nippon Life, falling below which could trigger the issuance of an order of prompt corrective action by the Commissioner of the FSA or other equivalent action taken by the applicable governmental authority and which is, as of the date of the Indenture, a solvency margin ratio of 200% (on a consolidated or nonconsolidated basis).

If any capital deficiency event occurs after the occurrence of a demutualization event, Nippon Life intends to take such action as may be appropriate in order to facilitate a restoration of its regulatory capital position, which may include but is not limited to the following:

(i) not to propose a dividend, distribution or other payment on any class of shares at the general meeting of shareholders of Nippon Life or to declare a dividend, distribution or other payment on any class of shares at the meeting of the board of directors of Nippon Life or make any payment of interest (including any arrears of interest) on any liquidation parity securities; and

(ii) not to redeem, repurchase or otherwise acquire any preferred stock, common stock, or any liquidation parity securities of Nippon Life.

Please note that this intention will not form part of the terms and conditions of the Notes, even upon the occurrence of a demutualization event.

Payment Stoppage

If Nippon Life has given notice to defer interest payments on the Notes, but the relevant interest has not become payable, or if any payment in relation to the Notes has been deferred and continues to be in deferral, Nippon Life shall not, and it shall cause any of its subsidiaries not to, make any payment of principal of, or interest or premium, if any, on, or repay, purchase or redeem any of its securities that are liquidation parity securities or any of its instruments that are expressly designated as being junior to the Notes as to priority of liquidation payment (other than foundation funds obligations).

For the avoidance of doubt, no terms of the Notes will be deemed to restrict in any manner the ability of any subsidiary of Nippon Life to pay dividends or make any distributions to Nippon Life or Nippon Life's ability to make payments on foundation funds obligations or distributions to its policyholders (*shain haitou*).

Upon the occurrence of a demutualization event, the "Payment Stoppage" provision set forth above shall be deleted.

Arrears of Interest

Arrears of interest on the Notes shall accrue on a cumulative basis and remain payable for so long as they remain unpaid, and, for the avoidance of doubt, any claims thereon shall rank *pari passu* with the Notes. Interest on arrears of interest deferred at Nippon Life's election shall compound semi-annually at 3.400% *per annum* to, but excluding, the first call date, and at the applicable reset interest rate for each reset interest period thereafter. Arrears of interest mandatorily deferred shall bear no interest.

At the option of Nippon Life, arrears of interest on the Notes may be paid in whole or in part to the persons in whose names the Notes are registered as of the close of business on the 15th calendar day (whether or not such date is a business day) immediately preceding the date on which payment of such arrears of interest is made, at any time upon the expiration of not more than 15 nor less than ten business days' written notice to the trustee, the paying agent and the holders of the Notes to such effect (which written notice shall specify the amount of such arrears of interest), provided that such payments (i) shall be subject to any applicable regulatory requirements or approvals, (ii) shall be conditional upon no capital deficiency event having occurred and continuing to occur and (iii) shall be conditional upon no payment in relation to liquidation parity securities having been deferred and continuing to be in deferral, in each case, as of the time of such written notice. Notwithstanding (iii) above or the provisions set forth under "—Optional Deferral of Interest Payments," "—Mandatory Deferral of Interest Payments" and "—Payment Stoppage," even if any payment in relation to a liquidation parity security has been deferred and continues to be in deferral, Nippon Life may make payment of all or any portion of the interest on the Notes that shall have accrued as of the most recent interest payment date, if Nippon Life also makes substantially concurrent pro rata payments of interest that shall have accrued as of the most recent interest payment date of such liquidation parity securities, it being understood that if such a substantially concurrent payment is not permitted under the terms of the liquidation parity securities, such payment may be made on the next applicable interest payment date for such liquidation parity securities. For this purpose, the calculation agent shall determine, in its sole and absolute discretion, the method of calculating pro rata amounts where currency conversion or other factors require such a determination. Where no subordination event has occurred and is continuing and arrears of interest on the Notes are paid in part, each such payment shall be applied in or towards satisfaction of the full amount of the arrears of interest on the Notes in respect of the earliest interest period or interest periods in respect of which arrears of interest on the Notes have not been paid in full.

Upon the occurrence of a demutualization event, the phrase "'—Optional Deferral of Interest Payments', '—Mandatory Deferral of Interest Payments' and '—Payment Stoppage'" in the immediately preceding paragraph shall be automatically amended to read as "'—Optional Deferral of Interest Payments' and '—Mandatory Deferral of Interest Payments'."

Arrears of interest shall become due and payable in full on whichever is the earlier of (i) the date set for any redemption of the Notes and (ii) the occurrence of any subordination event (but subject to subordination as set forth in "—Status of the Notes; Subordination").

Upon the occurrence of a demutualization event, "—Compulsory Interest Payments" below shall be added:

Compulsory Interest Payments

All interest accrued as of any compulsory interest payment date shall become due and payable in full on such compulsory interest payment date, subject to compliance with applicable regulatory requirements, including prior consent of the FSA (if then required). A written notice of compulsory interest payment shall be given by Nippon Life to the trustee not more than 15 nor less than ten business days prior to any compulsory interest payment date. Any optional deferral notice provided as to any amount due and payable on any compulsory interest payment date shall have no force or effect.

An interest payment date shall constitute a "compulsory interest payment date" if, during a period of six months prior to such interest payment date, (i) a dividend on any common stock or preferred stock, or any payment of interest (including any arrears of interest) or its equivalent on any junior securities or any liquidation parity securities, of Nippon Life was declared, paid or distributed, except where such payment was compulsory under the terms of the relevant liquidation parity securities or except for pro rata payments of accrued interest and arrears of interest of the relevant liquidation parity securities as described under "—Arrears of Interest," or (ii) Nippon Life or any subsidiary of Nippon Life has repaid, redeemed, purchased or otherwise acquired all or part of any common stock, preferred stock, any junior securities or any liquidation parity securities of Nippon Life, except for a permitted purchase (as defined below); provided, however, that no compulsory interest payment date shall be deemed to occur if any capital deficiency event has occurred or continued to occur during the period commencing immediately following the relevant event in (i) or (ii) above and ending on the relevant interest payment date.

"Permitted purchase" means any of the following:

(a) any repayment, redemption, purchase or other acquisition which is required under the Companies Act;

(b) any purchase or acquisition which occurs as a result of a merger, amalgamation, consolidation or any other corporate reorganization; or

(c) any purchase or acquisition in connection with any incentive plan for employees, officers or directors, including any stock option plan or employee stock ownership plan.

Redemption

Final Redemption

Unless previously redeemed or purchased and cancelled as provided below and subject to compliance with applicable regulatory requirements, including prior consent of the FSA (if then required), each Note will be finally redeemed on January 23, 2050 at the principal amount of the Notes then outstanding together with accrued interest (including any arrears of interest) and any additional amounts thereon, provided that (i) Nippon Life's solvency margin ratio after giving effect to the redemption is expected to remain at an adequate level within the meaning of the Insurance Business Act (including any successor legislation) and any applicable regulations, public notices or guidelines thereunder then in force; or (ii) Nippon Life procures qualifying financing in an amount not less than the amount of the redemption. "Qualifying financing" includes issuance of foundation funds and subordinated debt financing.

Upon the occurrence of a demutualization event, the last sentence of the immediately preceding paragraph shall be amended to read as follows:

"Qualifying financing" includes issuance of shares and subordinated debt financing.

In the event that the Notes are not redeemed as a result of the failure of the conditions above, interest will continue to accrue and be paid on each interest payment date until the first interest payment date following January 23, 2050 on which the conditions above are fulfilled, which will be the final maturity date when the Notes will be finally redeemed at the principal amount of the Notes together with accrued interest (including any arrears of interest) and any additional amounts thereon in the manner and subject to the conditions stated above.

Nippon Life shall deliver to the trustee a certificate signed by an authorized officer, not less than 30 nor more than 60 days prior to the final redemption date, stating that the above conditions to the final redemption have been or will be fulfilled. The trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the above conditions, in which event it shall be conclusive and binding on holders of the Notes.

Optional Redemption

The Notes may be redeemed at the option and sole discretion of Nippon Life in whole, but not in part, subject to compliance with applicable regulatory requirements, including prior consent of the FSA (if then required), on the first call date or any reset date, upon giving not less than 30 nor more than 60 days' notice of redemption in writing to the trustee and the holders of the Notes (which notice shall be irrevocable), at the principal amount of the Notes, together with interest accrued (including any arrears of interest) to the date fixed for redemption and any additional amounts thereon, provided that such early redemption may be permitted only if (i) Nippon Life's solvency margin ratio after giving effect to the redemption is expected to remain at an adequate level within the meaning of the Insurance Business Act (including any successor legislation) and any applicable regulations, public notices or guidelines thereunder then in force, or (ii) Nippon Life procures qualifying financing in an amount not less than the amount of the redemption.

Nippon Life shall deliver to the trustee a certificate signed by an authorized officer stating that the conditions precedent to its right so to redeem have been or will be fulfilled. The trustee shall accept such certificate as sufficient evidence of the satisfaction of the above conditions precedent, in which event it shall be conclusive and binding on holders of the Notes.

Optional Redemption Due to an Additional Amounts Event

The Notes may be redeemed at any time at the option and sole discretion of Nippon Life in whole, but not in part, subject to compliance with applicable regulatory requirements, including prior consent of the FSA (if then required), and upon giving not less than 30 nor more than 60 days' notice of redemption in writing to the trustee and the holders of the Notes (which notice shall be irrevocable), at the principal amount of the Notes, together with interest accrued (including any arrears of interest) to the date fixed for redemption and any additional amounts thereon, if Nippon Life has been or will be obligated to pay additional amounts as a result of any change in, or amendment to, the laws or regulations of Japan (or, in the case of a successor person not organized under the laws of Japan, such other jurisdiction of the successor person) or any political subdivision or any authority thereof or therein having power to tax, or any change in application, or change or the stating of an official interpretation of such laws or regulations, which change or amendment becomes effective, (or, in the case of the stating of an official interpretation, is announced) on or after the date of the issuance of the Notes (or, in the case of a successor person not organized under the laws of Japan, on or after the date of succession) and such obligation cannot be avoided by Nippon Life through the taking of reasonable measures available to Nippon Life (an "additional amounts event"), provided that such early redemption may be permitted only if (i) Nippon Life's solvency margin ratio after giving effect to the redemption is expected to remain at an adequate level within the meaning of the Insurance Business Act (including any successor legislation) and any applicable regulations, public notices or guidelines thereunder then in force, or (ii) Nippon Life procures qualifying financing in an amount not less than the amount of the redemption.

Nippon Life shall deliver to the trustee (i) a certificate signed by an authorized officer stating that the conditions precedent to its right to so redeem have been or will be fulfilled and (ii) an opinion of independent tax advisers of recognized standing confirming that a change, amendment or stating of an official interpretation as described in the preceding paragraph has occurred. The trustee shall accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, in which event it shall be conclusive and binding on the holders of the Notes.

No notice of redemption for an additional amounts event shall be given sooner than 90 days prior to the earliest date on which Nippon Life would actually be obliged to pay such additional amounts.

Optional Special Event Redemption

The Notes may be redeemed at any time at the option and sole discretion of Nippon Life in whole, but not in part, if a special event (as defined below) has occurred and is continuing, subject to compliance with applicable regulatory requirements, including prior consent of the FSA (if then required), and upon giving not less than 30 nor more than 60 days' notice of redemption in writing to the trustee and the holders of the Notes (which notice shall be irrevocable) at a redemption price equal to the principal amount of the Notes, together with interest accrued (including arrears of interest) to the date fixed for redemption, and any additional amounts thereon, provided that any such early redemption may be permitted only if (x) Nippon Life's solvency margin ratio after giving effect to the redemption is expected to remain at an adequate level within the meaning of the Insurance Business Act (including any successor legislation) and any applicable regulations, public notices or guidelines thereunder then in force, or (y) Nippon Life procures qualifying financing in an amount not less than the amount of the redemption.

Nippon Life shall deliver to the trustee (i) a certificate signed by an authorized officer stating that the conditions precedent to its right to so redeem have been or will be fulfilled and (ii) in the case of a tax deductibility event (as defined below), an opinion of independent tax advisers of recognized standing confirming that a change, amendment, decision, administrative action or official pronouncement as described in the definition of "tax deductibility event" below has occurred. The trustee shall accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, in which event it shall be conclusive and binding on the holders of the Notes.

For the purposes of the above:

"Special event" means any one of the following events:

(a) a "regulatory event," which means any amendment or change to the Insurance Business Act or related regulations (including any successor laws and regulations), or any official administrative pronouncement or judicial decision interpreting or applying such laws or regulations, that is publicly announced after the date of the issuance of the Notes and that results or will result (for the avoidance of doubt, including after giving effect to any applicable grandfathering or similar provisions) in the Notes (in whole or in part) no longer qualifying as subordinated debt (*fusaisei shihon*) under the Insurance Business Act (including any successor legislation) included in the determination of Nippon Life's solvency margin ratio or a similar class of regulatory capital included in the determination of such other measure of capital adequacy then used by the applicable regulatory requirements, and in each case, such disqualification cannot be avoided by Nippon Life through the taking of reasonable measures available to Nippon Life,

(b) a "tax deductibility event," which means the occurrence of a more than insubstantial increase in the risk that interest payable by Nippon Life on the Notes is not or will not be deductible by Nippon Life, in whole or in part, for Japanese (or, in the case of a successor person not organized under the laws of Japan, such other jurisdiction of the successor person) tax purposes, as a result of (i) any change (including any officially announced proposed changes) in, or amendment to, the laws or regulations (or rulings promulgated thereunder) of Japan (or, in the case of a successor person not organized under the laws of Japan, such other jurisdiction of the successor person) or any political subdivision or any authority thereof or therein having power to tax, that becomes effective on or after the date of the issuance of the Notes (or, in the case of a successor person not organized under the laws of Japan, on or after the date of succession), or (ii) any administrative decision, judicial decision, administrative action or other official pronouncement interpreting or applying such laws, regulations or rulings that is announced on or after the date of the issuance of the Notes (or, in the case of a successor person not organized under the laws of Japan, on or after the date of succession), and, in each case, such non-deductibility cannot be avoided by Nippon Life through the taking of reasonable measures available to Nippon Life, or

(c) a "rating agency event," which means a publication by S&P, Moody's or Fitch (including any successors to their respective ratings businesses) that an amendment, clarification or change has occurred or will occur in the equity credit criteria, guidelines or methodology of such rating agency, which amendment, clarification or change results or will result in (i) the shortening of the length of time the Notes are assigned a particular level of equity credit by such rating agency as compared to the length of time the Notes would have been assigned that level of equity credit by such rating agency on the date of the issuance of the Notes, or (ii) a lower equity credit for the Notes than the equity credit assigned by such rating agency on the date of the issuance of the Notes.

No notice of redemption shall be given sooner than (i) in the case of a tax deductibility event, 90 days prior to the earliest date on which such additional tax liability as a result of such non-deductibility would actually become due with respect to Nippon Life's interest payments on the Notes, (ii) in the case of a regulatory event, 90 days prior to the earliest date on which such disqualification would actually become effective with respect to the Notes or (iii) in the case of a rating agency event, 90 days prior to the earliest date on which such amendment, clarification or change would actually apply with respect to the Notes.

Purchases

Nippon Life may, in its sole discretion, at any time, subject to compliance with applicable regulatory requirements, including prior consent of the FSA (if then required), purchase the Notes for cancellation in the open market or otherwise at any price, provided that such purchase may be only permitted if (i) Nippon Life's solvency margin ratio after giving effect to the purchase is expected to remain at an adequate level within the meaning of the Insurance Business Act (including any successor legislation) and any applicable regulations, public notices or guidelines thereunder then in force, or (ii) Nippon Life procures qualifying financing in an amount not less than the amount of the purchase.

Merger, Consolidation, Sale or Disposition

The Indenture provides that Nippon Life may not merge or consolidate into any other corporation, entity or person (Nippon Life not being the continuing entity), or sell, lease or dispose of its properties and assets substantially as an entirety, whether as a single transaction or a number of transactions, related or not, to any other corporation, entity or person unless:

- the corporation, entity or person assumes or succeeds to the obligations of Nippon Life under the Notes and the Indenture (and, if such corporation, entity or person is organized in a jurisdiction other than Japan, agrees to pay any additional amounts in respect of any taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the jurisdiction of such corporation, entity or person, or any authority therein or thereof having power to tax, corresponding to the obligation to pay additional amounts as described under "—Taxation and Additional Amounts," subject to exceptions substantially similar to the exceptions set forth therein, substituting such jurisdiction for references to "Japan"), and
- after giving effect thereto, no event of acceleration (as defined below) with respect to the Notes shall have occurred and be continuing.

Taxation and Additional Amounts

All payments by Nippon Life or its paying agent of principal and interest in respect of the Notes shall be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Japan, or any authority thereof or therein having power to tax, unless such withholding or deduction is required under Japanese law or by such authority.

In such event, Nippon Life shall pay such additional amounts as will result in the receipt by the holders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any Notes under any of the following circumstances:

(i) the holder or beneficial owner of the Notes is an individual non-resident of Japan or a non-Japanese corporation and is liable for such taxes in respect of such Notes by reason of its (a) having some present or former connection with Japan other than the mere holding of such Notes or (b) being a specially-related person of Nippon Life as described in Article 6, Paragraph (4) of the Special Taxation Measures Act;

(ii) the holder or beneficial owner of the Notes would otherwise be exempt from any such withholding or deduction but fails to comply with any applicable requirement to provide interest recipient information (as defined below) or to submit a written application for tax exemption (as defined below) to the relevant paying agent to whom the relevant Notes are presented (where presentation is required) or whose interest recipient information is not duly communicated through the relevant international clearing organization participant (as defined below) and the relevant international clearing organization to such paying agent;

(iii) the holder or beneficial owner of the Notes is for Japanese tax purposes treated as an individual resident of Japan or a Japanese corporation (except for (a) a Designated Financial Institution that complies with the requirement to provide interest recipient information or to submit a written application for tax exemption and (b) an individual resident of Japan or a Japanese corporation that duly notifies (directly, through the international clearing organization participant or otherwise) the relevant paying agent of its status as not being subject to taxes to be withheld or deducted by Nippon Life by reason of receipt by such individual resident of Japan or Japanese corporation of interest on such Notes through a payment handling agent in Japan);

(iv) the Note is presented for payment (where presentation is required) more than 30 days after the day on which such payment on the Notes became due or after the full payment was provided for, whichever occurs later, except to the extent the holder thereof would have been entitled to additional amounts on presenting the same for payment on the last day of such period of 30 days;

(v) the withholding or deduction is imposed on a holder or beneficial owner that could have avoided such withholding or deduction by presenting its Notes (where presentation is required) to another paying agent;

(vi) the holder is a fiduciary or partnership or is not the sole beneficial owner of the payment of the principal of, or any interest on, any Note, and Japanese law requires the payment to be included for tax purposes in the income of a beneficiary or settlor with respect to such fiduciary or a member of such partnership or a beneficial owner, in each case, who would not have been entitled to such additional amounts had it been the holder of the Note; or

(vii) any combination of (i) through (vi) above.

For the avoidance of doubt, no additional amounts will be paid on the Notes with respect to any amounts deducted or withheld from a payment on the Notes pursuant to or in connection with FATCA.

Where the Notes are held through a participant of an international clearing organization or a financial intermediary (each, an "international clearing organization participant"), in order to receive payments free of withholding or deduction by Nippon Life for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Japan, or any authority thereof or therein having power to tax, if the relevant beneficial owner is (i) an individual non-resident of Japan or a non-Japanese corporation (other than a specially-related person of Nippon Life) or (ii) a Designated Financial Institution falling under certain categories prescribed by the Special Taxation Measures Act, all in accordance with the Special Taxation Measures Act, such beneficial owner shall, at the time of entrusting an international clearing organization participant with the custody of the relevant Notes, provide certain information prescribed by the Special Taxation Measures Act (referred to in this section as "interest recipient information") to enable the international clearing organization participant to establish that such beneficial owner is exempted from the requirement for taxes to be withheld or deducted, and advise the international clearing organization participant if the beneficial owner ceases to be so exempted (including the case where a beneficial owner that is an individual non-resident of Japan or a non-Japanese corporation becomes a specially-related person of Nippon Life).

Where Notes are not held through an international clearing organization participant, in order to receive payments free of withholding or deduction by Nippon Life for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Japan, or any authority thereof or therein having power to tax, if the relevant beneficial owner is (i) an individual non-resident of Japan or a non-Japanese corporation (other than a specially-related person of Nippon Life) or (ii) a Designated Financial Institution, all in accordance with the Special Taxation Measures Act, such beneficial owner shall, prior to each time at which it receives interest, submit to the relevant paying agent a written application for tax exemption (*hikazei tekiyo shinkokusho*) (referred to in this section as a "written application for tax exemption") in a form obtainable from the paying agent stating, *inter alia*, the name and address of the beneficial owner, the title of the Notes, the relevant interest payment date, the amount of interest and the fact that the beneficial owner is qualified to submit the written application for tax exemption, together with documentary evidence regarding its identity and residence.

By subscribing to the Notes, an investor will be deemed to have represented that it is a "Gross Recipient" for Japanese tax purposes. For more details regarding Japanese withholding tax, see "Taxation—Japanese Taxation."

Nippon Life shall make any required withholding or deduction and remit the full amount withheld or deducted to the Japanese taxing authority in accordance with applicable law. Nippon Life shall use reasonable efforts to obtain certified copies of tax receipts evidencing the payment of any tax, duty, assessment, fee or other governmental charge so withheld or deducted from the Japanese taxing authority imposing such tax, duty, assessment or other governmental charge, and if certified copies are not available, Nippon Life shall use reasonable efforts to obtain other evidence satisfactory to the trustee, and the trustee shall make such certified copies or other evidence available to the holders or the beneficial owners of the Notes upon reasonable request to the trustee.

The obligation to pay additional amounts with respect to any taxes, duties, assessments and other governmental charges shall not apply to any estate, inheritance, gift, sales, transfer, personal property or any similar tax, duty, assessment, fee or other governmental charge or any tax, duty, assessment, fee or other governmental charge which is payable otherwise than by withholding or deduction from payments of principal or interest on the Notes; provided that, except as otherwise set forth in the Notes and in the Indenture, Nippon Life will pay all stamp, court or documentary taxes or any excise or property taxes, charges or similar levies and other duties, if any, which may be imposed by Japan, the United States or any political subdivision or any taxing authority thereof or therein, with respect to the Indenture or as a consequence of the initial issuance, execution, delivery or registration of the Notes.

References to principal or interest in respect of the Notes shall be deemed to include any additional amounts due which may be payable as set forth in the Notes and the Indenture.

Events of Acceleration; Limited Rights of Acceleration

An "event of acceleration" with respect to the Notes means the occurrence of a subordination event.

In case an event of acceleration set forth above shall occur and be continuing, then interest on the Notes shall cease to accrue and the trustee may, or if so requested by the holders of not less than 25% in aggregate principal amount of the Notes then outstanding and subject to the trustee being secured, indemnified and/or prefunded to its satisfaction, shall, by written notice to Nippon Life declare the principal of and all interest then accrued on the Notes to be forthwith due and payable upon receipt of such notice by Nippon Life. Immediately upon delivery of such notice, the Notes shall become immediately due and payable, subject to the subordination provisions described herein.

If (i) a liquidation proceeding with respect to Nippon Life shall be rescinded or terminated without distribution of assets pursuant to the Insurance Business Act, (ii) a court of competent jurisdiction shall rescind or terminate a bankruptcy action with respect to Nippon Life without a distribution of assets pursuant to the Bankruptcy Act, (iii) a court of competent jurisdiction shall rescind or terminate a reorganization proceeding with respect to Nippon Life whether having approved or without approving the reorganization plan pursuant to the Special Reorganization Act, (iv) a court of competent jurisdiction shall rescind or terminate a rehabilitation proceeding with respect to Nippon Life whether having approved or without approving the rehabilitation plan pursuant to the Civil Rehabilitation Act, (v) a court of competent jurisdiction shall rescind or terminate any proceedings giving rise to an event of acceleration due to the occurrence of a subordination event under clause (e) of the definition of "subordination event" in "—Status of the Notes; Subordination", such rescission, termination or other event having an equivalent effect to that set forth in the foregoing clause (i), (ii), (iii) or (iv), as applicable, or (vi) if an event of acceleration with respect to the Notes shall otherwise be rescinded or terminated, then the event of acceleration shall have the same effect as if it had not occurred.

Upon the occurrence of a demutualization event, references to the "Insurance Business Act" and the "Special Reorganization Act" in subparagraphs (i) and (iii) of the immediately preceding paragraph shall be changed to the "Companies Act" and the "Corporate Reorganization Act," respectively.

Neither the trustee nor any holder of the Notes shall have any rights to accelerate the repayment of the Notes upon a default in the payment of principal of or interest on the Notes, upon the non-performance of any covenant of Nippon Life in relation to the Notes or upon the happening of any other event in relation to the Notes other than a subordination event, and in such cases, payments on the Notes would remain subject to subordination.

Further Issues

Nippon Life may from time to time, without the consent of the holders of the Notes, create and issue further Notes having the same terms and conditions as the Notes in all respects except for the issue date, issue price and, in some cases, first interest payment date. Additional Notes issued in this manner may be consolidated with and form a single series with the previously outstanding Notes. Any additional Notes that have the same CUSIP, ISIN or other identifying number as the outstanding Notes must be fungible with the outstanding Notes for U.S. federal income tax purposes.

Indemnification of Judgment Currency

Nippon Life will indemnify the trustee and each holder of a Note to the full extent permitted by applicable law against any loss incurred by the trustee and the holder as a result of any judgment or order being given or made for any amount due under the Note and the judgment or order being expressed and paid in the currency (the "judgment currency"), other than U.S. dollars and as a result of any variation as between (i) the rate of exchange at which the U.S. dollar is converted into the judgment currency for the purpose of the judgment or order and (ii) the spot rate of exchange in The City of New York at which the trustee and the holder on the date that payment is made pursuant to the judgment or order is able to purchase U.S. dollars with the amount of the judgment currency actually received by the trustee and the holder.

Modification and Waiver

Subject to the sixth paragraph under "—Status of the Notes; Subordination," modification and amendment of the Notes and the Indenture may be made by Nippon Life and the trustee with the written consent of the holders of at least 66% in aggregate principal amount of the outstanding Notes; provided, however, that no such modification or amendment may, without the consent of the holder of each outstanding Note affected thereby:

(i) change the maturity date of the principal or payment date of any interest or change any obligation of Nippon Life to pay any additional amounts;

(ii) reduce the principal amount of or rate of interest on, any Note;

(iii) affect the rights of holders of less than all the outstanding Notes;

(iv) change the place of payment where, or the coin or currency in which, any Note or interest thereon is payable; or

(v) impair the right of a holder to institute suit for the enforcement of any payment on or with respect to any Note on or after the date when due;

provided, further, that no such modification may, without the consent of the holders of all Notes outstanding at the time, alter the respective percentages of outstanding Notes necessary, pursuant to the Indenture, to modify the terms of the Notes, waive past defaults or accelerate the payment of the principal amount of the Notes.

It shall not be necessary for any act of holders under the relevant section of the Indenture to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such act shall approve the substance thereof.

Notwithstanding the foregoing, without the consent of any holders of the Notes, Nippon Life and the trustee, at any time and from time to time, may enter into one or more indentures supplemental to the Indenture, in form satisfactory to the trustee, for any of the following purposes:

(i) to evidence the succession of another corporation, entity or person to Nippon Life and the assumption by any such successor of the covenants of Nippon Life in the Indenture and the Notes,

(ii) to add to the covenants of Nippon Life or to surrender any right or power in the Indenture conferred upon Nippon Life for the benefit of the holders of the Notes,

(iii) to evidence and provide for the acceptance of appointment under the Indenture by a successor trustee,

(iv) to cure any ambiguity, to correct or supplement any provision in the Indenture which may be defective or inconsistent with any other provision in the Indenture, or to make any other provisions with respect to matters or questions arising under the Indenture, provided that such action shall not adversely affect the interests of the holders of the Notes in any material respect, or

(v) to make any other change that does not adversely affect the interests of the holders of the Notes in any material respect.

In determining compliance with this “Modification and Waiver” section, the trustee shall be entitled to request and fully rely on an opinion of legal advisers and a certificate of an authorized officer.

Paying Agent

The paying agent shall initially be The Bank of New York Mellon. A paying agent shall be permitted to resign as paying agent upon 30 days’ written notice to Nippon Life. In the event that the paying agent resigns or is removed, Nippon Life shall appoint a bank or trust company acceptable to Nippon Life to act as the successor paying agent. If the paying agent resigns but Nippon Life fails to appoint a successor paying agent within the 30 day notice period, the resigning paying agent may appoint a bank or trust company, or may petition any court of competent jurisdiction for the appointment of a bank or trust company, as the successor paying agent.

Paying Agent in Singapore

For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, Nippon Life shall appoint and maintain a paying agent in Singapore where the Notes may be presented or surrendered for payment or redemption, in the event that a global security is exchanged for definitive Notes. In addition, in the event that a global security is exchanged for definitive Notes, an announcement of such exchange shall be made by Nippon Life or on its behalf through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Notes, including details of the paying agent in Singapore.

The Trustee

The trustee, The Bank of New York Mellon, is organized under the laws of the State of New York, with offices located in 240 Greenwich Street, New York, NY 10286, U.S.A. In the absence of an event of acceleration with respect to the Notes, the trustee need only perform the duties specifically set forth in the Indenture. The Indenture provides that during the existence of an event of acceleration with respect to the Notes, the trustee will exercise the rights and powers vested in it by the Indenture, and use the same degree of care and skill in the exercise thereof as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

The Indenture does not contain limitations on the rights of the trustee, should it be or become a creditor of Nippon Life, to obtain payment of claims. The trustee is not precluded from engaging in other transactions and would not be obliged to account for profit, and if it has or acquires any conflicting interest, as defined in Section 310(b) of the U.S. Trust Indenture Act of 1939, as amended, it is not required to eliminate the conflict or resign.

The trustee will be under no obligation to exercise any rights or powers vested in it by the Indenture at the written request or direction of any holder, unless such holders have offered to the trustee security, indemnity and/or prefunding satisfactory to it against the costs, expenses (including the reasonable fees and expenses of its counsel) and liabilities which might be incurred by it in compliance with such request or direction.

Successor Trustee

Any successor trustee appointed pursuant to the terms of the Indenture shall have a combined capital and surplus of not less than $50,000,000 and have an office or agent in the Borough of Manhattan, The City of New York.

Repayment of Funds

Any money deposited by Nippon Life with the trustee or a paying agent for payment of principal of or interest and any additional amounts on any Note which remains unclaimed for two years after such principal, interest or additional amounts have become due and payable and paid to the trustee shall upon Nippon Life's request (and subject to the claims of, or payments to, the trustee or any agent under or pursuant to the Indenture), be repaid to Nippon Life, and all liability of the trustee or such paying agent with respect to such payments will cease, and, to the extent permitted by law, the holder of that Note shall thereafter look only to Nippon Life for payment thereof as a general unsecured creditor.

Governing Law; Consent to Jurisdiction and Service of Process; Communications

The Indenture and the Notes will be governed by, and construed in accordance with, the laws of the State of New York.

Nippon Life has irrevocably and unconditionally submitted to the non-exclusive jurisdiction of any U.S. federal or New York state court in the Borough of Manhattan, The City of New York over any legal suit, action or proceeding arising out of or relating to the Indenture or any Note. As long as any of the Notes remain outstanding, Nippon Life will at all times have an authorized agent in The City of New York upon whom process may be served in any legal suit, action or proceeding arising out of or relating to the Indenture or any Note. Nippon Life has appointed Cogency Global Inc., located at 122 East 42nd Street, 18th Floor, New York, NY 10168, as its agent for such purpose.

To the fullest extent permitted by applicable law, all parties (including Nippon Life, the trustee and the holders of the Notes) waive any and all right to trial by jury in any legal proceeding arising out of or relating to the Indenture, the Notes or the transactions contemplated thereby.

The Indenture provides that if any holder of a Note applies in writing to the trustee for information for the purpose of communicating with other holders of the Notes, the trustee must, upon satisfaction of certain conditions by such applicant, either afford such applicant access to such information or mail copies of the communication prepared by such applicant to the holders of the Notes, at the expense of such applicant.

Limitation on Suits

Other than the right to institute a suit for the enforcement of the payment of principal of, or interest on (including, in each case, any additional amounts, if applicable), any Notes after the applicable due date specified in the Notes, no holder of any Note shall have any right to institute any proceeding with respect to the Indenture, or for the appointment of a receiver or trustee, or for any other remedy thereunder, unless (i) such holder has previously given written notice to the trustee of either (a) a continuing event of acceleration, (b) default by Nippon Life with respect to the covenant described under "—Merger, Consolidation, Sale or Disposition", or (c) default made in the performance by Nippon Life of any other obligation under the Indenture or the Notes which continues for 60 days after notice of such default is given to Nippon Life by the trustee or the holders of not less than 10% in principal amount of the Notes; (ii) the holders of not less than 25% in aggregate principal amount of the Notes shall have made written request to the trustee to institute proceedings in respect of such event or default in its own name as trustee; (iii) such holder or holders have offered to the trustee indemnity, security and/or prefunding against the costs, expenses and liabilities to be incurred in compliance with such request; (iv) the trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and (v) no direction inconsistent with such written request has been given to the trustee during such 60 day period by the holders of a majority in aggregate principal amount of the Notes.

No one or more of such holders shall have any right in any manner whatsoever by virtue of, or by availing of, any provision of the Indenture to affect, disturb or prejudice the rights of any other of such holders, or to obtain or to seek to obtain priority or preference over any other of such holders or to enforce any right under the Indenture, except in the manner therein provided and for the equal and ratable benefit of all of such holders.

Undertaking for Costs

In any suit for the enforcement of any right or remedy under the Indenture or against the trustee for any action taken, suffered or omitted by it as trustee, other than a suit instituted by Nippon Life, the trustee, a holder or group of holders holding more than 10% in aggregate principal amount of the outstanding Notes, or by any holder for the enforcement of the payment of the principal of or interest on any outstanding Note on or after the due date expressed in such Note, a court may require any party litigant in such suit to file an undertaking to pay the costs of such suit, and may assess reasonable costs, including reasonable attorneys' fees, against any party litigant in such suit.

Book-Entry; Delivery and Form

DTC, Euroclear and Clearstream

The Notes will initially be issued to investors only in book-entry form. The Notes sold in reliance on Regulation S under the Securities Act will be initially in the form of one or more fully registered global securities (the "Regulation S global securities") and the Notes sold in reliance on Rule 144A under the Securities Act will initially be in the form of one or more fully registered global securities (the "Rule 144A global securities"). The global securities will be issued and registered in the name of Cede & Co., acting as nominee for DTC, which will act as securities depositary for the Notes. The global securities will initially be deposited with The Bank of New York Mellon, acting as custodian for DTC.

The Notes (including beneficial interests in the global securities) will be subject to certain restrictions on transfer set forth in the Notes and the Indenture and will bear a legend regarding the restrictions as set forth under "Transfer Restrictions." Under certain circumstances, transfers may be made only upon receipt by the trustee of a written certification (in the form provided in the Indenture).

A beneficial interest in a Regulation S global security may be transferred to a person who takes delivery in the form of an interest in a Rule 144A global security upon receipt by the trustee of a written certification (in the form provided in the Indenture) from the transferor to the effect that the transferor (i) reasonably believes that the transferee is a QIB purchasing for its own account (or for the account of one or more QIBs over which account it exercises sole investment discretion) and (ii) has notified the transferee of the restrictions on transfer set forth under "Transfer Restrictions."

Beneficial interests in a Rule 144A global security may be transferred to a person who takes delivery in the form of an interest in a Rule 144A global security without any written certification from the transferor or the transferee. Beneficial interests in a Rule 144A global security may be transferred to a person who takes delivery in the form of an interest in a Regulation S global security only upon receipt by the trustee of a written certification (in the form provided in the Indenture) from the transferor to the effect that such transfer is being made in compliance with the restrictions on transfer set forth under "Transfer Restrictions" and pursuant to and in accordance with Rule 903 or 904 of Regulation S or Rule 144A under the Securities Act.

Any beneficial interest in one of the global securities that is transferred to an entity that takes delivery in the form of an interest in another global security will upon transfer, cease to be an interest in such global security and become an interest in the other global security and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to beneficial interest in such other global security for as long as it remains such an interest.

Persons that acquire beneficial ownership interests in the global securities will hold their interests through DTC in the United States or through Euroclear or Clearstream in Europe, if they are participants in those systems, or indirectly through organizations that are participants in those systems. Euroclear and Clearstream will hold omnibus positions on behalf of their participants through customers, securities accounts in Euroclear's and Clearstream's names on the books of their respective depositories, which in turn will hold those positions in customers' securities accounts in the depositories' names on the books of DTC. Unless and until definitive Notes are issued, the only holder of the Notes will be Cede & Co., as nominee of DTC, or the nominee of a successor depositary. Beneficial owners will be permitted to exercise their rights only indirectly through DTC and its participants, including Euroclear, Clearstream and their participants.

DTC is a limited-purpose trust company organized under the New York Banking Law, a banking organization within the meaning of the New York Banking Law, a member of the Federal Reserve System, a clearing corporation within the meaning of the New York Uniform Commercial Code, and a clearing agency registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds securities that its participants deposit with it. DTC also facilitates the settlement among its participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in its participants' accounts, eliminating the need for physical movement of securities certificates. Participants in DTC include Euroclear and Clearstream, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is owned by a number of its participants and by NYSE Euronext and the Financial Industry Regulatory Authority. Access to the DTC system is also available to others, such as securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a DTC participant, either directly or indirectly. The rules applicable to DTC and its participants are on file with the SEC.

Euroclear was created in 1968 to hold securities for its participants and to clear and settle transactions among its participants through simultaneous electronic book-entry delivery against payment, thereby eliminating the need for physical movement of certificates and any risk from lack of simultaneous transfers of securities and cash. Euroclear provides various other services, including securities lending and borrowing, and interfaces with domestic markets in several countries. The Euroclear system is operated by Euroclear, a bank incorporated under the laws of the Kingdom of Belgium as the "Euroclear operator." All operations are conducted by the Euroclear operator and all Euroclear securities clearance accounts and Euroclear cash accounts are accounts with the Euroclear operator. Euroclear participants include banks (including central banks), securities brokers and dealers and other professional financial intermediaries and may include the initial purchasers or their affiliates. Indirect access to Euroclear is also available to other firms that clear through or maintain a custodial relationship with a Euroclear participant, either directly or indirectly.

Securities clearance accounts and cash accounts with the Euroclear operator are governed by the Terms and Conditions Governing Use of Euroclear and the related operating procedures of the Euroclear system and applicable Belgian law. The Euroclear terms and conditions govern transfers of securities and cash within Euroclear, withdrawals of securities and cash from Euroclear, and receipts of payments with respect to securities in Euroclear. All securities in Euroclear are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts. The Euroclear operator acts under the Euroclear terms and conditions only on behalf of Euroclear participants and has no record of or relationship with persons holding through Euroclear participants.

Clearstream is incorporated under the laws of Luxembourg as a professional depositary. Clearstream holds securities for its participating organizations and facilitates the clearance and settlement of securities transactions between its participants through electronic book-entry changes in accounts of its participants, eliminating the need for physical movement of certificates. Clearstream provides to its participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream interfaces with domestic markets in several countries. As a professional depositary, Clearstream is subject to regulation by the Luxembourg Monetary Institute. Clearstream participants are recognized financial institutions around the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations and may include the initial purchasers or their affiliates. Indirect access to Clearstream is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Clearstream participant, either directly or indirectly.

Purchases of Notes within the DTC system must be made by or through DTC participants, which will receive a credit for the Notes on DTC's records and on the records of Euroclear or Clearstream, if applicable. The ownership interest of each actual purchaser of Notes, i.e., a beneficial owner of an interest in a global security, will in turn be recorded on the DTC participants' and indirect participants' records.

Beneficial owners of interests in a global security will not receive written confirmation from DTC of their purchases, but they are expected to receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the DTC participants or indirect participants through which they purchased the Notes. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of DTC participants and indirect participants acting on behalf of beneficial owners of interests in a global security. Beneficial owners of interests in a global security will not receive certificates representing their ownership interests in the Notes unless use of the book-entry system for the Notes is discontinued.

Limitations on Responsibilities

DTC, Euroclear and Clearstream have no knowledge of the actual beneficial owners of interests in a global security. DTC's records reflect only the identity of the DTC participants to whose accounts those Notes are credited, which may or may not be the beneficial owners of interests in a global security. Similarly, the records of Euroclear and Clearstream reflect only the identity of the Euroclear or Clearstream participants to whose accounts those Notes are credited, which also may or may not be the beneficial owners of interests in a global security. DTC, Euroclear and Clearstream participants and indirect participants will remain responsible for keeping account of their holdings on behalf of their customers.

DTC's Procedures for Notices, Voting and Payments

So long as DTC, or its nominee; is the registered owner or holder of a global security, DTC or that nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by the global security for all purposes under the Notes and the Indenture. No beneficial owner of an interest in a global security will be able to transfer that interest except in accordance with DTC's applicable procedures, in addition to those provided for under the Indenture.

DTC has advised Nippon Life that it will take any action permitted to be taken by a holder of Notes, including the presentation of Notes for exchange as described below, only at the direction of one or more of its participants to whose account DTC's interests in the global securities are credited and only in respect of that portion of the aggregate principal amount of Notes as to which that participant or participants has or have given the direction.

Conveyance of notices and other communications by DTC to its participants, by those participants to its indirect participants, and by participants and indirect participants to beneficial owners of interests in a global security will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

The trustee will send any notices in respect of the Notes held in book-entry form to Cede & Co.

Payment of principal of and interest on the Notes held in book-entry form will be made to Cede & Co. or another nominee of DTC in immediately available funds. DTC's practice is to credit its participants' accounts on the relevant payment date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payments on that payment date. Payments by DTC's participants and indirect participants to beneficial owners of interests in a global security will be governed by standing instructions and customary practices, and will be the responsibility of those participants and indirect participants and not of DTC or Nippon Life, subject to any statutory or regulatory requirements that may be in effect from time to time. Payment of principal of and interest on the Notes or other amounts to DTC is the responsibility of Nippon Life, disbursement of these payments to participants is the responsibility of DTC, and disbursement of those payments to the beneficial owner of an interest in a global security is the responsibility of participants and indirect participants.

The principal amount of the Notes in definitive form will be payable by check, drawn on a bank in The City of New York, upon presentation and surrender of the Notes at Nippon Life or at the office of the trustee located at 240 Greenwich Street, New York, NY 10286, U.S.A., or at such other place or places as the trustee shall designate by notice to the holders of the Notes. Interest on the Notes will be payable by check, drawn on a bank in The City of New York, mailed to the persons in whose names the Notes, or one or more predecessor Notes, are registered on each interest payment record date. Notwithstanding the foregoing, the person in whose name a Note is registered may elect to receive payments of principal or interest by wire transfer in immediately available funds to a bank account in The City of New York designated by such person in a written notice received by the trustee (i) in the case of a payment of interest, prior to the interest payment record date immediately preceding the interest payment date on which such payment is due and (ii) in the case of payment of principal on the maturity date, prior to the interest payment record date immediately preceding the maturity date, provided that in the case of such payment of principal, the Note shall have been surrendered to the trustee for payment together with such notice.

Except as described in this offering circular, a beneficial owner of an interest in a global security will not be entitled to receive physical delivery of Notes. Accordingly, each beneficial owner of an interest in a global security must rely on the procedures of DTC to exercise any rights under the Notes.

Although DTC, Euroclear and Clearstream have agreed to the foregoing procedures in order to facilitate transfers of interests in the global securities among participants, none of them is under any obligation to perform or continue to perform those procedures, and those procedures may be discontinued at any time. None of Nippon Life, the trustee, the notes registrar, the transfer agent or the paying agent will have any responsibility for the performance by DTC, Euroclear, Clearstream or their participants or indirect participants under the rules and procedures governing them. DTC, Euroclear and Clearstream may discontinue providing their services as securities depositary with respect to the Notes at any time by giving notice to Nippon Life. Under those circumstances, definitive Notes would be delivered as described below.

The information in this section concerning DTC, Euroclear and Clearstream and DTC's book-entry system has been obtained from sources that Nippon Life believes to be reliable, but Nippon Life takes no responsibility for the accuracy thereof.

Exchange of Global Securities for Definitive Notes

If (i) DTC is at any time unwilling or unable to continue as a depositary for the global securities and a successor depositary is not appointed by Nippon Life within 90 days or (ii) there shall have occurred and be continuing an event of acceleration with respect to the Notes, definitive Notes will be issued in exchange for the global securities. Definitive Notes delivered in exchange for beneficial interests in any global securities will be registered in the names, and issued with a minimum denomination of $200,000 or integral multiples of $1,000 in excess thereof, requested by or on behalf of DTC or the successor depositary, in accordance with its customary procedures, and will be issued without coupons.

Trustee's Powers

In considering the interests of holders of the Notes while title to the Notes is registered in the name of a nominee of DTC, the trustee may (but will not be obliged to) rely conclusively upon any information made available to it by DTC as to the identity (either individually or by category) of its participants with entitlements to Notes and may (but will not be obliged to) consider such interests as if such accountholders were the holders of the Notes. See "—The Trustee."

Registration, Transfer and Exchange

The notes registrar will maintain at its principal office currently located at 240 Greenwich Street, New York, NY 10286, U.S.A., a notes register with respect to the Notes. The name of the registered holder of each Note will be recorded in the notes register. Nippon Life, the trustee and each agent may treat the person in whose name any Note is registered as the absolute owner of the Note for all purposes and none of them shall be affected by any notice to the contrary.

At the option of the holder of a Note, subject to the restrictions contained in the Note and in the Indenture, the Note may be transferred or exchanged for a like aggregate principal amount of Notes of different authorized denominations, upon surrender for exchange or registration of transfer, at the trustee's or the transfer agent's notice upon written request received from such holder of a Note accompanied by proof of the holder's holding of Notes satisfactory to the trustee or the transfer agent. Any Note surrendered for exchange or presented for registration of transfer shall be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to Nippon Life duly executed, by the holder thereof or his attorney duly authorized in writing (with the signatures guaranteed in satisfactory form). Notes issued upon exchange or transfer shall be registered in the name of the holder requesting the exchange or, as the case may be the designated transferee or transferees and delivered at the notes registrar's office, or mailed, at the request, risk and expense of, and to the address requested by, the designated transferee or transferees.

No service charge, other than any cost of delivery, shall be imposed for any transfer or exchange of Notes, but Nippon Life may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Notes.

Taxation

Japanese Taxation

The following is a general description of certain aspects of Japanese tax treatment primarily in relation to payments of principal of and interest on the Notes. It does not purport to be a comprehensive description of the tax treatment of the Notes. Prospective purchasers should note that, although the general tax information on Japanese taxation is described hereunder for convenience, the statements below are general in nature and not exhaustive.

Prospective purchasers are advised to consult their own legal, tax, accountancy or other professional advisers in order to ascertain their particular circumstances regarding taxation. The statements below are based on the current tax laws and regulations of Japan and the current income tax treaties entered into by Japan all as in effect on the date of this offering circular and all of which are subject to change or differing interpretations (possibly with retroactive effect). Neither such statements nor any other statement in this offering circular are to be regarded as advice on the tax position of any holder or beneficial owner of the Notes or any person subscribing for, purchasing, selling or otherwise dealing in the Notes or any tax implication arising from the subscription for or purchase, sale or other dealings in respect of the Notes.

The Notes

The Notes do not fall under the concept of so called "taxable linked notes" as described in Article 6, Paragraph (4) of the Act on Special Measures Concerning Taxation of Japan (Act No. 26 of 1957, as amended) (the "Special Taxation Measures Act"), i.e., notes of which the amount of interest is to be calculated or determined by reference to certain indicators (as prescribed in the Cabinet Order for Enforcement of the Act on Special Measures Concerning Taxation of Japan (Cabinet Order No. 43 of 1957, as amended) (the "Cabinet Order")) in respect of the issuer of such notes or any other person who has a special relationship with such issuer (that is, in general terms, a person who directly or indirectly controls or is directly or indirectly controlled by, or is directly or indirectly controlled by a person who also directly or indirectly controls, such issuer) as described in Article 6, Paragraph (4) of the Special Taxation Measures Act and Article 3-2-2, Paragraphs (5) to (7) of the Cabinet Order (such other person is hereinafter referred to as a "Specially-Related Person").

Representation of Gross Recipient Status upon Initial Distribution

By subscribing for the Notes, an investor will be deemed to have represented that it is a "Gross Recipient" which means (i) a holder or beneficial owner of the Notes that is, for Japanese tax purposes, neither an individual resident of Japan or a Japanese corporation (a "Resident Holder"), nor an individual non-resident of Japan or a non-Japanese corporation (a "Non-Resident Holder") that, in either case, is a Specially-Related Person, (ii) a Japanese bank, Japanese insurance company, Japanese financial instruments business operator or other Japanese financial institution falling under certain categories prescribed by Article 3-2-2, Paragraph (28) of the Cabinet Order that will hold Notes for its own proprietary account (each, a "Designated Financial Institution") or (iii) a Resident Holder whose receipt of interest on the Notes will be made through a payment handling agent in Japan as defined in Article 3-3, Paragraph (1) of the Special Taxation Measures Act and Article 2-2, Paragraph (2) of the Cabinet Order (a "Japanese Payment Handling Agent"). The Notes are not as part of the initial distribution by the Initial Purchasers at any time to be directly or indirectly offered or sold to, or for the benefit of, any person other than a Gross Recipient.

Interest Payments on Notes

The following description of Japanese taxation (limited to national taxes) applies exclusively to interest on the Notes, where the Notes are issued by Nippon Life outside Japan and payable outside Japan. It is not intended to be exhaustive and prospective purchasers are recommended to consult their tax advisers as to their exact tax position.

1. Non-Resident Holders

If the recipient of interest on the Notes is a Non-Resident Holder for Japanese tax purposes, as described below, the Japanese tax consequences to such Non-Resident Holder are significantly different depending upon whether such Non-Resident Holder is a Specially-Related Person. Most importantly, if such Non-Resident Holder is a Specially-Related Person, income tax at the rate of 15% (for the period up to and including December 31, 2037, at the rate of 15.315%) of the amount of such interest will be withheld by Nippon Life under Japanese tax law. The remainder of this sub-section assumes that the Non-Resident Holder is not a Specially-Related Person.

(1) If the recipient of interest on the Notes is a Non-Resident Holder having no permanent establishment within Japan or having a permanent establishment within Japan but where the receipt of the interest on the Notes is not attributable to such permanent establishment of such Non-Resident Holder, no Japanese income tax or corporate tax is payable with respect to such interest whether by way of withholding, deduction or otherwise, if such recipient complies with certain requirements, inter alia:

(i) if the relevant Notes are held through certain participants in an international clearing organization such as DTC, Euroclear and Clearstream or certain financial intermediaries prescribed by the Special Taxation Measures Act and the Cabinet Order (together with the ministerial ordinance and other regulations thereunder, the "Law") (each such participant or financial intermediary, a "Participant"), the requirement to provide, at the time of entrusting a Participant with the custody of the relevant Notes, certain information (the "Interest Recipient Information") prescribed by the Law to enable the Participant to establish that the recipient is exempt from the requirement for Japanese tax to be withheld or deducted and to advise the Participant if such Non-Resident Holder ceases to be so exempted (including the case where it became a Specially-Related Person); and

(ii) if the relevant Notes are not held through a Participant, the requirement to submit to the relevant paying agent a written application for tax exemption (*hikazei tekiyo shinkokusho*) (the "Written Application for Tax Exemption") together with certain documentary evidence.

Failure to comply with the foregoing requirements (including the case where the Interest Recipient Information is not duly communicated through a Participant or to the relevant paying agent as required under the Law) will result in the withholding by Nippon Life of income tax at the rate of 15% (for the period up to and including December 31, 2037, at the rate of 15.315%) of the amount of such interest.

(2) If the recipient of interest on the Notes is a Non-Resident Holder having a permanent establishment within Japan and the receipt of interest is attributable to such permanent establishment of such Non-Resident Holder, such interest will not be subject to a 15% (or 15.315% for the period up to and including December 31, 2037) withholding tax by Nippon Life, if the recipient provides the Interest Recipient Information or submits the Written Application for Tax Exemption as set out in paragraph (1) above. Failure to do so will result in the withholding by Nippon Life of income tax at the rate of 15% (for the period up to and including December 31, 2037, at the rate of 15.315%) of the amount of such interest. The amount of such interest will be aggregated with the recipient's other Japanese source income and will be subject to regular income tax or corporate tax, as appropriate.

2. Resident Holders and Specially-Related Persons

(1) Payment of interest on the Notes paid to a Resident Holder (except for (i) a Designated Financial Institution which has complied with the requirements under Article 6 of the Special Taxation Measures Act and (ii) a public corporation, a Japanese financial institution or a Japanese financial instruments firm as provided in Article 3-3, Paragraph (6) of the Special Taxation Measures Act which receives the interest payments through its payment handling agent in Japan

and complies with the requirement for tax exemption under that Paragraph), or to a Non-Resident Holder that is a Specially-Related Person of the Issuer will be subject to Japanese income tax at a rate of 15.315 % (until December 31, 2037, and at a rate of 15% thereafter) of the amount of such interest.

(2) Under the Law, if a Non-Resident Holder becomes a Specially-Related Person, and if such Notes are held through a Participant, then such Non-Resident Holder is required to notify the Participant of such change in status by the immediately following interest payment date of the Notes. As the status of such Non-Resident Holder as a Specially-Related Person for Japanese withholding tax purposes is determined based on the status as of the beginning of the fiscal year of Nippon Life in which the relevant interest payment date falls, such Non-Resident Holder should, by such notification, identify and advise the Participant of the specific interest payment date on which Japanese withholding tax commences to apply with respect to such Non-Resident Holder as being a Specially-Related Person.

Capital Gains, Stamp Tax and Other Similar Taxes, Inheritance Tax and Gift Tax

Gains derived from the sale or disposition of Notes outside Japan by a Non-Resident Holder having no permanent establishment within Japan (to which the Notes are attributable) are, in general, not subject to Japanese income tax or corporate tax.

No stamp, issue, registration or similar taxes or duties will, under current Japanese law, be payable in Japan by holders of the Notes in connection with the issue of the Notes, nor will such taxes be payable by holders of the Notes in connection with their transfer if such transfer takes place outside Japan.

Japanese inheritance tax or gift tax at progressive rates may be payable by an individual, wherever resident, who has acquired the Notes from another individual as legatee, heir or donee.

Certain U.S. Federal Income Tax Considerations

The following is a description of certain U.S. federal income tax consequences to the U.S. Holders described below of owning and disposing of Notes, but it does not purport to be a comprehensive description of all tax considerations that may be relevant to a particular person's decision to acquire the Notes. This discussion applies only to initial U.S. Holders that purchase Notes in this offering at the "offering price," which will be the first price at which a substantial amount of Notes is sold to the public, and hold them as capital assets (generally, property held for investment) for U.S. federal income tax purposes.

This discussion does not address all aspects of U.S. federal income taxation and does not address U.S. state, local or non-U.S. tax laws. In addition, this discussion does not describe all of the tax consequences that may be relevant in light of a U.S. Holder's particular circumstances. For example, this discussion does not address the special tax accounting rules under Section 451(b) of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), which may require certain accrual-method taxpayers to accelerate income inclusions to conform their timing to their inclusions on applicable financial statements, nor does it address any alternative minimum or Medicare contribution tax consequences or specific consequences applicable to U.S. Holders subject to special rules, such as:

- certain financial institutions;
- dealers or certain traders in securities;
- persons holding Notes as part of a hedge, "straddle" or integrated transaction;
- persons whose functional currency for U.S. federal income tax purposes is not the U.S. dollar;

- entities classified as partnerships or other pass-through entities (or persons holding Notes through such entities) for U.S. federal income tax purposes;
- regulated investment companies;
- insurance companies;
- tax-exempt entities; or
- persons holding Notes in connection with a trade or business conducted outside of the United States.

If an entity that is classified as a partnership for U.S. federal income tax purposes owns Notes, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. Partnerships owning Notes and partners in such partnerships should consult their tax advisers as to the particular U.S. federal income tax consequences to them of owning and disposing of the Notes.

This discussion is based on the Code, administrative pronouncements, judicial decisions, and Treasury regulations, all as of the date hereof, any of which is subject to change, possibly with retroactive effect. As described below, there can be no assurance that the Internal Revenue Service ("IRS") or a court will not take a contrary position with respect to any U.S. federal income tax considerations described below.

As used herein, a "U.S. Holder" is a person that is for U.S. federal income tax purposes a beneficial owner of a Note and:

- an individual who is a citizen or resident of the United States;
- a corporation, or other entity taxable as a corporation, created or organized in or under the laws of the United States, any state therein or the District of Columbia; or
- an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

For purposes of this discussion, an "accrual method" U.S. Holder is a U.S. Holder who uses the accrual method of accounting for U.S. federal income tax purposes.

HOLDERS ARE URGED TO CONSULT THEIR TAX ADVISORS CONCERNING THE U.S. FEDERAL INCOME TAX AND OTHER TAX CONSEQUENCES TO THEM OF THE OWNERSHIP AND DISPOSITION OF THE NOTES, AS WELL AS THE APPLICATION OF U.S. FEDERAL, STATE, LOCAL AND NON-U.S. INCOME, AND OTHER TAX LAWS.

Uncertain Characterization of the Notes

The proper characterization of the Notes for U.S. federal income tax purposes is uncertain. The determination of whether a security should be classified as indebtedness or equity for U.S. federal income tax purposes requires a judgment based on all relevant facts and circumstances. There is no statutory, judicial or administrative authority that directly addresses the U.S. federal income tax treatment of securities such as the Notes. Based on the expected pricing terms of the Notes, and to the extent required for U.S. federal income tax purposes, we intend to treat the Notes as "variable rate debt instruments" that are deemed to mature on January 23, 2030 (which is the first date on which we have an unconditional option to redeem the notes). This characterization is binding on U.S. Holders, unless a U.S. Holder discloses on its U.S. federal income tax return that it is treating the Notes in a manner inconsistent with our characterization. However, our treatment of the Notes is not binding on the IRS or the courts, and no ruling is being requested from the IRS with respect to the proper characterization of the Notes for U.S. federal income tax purposes. The Notes may be subject to possible alternative characterizations. For example, because of certain features of the Notes, such as their subordination to creditor claims, the optional (and in certain circumstances, mandatory) deferral of payments thereon and the demutualization provisions as described under "Description of the Notes", the Notes could be recharacterized as our equity for U.S. federal income tax purposes. Alternatively, the Notes may be recharacterized as "contingent payment debt instruments" if they do not qualify as variable rate debt instruments. Any recharacterization of the Notes might affect the timing, amount and character of income inclusions on the Notes. Although we do not have any current plan to demutualize, U.S. Holders should note that if we were to demutualize in the future, the tax consequences of any such demutualization to U.S. Holders and the treatment of the Notes following demutualization is uncertain and may depend on facts and circumstances at the time of the demutualization that are not currently known. Prospective purchasers of Notes are urged to consult their tax advisers regarding the U.S. federal income tax consequences of an investment in the Notes (including under any alternative characterization and the consequences of a demutualization). The following discussion assumes that the Notes will be treated as "variable rate debt instruments" for U.S. federal income tax purposes that are deemed to mature on January 23, 2030.

Interest Income and Original Issue Discount

In general, debt instruments are treated as issued with original issue discount ("OID") if their "stated redemption price at maturity" exceeds their offering price (i.e., the first price at which a substantial amount of debt instruments are sold other than to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) by more than a *de minimis* amount. A debt instrument's stated redemption price at maturity is the total amount of payments under the debt instrument other than "qualified stated interest." Generally, in order to be qualified stated interest, interest on a debt instrument must be unconditionally payable at least annually. Interest is considered unconditionally payable only if reasonable legal remedies exist to compel timely payment or the debt instrument otherwise provides terms and conditions that make the likelihood of late payment (other than a late payment within a reasonable grace period) or non-payment a remote contingency.

Because of our option to defer interest payments, none of the stated interest on the Notes will be considered unconditionally payable for purposes of the definition of qualified stated interest. As a result, all of the stated interest on the Notes will be treated as OID. A U.S. Holder will be required to include OID in income for U.S. federal income tax purposes as it accrues, in accordance with a constant-yield method regardless of their method of accounting. A U.S. Holder will not be required to separately report the actual payments of interest on the Notes as taxable income. Assuming that our treatment of the Notes as variable rate debt instruments that mature on January 23, 2030 is respected and interest on the Notes is not optionally or mandatorily deferred, an accrual method U.S. Holder should generally be required to accrue an amount of OID equal to the next stated interest payment during each accrual period and therefore should be subject to tax on an amount equal to the stated interest for each accrual period. If the Notes are not redeemed on January 23, 2030, solely for purposes of determining the interest accruals on the Notes, the Notes would be treated as if they were redeemed and new notes that pay interest at the reset interest rate were issued on that date. U.S. Holders would accrue the reset interest as OID for each accrual period in a similar manner to that described for fixed-rate interest above.

If any interest payment were deferred, the amount of OID that a U.S. Holder would be required to include in income for each accrual period following such deferral would depend on whether interest payments are optionally or mandatorily deferred.

We currently do not intend to exercise our right to optionally defer payments of interest on the Notes, and we believe that the possibility of mandatory deferral of interest payments on the Notes is remote.

U.S. Holders should consult their tax advisers regarding the application of the OID rules, including the amount and timing of OID accruals in the case that the Notes are not redeemed on January 23, 2030 or any interest payment is deferred, in their particular circumstances.

Sale, Exchange or Retirement of the Notes

Upon the sale, exchange or retirement of a Note, a U.S. Holder will generally recognize taxable gain or loss equal to the difference between the amount realized on the sale, exchange or retirement and the U.S. Holder's adjusted tax basis in the Note. A U.S. Holder's adjusted tax basis in a Note will be equal to its cost, increased by the amounts of any OID previously included in income by the U.S. Holder and reduced by any payments on the Notes received by the U.S. Holder. Generally, provided that interest payments are not mandatorily deferred, gain or loss realized on the sale, exchange or retirement of a Note will be capital gain or loss, and will be long-term capital gain or loss if at the time of sale, exchange or retirement the Note has been held for more than one year. The deductibility of capital losses is subject to limitations.

Backup Withholding and Information Reporting

Payments on the Notes and proceeds from sales or other dispositions of the Notes that are made within the United States or through certain U.S.-related financial intermediaries may be subject to information reporting and backup withholding, unless (i) the U.S. Holder is a corporation or other exempt recipient or (ii) in the case of backup withholding, the U.S. Holder provides a correct taxpayer identification number and certifies that it is not subject to backup withholding. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against the U.S. Holder's U.S. federal income tax liability and may entitle the U.S. Holder to a refund, provided that the required information is timely furnished to the IRS.

Benefit Plan Investor Considerations

A fiduciary of a pension, profit-sharing or other employee benefit plan subject to Title I of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), including entities such as collective investment funds, partnerships and separate accounts whose underlying assets include the assets of such plans (collectively, "ERISA Plans") should consider the fiduciary standards of ERISA in the context of the ERISA Plan's particular circumstances before authorizing an investment in the Notes. Among other factors, the fiduciary should consider whether the investment would satisfy the prudence and diversification requirements of ERISA and would be consistent with the documents and instruments governing the ERISA Plan.

Section 406 of ERISA and Section 4975 of the Code prohibit ERISA Plans, as well as plans, accounts and other arrangements (including individual retirement accounts and Keogh plans) subject to Section 4975 of the Code (together with ERISA Plans, "Plans"), from engaging in certain transactions involving the "plan assets" with persons who are "parties in interest" under ERISA or "disqualified persons" under Section 4975 of the Code (in either case, "Parties in Interest") with respect to such Plans. As a result of our business, we, and our current and future affiliates, may be Parties in Interest with respect to many Plans. Where we (or our affiliate) are a Party in Interest with respect to a Plan (either directly or by reason of our ownership interests in our directly or indirectly owned subsidiaries), the purchase and holding of the Notes (including any interest in a Note) by or on behalf of the Plan could be a prohibited transaction under Section 406 of ERISA and/or Section 4975 of the Code, unless exemptive relief were available under an applicable exemption (as described below).

Certain prohibited transaction class exemptions ("PTCEs") issued by the U.S. Department of Labor may potentially provide exemptive relief for direct or indirect prohibited transactions resulting from the purchase or holding of the Notes. Those class exemptions include PTCE 96-23 (for certain transactions determined by in-house asset managers), PTCE 95-60 (for certain transactions involving insurance company general accounts), PTCE 91-38 (for certain transactions involving bank collective investment funds), PTCE 90-1 (for certain transactions involving insurance company separate accounts) and PTCE 84-14 (for certain transactions determined by independent qualified asset managers). In addition, ERISA Section 408(b)(17) and Section 4975(d)(20) of the Code may provide a limited exemption for the purchase and sale of the Notes and related lending transactions, provided that neither we nor any of our affiliates have or exercise any discretionary authority or control or render any investment advice with respect to the assets of the Plan involved in the transaction and provided further that the Plan pays no more, and receives no less, than adequate consideration in connection with the transaction (the so-called "service provider exemption"). There can be no assurance that any of these statutory or class exemptions, or any other exemption, will be available with respect to transactions involving the Notes.

Accordingly, the Notes (including any interest in a Note) may not be purchased or held by any Plan unless such purchaser or holder is eligible for the exemptive relief available under PTCE 96-23, 95-60, 91-38, 90-1 or 84-14 or the service-provider exemption or there is some other basis on which the purchase and holding of the Notes will not constitute or result in a non-exempt prohibited transaction under ERISA or Section 4975 of the Code. Each purchaser or holder of the Notes or any interest therein will be deemed to have represented by its purchase or holding of the Notes that either (a) it is not a Plan and its purchase, holding and subsequent disposition of the Notes (including any interest in a Note) is not made on behalf of or with "plan assets" of any Plan or (b) its purchase, holding and subsequent disposition of the Notes (including any interest in a Note) will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code.

Certain governmental plans (as defined in Section 3(32) of ERISA), church plans (as defined in Section 3(33) of ERISA) and non-U.S. plans (as described in Section 4(b)(4) of ERISA) ("Non-ERISA Arrangements") are not subject to these "prohibited transaction" rules of ERISA or Section 4975 of the Code, but may be subject to similar rules under other applicable laws or regulations

("Similar Laws"). Accordingly, each such purchaser or holder of the Notes shall be deemed to have represented by its purchase of the Notes (including any interest in a Note) that such purchase and holding is not prohibited or otherwise a violation under applicable Similar Laws.

Due to the complexity of these rules, it is particularly important that fiduciaries or other persons considering purchasing the Notes (including any interest in a Note) on behalf of or with "plan assets" of any Plan consult with their counsel regarding the relevant provisions of ERISA, the Code or any Similar Laws and the availability of exemptive relief under PTCE 96-23, 95-60, 91-38, 90-1, 84-14, the service provider exemption or some other basis on which the acquisition and holding will not constitute or result in a non-exempt prohibited transaction under ERISA or Section 4975 of the Code or a violation of any applicable Similar Laws.

Each purchaser and holder of the Notes (including any interest in a Note) has exclusive responsibility for ensuring that its purchase, holding and subsequent disposition of the Notes (including any interest in a Note) does not violate the fiduciary or prohibited transaction rules of ERISA, the Code or any applicable Similar Laws. The sale of any Notes to any Plan is in no respect a representation or recommendation by us or any of our affiliates or representatives that such an investment meets all relevant legal requirements with respect to investments by Plans or Non-ERISA Arrangements generally or any particular Plan or Non-ERISA Arrangement, or that such an investment is appropriate or advisable for Plans or Non-ERISA Arrangements generally or any particular Plan or Non-ERISA Arrangement.

Neither this discussion nor anything in this offering circular is or is intended to be investment advice directed at any potential purchaser that is a Plan or Non-ERISA Arrangement, or at such purchasers generally, and such purchasers should consult and rely on their counsel and advisors as to whether an investment in the Notes is suitable and consistent with ERISA, the Code and any Similar Laws, as applicable.

Transfer Restrictions

Because of the following restrictions, purchasers are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of the Notes.

The Notes are being offered in accordance with Rule 144A and Regulation S under the Securities Act. The Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States. Accordingly, they may not be offered, sold, pledged or otherwise transferred or delivered within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Terms used in this section that are defined in Rule 144A or Regulation S under the Securities Act are used as defined therein.

Notes Offered in Reliance on Rule 144A

Each purchaser of the Notes offered in reliance on Rule 144A will be deemed to have represented and agreed as follows:

- the purchaser is a QIB; aware that the sale of the Notes to it is being made in reliance on Rule 144A; and acquiring the Notes for its own account or for the account of a QIB, as the case may be;
- the purchaser understands that the Notes have not been and will not be registered under the Securities Act and may not be offered, resold, pledged or otherwise transferred, except:
    - to a person who the purchaser and any person acting on its behalf reasonably believes is a QIB purchasing for its own account or for the account of another QIB in a transaction meeting the requirements of Rule 144A;
    - in an offshore transaction complying with Regulation S;
    - pursuant to any other exemption from, or in a transaction not subject to, registration under the Securities Act; or
    - either (i) no portion of the assets used by the purchaser to acquire and hold the Notes (including any interest in a Note) constitutes assets of any employee benefit plan subject to Title I of the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA"), any plan, individual retirement account or other arrangement subject to Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), or provisions under any federal, state, local, non-U.S. or other laws or regulations that are similar to such provisions of ERISA or the Code (each a "Similar Law"), or any entity whose underlying assets are considered to include "plan assets" of any such plan, account or arrangement or (ii) the purchase, holding and subsequent disposition of the Notes (including any interest in a Note) by the purchaser will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a violation under any applicable Similar Law; and
- in each case, in accordance with all applicable securities laws of the states of the United States.

The global securities representing the Notes sold in reliance on Rule 144A will bear a legend to the following effect unless we determine otherwise in compliance with applicable law:

THE SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). THE HOLDER HEREOF, BY PURCHASING THIS SECURITY, (A) AGREES FOR THE BENEFIT OF THE ISSUER THAT THE SECURITIES MAY BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (1) TO THE ISSUER OF THIS SECURITY OR A SUBSIDIARY THEREOF, (2) TO A QUALIFIED INSTITUTIONAL BUYER, PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, WHOM

THE HOLDER HAS INFORMED, IN EACH CASE, THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (3) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT OR (4) PURSUANT TO ANY OTHER EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, REGISTRATION UNDER THE SECURITIES ACT (IF AVAILABLE) AND (B) REPRESENTS THAT EITHER (X) IT IS NOT, AND IS NOT PURCHASING OR HOLDING THE SECURITIES ON BEHALF OF OR WITH THE ASSETS OF, ANY PLAN SUBJECT TO TITLE I OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), ANY PLAN, SUCH AS AN INDIVIDUAL RETIREMENT ACCOUNT SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS" WITHIN THE MEANING OF ERISA BY REASON OF SUCH PLAN'S INVESTMENT THEREIN OR ANY PLAN OR ARRANGEMENT THAT IS SUBJECT TO ANY FEDERAL, STATE, LOCAL OR NON-U.S. LAW SIMILAR TO ERISA OR SECTION 4975 OF THE CODE ("SIMILAR LAW") OR (Y) ITS PURCHASE, HOLDING AND SUBSEQUENT DISPOSITION OF THE SECURITIES (INCLUDING ANY INTEREST THEREIN) WILL NOT CONSTITUTE A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR A VIOLATION OF SIMILAR LAW. IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION. AS A CONDITION TO THE REGISTRATION OF THE TRANSFER IN ACCORDANCE WITH (4) ABOVE, THE ISSUER OR THE TRUSTEE MAY REQUIRE THE DELIVERY OF ANY DOCUMENTS, INCLUDING AN OPINION OF COUNSEL THAT IT, IN ITS SOLE DISCRETION, MAY DEEM NECESSARY OR APPROPRIATE TO EVIDENCE COMPLIANCE WITH SUCH EXEMPTION. THE HOLDER HEREOF, BY PURCHASING OR ACCEPTING THIS SECURITY, REPRESENTS AND AGREES FOR THE BENEFIT OF THE ISSUER THAT IT WILL NOTIFY ANY PURCHASER OF THIS SECURITY FROM THE HOLDER OF THE RESALE RESTRICTIONS REFERRED TO ABOVE. THE LEGEND MAY ONLY BE REMOVED AT THE OPTION OF THE ISSUER.

No representation is made as to the availability of the exemption provided by Rule 144 under the Securities Act for resales of any Notes.

Notes Offered in Reliance on Regulation S

Each purchaser of the Notes offered in reliance on Regulation S will be deemed to have represented and agreed as follows:

- the purchaser is a non-U.S. person acquiring the Notes in an offshore transaction in accordance with Regulation S;
- the purchaser understands that the Notes have not been and will not be registered under the Securities Act and, until 40 days after the later of the commencement of the sale of the Notes and the date of the original issuance of the Notes, may not be offered, resold, pledged or transferred within the United States or to, or for the account or benefit of, U.S. persons, except in certain transactions in accordance with Rule 144A under the Securities Act or pursuant to another exemption from registration under the Securities Act; and
- either (i) no portion of the assets used by the purchaser to acquire and hold the Notes (including any interest in a Note) constitutes assets of any employee benefit plan subject to Title I of ERISA, any plan, individual retirement account or other arrangement subject to Section 4975 of the Code or provisions under any Similar Law, or any entity whose underlying assets are considered to include "plan assets" of any such plan, account or arrangement or (ii) the purchase, holding and subsequent disposition of the Notes (including any interest in a Note) by the purchaser will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a violation under any applicable Similar Law.

The global securities representing the Notes sold in reliance on Regulation S will bear a legend to the following effect unless we determine otherwise in compliance with applicable law:

THE SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY

AUTHORITY OF ANY JURISDICTION AND MAY NOT BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO A U.S. PERSON (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, REGISTRATION UNDER THE SECURITIES ACT. THE ISSUER HAS AGREED THAT THIS LEGEND SHALL BE DEEMED TO HAVE BEEN REMOVED ON THE 41ST DAY FOLLOWING THE LATER OF THE COMMENCEMENT OF THE OFFERING OF THE SECURITIES AND THE FINAL DELIVERY DATE WITH RESPECT THERETO. THE HOLDER REPRESENTS THAT EITHER (X) IT IS NOT, AND IS NOT PURCHASING OR HOLDING THE SECURITIES ON BEHALF OF OR WITH THE ASSETS OF, ANY PLAN SUBJECT TO TITLE I OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (“ERISA”), ANY PLAN, SUCH AS AN INDIVIDUAL RETIREMENT ACCOUNT SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE “CODE”), ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE “PLAN ASSETS” WITHIN THE MEANING OF ERISA BY REASON OF SUCH PLAN’S INVESTMENT THEREIN OR ANY PLAN OR ARRANGEMENT THAT IS SUBJECT TO ANY FEDERAL, STATE, LOCAL OR NON-U.S. LAW SIMILAR TO ERISA OR SECTION 4975 OF THE CODE (“SIMILAR LAW”) OR (Y) ITS PURCHASE, HOLDING AND SUBSEQUENT DISPOSITION OF THE SECURITIES (INCLUDING ANY INTEREST THEREIN) WILL NOT CONSTITUTE A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR A VIOLATION OF SIMILAR LAW.

Plan of Distribution

Under the terms and subject to the conditions set forth in a purchase agreement, dated January 15, 2020 (the "purchase agreement"), between us and the initial purchasers named below, for whom J.P. Morgan Securities LLC, Citigroup Global Markets Inc., BofA Securities, Inc. and Goldman Sachs & Co. LLC are acting as the representatives, the initial purchasers have severally, and not jointly, agreed to purchase, and we have agreed to sell to the initial purchasers, the respective principal amount of the Notes listed opposite their names below.

Initial Purchasers	Principal amount
J.P. Morgan Securities LLC	$ 425,500,000
Citigroup Global Markets Inc.	322,000,000
BofA Securities, Inc.	276,000,000
Goldman Sachs & Co. LLC	115,000,000
Morgan Stanley & Co. LLC	8,050,000
Barclays Capital Inc.	2,300,000
BNP Paribas	1,150,000
Total	$1,150,000,000

The initial purchasers have advised us that they propose initially to offer the Notes at the offering price listed on the cover page of this offering circular. After the initial offering, the price to investors may be changed. The initial purchasers have agreed to purchase the Notes from us at the offering price.

The initial purchasers are entitled to be released and discharged from their obligations under, and to terminate, the purchase agreement in certain circumstances prior to paying us for the Notes. If an initial purchaser defaults, the purchase agreement provides that the purchase commitments of the nondefaulting initial purchasers may be increased. The initial purchasers are offering the Notes subject to their acceptance of the Notes from us and subject to prior sale. The purchase agreement provides that the obligations of the several initial purchasers to pay for and accept delivery of the Notes are subject to approval of certain legal matters by their counsel and to certain other conditions.

The purchase agreement provides that we will indemnify the initial purchasers and their affiliates against specified liabilities, including liabilities under the Securities Act, in connection with the offer and sale of the Notes, and will contribute to payments the initial purchasers and their affiliates may be required to make in respect of those liabilities.

The Notes are being offered by the initial purchasers or affiliates of certain of the initial purchasers in offshore transactions outside the United States in reliance on Regulation S under the Securities Act and by initial purchasers or affiliates of certain of the initial purchasers to QIBs in the United States in reliance on Rule 144A under the Securities Act.

Price Stabilization

In connection with the offering, J.P. Morgan Securities LLC, as the Stabilization Manager, and/or any person acting on behalf thereof may purchase and sell the Notes in the open market and engage in other transactions, subject to applicable laws and regulations. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by the Stabilization Manager and/or any person acting on behalf thereof of a greater principal amount of the Notes than they are required to purchase from us in the offering. Stabilizing transactions consist of bids or purchases by the Stabilization Manager and/or any person acting on behalf thereof for the purpose of preventing or retarding a decline in the market price of the Notes while the offering is in progress. These transactions may also include stabilizing transactions by the Stabilization Manager and/or any person acting on behalf thereof for the accounts of the initial purchasers.

In addition, the Stabilization Manager and/or any person acting on behalf thereof may impose a penalty bid. A penalty bid is an arrangement that permits the Stabilization Manager and/or any person acting on behalf thereof to reclaim a selling concession from a syndicate member in connection with the offering when the Notes originally sold by the syndicate member are purchased in syndicate covering transactions.

These activities may stabilize, maintain or otherwise affect the market price of the Notes. As a result, the price of the Notes may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued at any time.

No Sale of Similar Securities

We have agreed that, during a period of 30 days from the date of this offering circular, we will not, without the prior written consent of the representatives of the initial purchasers, directly or indirectly, issue, sell, offer or agree to sell, or otherwise dispose of, any other debt securities with a maturity greater than one year, or guarantee any debt securities with a maturity greater than one year.

New Issues of the Notes

The Notes are new issues of securities with no established trading market. In addition, the Notes are subject to certain restrictions on resale and transfer as described under "Transfer Restrictions" and "Benefit Plan Investor Considerations." Approval in principle has been received for the listing of the Notes on the SGX-ST. For so long as the Notes are listed on the SGX-ST, the Notes will be traded on the SGX-ST in a minimum board lot size of $200,000. The initial purchasers have advised us that they presently intend to make a market in the Notes after completion of this offering. Such market-making activity will be subject to the limits imposed by applicable laws. However, they are under no obligation to do so and may discontinue any market-making activities at any time without any notice. A liquid or active trading market for any of the Notes may not develop. If an active trading market for the Notes does not develop, the market price and liquidity of the Notes may be adversely affected. If such Notes are traded, they may trade at a discount from the initial offering price, depending on the market for similar securities, our performance and other factors. See "Risk Factors—Risks Related to the Notes—The market for the Notes may be limited."

Selling Restrictions

General

No action has been or will be taken by us that would permit a public offering of the Notes, or possession or distribution of this offering circular, any amendment or supplement thereto, or any other offering or publicity material relating to the Notes in any country or jurisdiction where, or in any circumstances in which, action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this offering circular nor any other offering or publicity material relating to the Notes may be distributed or published, in or from any country or jurisdiction except under circumstances that will result in compliance with applicable laws and regulations.

United States

Each initial purchaser has agreed that it will offer and sell the Notes as part of its distribution of the Notes under the purchase agreement at any time only in accordance with Rule 903 of Regulation S or Rule 144A under the Securities Act. The Notes have not been registered under the Securities Act and may not be offered or sold within the United States (as defined in Regulation S) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The initial purchasers, or U.S. affiliates of the initial purchasers, may arrange for the sale of a portion of the Notes in the United States exclusively to persons reasonably believed by them to be QIBs in reliance on the exemption from registration provided by Rule 144A under the Securities Act and each United States purchaser of the Notes is hereby notified that the offer and sale of the Notes to it is being made in reliance upon such exemption. The offering of the Notes outside the United States will be made in compliance with Regulation S under the Securities Act.

In addition, until 40 days after the commencement of the offering, an offer or sale of the Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer is made otherwise than pursuant to Rule 144A under the Securities Act or another exemption from registration under the Securities Act.

Japan

The Notes have not been and will not be registered under the FIEA and are subject to the Special Taxation Measures Act. Each of the initial purchasers has represented and agreed that (i) it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any of the Notes in Japan or to, or for the benefit of, any person resident in Japan (which term as used in this item (i) means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for reoffering or resale, directly or indirectly, in Japan or to, or for the benefit of, any person resident in Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and governmental guidelines of Japan; and (ii) it (a) has not, directly or indirectly, offered or sold any Notes to, or for the benefit of, any person other than a Gross Recipient (as defined below), and (b) will not, directly or indirectly, offer or sell any Notes as part of its initial distribution at any time, to, or for the benefit of, any person other than a Gross Recipient. A "Gross Recipient" as used in item (ii) above means (a) a beneficial owner that is, for Japanese tax purposes, neither (x) a Resident Holder, nor (y) a Non-Resident Holder that in either case is a Specially-Related Person, (b) a Designated Financial Institution, or (c) a Resident Holder whose receipt of interest on the Notes will be made through a payment handling agent in Japan (as defined in Article 2-2, Paragraph (2) of the Cabinet Order).

Prohibition of Sales to EEA Retail Investors

The Notes have not been and will not be offered, sold or otherwise made available to any retail investor in the EEA.

For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following:

(a) a retail client as defined in point (11) of Article 4(1) of MiFID II; or

(b) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

Consequently no key information document required by the PRIIPs Regulation for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation. This offering circular has been prepared on the basis that any offer of the Notes in any Member State of the EEA will be made pursuant to an exemption under the Regulation (EU) 2017/1129 (the "Prospectus Regulation") from the requirement to publish a prospectus for offers of the Notes. This offering circular is not a prospectus for the purposes of the Prospectus Regulation.

United Kingdom

Each initial purchaser has represented and agreed that:

- it has only communicated or caused to be communicated, and will only communicate or cause to be communicated, any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to us; and

- it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Hong Kong

Each initial purchaser has represented, warranted and agreed that the Notes may not be offered or sold in Hong Kong by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32, the Laws of Hong Kong) or (ii) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, the Laws of Hong Kong) and any rules made thereunder or (iii) in other circumstances which do not result in the document constituting or being regarded as a "prospectus" within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32, the Laws of Hong Kong), and no advertisement, invitation or document relating to the Notes may be issued or may be in the possession of any person for the purpose of issue (in each case, whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, the Laws of Hong Kong) and any rules made thereunder. Each initial purchaser has further acknowledged that this offering circular has not been reviewed by any regulatory authority in Hong Kong, and has not been registered as a prospectus with the Registrar of Companies under the provisions of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32, the Laws of Hong Kong). Purchasers of the Notes should obtain independent professional advice if they are in doubt about the contents of this offering circular.

Singapore

This offering circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each initial purchaser has not offered or sold any Notes or caused such Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell such Notes or cause such Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this offering circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Notes, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed for or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, in each case, where the securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law;

(4) as specified in Section 276(7) of the SFA; or

(5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 20018 of Singapore.

Any reference to the SFA is a reference to the Securities and Futures Act, Chapter 289 of Singapore and a reference to any term as defined in the SFA or any provision in the SFA is a reference to that term as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

Canada

Prospective Canadian investors are advised that the information contained within this offering circular has not been prepared with regard to matters that may be of particular concern to Canadian investors. Accordingly, prospective Canadian investors should consult with their own legal, financial and tax advisers concerning the information contained within this offering circular and as to the suitability of an investment in the Notes in their particular circumstances.

The offer and sale of the Notes in Canada will only be made in the provinces of Alberta, British Columbia, New Brunswick, Nova Scotia, Ontario, Québec and Saskatchewan or to residents thereof and not in, or to the residents of, any other province or territory of Canada. Such offers and sales will be made only under exemptions from the requirement to file a prospectus in the above mentioned provinces.

The Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions ("NI 45-106") or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this offering circular (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal adviser.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts ("NI 33-105"), the initial purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with the offerings.

Upon receipt of this offering circular, each Canadian purchaser hereby confirms that it has expressly requested that all documents evidencing or relating in any way to the sale of the securities described herein (including for greater certainty, any purchase confirmation or any notice) be drawn up in the English language only. Par la réception de ce document, chaque acheteur canadien confirme par les présentes qu'il a expressément exigé que tous les documents faisant foi ou se rapportant de quelque manière que ce soit à la vente des valeurs mobilières décrites aux présentes (incluant, pour plus de certitude, toute confirmation d'achat ou tout avis) soient rédigés en anglais seulement.

Stamp Taxes and Other Charges

Purchasers of the Notes offered by this offering circular may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase and in addition to the offering price on the cover page of this offering circular.

Other Relationships

The initial purchasers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory services, investment management, investment research, principal investment, hedging, financing and brokerage activities. Certain of the initial purchasers and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for us or our subsidiaries and affiliates, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the initial purchasers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities), financial instruments (including bank loans), currencies and commodities for their own account and for the accounts of their customers, and such investment and securities activities may involve securities, instruments or assets of ours, any of our affiliates or related to our business. If any of the initial purchasers or their affiliates has a lending relationship with us, certain of those initial purchasers or their affiliates routinely hedge, and certain other of those initial purchasers may hedge, their credit exposure to us consistent with their customary risk management policies. Typically, these initial purchasers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the Notes offered hereby. Any such credit default swaps or short positions could adversely affect future trading prices of the Notes offered hereby. The initial purchasers and their respective affiliates may also make investment recommendations and may publish or express independent research views in respect of such securities or instruments or in respect of assets, currencies or commodities that may be related to our business, and may at any time hold, or recommend to clients that they acquire, long or short positions in such securities, instruments, currencies or commodities.

Settlement

We expect delivery of the Notes will be made against payment therefor on or about January 23, 2020, which is the fifth New York business day following the date of pricing of the Notes. Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally are required to settle in two business days unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes prior to the delivery of the Notes may be required, by virtue of the fact that the Notes initially will settle five New York business days after pricing of the Notes, to specify an alternate settlement cycle at the time of any such trade to prevent failed settlement and should consult their own advisers.

Legal Matters

Certain legal matters will be passed upon for us by Davis Polk & Wardwell LLP as to matters of U.S. federal and New York law and Mori Hamada & Matsumoto as to matters of Japanese law. Certain legal matters will be passed upon for the initial purchasers by Skadden, Arps, Slate, Meagher & Flom LLP as to matters of U.S. federal and New York law.

Independent Auditors

Our consolidated financial statements and nonconsolidated financial statements as of and for the years ended March 31, 2017, 2018 and 2019 included elsewhere in this offering circular, have been audited by Deloitte Touche Tohmatsu LLC, our independent auditors, as stated in their reports included herein.

Index to Financial Statements

(This page is intentionally left blank)

Independent Auditor's Report

To the Board of Directors of Nippon Life Insurance Company:

We have audited the accompanying consolidated balance sheets of Nippon Life Insurance Company and its consolidated subsidiaries as of March 31, 2019, 2018 and 2017, and the related consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Insurance Business Act and the related rules and regulations applicable to the life insurance industry and accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Nippon Life Insurance Company and its consolidated subsidiaries as of March 31, 2019, 2018 and 2017, and the consolidated results of their operations and their cash flows for the years then ended in accordance with the Insurance Business Act and the related rules and regulations applicable to the life insurance industry and accounting principles generally accepted in Japan.

Emphasis of Matter

As explained in Note 1(1) to the consolidated financial statements, the information provided in the consolidated financial statements including notes to the consolidated financial statements is limited to information required by the Insurance Business Act and the related rules and regulations applicable to the life insurance industry and disclosed as additional information. Our opinion is not modified with respect to this matter.

Convenience Translation

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1(2) to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC
Tokyo, Japan
May 22, 2019
(July 2, 2019 as to (2), (3), (4) and (5) of Note 26)

Nippon Life Insurance Company and its Consolidated Subsidiaries

Consolidated Financial Statements

Consolidated Balance Sheets

As of March 31	2019 (Millions of Yen)	2018 (Millions of Yen)	2017 (Millions of Yen)	2019 (Millions of U.S. Dollars (Note 1))
ASSETS:				
Cash and deposits (Notes 5 and 6)	**¥ 1,541,390**	**¥ 1,405,704**	**¥ 1,337,969**	**$ 13,887**
Call loans (Note 5)	**429,912**	**471,113**	**270,000**	**3,873**
Monetary receivables purchased (Notes 5 and 6)	**401,938**	**288,752**	**337,913**	**3,621**
Assets held in trust (Note 6)	**13,357**	**10,621**	**3,597**	**120**
Investments in securities (Notes 5, 6, 8, 17 and 18)	**64,458,905**	**60,106,713**	**58,262,185**	**580,763**
Loans (Notes 6, 19 and 20)	**8,510,520**	**8,630,122**	**8,990,370**	**76,678**
Tangible fixed assets (Notes 7, 9 and 17):	**1,907,653**	**1,857,734**	**1,868,153**	**17,187**
Land	1,262,159	1,232,389	1,253,286	11,371
Buildings	579,064	541,877	540,405	5,217
Lease assets	7,040	9,260	7,580	63
Construction in progress	15,840	43,376	40,311	142
Other tangible fixed assets	43,548	30,829	26,569	392
Intangible fixed assets:	**263,513**	**255,722**	**236,530**	**2,374**
Software	124,250	92,569	86,168	1,119
Goodwill	44,214	52,674	53,309	398
Lease assets	–	–	6	–
Other intangible fixed assets	95,047	110,479	97,045	856
Reinsurance receivables	**9,368**	**11,577**	**12,513**	**84**
Other assets (Note 6)	**1,199,998**	**1,299,200**	**1,104,003**	**10,811**
Deferred tax assets (Note 23)	**9,140**	**6,154**	**5,604**	**82**
Customers' liability for acceptances and guarantees	**71,016**	**52,928**	**39,935**	**639**
Allowance for doubtful accounts	**(7,198)**	**(3,828)**	**(4,483)**	**(64)**
Total assets	**¥78,809,517**	**¥74,392,516**	**¥72,464,294**	**$710,059**

Nippon Life Insurance Company and its Consolidated Subsidiaries

Consolidated Balance Sheets (continued)

As of March 31	Millions of Yen 2019	2018	2017	Millions of U.S. Dollars (Note 1) 2019
LIABILITIES:				
Policy reserves and other reserves:				
Reserve for outstanding claims	¥ 302,778	¥ 332,590	¥ 394,243	$ 2,727
Policy reserves	64,100,386	60,130,178	58,930,878	577,532
Reserve for dividends to policyholders (mutual company) (Note 11)	1,020,213	995,167	1,001,102	9,191
Reserve for dividends to policyholders (limited company) (Note 12)	60,326	65,078	67,847	543
Subtotal	**65,483,705**	**61,523,014**	**60,394,071**	**589,996**
Reinsurance payables	**8,424**	**6,566**	**9,590**	**75**
Corporate bonds (Notes 6 and 13)	**1,175,589**	**1,108,889**	**920,825**	**10,591**
Other liabilities (Notes 6, 14 and 17)	**2,518,762**	**2,244,558**	**2,243,231**	**22,693**
Accrued bonuses for directors and audit and supervisory board members	**106**	**90**	**79**	**0**
Net defined benefit liability (Note 15)	**440,556**	**443,161**	**450,558**	**3,969**
Accrued retirement benefits for directors and audit and supervisory board members	**4,905**	**5,503**	**5,246**	**44**
Reserve for program points	**9,203**	**9,411**	**9,013**	**82**
Reserve for price fluctuations in investments in securities	**1,460,182**	**1,345,987**	**1,135,765**	**13,155**
Deferred tax liabilities (Note 23)	**555,094**	**625,202**	**620,563**	**5,001**
Deferred tax liabilities for land revaluation	**103,748**	**104,828**	**106,432**	**934**
Acceptances and guarantees	**71,016**	**52,928**	**39,935**	**639**
Total liabilities	**71,831,296**	**67,470,142**	**65,935,313**	**647,187**
NET ASSETS:				
Foundation funds (Note 16)	**100,000**	**150,000**	**150,000**	**900**
Reserve for redemption of foundation funds (Note 16)	**1,250,000**	**1,200,000**	**1,150,000**	**11,262**
Reserve for revaluation	**651**	**651**	**651**	**5**
Consolidated surplus	**629,555**	**625,131**	**622,388**	**5,672**
Total foundation funds and others	**1,980,206**	**1,975,782**	**1,923,039**	**17,841**
Net unrealized gains on available-for-sale securities	**4,943,922**	**4,918,602**	**4,588,092**	**44,543**
Deferred losses on derivatives under hedge accounting	**(31,643)**	**(59,092)**	**(65,262)**	**(285)**
Land revaluation losses	**(54,690)**	**(60,989)**	**(58,084)**	**(492)**
Foreign currency translation adjustments	**(4,853)**	**28,706**	**30,549**	**(43)**
Remeasurement of defined benefit plans	**(13,494)**	**(18,632)**	**(24,556)**	**(121)**
Total accumulated other comprehensive income	**4,839,241**	**4,808,594**	**4,470,738**	**43,600**
Noncontrolling interests	**158,772**	**137,996**	**135,203**	**1,430**
Total net assets	**6,978,221**	**6,922,373**	**6,528,981**	**62,872**
Total liabilities and net assets	**¥78,809,517**	**¥74,392,516**	**¥72,464,294**	**$710,059**

The accompanying notes are an integral part of the consolidated financial statements.

Nippon Life Insurance Company and its Consolidated Subsidiaries

Consolidated Statements of Income

For the years ended March 31	Millions of Yen 2019	2018	2017	Millions of U.S. Dollars (Note 1) 2019
Ordinary income:				
Revenues from insurance and reinsurance	**¥6,069,229**	**¥5,422,050**	**¥5,236,045**	**$54,682**
Investment income:				
Interest, dividends, and other income	1,596,028	1,496,565	1,458,328	14,379
Gain on trading securities	12,174	22,599	–	109
Gain on sales of securities	205,481	252,476	287,182	1,851
Gain on redemptions of securities	6,430	14,972	6,000	57
Foreign exchange gains, net	–	16,168	–	–
Reversal of allowance for doubtful accounts	–	584	1,351	–
Other investment income	3,101	1,806	1,919	27
Gain from separate accounts, net	19,115	66,115	50,432	172
Subtotal	**1,842,333**	**1,871,287**	**1,805,215**	**16,599**
Other ordinary income	**315,569**	**316,467**	**260,555**	**2,843**
Total ordinary income	**8,227,132**	**7,609,805**	**7,301,817**	**74,124**
Ordinary expenses:				
Benefits and other payments:				
Death and other claims	1,323,888	1,298,609	1,226,875	11,927
Annuity payments	975,383	907,776	936,713	8,788
Health and other benefits	846,807	812,819	824,505	7,629
Surrender benefits	1,169,048	1,085,916	932,899	10,532
Other refunds	238,189	260,653	217,639	2,146
Reinsurance premiums	44,152	41,602	13,048	397
Subtotal	**4,597,470**	**4,407,378**	**4,151,681**	**41,422**
Provision for policy reserves:				
Provision for reserve for outstanding claims	–	–	30,975	–
Provision for policy reserves	1,630,416	1,212,272	1,125,720	14,689
Provision for interest on reserve for dividends to policyholders (mutual company)	22,233	22,203	22,458	200
Provision for interest on reserve for dividends to policyholders (limited company)	11	12	25	0
Subtotal	**1,652,662**	**1,234,488**	**1,179,180**	**14,890**
Investment expenses:				
Interest expenses	35,388	24,392	22,388	318
Loss from assets held in trust, net	2,563	3,276	1,976	23
Loss on trading securities	–	–	5,371	–
Loss on sales of securities	145,635	126,883	123,761	1,312
Loss on valuation of securities	19,019	11,364	27,868	171
Loss on redemptions of securities	8,165	23,374	32,974	73
Loss on derivative financial instruments, net	83,973	144,785	116,229	756
Foreign exchange losses, net	16,896	–	16,441	152
Provision for allowance for doubtful accounts	6,368	–	–	57
Write-offs of loans	–	–	55	–
Depreciation of rental real estate and other assets	18,969	17,460	17,834	170
Other investment expenses	34,760	32,428	30,224	313
Subtotal	**371,739**	**383,966**	**395,127**	**3,349**
Operating expenses (Note 21)	**825,455**	**789,288**	**708,262**	**7,437**
Other ordinary expenses	**351,361**	**322,857**	**339,179**	**3,165**
Total ordinary expenses	**7,798,687**	**7,137,979**	**6,773,431**	**70,264**
Ordinary profit	**428,445**	**471,825**	**528,385**	**3,860**

Nippon Life Insurance Company and its Consolidated Subsidiaries

Consolidated Statements of Income (continued)

For the years ended March 31	Millions of Yen 2019	2018	2017	Millions of U.S. Dollars (Note 1) 2019
Extraordinary gains:				
Gain on disposals of fixed assets	¥ 7,053	¥ 21,711	¥ 39,856	$ 63
Gain on bargain purchase (Note 3)	10,347	–	–	93
Subtotal	**17,400**	**21,711**	**39,856**	**156**
Extraordinary losses:				
Loss on disposals of fixed assets	8,069	7,781	16,018	72
Impairment losses (Note 22)	2,327	2,242	5,243	20
Provision for reserve for price fluctuations in investments in securities	104,418	210,222	172,034	940
Loss on reduction entry of real estate	–	–	2	–
Contributions for assisting social public welfare	3,000	2,977	2,977	27
Subtotal	**117,815**	**223,222**	**196,275**	**1,061**
Provision for reserve for dividends to policyholders (limited company)	**13,837**	**17,272**	**18,161**	**124**
Surplus before income taxes	**314,192**	**253,042**	**353,805**	**2,830**
Income taxes (Note 23):				
Current	135,642	129,514	99,889	1,222
Deferred	(102,461)	(123,015)	(54,372)	(923)
Total income taxes	**33,180**	**6,499**	**45,517**	**298**
Net surplus	**281,011**	**246,542**	**308,288**	**2,531**
Net surplus attributable to noncontrolling interests	**2,215**	**2,614**	**6,319**	**19**
Net surplus attributable to the parent company	**¥ 278,795**	**¥ 243,927**	**¥ 301,969**	**$ 2,511**

The accompanying notes are an integral part of the consolidated financial statements.

Nippon Life Insurance Company and its Consolidated Subsidiaries

Consolidated Statements of Comprehensive Income

	Millions of Yen			Millions of U.S. Dollars (Note 1)
For the years ended March 31	**2019**	**2018**	**2017**	**2019**
Net surplus	**¥281,011**	**¥246,542**	**¥ 308,288**	**$2,531**
Other comprehensive income (loss) (Note 24):	**26,303**	**348,566**	**(56,533)**	**236**
Net unrealized gains (losses) on available-for-sale securities	35,865	333,542	(136,125)	323
Deferred gains on derivatives under hedge accounting	27,544	6,166	58,659	248
Foreign currency translation adjustments	(29,212)	5,436	14,750	(263)
Remeasurement of defined benefit plans	5,107	5,881	4,730	46
Share of other comprehensive (loss) income of associates accounted for under the equity method	(13,001)	(2,460)	1,450	(117)
Comprehensive income:	**¥307,315**	**¥595,109**	**¥ 251,754**	**$2,768**
Comprehensive income attributable to the parent company	303,143	584,689	242,367	2,731
Comprehensive income attributable to noncontrolling interests	4,171	10,419	9,387	37

The accompanying notes are an integral part of the consolidated financial statements.

Nippon Life Insurance Company and its Consolidated Subsidiaries

Consolidated Statements of Changes in Net Assets

Millions of Yen

For the year ended March 31, 2017	Foundation funds and others: Foundation funds (Note 16)	Reserve for redemption of foundation funds (Note 16)	Reserve for revaluation	Consolidated surplus	Total foundation funds and others
Beginning balance	**¥200,000**	**¥1,100,000**	**¥651**	**¥ 630,790**	**¥1,931,441**
Cumulative effect of change in accounting policies				1,882	1,882
Beginning balance after reflecting accounting policy changes Increase/decrease:	**200,000**	**1,100,000**	**651**	**632,673**	**1,933,324**
Additions to reserve for dividends to policyholders (mutual company)				(229,857)	(229,857)
Additions to reserve for redemption of foundation funds		50,000		(50,000)	–
Interest on foundation funds				(1,698)	(1,698)
Net surplus attributable to the parent company				301,969	301,969
Redemption of foundation funds	(50,000)				(50,000)
Reversal of land revaluation losses				(28,117)	(28,117)
Change in the parent's ownership interest due to transactions with noncontrolling interests				(2,580)	(2,580)
Net change, excluding foundation funds and others					
Net change	**(50,000)**	**50,000**	**–**	**(10,284)**	**(10,284)**
Ending balance	**¥150,000**	**¥1,150,000**	**¥651**	**¥ 622,388**	**¥1,923,039**

Millions of Yen

For the year ended March 31, 2017	Accumulated other comprehensive income: Net unrealized gains on available-for-sale securities	Deferred losses on derivatives under hedge accounting	Land revaluation losses	Foreign currency translation adjustments	Remeasurement of defined benefit plans	Total accumulated other comprehensive income	Noncontrolling interests	Total net assets
Beginning balance	**¥4,721,039**	**¥(123,921)**	**¥(86,202)**	**¥24,893**	**¥(29,637)**	**¥4,506,171**	**¥ 16,440**	**¥6,454,053**
Cumulative effect of change in accounting policies							2	1,884
Beginning balance after reflecting accounting policy changes	**4,721,039**	**(123,921)**	**(86,202)**	**24,893**	**(29,637)**	**4,506,171**	**16,442**	**6,455,938**
Increase/decrease:								
Additions to reserve for dividends to policyholders (mutual company)								(229,857)
Additions to reserve for redemption of foundation funds								–
Interest on foundation funds								(1,698)
Net surplus attributable to the parent company								301,969
Redemption of foundation funds								(50,000)
Reversal of land revaluation losses								(28,117)
Change in the parent's ownership interest due to transactions with noncontrolling interests								(2,580)
Net change, excluding foundation funds and others	(132,947)	58,659	28,117	5,656	5,080	(35,433)	118,761	83,327
Net change	**(132,947)**	**58,659**	**28,117**	**5,656**	**5,080**	**(35,433)**	**118,761**	**73,043**
Ending balance	**¥4,588,092**	**¥ (65,262)**	**¥(58,084)**	**¥30,549**	**¥(24,556)**	**¥4,470,738**	**¥135,203**	**¥6,528,981**

Nippon Life Insurance Company and its Consolidated Subsidiaries

Consolidated Statements of Changes in Net Assets (continued)

Millions of Yen

For the year ended March 31, 2018	Foundation funds and others: Foundation funds (Note 16)	Reserve for redemption of foundation funds (Note 16)	Reserve for revaluation	Consolidated surplus	Total foundation funds and others
Beginning balance	**¥150,000**	**¥1,150,000**	**¥651**	**¥ 622,388**	**¥1,923,039**
Increase/decrease:					
Issuance of foundation funds	50,000				50,000
Additions to reserve for dividends to policyholders (mutual company)				(184,086)	(184,086)
Additions to reserve for redemption of foundation funds		50,000		(50,000)	–
Interest on foundation funds				(1,198)	(1,198)
Net surplus attributable to the parent company				243,927	243,927
Redemption of foundation funds	(50,000)				(50,000)
Reversal of land revaluation losses				2,905	2,905
Change in the parent's ownership interest due to transactions with noncontrolling interests				(8,805)	(8,805)
Net change, excluding foundation funds and others					
Net change	**–**	**50,000**	**–**	**2,742**	**52,742**
Ending balance	**¥150,000**	**¥1,200,000**	**¥651**	**¥ 625,131**	**¥1,975,782**

Millions of Yen

For the year ended March 31, 2018	Accumulated other comprehensive income: Net unrealized gains on available-for-sale securities	Deferred losses on derivatives under hedge accounting	Land revaluation losses	Foreign currency translation adjustments	Remeasurement of defined benefit plans	Total accumulated other comprehensive income	Noncontrolling interests	Total net assets
Beginning balance	**¥4,588,092**	**¥(65,262)**	**¥(58,084)**	**¥30,549**	**¥(24,556)**	**¥4,470,738**	**¥135,203**	**¥6,528,981**
Increase/decrease:								
Issuance of foundation funds								50,000
Additions to reserve for dividends to policyholders (mutual company)								(184,086)
Additions to reserve for redemption of foundation funds								–
Interest on foundation funds								(1,198)
Net surplus attributable to the parent company								243,927
Redemption of foundation funds								(50,000)
Reversal of land revaluation losses								2,905
Change in the parent's ownership interest due to transactions with noncontrolling interests								(8,805)
Net change, excluding foundation funds and others	330,510	6,170	(2,905)	(1,842)	5,924	337,856	2,792	340,648
Net change	**330,510**	**6,170**	**(2,905)**	**(1,842)**	**5,924**	**337,856**	**2,792**	**393,391**
Ending balance	**¥4,918,602**	**¥(59,092)**	**¥(60,989)**	**¥28,706**	**¥(18,632)**	**¥4,808,594**	**¥137,996**	**¥6,922,373**

Nippon Life Insurance Company and its Consolidated Subsidiaries

Consolidated Statements of Changes in Net Assets (continued)

Millions of Yen

For the year ended March 31, 2019	Foundation funds and others				
	Foundation funds (Note 16)	Reserve for redemption of foundation funds (Note 16)	Reserve for revaluation	Consolidated surplus	Total foundation funds and others
Beginning balance	**¥150,000**	**¥1,200,000**	**¥651**	**¥ 625,131**	**¥1,975,782**
Increase/decrease:					
Additions to reserve for dividends to policyholders (mutual company)				(218,353)	(218,353)
Additions to reserve for redemption of foundation funds		50,000		(50,000)	–
Interest on foundation funds				(790)	(790)
Net surplus attributable to the parent company				278,795	278,795
Redemption of foundation funds	(50,000)				(50,000)
Reversal of land revaluation losses				(6,299)	(6,299)
Change in the parent's ownership interest due to transactions with noncontrolling interests				1,071	1,071
Net change, excluding foundation funds and others					
Net change	**(50,000)**	**50,000**	**–**	**4,424**	**4,424**
Ending balance	**¥100,000**	**¥1,250,000**	**¥651**	**¥ 629,555**	**¥1,980,206**

Millions of Yen

For the year ended March 31, 2019	Accumulated other comprehensive income							
	Net unrealized gains on available-for-sale securities	Deferred losses on derivatives under hedge accounting	Land revaluation losses	Foreign currency translation adjustments	Remeasurement of defined benefit plans	Total accumulated other comprehensive income	Noncontrolling interests	Total net assets
Beginning balance	**¥4,918,602**	**¥(59,092)**	**¥(60,989)**	**¥ 28,706**	**¥(18,632)**	**¥4,808,594**	**¥137,996**	**¥6,922,373**
Increase/decrease:								
Additions to reserve for dividends to policyholders (mutual company)								(218,353)
Additions to reserve for redemption of foundation funds								–
Interest on foundation funds								(790)
Net surplus attributable to the parent company								278,795
Redemption of foundation funds								(50,000)
Reversal of land revaluation losses								(6,299)
Change in the parent's ownership interest due to transactions with noncontrolling interests								1,071
Net change, excluding foundation funds and others	25,320	27,448	6,299	(33,559)	5,138	30,646	20,776	51,423
Net change	**25,320**	**27,448**	**6,299**	**(33,559)**	**5,138**	**30,646**	**20,776**	**55,847**
Ending balance	**¥4,943,922**	**¥(31,643)**	**¥(54,690)**	**¥ (4,853)**	**¥(13,494)**	**¥4,839,241**	**¥158,772**	**¥6,978,221**

Nippon Life Insurance Company and its Consolidated Subsidiaries

Consolidated Statements of Changes in Net Assets (continued)

	Millions of U.S. Dollars (Note 1)				
	Foundation funds and others				
For the year ended March 31, 2019	Foundation funds (Note 16)	Reserve for redemption of foundation funds (Note 16)	Reserve for revaluation	Consolidated surplus	Total foundation funds and others
Beginning balance	**$1,351**	**$10,811**	**$ 5**	**$ 5,632**	**$17,801**
Increase/decrease:					
Additions to reserve for dividends to policyholders (mutual company)				(1,967)	(1,967)
Additions to reserve for redemption of foundation funds		450		(450)	–
Interest on foundation funds				(7)	(7)
Net surplus attributable to the parent company				2,511	2,511
Redemption of foundation funds	(450)				(450)
Reversal of land revaluation losses				(56)	(56)
Change in the parent's ownership interest due to transactions with noncontrolling interests				9	9
Net change, excluding foundation funds and others					
Net change	**(450)**	**450**	**–**	**39**	**39**
Ending balance	**$ 900**	**$11,262**	**$ 5**	**$ 5,672**	**$17,841**

	Millions of U.S. Dollars (Note 1)							
	Accumulated other comprehensive income							
For the year ended March 31, 2019	Net unrealized gains on available-for-sale securities	Deferred losses on derivatives under hedge accounting	Land revaluation losses	Foreign currency translation adjustments	Remeasurement of defined benefit plans	Total accumulated other comprehensive income	Noncontrolling interests	Total net assets
Beginning balance	**$44,315**	**$(532)**	**$(549)**	**$ 258**	**$(167)**	**$43,324**	**$1,243**	**$62,369**
Increase/decrease:								
Additions to reserve for dividends to policyholders (mutual company)								(1,967)
Additions to reserve for redemption of foundation funds								–
Interest on foundation funds								(7)
Net surplus attributable to the parent company								2,511
Redemption of foundation funds								(450)
Reversal of land revaluation losses								(56)
Change in the parent's ownership interest due to transactions with noncontrolling interests								9
Net change, excluding foundation funds and others	228	247	56	(302)	46	276	187	463
Net change	**228**	**247**	**56**	**(302)**	**46**	**276**	**187**	**503**
Ending balance	**$44,543**	**$(285)**	**$(492)**	**$ (43)**	**$(121)**	**$43,600**	**$1,430**	**$62,872**

The accompanying notes are an integral part of the consolidated financial statements.

Nippon Life Insurance Company and its Consolidated Subsidiaries

Consolidated Statements of Cash Flows

For the years ended March 31	Millions of Yen 2019	Millions of Yen 2018	Millions of Yen 2017	Millions of U.S. Dollars (Note 1) 2019
I Cash flows from operating activities:				
Surplus before income taxes	¥ 314,192	¥ 253,042	¥ 353,805	$ 2,830
Depreciation of rental real estate and other assets	18,969	17,460	17,834	170
Depreciation	54,543	48,769	53,632	491
Impairment losses	2,327	2,242	5,243	20
Amortization of goodwill	2,631	2,740	655	23
Gain on bargain purchase	(10,347)	–	–	(93)
Net (decrease) increase in reserve for outstanding claims	(53,246)	(62,027)	30,950	(479)
Net increase in policy reserves	1,620,992	1,186,025	1,124,400	14,604
Provision for interest on reserve for dividends to policyholders (mutual company)	22,233	22,203	22,458	200
Provision for interest on reserve for dividends to policyholders (limited company)	11	12	25	0
Provision for reserve for dividends to policyholders (limited company)	13,837	17,272	18,161	124
Net increase (decrease) in allowance for doubtful accounts	6,320	(625)	(1,442)	56
Net increase (decrease) in accrued bonuses for directors and audit and supervisory board members	15	11	(7)	0
Net increase (decrease) in net defined benefit liability	2,720	771	(3,313)	24
Net (decrease) increase in accrued retirement benefits for directors and audit and supervisory board members	(676)	257	37	(6)
Net increase in reserve for price fluctuations in investments in securities	104,418	210,222	172,034	940
Interest, dividends, and other income	(1,596,028)	(1,496,565)	(1,458,328)	(14,379)
Losses from assets held in trust, net	2,563	3,276	1,976	23
Net gains on investments in securities	(39,092)	(108,616)	(108,554)	(352)
Net losses on policy loans	108,744	107,863	119,409	979
Losses on derivative financial instruments, net	83,973	144,785	116,229	756
Interest expenses	35,388	24,392	22,388	318
Net foreign exchange losses (gains)	17,461	(16,268)	16,306	157
Net losses (gains) on tangible fixed assets	792	(13,858)	(23,604)	7
(Gains) losses on equity method investments	(3,292)	(1,359)	13,093	(29)
Gains from separate accounts, net	(19,115)	(66,115)	(50,432)	(172)
Net decrease (increase) in reinsurance receivables	1,949	1,414	(1,513)	17
Net decrease (increase) in other assets (excluding those related to investing activities and financing activities)	5,128	(14,363)	(27,039)	46
Net increase (decrease) in reinsurance payables	2,069	(3,334)	1,904	18
Net increase (decrease) in other liabilities (excluding those related to investing activities and financing activities)	7,145	16,113	(8,829)	64
Others, net	(13,765)	(23,758)	(60,522)	(124)
Subtotal	**692,867**	**251,984**	**346,961**	**6,242**
Interest, dividends, and other income received	1,660,198	1,544,422	1,514,948	14,958
Interest paid	(33,667)	(23,503)	(22,055)	(303)
Dividends paid to policyholders (mutual company)	(189,333)	(181,027)	(181,208)	(1,705)
Dividends paid to policyholders (limited company)	(19,231)	(20,053)	(20,020)	(173)
Others, net	7,302	25,100	10,344	65
Income taxes paid	(155,914)	(90,613)	(102,103)	(1,404)
Net cash provided by operating activities	**1,962,221**	**1,506,309**	**1,546,865**	**17,679**

Nippon Life Insurance Company and its Consolidated Subsidiaries
Consolidated Statements of Cash Flows (continued)

For the years ended March 31	Millions of Yen 2019	2018	2017	Millions of U.S. Dollars (Note 1) 2019
II Cash flows from investing activities:				
Net (increase) decrease in deposits	¥ (888)	¥ (302)	¥ 504	$ (8)
Purchases of monetary receivables purchased	(5,394)	(17,947)	(3,000)	(48)
Proceeds from sales and redemptions of monetary receivables purchased	47,366	53,602	115,125	426
Purchases of assets held in trust	(5,300)	(10,300)	(4,700)	(47)
Proceeds from decrease in assets held in trust	–	0	1,260	–
Purchases of securities	(10,731,535)	(9,174,638)	(10,727,182)	(96,689)
Proceeds from sales and redemptions of securities	8,800,702	7,997,940	8,800,478	79,292
Disbursements for loans	(1,583,675)	(1,505,039)	(1,256,954)	(14,268)
Proceeds from collections of loans	1,620,988	1,759,953	1,613,276	14,604
Net gains (losses) from the settlement of derivative financial instruments	45,636	(417,693)	(151,832)	411
Net increase in payables under repurchase agreements	677,033	244,920	–	6,099
Net (decrease) increase in cash received as collateral under securities lending transactions	(566,215)	(298,360)	39,684	(5,101)
Others, net	(119,480)	110,685	(28,552)	(1,076)
① **Total of investing activities**	**(1,820,763)**	**(1,257,180)**	**(1,601,893)**	**(16,404)**
[I + II ①]	**[141,457]**	**[249,128]**	**[(55,028)]**	**[1,274]**
Purchases of tangible fixed assets	(109,143)	(54,186)	(54,472)	(983)
Proceeds from sales of tangible fixed assets	30,610	51,901	102,076	275
Payments for acquisition of subsidiary's shares with change in scope of consolidation (Note 4)	(44,844)	–	(88,249)	(404)
Others, net	(49,706)	(51,526)	(41,186)	(447)
Net cash used in investing activities	**(1,993,848)**	**(1,310,991)**	**(1,683,724)**	**(17,964)**
III Cash flows from financing activities:				
Proceeds from debt borrowing	354,035	153,893	253,867	3,189
Repayments of debt	(135,545)	(157,037)	(288,594)	(1,221)
Proceeds from issuance of corporate bonds	–	188,064	270,000	–
Proceeds from issuance of foundation funds	–	50,000	–	–
Redemption of foundation funds	(50,000)	(50,000)	(50,000)	(450)
Interest on foundation funds	(790)	(1,198)	(1,698)	(7)
Payments for acquisition of subsidiary's shares not resulting in change in scope of consolidation	(1,435)	(15,065)	–	(12)
Proceeds from sales of shares of subsidiaries not resulting in change in scope of consolidation	–	–	58,198	–
Others, net	(17,934)	2,264	19,619	(161)
Net cash provided by financing activities	**148,329**	**170,921**	**261,392**	**1,336**
IV Effect of exchange rate changes on cash and cash equivalents	**(1,783)**	**(12,427)**	**6,339**	**(16)**
V Net increase in cash and cash equivalents	**114,919**	**353,812**	**130,873**	**1,035**
VI Cash and cash equivalents at the beginning of the year	**1,897,011**	**1,541,468**	**1,410,595**	**17,091**
VII Net increase in cash and cash equivalents resulting from merger between the consolidated subsidiary and the nonconsolidated subsidiary	**–**	**1,730**	**–**	**–**
VIII Cash and cash equivalents at the end of the year (Note 5)	**¥ 2,011,931**	**¥ 1,897,011**	**¥ 1,541,468**	**$ 18,127**

The accompanying notes are an integral part of the consolidated financial statements.

Nippon Life Insurance Company and its Consolidated Subsidiaries

Notes to the Consolidated Financial Statements

1. Basis of Presenting the Consolidated Financial Statements

(1) Accounting principles and presentation

The accompanying consolidated financial statements have been prepared from the accounts and records maintained by NIPPON LIFE INSURANCE COMPANY (“Nippon Life” or the “Company”) and its consolidated subsidiaries in accordance with the provisions set forth in the Insurance Business Act and the related rules and regulations applicable to the life insurance industry, and in accordance with accounting principles generally accepted in Japan, which are different in certain respects from the application and disclosure requirements of International Financial Reporting Standards. Certain accounting and reporting practices required to be followed by the industry are regulated by the Financial Services Agency and the related ministry by means of ministerial ordinances and guidance. The accompanying consolidated financial statements of the Company and its consolidated subsidiaries are in compliance with such requirements. The information provided in the consolidated financial statements including the notes to the consolidated financial statements is limited to information required by the Insurance Business Act and the related rules and regulations applicable to the life insurance industry and disclosed as additional information. Amounts of less than one million yen and one million U.S. dollars have been eliminated for financial statement presentation. As a result, totals may not add up exactly.

(2) U.S. dollar amounts

Nippon Life prepares its consolidated financial statements in Japanese yen. The U.S. dollar amounts included in the consolidated financial statements and notes thereto represent the arithmetical results of translating Japanese yen to U.S. dollars on the basis of ¥110.99=U.S.$1, the effective rate of exchange at the balance sheet date of March 31, 2019. The inclusion of such U.S. dollar amounts is solely for convenience and is not intended to imply that Japanese yen amounts have been or could be readily converted, realized or settled in U.S. dollars at ¥110.99=U.S.$1 or at any other rate.

2. Summary of Significant Accounting Policies

(1) Principles of consolidation

i) Consolidated subsidiaries

The consolidated financial statements include the accounts of Nippon Life and its subsidiaries. Consolidated subsidiaries as of March 31, 2019, 2018 and 2017, are listed as follows:

Nissay Credit Guarantee Co., Ltd. (Japan)

Nissay Leasing Co., Ltd. (Japan)

Nissay Capital Co., Ltd. (Japan)

Nissay Asset Management Corporation (Japan)

Nissay Information Technology Co., Ltd. (Japan)

Mitsui Life Insurance Company Limited (Japan)

Nippon Wealth Life Insurance Company Limited (from the fiscal year ended March 31, 2019)

Nippon Life Insurance Company of America (U.S.A.)

NLI Commercial Mortgage Fund, LLC (U.S.A.)

NLI Commercial Mortgage Fund II, LLC (U.S.A.)

NLI US Investments, Inc. (U.S.A.)

MLC Limited (Australia) (from the fiscal year ended March 31, 2017)

MLC Limited has been included within the scope of consolidation for the fiscal year ended March 31, 2017 due to an acquisition by the Company.

As the Company acquired equity interest in MassMutual Life Insurance Company, it is included within the scope of consolidation starting from the fiscal year ended March 31, 2019. The said company was renamed as Nippon Wealth Life Insurance Company Limited on January 1, 2019.

Additionally, Mitsui Life Insurance Company Limited was renamed as TAIJU LIFE INSURANCE COMPANY LIMITED on April 1, 2019.

The major subsidiaries excluded from consolidation are Nippon Life Global Investors Americas, Inc., Nissay Trading Corporation, and Nissay Insurance Agency Co., Ltd.

The respective and aggregate effects of the companies, which are excluded from consolidation, based on total assets, revenues, net income, and surplus for the fiscal years ended March 31, 2019, 2018 and 2017, are immaterial. This exclusion from consolidation does not prevent a reasonable assessment of the financial position of the Company and its subsidiaries and the result of their operations.

ii) Affiliates

Major affiliates accounted for under the equity method as of March 31, 2019, 2018 and 2017, are listed as follows:

The Master Trust Bank of Japan, Ltd. (Japan)

Corporate-Pension Business Service Co., Ltd. (Japan)

PanAgora Asset Management, Inc. (U.S.A.) (up to the fiscal year ended March 31, 2017)

Great Wall Changsheng Life Insurance Co., Ltd. (China)

Bangkok Life Assurance Public Company Limited (Thailand)

Reliance Nippon Life Insurance Company Limited (India)

Reliance Nippon Life Asset Management Limited (India)

Post Advisory Group, LLC (U.S.A.)

PT Sequis (Indonesia)

PT Asuransi Jiwa Sequis Life (Indonesia)

The TCW Group, Inc. (U.S.A.) (from the fiscal year ended March 31, 2018)

The TCW Group, Inc. and four other companies have been included within the scope of equity method accounting for the fiscal year ended March 31, 2018, due to the acquisition of equity interests by the Company.

In addition, PanAgora Asset Management, Inc. has been excluded from the scope of equity method accounting from the fiscal year ended March 31, 2018, due to the sale of shares.

The subsidiaries not consolidated, such as Nippon Life Global Investors Americas, Inc., and Nissay Trading Corporation, and affiliates other than those listed above, such as SL Towers Co., Ltd. are not accounted for under the equity method. The respective and aggregate effects of such companies on consolidated net income and surplus for the fiscal years ended March 31, 2019, 2018 and 2017, are immaterial.

The number of consolidated subsidiaries and unconsolidated subsidiaries and affiliates accounted for under the equity method as of March 31, 2019, 2018 and 2017, was as follows:

	2019	2018	2017
Consolidated subsidiaries	12	11	11
Subsidiaries not consolidated but accounted for under the equity method	0	0	0
Affiliates accounted for under the equity method	14	14	10

iii) The fiscal year-end dates of consolidated subsidiaries

The fiscal year-end date of consolidated overseas subsidiaries is September 30 and December 31. In preparing the consolidated financial statements, consolidated overseas subsidiaries with the fiscal year-end date of September 30 are consolidated using financial statements based on a provisional closing of accounts as of December 31. Consolidated overseas subsidiaries with a closing date of December 31 are consolidated using financial statements based on the fiscal year-end of accounts as of December 31. Necessary adjustments are made to reflect significant transactions that occurred between the Company's fiscal year-end date of March 31 and December 31.

iv) Valuation of assets and liabilities of consolidated subsidiaries

Assets and liabilities of consolidated subsidiaries acquired by the Company are initially measured at fair value as of the date of the acquisition.

v) Amortization of goodwill

Goodwill and the equivalent amount of goodwill from affiliates accounted for under the equity method are amortized under the straight-line method over 20 years.

However, for items that are immaterial, the total amount of goodwill is expensed as incurred.

vi) All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profits/losses included in assets/liabilities resulting from transactions within the group are eliminated.

(2) Business combinations

Business combinations are accounted for using the purchase method. Acquisition-related costs, such as advisory fees or professional fees, are accounted for as expenses in the periods in which the costs are incurred. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date.

Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date. The acquirer recognizes any bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase price allocation. A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of noncontrolling interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Any difference between the fair value of the consideration received or paid and the amount by which the noncontrolling interest is adjusted is accounted for as capital surplus as long as the parent retains control over its subsidiary.

(3) Cash and cash equivalents

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

(4) Securities and hedging activities

1) Securities of the Company and certain consolidated subsidiaries (including items, such as deposits and monetary receivables purchased, which are treated as securities based on the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10) and securities within assets held in trust), are valued as follows:

   i) Trading securities are stated at fair value on the balance sheet date. The moving average method is used for calculating the cost basis.

   ii) Held-to-maturity debt securities are valued using the moving average method, net of accumulated amortization (straight-line).

   iii) Policy-reserve-matching bonds are valued using the moving average method, net of accumulated amortization (straight-line), in accordance with the Industry Audit Committee Report No. 21, "Temporary Treatment of Accounting and Auditing Concerning Policy-Reserve-Matching Bonds in the Insurance Industry," issued by the Japanese Institute of Certified Public Accountants (JICPA).

   iv) Investments in subsidiaries and affiliates that are neither consolidated nor accounted for under the equity method (stocks issued by subsidiaries prescribed in Article 2, Paragraph 12 of the Insurance Business Act or subsidiaries prescribed in Article 13-5-2, Paragraph 3 of the Order for Enforcement of the Insurance Business Act and stocks issued by affiliates prescribed in Article 13-5-2, Paragraph 4 of the Order for Enforcement of the Insurance Business Act) are stated at cost using the moving average method.

   v) Available-for-sale securities

      a. Regarding securities with a fair value, stocks (including foreign stocks) are valued using the average fair value during the period of one month before the balance sheet date (the cost basis is calculated using the moving average method). Other securities with a fair value are valued using the fair value on the balance sheet date (the cost basis is calculated using the moving average method).

b. Regarding securities of which the fair value is extremely difficult to be determined, bonds (including foreign bonds) for which the difference between the purchase price and face value is due to an interest rate adjustment are stated at cost using the moving average method, net of accumulated amortization (straight-line). Other securities without readily determinable fair values are stated at cost using the moving average method.

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

Hedge accounting is applied by the Company and certain consolidated subsidiaries based on the following methods:

1) The Company and certain consolidated subsidiaries mainly apply the following hedge accounting methods: The exceptional accounting treatment ("*Tokurei-shori*") for interest rate swaps is applied to hedge the cash flow volatility of certain loans denominated in Japanese yen and certain loans denominated in foreign currencies; deferred hedge accounting for interest rate swaps is applied to hedge the interest rate fluctuation exposures on certain insurance policies, based on the Industry Audit Committee Report No. 26, "Accounting and Auditing Treatments related to Application of Accounting for Financial Instruments in the Insurance Industry," issued by the JICPA; deferred hedge accounting and designated hedge accounting ("*Furiate-shori*") for currency swaps are applied to hedge the cash flow volatility caused by foreign exchange rate fluctuations on certain foreign currency-denominated bonds, certain foreign currency-denominated loans, and foreign currency-denominated subordinated corporate bonds issued by the Company; fair value hedge accounting for foreign exchange forward contracts is applied to hedge the price fluctuation exposures related to foreign exchange rate fluctuations on certain foreign currency-denominated bonds and certain other foreign currency-denominated instruments; and fair value hedge accounting for equity forward contracts is applied to hedge the price fluctuation exposures on certain domestic stocks.

2) Hedging instruments and hedged items

(Hedging instruments)	**(Hedged items)**
Interest rate swaps	Loans, foreign currency-denominated loans, and insurance policies
Currency swaps	Foreign currency-denominated bonds, foreign currency-denominated loans, and foreign currency-denominated subordinated corporate bonds
Foreign exchange forward contracts	Foreign currency-denominated bonds and other foreign currency-denominated instruments
Equity forward contracts	Domestic stocks

3) Effectiveness of hedging activities is mainly evaluated by performing a ratio analysis of fair value movement comparisons based on the hedging instruments and hedged items taken, which is in accordance with the internal risk management policies of the Company and certain consolidated subsidiaries.

4) Derivative financial instruments and derivative financial instruments within assets held in trust are stated at fair value.

(5) Policy-reserve-matching bonds

Securities that are held for the purpose of matching the duration of outstanding liabilities within the subgroups classified by insurance type, payment method, maturity period, currency, and investment policy are classified as policy-reserve-matching bonds in accordance with the Industry Audit Committee Report No. 21, "Temporary Treatment of Accounting and Auditing Concerning Policy-Reserve-Matching Bonds in the Insurance Industry," issued by the JICPA.

The Company has specified and subcategorized the following insurance policies:

(a) The Company

1) All insurance policies for products other than single premium products and group annuities

2) All insurance policies for single premium products (denominated in yen) other than variable assumed rate-type insurance

3) All insurance policies for group annuities other than guaranteed fixed-term rate products

4) All single premium products (denominated in U.S. dollars) other than the foregoing

5) All single premium products (denominated in Australian dollars) other than the foregoing

6) All single premium products (denominated in euros) other than the foregoing

(b) Mitsui Life Insurance Company Limited

1) Subcategory for whole life insurance and annuity insurance (up to 40 years) (the component of future cash flows generated from whole life insurance (including whole life insurance with term rider) and annuity insurance for up to 40 years)

2) Subcategory for insured contributory pension plans (up to 27 years) (the component of future cash flows generated from insured contributory pension plans for up to 27 years)

3) Foreign currency-denominated single premium endowment insurance (U.S. dollar) (foreign currency-denominated, U.S. dollar, single premium endowment insurance commencing on or after January 1, 2019)

4) Subcategory for foreign currency-denominated single premium endowment insurance (Australian dollars) (foreign currency-denominated single premium endowment insurance commencing on or after October 1, 2017)

In the fiscal year ended March 31, 2019, the subgroups of insurance products covered by policy-reserve-matching bonds were revised in order to further promote ALM. Specifically, a subcategory of whole life insurance and annuity insurance (up to 40 years) has been created by extending the covered term for the previous subcategory of whole life insurance and annuity insurance (8-27 years). Additionally, a new subgroup has been created for foreign currency-denominated single premium endowment insurance (U.S. dollar).

There has been no impact on profit or loss for the fiscal year ended March 31, 2019, as a result of this revision.

(c) Nippon Wealth Life Insurance Company Limited

1) Single premium fixed annuities, single premium fixed whole life insurance, single premium life insurance with living benefits, and single premium insurance against three major diseases (excluding single premium fixed annuities commencing on or after April 1, 2006, and for which the insured was 80 years of age or older as of the date the policy was concluded).

2) Single premium fixed whole life insurance (fixed accumulation value type)

3) Whole life cancer insurance and endowment insurance

4) U.S. dollar-denominated single premium fixed annuities and U.S. dollar-denominated single premium fixed whole life insurance

5) Australian dollar-denominated single premium fixed annuities

6) Insurance and annuities other than the above (certain types of insurance are excluded)

(6) Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into Japanese yen using the “Accounting Standards for Foreign Currency Transactions” (Business Accounting Council).

Foreign currency-denominated available-for-sale securities of the Company, with exchange rates that have significantly fluctuated and where recovery is not expected, are converted to Japanese yen using either the rate on the balance sheet date or the average one-month rate prior to the balance sheet date, whichever indicates a weaker yen. This translation difference is recorded as a loss on valuation of securities.

Moreover, translation differences related to bonds included in translation differences of foreign currency-denominated available-for-sale securities held by certain consolidated subsidiaries are recorded as foreign exchange gains/losses, net, while translation differences related to other foreign currency-denominated available-for-sale securities are recorded as a separate component of net assets.

(7) Tangible fixed assets

1) Tangible fixed assets are depreciated based on the following methods:

a. Tangible fixed assets (except for lease assets)

(i) Buildings

Straight-line method.

(ii) Assets other than the above

Primarily, the declining-balance method.

Certain other tangible fixed assets with an acquisition price of less than ¥200,000 of the Company and certain consolidated subsidiaries are depreciated over a 3 year period on a straight-line basis.

b. Lease assets

(i) Lease assets related to financial leases where ownership is transferred

The same depreciation method applied to owned fixed assets.

(ii) Lease assets related to financial leases where ownership is not transferred

Straight-line method based on lease period.

The estimated useful lives of major items are as follows:

Buildings	2 to 60 years
Other tangible fixed assets	2 to 20 years

Tangible fixed assets are stated at cost, net of accumulated depreciation and impairment losses.

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

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

(8) Software

Capitalized software for internal use, which is included within intangible fixed assets, is amortized using the straight-line method over its estimated useful lives as internally determined (3 to 15 years).

(9) Leases

Financial leases where ownership is not transferred are capitalized based on the "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13).

Regarding financial leases where the Company or a consolidated subsidiary is the lessor and ownership is not transferred, if any, the Company recognizes income and expense at the time of receiving the lease fee as other ordinary income and other ordinary expenses, respectively.

(10) Allowance for doubtful accounts

1) An allowance for doubtful accounts for the Company is recognized in accordance with the Company's internal Asset Valuation Regulation and Write-Off/Provision Rule.

i) An allowance for loans to borrowers who are legally or substantially bankrupt, such as being bankrupt or being in the process of civil rehabilitation proceedings, is recognized based on the amount of credit remaining after directly deducting amounts expected to be collected through the disposal of collateral or the execution of guarantees from the balance of loans (as mentioned at 4) below).

ii) An allowance for loans to borrowers who are not currently legally bankrupt, but have a significant possibility of bankruptcy is recognized at the amounts deemed necessary considering an assessment of the borrowers' overall solvency and the amounts remaining after deduction of amounts expected to be collected through the disposal of collateral or the execution of guarantees.

iii) An allowance for loans to borrowers other than the above is provided based on the borrowers' balance multiplied by the historical average (of a certain period) percentage of bad debt.

2) All credits extended by the Company are assessed by responsible sections in accordance with the Company's internal Asset Valuation Regulation. The assessments are verified by the independent Asset Auditing Department. The results of the assessments are reflected in the calculation of the allowance for doubtful accounts.

3) For consolidated subsidiaries, the Company records the allowance amounts deemed necessary mainly in accordance with the Company's internal Asset Valuation Regulation and Write-Off/Provision Rule.

4) The estimated uncollectible amount calculated by subtracting the amount of collateral value or the amount collectible by the execution of guarantees from the balance of loans is directly deducted from the balance of loans (including loans with credits secured and/or guaranteed) made to legally or substantially bankrupt borrowers. The estimated uncollectible amounts were ¥3,342 million (U.S.$30 million) (including ¥91 million (U.S.$0 million) of credits secured and/or guaranteed), ¥251 million (including ¥117 million of credits secured and/or guaranteed) and ¥703 million (including ¥112 million of credits secured and/or guaranteed) as of March 31, 2019, 2018 and 2017, respectively.

(11) Accrued bonuses for directors and audit and supervisory board members

Accrued bonuses for directors and audit and supervisory board members are recognized based on amounts estimated to be paid.

(12) Net defined benefit liability

1) Net defined benefit liability is the amount of retirement benefit obligations prepared for payment of employee retirement benefits, less pension plan assets, based on the projected amounts as of March 31, 2019, 2018 and 2017.

2) The accounting methods of the Company and certain consolidated subsidiaries used for retirement benefits as of March 31, 2019, 2018 and 2017, are as follows:

   i) Attribution method for estimated retirement benefits: Benefit formula basis

   ii) Period of amortizing actuarial gains/losses: 5 years

   iii) Period of amortizing prior service costs: 5 years

(13) Accrued retirement benefits for directors and audit and supervisory board members

Accrued retirement benefits for directors and audit and supervisory board members are recognized based on estimated payment amounts under internal rules.

(14) Reserve for program points

A reserve for program points is recognized based on the amount projected to be incurred for expenses from the use of points granted to policyholders.

(15) Reserve for price fluctuations in investments in securities

Reserve for price fluctuations in investments in securities is recognized based on Article 115 of the Insurance Business Act.

(16) Accounting for consumption taxes

Consumption taxes and local consumption taxes of the Company and certain consolidated subsidiaries are accounted for by the tax exclusion method. However, consumption taxes paid on certain asset transactions, which are not deductible from consumption taxes withheld and are stipulated to be deferred under the Consumption Tax Act, are deferred as prepaid expenses and amortized over a 5 year period on a straight-line basis. Consumption taxes other than deferred consumption taxes are expensed as incurred.

(17) Consolidated taxation system

In December 2018, the Company and its certain subsidiaries requested for approval to apply the consolidated taxation system, and the consolidated taxation system is to be applied from the following fiscal year. Accordingly, effective from the fiscal year ended March 31, 2019, the Company and its certain subsidiaries have applied accounting treatments based on the application of the consolidated taxation system in accordance with the "Revised Practical Solution for Tentative Treatment of Tax Effect Accounting under Consolidated Taxation System (Part 1)" (ASBJ, PITF* No. 5) and the "Revised Practical Solution for Tentative Treatment of Tax Effect Accounting under Consolidated Taxation System (Part 2)" (ASBJ, PITF No. 7).
** PITF: Practical Issue Task Force*

(18) Policy reserves

1) Policy reserves of the Company and its consolidated subsidiaries that are domestic life insurance companies are reserves set forth in accordance with Article 116 of the Insurance Business Act. Insurance premium reserves are recognized based on the following methodology. In accordance with Article 69, Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act, policy reserves include those that are reserved for certain individual annuity policies.

    i) Reserves for policies subject to the standard policy reserve are calculated in accordance with the method prescribed by the Commissioner of the Financial Services Agency (Ordinance No. 48 issued by the Ministry of Finance in 1996).

    ii) Reserves for other policies are calculated based on the net level premium method.

    Effective from the fiscal year ended March 31, 2019, the Company has reserved additional policy reserve amounts over a five-year period to cover a possible deficiency in the amount of the reserve for certain individual annuity policyholders. As a result, the policy reserves increased by ¥121,292 million (U.S.$1,092 million), while ordinary profit and surplus before income taxes decreased by ¥121,292 million (U.S.$1,092 million), compared with amounts that would have been recorded had the additional policy reserve amounts not been included.

Matters concerning additional policy reserve amounts accumulated during the fiscal year ended March 31, 2018, are as follows:

a. The Company

Additional policy reserve amounts were included to cover a possible deficiency in the amount of the reserve for certain individual annuity policyholders. As a result, policy reserves increased by ¥88,192 million, while ordinary profit and surplus before income taxes decreased by ¥88,192 million, compared to amounts that would have been recorded had the additional policy reserve amounts not been included.

b. Mitsui Life Insurance Company Limited

Additional policy reserve amounts were included to cover a possible deficiency in the amount of the reserve for certain individual annuity policyholders. As a result, policy reserves increased by ¥53,265 million, while ordinary profit and surplus before income taxes decreased by ¥53,265 million, compared to amounts that would have been recorded had the additional policy reserve amounts not been included.

2) Policy reserves of consolidated overseas life insurance companies are recorded as the amounts calculated in accordance with the accounting standards of each country, such as Australian accounting standards.

(19) Revenue recognition

Insurance premiums of the Company and certain consolidated subsidiaries are recognized when cash is received and insurance premiums due but not collected are not recognized as revenues. Unearned insurance premiums are recognized as policy reserves.

Insurance premiums of consolidated overseas subsidiaries with a regular due date are recognized on a due basis and insurance premiums due but not collected are recognized as revenues.

(20) Policy acquisition costs

Policy acquisition costs of the Company and certain consolidated subsidiaries are recorded to expense as incurred.

Policy acquisition costs of certain consolidated overseas subsidiaries are deferred and amortized over the period that the policy will generate profits.

(21) Income taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying the enacted statutory tax rates to the temporary differences.

Effective from the fiscal year ended March 31, 2017, the Company has applied the "Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, March 28, 2016), which included certain revisions of the previous accounting and auditing guidance issued by the JICPA. While the new guidance continues to follow the basic framework of the previous guidance, it provides new guidance for the application of judgment in assessing the recoverability of deferred tax assets.

The previous guidance provided a basic framework which included certain specific restrictions on recognizing deferred tax assets depending on the Company's classification in respect of its profitability, taxable income and temporary differences, etc.

The new guidance does not change such basic framework but, in limited cases, allows companies to recognize deferred tax assets even for a deductible temporary difference for which it was specifically prohibited to recognize a deferred tax asset under the previous guidance, if the Company can justify, with reasonable grounds, that it is probable that the deductible temporary difference will be utilized against future taxable income in some future period.

The new guidance was effective for the beginning of annual periods beginning on or after April 1, 2016. The new guidance shall not be applied retrospectively and any adjustments from the application of the new guidance at the beginning of the reporting period shall be reflected within consolidated surplus or accumulated other comprehensive income at the beginning of the reporting period.

Following the new guidance, the Company and certain consolidated subsidiaries partially revised their accounting treatment of recoverability of deferred tax assets.

As a result, as of April 1, 2016, deferred tax assets increased by ¥1,884 million, consolidated surplus increased by ¥1,882 million and noncontrolling interests increased by ¥2 million.

3. Business Combination

Matters concerning business combinations through acquisition are as follows:

(1) Nippon Wealth Life Insurance Company Limited (for the fiscal year ended March 31, 2019)

1) Overview of the business combination

a. Name and business of the acquiree

Name: MassMutual Life Insurance Company (Now Nippon Wealth Life Insurance Company Limited)

Business: Life insurance business

b. Major reasons for executing the business combination

The purpose of the business combination is to build a structure that can accommodate a wide range of customers' needs in the financial institution bancassurance market in order to continuously expand policyholders' profit by expanding the profit base of group business.

c. Date of business combination

April 1, 2018 (deemed acquisition date)

d. Legal form of the business combination

Share acquisition for cash consideration

e. Name of the company after business combination

Nippon Wealth Life Insurance Company Limited

f. Percentage of voting rights acquired

Approximately 85.1%

g. Main rationale for determining the acquirer

It is clear that the Company will control the decision-making body of the acquiree by obtaining the majority of voting rights.

2) Period for which the acquiree's business results were included in the consolidated financial statements

The period from the date of business combination to the end of the fiscal year ended March 31, 2019.

3) Acquisition cost and breakdown

Consideration for acquisition: Payment in cash

¥104,247 million (U.S.$939 million)

Acquisition cost

¥104,247 million (U.S.$939 million)

4) Description and the amount of main acquisition-related costs

Advisory fees and others

¥873 million (U.S.$7 million)

5) Amount of and reasons for recognizing negative goodwill

a. Amount of negative goodwill

¥10,347 million (U.S.$93 million)

b. Reasons

Negative goodwill was recognized because the Company's share of the net amount of the assets acquired and the liabilities assumed was higher than the acquisition cost.

6) Amounts of the assets acquired and the liabilities assumed on the date of business combination and their major components

Total assets: ¥2,763,970 million (U.S.$24,902 million)

(including investment in securities of ¥2,449,174 million (U.S.$22,066 million))

Total liabilities: ¥2,629,331 million (U.S.$23,689 million)

(including policy reserves and other reserves of ¥2,408,090 million (U.S.$21,696 million))

(2) HANASAKU LIFE INSURANCE Co., Ltd. (for the fiscal year ended March 31, 2019)

The Preparatory Company, which was established by the Company on July 2, 2018, changed its name to HANASAKU LIFE on February 1, 2019, following the completion of the acquisition of approvals of the Commissioner of the Financial Services Agency pursuant to Article 271-10, Paragraph 1 and Article 106, Paragraph 7 of the Insurance Business Act by the Company and the acquisition of a life insurance business license pursuant to Article 3 of the Insurance Business Act by the Preparatory Company on the same day.

1) Purpose of establishing the company

The purpose of establishing the company is to flexibly and dynamically provide services to independent insurance agencies and related entities in order to more appropriately address diversifying customer needs and growing sales channels.

2) Overview of HANASAKU LIFE

a. Company Name: HANASAKU LIFE INSURANCE Co., Ltd.

b. Head Office: Minato-ku, Tokyo

c. Capital Stock: ¥10,000 million (U.S.$90 million)

The Company carried out a capital increase of ¥20,000 million in HANASAKU LIFE on April 1, 2019.

3) Date of establishment

July 2, 2018

4) Percentage of voting rights held by the Company

100%

(3) Nissay Asset Management Corporation (for the fiscal year ended March 31, 2018)

On February 9, 2018, the Company acquired 10% of the shares of Nissay Asset Management Corporation (hereinafter, "Nissay Asset") from Putnam Investments (hereinafter, "Putnam"), a U.S. asset management company, thereby converting Nissay Asset into a wholly owned subsidiary.

1) Overview of the transaction

a. Name and business of the acquiree

Name: Nissay Asset Management Corporation

Business: Asset management business

b. Business combination date

January 1, 2018 (deemed acquisition date)

c. Legal form of the business combination

Conversion into a wholly owned subsidiary through the acquisition of additional shares from a noncontrolling shareholder

d. Name of company after business combination

Nissay Asset Management Corporation

e. Other matters concerning the overview of the transaction

The Group has long worked to strengthen the asset management business. At this time, the Company has converted Nissay Asset into a wholly owned subsidiary by acquiring all of the Nissay Asset shares owned by Putnam, in order to reinforce and expand the asset management business.

2) Overview of accounting treatment that was applied

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

3) Acquisition cost and breakdown by type of consideration

Consideration for acquisition: payment in cash

¥15,065 million

Acquisition cost

¥15,065 million

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

a. Main reasons for changes in consolidated surplus:

Acquisition of additional shares of a subsidiary

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

¥8,940 million

(4) MLC Limited (for the fiscal year ended March 31, 2017)

1) Overview of the business combination

a. Name and business of the acquiree

Name: MLC Limited

Business: Life insurance business

b. Main reasons for executing the business combination

The Australian life insurance market is forecast to realize high rates of growth over the long term. By entering this market, the Company aims to sustainably expand policyholders' benefits through enhancing steady and sustainable operating profit bases of overseas insurance businesses.

c. Business combination date

October 1, 2016 (deemed acquisition date)

d. Legal form of the business combination

Share acquisition for cash consideration

e. Name of company after business combination

MLC Limited

f. Percentage of voting rights acquired

80%

g. Main rationale for determining the acquirer

The main rationale for the Company being the acquirer is that the Company will clearly control the decision-making body of the acquiree based on majority ownership of voting rights.

2) Period for which the acquiree's business results were included in the consolidated statement of income for the fiscal year ended March 31, 2017 From October 1, 2016 to December 31, 2016

3) Acquisition cost

Consideration for acquisition: payment in cash

¥176,246 million

Acquisition cost

¥176,246 million

The figure is a provisional amount as part of the consideration for acquisition has not yet been determined.

4) Description and amount of main acquisition-related costs

Advisory fees

¥3,161 million

5) Amount and rationale for recognizing goodwill, and amortization method and period

a. Amount of goodwill recognized

¥49,299 million

The figure is a provisional amount as the acquisition cost has not yet been determined.

b. Rationale for recognizing goodwill

Goodwill was recognized because the equity interest in the net amount of the assets acquired and the liabilities assumed were lower than the acquisition cost.

c. Amortization method and period

Straight-line amortization over 20 years

6) Amounts of the assets acquired and the liabilities assumed on the business combination date and their main components

Total assets: ¥470,920 million

(including investments in securities of ¥333,130 million)

Total liabilities: ¥318,876 million

(including policy reserves and other reserves of ¥297,715 million)

7) Estimated impact on the consolidated statement of income for the fiscal year ended March 31, 2017, assuming the business combination had been completed at the beginning of the fiscal year (unaudited)

The estimated amounts of the impact are total ordinary income of ¥483,456 million, ordinary profit of ¥32,924 million, and net surplus attributable to the parent company of ¥14,564 million. The estimated amounts of the impact represent total ordinary income, ordinary profit and net surplus attributable to the parent company calculated based on the annual financial statements for the year ended September 2016 prepared by MLC Limited. The amounts include the amortization of goodwill recognized at the time of the business combination.

These estimates do not represent the total ordinary income, ordinary profit and net surplus attributable to the parent company of MLC Limited assuming that the business combination had actually been completed at the beginning of the fiscal year ended March 31, 2017.

4. Additional Information for Consolidated Statements of Cash Flows

(1) Acquisition of Nippon Wealth Life Insurance Company Limited (for the fiscal year ended March 31, 2019)

Major assets and liabilities of Nippon Wealth Life Insurance Company Limited, the newly consolidated subsidiary through acquisition, as well as the acquisition cost and net payment for the acquisition are as follows:

	Millions of Yen	Millions of U.S. Dollars
Total assets	¥ 2,763,970	$ 24,902
(including investment in securities of ¥2,449,174 million (U.S.$22,066 million))		
Total liabilities	(2,629,331)	(23,689)
(including policy reserves and other reserves of ¥2,408,090 million (U.S.$21,696 million))		
Gain on bargain purchase	(10,347)	(93)
Noncontrolling interests	(20,043)	(180)
Acquisition cost of subsidiary's shares	104,247	939
Cash and cash equivalents of subsidiary	59,402	535
Net payments from acquisition of subsidiary's shares	¥ 44,844	$ 404

(2) Acquisition of MLC Limited (for the fiscal year ended March 31, 2017)

The main components of the assets and liabilities of MLC Limited at acquisition date, following its conversion into a newly consolidated subsidiary through the acquisition of shares, and the relationship between the acquisition cost of the shares and net payments from the acquisition are as follows:

	Millions of Yen
Total assets	¥ 470,920
(including investments in securities of ¥333,130 million)	
Goodwill	49,299
Total liabilities	(318,876)
(including policy reserves and other reserves of ¥(297,715) million)	
Foreign currency translation adjustments	5,311
Noncontrolling interests	(30,408)
Acquisition cost of subsidiary's shares	176,246
Cash and cash equivalents of subsidiary	87,997
Net payments from acquisition of subsidiary's shares	¥ 88,249

5. Cash and Cash Equivalents

The reconciliation of "Cash and cash equivalents" in the consolidated statements of cash flows and "Cash and deposits" in the consolidated balance sheets as of March 31, 2019, 2018 and 2017, was as follows:

	Millions of Yen			Millions of U.S. Dollars
	2019	2018	2017	2019
Cash and deposits	¥1,541,390	¥1,405,704	¥1,337,969	$13,887
Call loans	429,912	471,113	270,000	3,873
Monetary receivables purchased	26,999	22,999	35,999	243
Investments in securities	17,329	–	–	156
Time deposits with initial term of over 3 months to maturity and others	(3,700)	(2,804)	(102,500)	(33)
Cash and cash equivalents	¥2,011,931	¥1,897,011	¥1,541,468	$18,127

6. Financial Instruments

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

Based on this, in order to reliably pay benefits and other payments in the future, the Company and certain consolidated subsidiaries have positioned yen-denominated assets that can be expected to provide stable income, such as bonds and loans, as the core assets of the Company and certain consolidated subsidiaries and from the viewpoint of improving profit in the mid- to long-term, the Company and certain consolidated subsidiaries invest in domestic stocks and foreign securities. Also, from the viewpoint of effective investment, the Company and certain consolidated subsidiaries mainly use derivative transactions for managing asset investment risks. Specifically, the Company and certain consolidated subsidiaries use interest rate swaps and interest rate swaptions for the interest rate-related investments of the Company and certain consolidated subsidiaries, foreign exchange forward contracts and currency options and swaps for the currency-related investments of the Company and certain consolidated subsidiaries, and equity forward contracts, equity index futures and equity index options for the equity-related investments of the Company and certain consolidated subsidiaries, and hedge accounting is applied with respect to a portion thereof.

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

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

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

Notes to the Consolidated Financial Statements (continued)

(1) Balance sheet amounts and fair values of major financial instruments and their differences are as follows:

As of March 31	Millions of Yen 2019 Balance sheet amount(*1)	2019 Fair value(*2)	2019 Difference	2018 Balance sheet amount(*1)	2018 Fair value(*2)	2018 Difference	2017 Balance sheet amount(*1)	2017 Fair value(*2)	2017 Difference	Millions of U.S. Dollars 2019 Balance sheet amount(*1)	2019 Fair value(*2)	2019 Difference
Cash and deposits (negotiable certificates of deposit):	¥ 353,297	¥ 353,297	¥ –	¥ 383,500	¥ 383,500	¥ –	¥ 752,601	¥ 752,601	¥ –	$ 3,183	$ 3,183	$ –
Available-for-sale securities	353,297	353,297	–	383,500	383,500	–	752,601	752,601	–	3,183	3,183	–
Monetary receivables purchased:	401,938	417,895	15,956	288,752	301,191	12,439	337,913	366,297	28,383	3,621	3,765	143
Held-to-maturity debt securities	42,643	43,509	866	2,971	3,609	637	3,262	3,949	687	384	392	7
Policy-reserve-matching bonds	276,351	291,441	15,090	239,375	251,177	11,801	287,005	314,702	27,696	2,489	2,625	135
Available-for-sale securities	82,943	82,943	–	46,405	46,405	–	47,645	47,645	–	747	747	–
Assets held in trust:	13,357	13,357	–	10,621	10,621	–	3,597	3,597	–	120	120	–
Trading securities	13,157	13,157	–	10,421	10,421	–	3,397	3,397	–	118	118	–
Available-for-sale securities	200	200	–	200	200	–	200	200	–	1	1	–
Investments in securities:	63,440,561	68,136,757	4,696,196	59,009,134	63,125,983	4,116,849	57,139,306	61,224,609	4,085,302	571,588	613,899	42,311
Trading securities	1,434,953	1,434,953	–	1,590,075	1,590,075	–	1,854,861	1,854,861	–	12,928	12,928	–
Held-to-maturity debt securities	396,652	410,170	13,517	38,754	39,031	277	45,676	46,132	455	3,573	3,695	121
Policy-reserve-matching bonds	24,006,004	28,635,239	4,629,235	21,361,150	25,393,221	4,032,070	21,345,239	25,375,088	4,029,849	216,289	257,998	41,708
Investments in subsidiaries and affiliates	83,426	136,869	53,443	85,085	169,587	84,501	32,594	87,590	54,996	751	1,233	481
Available-for-sale securities	37,519,524	37,519,524	–	35,934,068	35,934,068	–	33,860,935	33,860,935	–	338,044	338,044	–
Loans(*3):	8,506,010	8,792,197	286,187	8,628,063	8,874,799	246,735	8,987,810	9,318,744	330,933	76,637	79,216	2,578
Policy loans	638,102	638,102	–	668,605	668,605	–	710,377	710,377	–	5,749	5,749	–
Industrial and consumer loans	7,867,907	8,154,094	286,187	7,959,458	8,206,193	246,735	8,277,432	8,608,366	330,933	70,888	73,466	2,578
Derivative financial instruments(*4):	48,762	48,762	–	124,314	124,314	–	(47,524)	(47,524)	–	439	439	–
Hedge accounting not applied	89,282	89,282	–	30,994	30,994	–	16,186	16,186	–	804	804	–
Hedge accounting applied	(40,519)	(40,519)	–	93,320	93,320	–	(63,710)	(63,710)	–	(365)	(365)	–
Corporate bonds(*3,*5)	(1,175,589)	(1,217,913)	(42,324)	(1,108,889)	(1,161,069)	(52,180)	(920,825)	(968,282)	(47,457)	(10,591)	(10,973)	(381)
Payables under repurchase agreements(*5)	(918,495)	(918,495)	–	(237,046)	(237,046)	–	–	–	–	(8,275)	(8,275)	–
Cash received as collateral under securities lending transactions(*5)	(77,788)	(77,788)	–	(575,412)	(575,412)	–	(873,773)	(873,773)	–	(700)	(700)	–
Loans payable(*3,*5)	(441,885)	(445,882)	(3,996)	(205,888)	(208,470)	(2,582)	(210,192)	(213,408)	(3,216)	(3,981)	(4,017)	(36)

*(*1) For transactions for which an allowance for doubtful accounts was recorded, the amount of the allowance is deducted.*

*(*2) For securities for which impairment losses were recognized in the fiscal years ended March 31, 2019, 2018 and 2017, the fair value is the balance sheet amount after the impairment losses are deducted.*

*(*3) The fair values of derivative financial instruments that are interest rate swaps under exceptional accounting treatment ("Tokurei-shori") or currency swaps under designated hedge accounting ("Furiate-shori") are included in the fair values of loans, corporate bonds, and loans payable because they are accounted for as an integral part of the loans, corporate bonds, and loans payable that are the hedged items.*

*(*4) Assets and liabilities generated by derivative financial instruments are offset and presented net. Net liabilities in total are presented in parentheses.*

*(*5) Corporate bonds, payables under repurchase agreements, cash received as collateral under securities lending transactions, and loans payable are recorded in liabilities and presented in parentheses.*

(2) Fair value measurement methods for the major financial instruments of the Company and certain consolidated subsidiaries are as follows:

1) Securities, deposits, and monetary receivables purchased that are treated as securities based on the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10)

i) Items with a market price

Fair value is measured based on the closing market price on the balance sheet date. However, the fair values of available-for-sale domestic and foreign equity securities are based on the average market price over a one-month period prior to the balance sheet date.

ii) Items without a market price

Fair value is measured mainly by discounting future cash flows to present value or valuations obtained from external information vendors.

2) Loans

i) Policy loans

Fair value is measured at the book value of policy loans as the fair value is deemed to approximate book value due to expected repayment periods, interest rate requirements, and other conditions. These loans have no repayment date based on characteristics, such as the loan amount being limited to the extent of the surrender benefit.

ii) Industrial and consumer loans

Fair value of variable interest rate loans is deemed to approximate book value because market interest rates are reflected in future cash flows over the short term. Thus, book value is used as fair value for variable interest rate loans. Fair value of fixed interest rate loans is measured mainly by discounting future cash flows to present value.

Fair value of loans to legally or substantially bankrupt borrowers or borrowers who are not currently legally bankrupt but have a high probability of bankruptcy is measured by deducting the estimated uncollectible amount from the book value prior to direct write-offs.

3) Derivative financial instruments

i) Fair value of futures and other market transactions is measured by the liquidation value or closing market price on the balance sheet date.

ii) Fair value of equity options is measured mainly based on liquidation value or closing market price on the balance sheet date or valuations obtained from external information vendors.

iii) Fair value of interest rate swaps, interest rate swaptions, foreign exchange contracts, currency options, currency swaps, and forward contracts is measured mainly based on valuations obtained from external parties.

4) Assets held in trust

Fair value is based on a reasonably calculated price by the trustee of the assets held in trust, in accordance with the calculation methods set forth in 1) and 3) above.

5) Corporate bonds

Corporate bonds are stated at fair value on the balance sheet date.

6) Payables under repurchase agreements and cash received as collateral under securities lending transactions

The book value is used as fair value due to their short-term settlement.

7) Loans payable

Fair value of variable interest rate loans payable is deemed to approximate book value because market interest rates are reflected in future cash flows over the short term. Thus, book value is used as fair value for variable interest rate loans payable. Fair value of fixed interest rate loans payable is measured, in principle, by discounting future cash flows to present value; however, loans payable financed by means of public offerings employing securitization schemes are measured at the fair value of the corporate bonds issued to back the loans payable.

(3) Unlisted equity securities, investments in partnerships whereby partnership assets consist of unlisted equity securities, and other items of which the fair value is extremely difficult to be determined are not included in investments in securities in table (1).

Balance sheet amounts were ¥1,018,344 million (U.S.$9,175 million) and ¥1,097,579 million as of March 31, 2019 and 2018, respectively.

Balance sheet amounts by holding purpose were ¥280,608 million for stocks of subsidiaries and affiliates and ¥842,270 million for available-for-sale securities as of March 31, 2017.

(4) Matters regarding securities and others by holding purpose are as follows:

1) Trading securities

Derivative financial instruments within assets held in trust, investments in securities for separate accounts and certain other securities are classified as trading securities as of March 31, 2019, 2018 and 2017.

Valuation gains/losses included in profit and loss were losses of ¥37,796 million (U.S.$340 million), and gains of ¥55,442 million and ¥65,537 million for derivative financial instruments within assets held in trust and investments in securities related to separate accounts for the fiscal years ended March 31, 2019, 2018 and 2017, respectively.

2) Held-to-maturity debt securities

Balance sheet amounts, fair values, and their differences by type are as follows:

	Millions of Yen									Millions of U.S. Dollars		
As of March 31	2019			2018			2017			2019		
Type	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference
Fair value exceeds the balance sheet amount:												
Monetary receivables purchased	¥ 25,671	¥ 26,652	¥ 981	¥ 2,971	¥ 3,609	¥637	¥ 3,262	¥ 3,949	¥ 687	$ 231	$ 240	$ 8
Domestic bonds	70,377	71,521	1,144	19,709	20,036	326	29,655	30,132	476	634	644	10
Foreign securities	300,306	313,013	12,707	1,510	1,519	8	7,808	7,823	14	2,705	2,820	114
Subtotal	396,354	411,188	14,833	24,191	25,164	972	40,727	41,905	1,178	3,571	3,704	133
Fair value does not exceed the balance sheet amount:												
Monetary receivables purchased	16,972	16,857	(115)	–	–	–	–	–	–	152	151	(1)
Domestic bonds	2,095	2,093	(1)	6,148	6,143	(4)	–	–	–	18	18	(0)
Foreign securities	23,873	23,540	(332)	11,385	11,332	(53)	8,212	8,177	(35)	215	212	(2)
Subtotal	42,941	42,491	(449)	17,533	17,476	(57)	8,212	8,177	(35)	386	382	(4)
Total	¥439,295	¥453,679	¥14,384	¥41,725	¥42,640	¥914	¥48,939	¥50,082	¥1,142	$3,957	$4,087	$129

3) Policy-reserve-matching bonds

Balance sheet amounts, fair values, and their differences by type are as follows:

As of March 31	Millions of Yen									Millions of U.S. Dollars		
	2019			2018			2017			2019		
Type	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference
Fair value exceeds the balance sheet amount:												
Monetary receivables purchased	¥ 268,210	¥ 283,375	¥ 15,165	¥ 233,375	¥ 245,210	¥ 11,835	¥ 283,224	¥ 310,953	¥ 27,728	$ 2,416	$ 2,553	$ 136
Domestic bonds	23,155,149	27,748,219	4,593,069	21,034,072	25,070,184	4,036,111	20,991,083	25,031,367	4,040,284	208,623	250,006	41,382
Foreign securities	706,819	747,296	40,477	78,681	81,096	2,415	54,979	57,114	2,135	6,368	6,733	364
Subtotal	24,130,180	28,778,891	4,648,711	21,346,129	25,396,491	4,050,361	21,329,288	25,399,436	4,070,148	217,408	259,292	41,884
Fair value does not exceed the balance sheet amount:												
Monetary receivables purchased	8,141	8,066	(74)	6,000	5,966	(33)	3,781	3,749	(31)	73	72	(0)
Domestic bonds	28,759	28,604	(155)	239,366	233,023	(6,343)	299,176	286,606	(12,569)	259	257	(1)
Foreign securities	115,274	111,119	(4,155)	9,029	8,917	(112)	–	–	–	1,038	1,001	(37)
Subtotal	152,175	147,789	(4,386)	254,396	247,907	(6,488)	302,957	290,355	(12,601)	1,371	1,331	(39)
Total	¥24,282,355	¥28,926,681	¥4,644,325	¥21,600,526	¥25,644,398	¥4,043,872	¥21,632,245	¥25,689,791	¥4,057,546	$218,779	$260,624	$41,844

4) Available-for-sale securities

Acquisition cost or amortized cost, balance sheet amounts, and their differences by type are as follows:

As of March 31	Millions of Yen									Millions of U.S. Dollars		
	2019			2018			2017			2019		
Type	Acquisition cost or amortized cost	Balance sheet amount	Difference	Acquisition cost or amortized cost	Balance sheet amount	Difference	Acquisition cost or amortized cost	Balance sheet amount	Difference	Acquisition cost or amortized cost	Balance sheet amount	Difference
Balance sheet amount exceeds acquisition cost or amortized cost:												
Cash and deposits (negotiable certificates of deposit)	¥ 167,300	¥ 167,300	¥ 0	¥ 307,500	¥ 307,500	¥ 0	¥ 587,600	¥ 587,601	¥ 1	$ 1,507	$ 1,507	$ 0
Monetary receivables purchased	36,921	38,203	1,282	9,028	9,959	930	10,074	11,180	1,106	332	344	11
Domestic bonds	3,961,752	4,245,652	283,900	3,638,120	3,867,815	229,694	3,454,533	3,674,457	219,923	35,694	38,252	2,557
Domestic stocks	3,469,705	7,884,353	4,414,647	3,671,499	8,604,623	4,933,124	3,416,428	7,825,582	4,409,153	31,261	71,036	39,775
Foreign securities	15,465,908	17,667,971	2,202,063	10,070,068	11,947,002	1,876,934	10,305,344	12,264,480	1,959,135	139,345	159,185	19,840
Other securities	2,734,814	2,999,591	264,777	1,942,873	2,145,560	202,687	940,019	1,109,657	169,637	24,640	27,025	2,385
Subtotal	25,836,401	33,003,074	7,166,672	19,639,090	26,882,463	7,243,372	18,714,000	25,472,958	6,758,958	232,781	297,351	64,570
Balance sheet amount does not exceed acquisition cost or amortized cost:												
Cash and deposits (negotiable certificates of deposit)	186,000	185,997	(2)	76,000	75,999	(0)	165,000	164,999	(0)	1,675	1,675	(0)
Monetary receivables purchased	44,910	44,740	(170)	36,649	36,445	(203)	36,466	36,464	(1)	404	403	(1)
Assets held in trust	200	200	–	200	200	–	200	200	–	1	1	–
Domestic bonds	107,803	105,288	(2,514)	366,440	356,799	(9,641)	520,295	512,685	(7,609)	971	948	(22)
Domestic stocks	1,171,408	912,115	(259,292)	869,622	750,093	(119,529)	988,772	861,846	(126,925)	10,554	8,217	(2,336)
Foreign securities	3,607,489	3,496,344	(111,144)	8,078,281	7,742,435	(335,846)	7,122,665	6,796,288	(326,377)	32,502	31,501	(1,001)
Other securities	211,755	208,206	(3,549)	531,266	519,738	(11,528)	842,552	815,937	(26,615)	1,907	1,875	(31)
Subtotal	5,329,566	4,952,892	(376,674)	9,958,460	9,481,711	(476,749)	9,675,952	9,188,422	(487,529)	48,018	44,624	(3,393)
Total	¥31,165,968	¥37,955,966	¥6,789,998	¥29,597,551	¥36,364,174	¥6,766,622	¥28,389,953	¥34,661,381	¥6,271,428	$280,799	$341,976	$61,176

* *Securities totaling ¥679,227 million (U.S.$6,119 million), ¥770,147 million and ¥842,270 million, whose fair values are extremely difficult to be determined, as of March 31, 2019, 2018 and 2017, respectively, are not included.*

Impairment losses of ¥12,379 million (U.S.$111 million), ¥157 million and ¥13,788 million were recognized for securities with a fair value during the fiscal years ended March 31, 2019, 2018 and 2017, respectively.

Regarding stocks (including foreign stocks) with fair values of the Company and certain consolidated subsidiaries, impairment losses are recognized for stocks whose fair value has declined significantly from the acquisition price based on the average fair value in the last month of the fiscal year, in principle. However, in the case of a security that meets certain criteria, such as a security for which the fair value declines substantially and the decline in the fair value in the last month of the fiscal year is substantial, impairment losses are recognized based on the fair value on the fiscal year-end date.

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

a. A security for which the ratio of the average fair value in the last month of the fiscal year to the acquisition cost is 50% or less.

b. A security that meets both of the following criteria:

    1. Average fair value in the last month of the fiscal year is between 50% and 70% of its acquisition cost.

    2. The historical fair value, the business conditions of the issuing company and other aspects are subject to certain requirements.

(5) Scheduled repayment amounts for the main monetary claims and liabilities and redemption amounts for securities with maturities are as follows:

As of March 31, 2019	Millions of Yen				Millions of U.S. Dollars			
	1 year or under	Over 1 year under 5 years	Over 5 years under 10 years	Over 10 years	1 year or under	Over 1 year under 5 years	Over 5 years under 10 years	Over 10 years
Cash and deposits (negotiable certificates of deposit):	¥ 353,300	¥ –	¥ –	¥ –	$ 3,183	$ –	$ –	$ –
Available-for-sale securities	353,300	–	–	–	3,183	–	–	–
Monetary receivables purchased:	27,000	9,068	42,958	319,354	243	81	387	2,877
Held-to-maturity debt securities	–	81	–	41,376	–	0	–	372
Policy-reserve-matching bonds	–	3,640	41,224	231,287	–	32	371	2,083
Available-for-sale securities	27,000	5,346	1,734	46,691	243	48	15	420
Investments in securities:	1,282,230	5,570,056	12,811,266	30,072,179	11,552	50,185	115,427	270,944
Held-to-maturity debt securities	28,707	176,608	80,652	107,150	258	1,591	726	965
Policy-reserve-matching bonds	307,396	1,805,194	4,970,405	16,665,138	2,769	16,264	44,782	150,149
Available-for-sale securities	946,125	3,588,253	7,760,208	13,299,890	8,524	32,329	69,918	119,829
Loans(*1)	969,688	2,928,453	1,938,788	1,995,897	8,736	26,384	17,468	17,982
Corporate bonds	–	–	3,500	1,088,989	–	–	31	9,811
Payables under repurchase agreements	918,495	–	–	–	8,275	–	–	–
Cash received as collateral under securities lending transactions	77,788	–	–	–	700	–	–	–
Loans payable(*2)	28,596	67,222	26,065	220,000	257	605	234	1,982

*(*1) Assets such as policy loans, which do not have a stated maturity date, are not included. Also, ¥9,064 million (U.S.$81 million) in loans to legally or substantially bankrupt borrowers or borrowers who are not currently legally bankrupt but have a high probability of bankruptcy are not included.*

*(*2) Liabilities such as subordinated loans payable, which do not have a stated maturity date, are not included.*

As of March 31, 2018	1 year or under	Over 1 year under 5 years	Over 5 years under 10 years	Over 10 years
				Millions of Yen
Cash and deposits (negotiable certificates of deposit):	¥ 383,500	¥ –	¥ –	¥ –
Available-for-sale securities	383,500	–	–	–
Monetary receivables purchased:	23,000	5,834	29,718	229,186
Held-to-maturity debt securities	–	–	–	2,971
Policy-reserve-matching bonds	–	5,682	29,564	203,911
Available-for-sale securities	23,000	152	153	22,303
Investments in securities:	898,346	4,922,007	10,686,740	28,274,456
Held-to-maturity debt securities	12,463	19,629	4,045	2,389
Policy-reserve-matching bonds	349,492	1,273,346	4,487,861	14,988,982
Available-for-sale securities	536,390	3,629,031	6,194,833	13,283,085
Loans(*1)	1,074,869	2,915,020	1,954,034	1,971,594
Corporate bonds	–	–	–	1,078,889
Payables under repurchase agreements	237,046	–	–	–
Cash received as collateral under securities lending transactions	575,412	–	–	–
Loans payable(*2)	39,408	51,093	15,381	–

*(*1) Assets such as policy loans, which do not have a stated maturity date, are not included. Also, ¥4,100 million in loans to legally or substantially bankrupt borrowers or borrowers who are not currently legally bankrupt but have a high probability of bankruptcy are not included.*

*(*2) Liabilities such as subordinated loans payable, which do not have a stated maturity date, are not included.*

As of March 31, 2017	1 year or under	Over 1 year under 5 years	Over 5 years under 10 years	Over 10 years
				Millions of Yen
Cash and deposits (negotiable certificates of deposit):	¥ 752,600	¥ –	¥ –	¥ –
Available-for-sale securities	752,600	–	–	–
Monetary receivables purchased:	36,000	7,614	27,855	264,993
Held-to-maturity debt securities	–	–	–	3,262
Policy-reserve-matching bonds	–	7,373	27,631	251,656
Available-for-sale securities	36,000	240	223	10,074
Investments in securities:	1,101,601	4,660,991	9,960,948	27,670,693
Held-to-maturity debt securities	14,084	25,816	2,854	2,726
Policy-reserve-matching bonds	469,887	1,250,847	4,371,106	15,049,402
Available-for-sale securities	617,629	3,384,326	5,586,987	12,618,565
Loans(*1)	1,203,554	3,025,880	2,019,155	1,971,086
Corporate bonds	–	–	–	890,825
Cash received as collateral under securities lending transactions	873,773	–	–	–
Loans payable(*2)	31,269	59,808	19,113	–

*(*1) Assets such as policy loans, which do not have a stated maturity date, are not included. Also, ¥6,403 million in loans to legally or substantially bankrupt borrowers or borrowers who are not currently legally bankrupt but have a high probability of bankruptcy are not included.*

*(*2) Liabilities such as subordinated loans payable, which do not have a stated maturity date, are not included.*

(6) Data on fair value of derivative transactions

i) Hedge accounting not applied

a. Interest rate-related

As of March 31	Millions of Yen 2019 Contract amount	Over 1 year	Fair value	Net gains (losses)	2018 Contract amount	Over 1 year	Fair value	Net gains	2017 Contract amount	Over 1 year	Fair value	Net gains (losses)	Millions of U.S. Dollars 2019 Contract amount	Over 1 year	Fair value	Net gains (losses)
Over-the-counter:																
Interest rate swaps																
Receive fixed interest rate / pay variable interest rate	¥2,926,684	¥2,592,961	¥ 59,832	¥ 59,832	¥3,000	¥3,000	¥32	¥32	¥–	¥–	¥–	¥–	$26,368	$23,362	$ 539	$ 539
Pay fixed interest rate / receive variable interest rate	1,788,114	1,579,817	(16,708)	(16,708)	1,000	1,000	1	1	–	–	–	–	16,110	14,233	(150)	(150)
Interest rate swaption																
Purchased																
Receive fixed interest rate / pay variable interest rate	500,000 [18,650]	500,000 [18,650]	32,013	13,363	– [–]	– [–]	–	–	– [–]	– [–]	–	–	4,504 [168]	4,504 [168]	288	120
Total				¥ 56,487				¥33				¥–				$ 508

Notes: 1. Brackets show option premiums recorded in the consolidated balance sheets.

2. Amounts in "Net gains (losses)" column are represented in fair value for swap transactions, and the difference between the option premiums and fair value for options transactions.

b. Currency-related

As of March 31					Millions of Yen 2019	Millions of Yen 2018	Millions of Yen 2017	Millions of U.S. Dollars 2019
Over-the-counter	**Foreign exchange forward contracts**	**Sold**	U.S. dollar	Contract amount	¥ 923,674	¥ 531,952	¥ 710,620	$ 8,322
				Over 1 year	5,251	5,444	–	47
				Fair value	(2,423)	8,734	(1,355)	(21)
				Net (losses) gains	(2,423)	8,734	(1,355)	(21)
			Euro	Contract amount	901,238	851,914	576,090	8,119
				Over 1 year	–	–	–	–
				Fair value	11,788	15,601	6,573	106
				Net gains	11,788	15,601	6,573	106
			Australian dollar	Contract amount	87,509	41,228	21,384	788
				Over 1 year	–	–	–	–
				Fair value	(185)	1,205	424	(1)
				Net (losses) gains	(185)	1,205	424	(1)
			British pound	Contract amount	159,717	52,052	18,434	1,439
				Over 1 year	–	–	–	–
				Fair value	59	(76)	119	0
				Net gains (losses)	59	(76)	119	0
			Others	Contract amount	82,125	10,633	8,391	739
				Over 1 year	–	–	–	–
				Fair value	926	(38)	53	8
				Net gains (losses)	926	(38)	53	8
			Subtotal	**Contract amount**	**2,154,264**	**1,487,781**	**1,334,921**	**19,409**
				Over 1 year	**5,251**	**5,444**	**–**	**47**
				Fair value	**10,166**	**25,426**	**5,814**	**91**
				Net gains	**10,166**	**25,426**	**5,814**	**91**
		Purchased	U.S. dollar	Contract amount	136,561	95,989	31,827	1,230
				Over 1 year	–	–	–	–
				Fair value	95	134	(74)	0
				Net gains (losses)	95	134	(74)	0
			Euro	Contract amount	43,320	24,463	19,559	390
				Over 1 year	–	–	–	–
				Fair value	(107)	(23)	(195)	(0)
				Net losses	(107)	(23)	(195)	(0)
			Australian dollar	Contract amount	22,969	6,820	2,842	206
				Over 1 year	–	–	–	–
				Fair value	90	(25)	10	0
				Net gains (losses)	90	(25)	10	0
			British pound	Contract amount	78,031	19,432	2,195	703
				Over 1 year	–	–	–	–
				Fair value	45	(107)	(4)	0
				Net gains (losses)	45	(107)	(4)	0
			Others	Contract amount	67,500	7,828	4,504	608
				Over 1 year	–	–	–	–
				Fair value	(426)	24	27	(3)
				Net (losses) gains	(426)	24	27	(3)
			Subtotal	**Contract amount**	**348,383**	**154,534**	**60,929**	**3,138**
				Over 1 year	**–**	**–**	**–**	**–**
				Fair value	**(302)**	**3**	**(236)**	**(2)**
				Net (losses) gains	**(302)**	**3**	**(236)**	**(2)**
	Currency option	**Sold**	**Call** U.S. dollar	Contract amount	1,287,484 [5,440]	– [–]	– [–]	11,600 [49]
				Over 1 year	– [–]	– [–]	– [–]	– [–]
				Fair value	1,511	–	–	13
				Net gains	3,928	–	–	35
			Subtotal	**Contract amount**	**1,287,484 [5,440]**	**– [–]**	**– [–]**	**11,600 [49]**
				Over 1 year	**– [–]**	**– [–]**	**– [–]**	**– [–]**
				Fair value	**1,511**	**–**	**–**	**13**
				Net gains	**3,928**	**–**	**–**	**35**

As of March 31				Millions of Yen 2019	2018	2017	Millions of U.S. Dollars 2019
	Put	U.S. dollar	Contract amount	210,881	–	–	1,900
				[91]	[–]	[–]	[0]
			Over 1 year	–	–	–	–
				[–]	[–]	[–]	[–]
			Fair value	21	–	–	0
			Net gains	70	–	–	0
		Subtotal	**Contract amount**	**210,881**	**–**	**–**	**1,900**
				[91]	**[–]**	**[–]**	**[0]**
			Over 1 year	**–**	**–**	**–**	**–**
				[–]	**[–]**	**[–]**	**[–]**
			Fair value	**21**	**–**	**–**	**0**
			Net gains	**70**	**–**	**–**	**0**
	Purchased Call	U.S. dollar	Contract amount	¥ 399,564	–	–	$ 3,600
				[385]	[–]	[–]	[3]
			Over 1 year	–	–	–	–
				[–]	[–]	[–]	[–]
			Fair value	133	–	–	1
			Net losses	(251)	–	–	(2)
		Subtotal	**Contract amount**	**399,564**	**–**	**–**	**3,600**
				[385]	**[–]**	**[–]**	**[3]**
			Over 1 year	**–**	**–**	**–**	**–**
				[–]	**[–]**	**[–]**	**[–]**
			Fair value	**133**	**–**	**–**	**1**
			Net losses	**(251)**	**–**	**–**	**(2)**
	Put	U.S. dollar	Contract amount	1,098,801	–	–	9,900
				[8,301]	[–]	[–]	[74]
			Over 1 year	–	–	–	–
				[–]	[–]	[–]	[–]
			Fair value	2,769	–	–	24
			Net losses	(5,532)	–	–	(49)
		Others	Contract amount	75,389	–	–	679
				[874]	[–]	[–]	[7]
			Over 1 year	–	–	–	–
				[–]	[–]	[–]	[–]
			Fair value	283	–	–	2
			Net losses	(590)	–	–	(5)
		Subtotal	**Contract amount**	**1,174,190**	**–**	**–**	**10,579**
				[9,175]	**[–]**	**[–]**	**[82]**
			Over 1 year	**–**	**–**	**–**	**–**
				[–]	**[–]**	**[–]**	**[–]**
			Fair value	**3,052**	**–**	**–**	**27**
			Net losses	**(6,122)**	**–**	**–**	**(55)**
Currency swaps		U.S. dollar paid / ¥ received	Contract amount	81,109	–	–	730
			Over 1 year	63,241	–	–	569
			Fair value	(2,111)	–	–	(19)
			Net losses	(2,111)	–	–	(19)
		Euro paid / ¥ received	Contract amount	5,340	–	–	48
			Over 1 year	3,966	–	–	35
			Fair value	313	–	–	2
			Net gains	313	–	–	2
		¥ paid / A$ received	Contract amount	318,207	278,002	210,486	2,866
			Over 1 year	318,207	278,002	210,486	2,866
			Fair value	(1,568)	(2,945)	3,556	(14)
			Net (losses) gains	(1,568)	(2,945)	3,556	(14)
		Others	Contract amount	14,163	14,163	14,163	127
			Over 1 year	14,163	14,163	14,163	127
			Fair value	(221)	200	285	(1)
			Net (losses) gains	(221)	200	285	(1)
		Subtotal	**Contract amount**	**418,820**	**292,166**	**224,649**	**3,773**
			Over 1 year	**399,578**	**292,166**	**224,649**	**3,600**
			Fair value	**(3,588)**	**(2,744)**	**3,842**	**(32)**
			Net (losses) gains	**(3,588)**	**(2,744)**	**3,842**	**(32)**

As of March 31			Millions of Yen 2019	2018	2017	Millions of U.S. Dollars 2019
Others	Total returns	Contract amount	37,000	–	–	333
		Over 1 year	37,000	–	–	333
		Fair value	452	–	–	4
		Net gains	452	–	–	4
	Subtotal	**Contract amount**	**37,000**	**–**	**–**	**333**
		Over 1 year	**37,000**	**–**	**–**	**333**
		Fair value	**452**	**–**	**–**	**4**
		Net gains	**452**	**–**	**–**	**4**
Total		**Net gains**	**¥ 4,352**	**¥ 22,684**	**¥ 9,420**	**$ 39**

Notes: 1. Brackets show option premiums recorded in the consolidated balance sheets.

2. Amounts in "Net gains (losses)" column are represented in fair value for forward transactions, swap transactions and others, and the difference between option premiums and fair value for options transactions.

c. Equity-related

As of March 31					Millions of Yen 2019	2018	2017	Millions of U.S. Dollars 2019
Exchange-traded	**Equity index futures**	**Sold**		Contract amount	¥ 20,731	¥ 28,166	¥ 23,804	$ 186
				Over 1 year	–	–	–	–
				Fair value	(64)	42	170	(0)
				Net (losses) gains	(64)	42	170	(0)
		Purchased		Contract amount	35,611	11,113	21,768	320
				Over 1 year	–	–	–	–
				Fair value	71	(400)	(104)	0
				Net gains (losses)	71	(400)	(104)	0
	Equity index options	**Purchased**	**Put**	Contract amount	381,704	665,083	254,802	3,439
					[1,651]	[13,373]	[11,645]	[14]
				Over 1 year	–	21,454	56,727	–
					[–]	[1,570]	[4,098]	[–]
				Fair value	990	7,815	5,123	8
				Net losses	(661)	(5,558)	(6,522)	(5)
Over-the-counter	**Equity forward contracts**	**Sold**		Contract amount	–	–	–	–
				Over 1 year	–	–	–	–
				Fair value	–	(182)	(275)	–
				Net losses	–	(182)	(275)	–
	Equity index forward contracts	**Sold**		Contract amount	1,992	5,016	15,172	17
				Over 1 year	–	–	–	–
				Fair value	5	(39)	(1,651)	0
				Net gains (losses)	5	(39)	(1,651)	0
	Equity index options	**Sold**	**Call**	Contract amount	–	3,831	–	–
					[–]	[0]	[–]	[–]
				Over 1 year	–	–	–	–
					[–]	[–]	[–]	[–]
				Fair value	–	166	–	–
				Net losses	–	(166)	–	–
		Purchased	**Call**	Contract amount	–	329	10,270	–
					[–]	[55]	[58]	[–]
				Over 1 year	–	226	290	–
					[–]	[36]	[55]	[–]
				Fair value	–	176	136	–
				Net gains	–	120	77	–
			Put	Contract amount	–	10,009	36,551	–
					[–]	[2,267]	[7,524]	[–]
				Over 1 year	–	–	6,177	–
					[–]	[–]	[2,267]	[–]
				Fair value	–	54	3,306	–
				Net losses	–	(2,213)	(4,218)	–
Total				**Net losses**	**¥ (648)**	**¥ (8,397)**	**¥ (12,523)**	**$ (5)**

Notes: 1. Brackets show option premiums recorded in the consolidated balance sheets.

2. Amounts in "Net gains (losses)" column are represented in fair value for futures and forward transactions, and the difference between option premiums and fair value for options transactions.

d. Bond-related

As of March 31	Millions of Yen												Millions of U.S. Dollars			
	2019				2018				2017				2019			
	Contract amount	Over 1 year	Fair value	Net (losses) gains	Contract amount	Over 1 year	Fair value	Net gains (losses)	Contract amount	Over 1 year	Fair value	Net gains (losses)	Contract amount	Over 1 year	Fair value	Net (losses) gains
Exchange-traded:																
Japanese yen-denominated bond futures																
Sold	¥ 32,160	¥–	¥ (28)	¥ (28)	¥15,088	¥–	¥ 11	¥ 11	¥ 21,954	¥–	¥ 13	¥13	$ 289	$–	$(0)	$ (0)
Purchased	16,651	–	56	56	–	–	–	–	–	–	–	–	150	–	0	0
Foreign currency-denominated bond futures																
Sold	15,529	–	131	131	25,988	–	(183)	(183)	28,043	–	71	71	139	–	1	1
Purchased	115,126	–	2,471	2,471	81,389	–	1,151	1,151	¥(12,587)	–	(24)	(24)	1,037	–	22	22
Total				¥2,630				¥ 977				¥60				$23

Note: Net gains (losses) represent the fair value.

e. Others

As of March 31	Millions of Yen												Millions of U.S. Dollars			
	2019				2018				2017				2019			
	Contract amount	Over 1 year	Fair value	Net gains	Contract amount	Over 1 year	Fair value	Net gains (losses)	Contract amount	Over 1 year	Fair value	Net gains (losses)	Contract amount	Over 1 year	Fair value	Net gains
Over-the-counter:																
Credit default swaps																
Sold	¥124,200	¥94,140	¥2,130	¥2,130	¥–	¥–	¥–	¥–	¥–	¥–	¥–	¥–	$1,119	$848	$19	$19
Total				¥2,130				¥–				¥–				$19

Note: Amounts in "Net gains (losses)" column are represented in fair value.

ii) Hedge accounting applied

a. Interest rate-related

As of March 31									Millions of Yen			Millions of U.S. Dollars
			2019			2018			2017			2019
	Contract amount			Contract amount			Contract amount			Contract amount		
		Over 1 year	Fair value		Over 1 year	Fair value		Over 1 year	Fair value		Over 1 year	Fair value
Over-the-counter:												
Deferred hedge accounting (main hedged items: insurance liabilities):												
Interest rate swaps												
Receive fixed interest rate / pay variable interest rate	¥1,121,300	¥1,113,000	¥53,928	¥577,000	¥577,000	¥2,534	¥344,000	¥344,000	¥(3,804)	$10,102	$10,027	$485
Deferred hedge accounting (main hedged items: loans):												
Interest rate swaps												
Receive fixed interest rate / pay variable interest rate	10,263	10,263	9	10,263	10,263	(57)	10,263	10,263	(83)	92	92	0

b. Currency-related

As of March 31							Millions of Yen 2019	Millions of Yen 2018	Millions of Yen 2017	Millions of U.S. Dollars 2019
Over-the-counter	**Fair value hedge accounting**	**Foreign exchange forward contracts**	**Sold**	U.S. dollar	**Foreign currency-denominated bonds (main hedged items)**	Contract amount	¥ 3,833,852	¥ 4,476,303	¥ 5,405,762	$ 34,542
						Over 1 year	–	–	–	–
						Fair value	(11,381)	103,484	42,281	(102)
				Euro		Contract amount	3,161,778	3,610,953	2,722,764	28,487
						Over 1 year	–	–	–	–
						Fair value	20,479	38,325	22,297	184
				Others		Contract amount	1,198,769	1,442,868	1,464,289	10,800
						Over 1 year	–	–	–	–
						Fair value	(11,832)	30,476	27,124	(106)
				Total		**Contract amount**	**8,194,400**	**9,530,125**	**9,592,816**	**73,830**
						Over 1 year	–	–	–	–
						Fair value	**(2,734)**	**172,285**	**91,703**	**(24)**
	Deferred hedge accounting	**Foreign exchange forward contracts**	**Sold**	U.S. dollar	**Investment trust (main hedged items)**	Contract amount	1,029	1,988	–	9
						Over 1 year	–	–	–	–
						Fair value	(16)	71	–	(0)
				Total		**Contract amount**	**1,029**	**1,988**	**–**	**9**
						Over 1 year	–	–	–	–
						Fair value	**(16)**	**71**	**–**	**(0)**
		Currency swaps		U.S. dollar paid / ¥ received	**Foreign currency-denominated bonds (main hedged items)**	Contract amount	663,278	499,222	532,388	5,976
						Over 1 year	582,204	466,097	495,649	5,245
						Fair value	(68,195)	(32,599)	(83,474)	(614)
				€ paid / ¥ received		Contract amount	538,276	469,979	471,264	4,849
						Over 1 year	508,959	448,192	466,075	4,585
						Fair value	(37,644)	(63,559)	(21,234)	(339)
				£ paid / ¥ received		Contract amount	130,111	118,919	118,919	1,172
						Over 1 year	127,900	118,919	118,919	1,152
						Fair value	14,133	11,738	18,038	127
				Total		**Contract amount**	**1,331,666**	**1,088,122**	**1,122,572**	**11,998**
						Over 1 year	**1,219,064**	**1,033,209**	**1,080,645**	**10,983**
						Fair value	**(91,706)**	**(84,420)**	**(86,670)**	**(826)**

c. Equity-related

As of March 31	Millions of Yen 2019 Contract amount	2019 Over 1 year	2019 Fair value	2018 Contract amount	2018 Over 1 year	2018 Fair value	2017 Contract amount	2017 Over 1 year	2017 Fair value	Millions of U.S. Dollars 2019 Contract amount	2019 Over 1 year	2019 Fair value
Over-the-counter:												
Fair value hedge accounting (main hedged items: domestic stocks):												
Equity forward contracts:												
Sold	¥–	¥–	¥–	¥143,810	¥–	¥2,898	¥214,693	¥–	¥(64,855)	$–	$–	$–
Exchange-traded:												
Deferred hedge accounting (main hedged items: investment trust):												
Equity index futures:												
Sold	–	–	–	1,022	–	31	–	–	–	–	–	–

d. Bond-related

No ending balance as of March 31, 2019, 2018 or 2017.

e. Others

No ending balance as of March 31, 2019, 2018 or 2017.

7. Disclosures about Fair Value of Investment and Rental Properties

The balance sheet amounts for investment and rental properties were ¥1,281,364 million (U.S.$11,544 million), ¥1,247,234 million and ¥1,255,358 million, with a fair value of ¥1,564,426 million (U.S.$14,095 million), ¥1,430,349 million and ¥1,436,985 million as of March 31, 2019, 2018 and 2017, respectively. The Company and certain consolidated subsidiaries own rental office buildings and commercial facilities, the fair value of which at year-end is the amount measured based mainly on the "Real Estate Appraisal Standards." The amounts corresponding to asset retirement obligations that were included in the balance sheet amounts of investment and rental properties were ¥3,030 million (U.S.$27 million), ¥497 million and ¥515 million as of March 31, 2019, 2018 and 2017, respectively.

8. Securities Loaned and Borrowed

The amounts of securities lent under lending agreements were ¥3,433,586 million (U.S.$30,935 million), ¥3,053,767 million and ¥2,696,366 million as of March 31, 2019, 2018 and 2017, respectively.

Assets that can be sold or resecured are marketable securities borrowed under lending agreements. These assets were held without being sold or resecured and totaled ¥488,657 million (U.S.$4,402 million), ¥520,816 million and ¥601,117 million at fair value as of March 31, 2019, 2018 and 2017, respectively.

9. Accumulated Depreciation

The amounts of accumulated depreciation of tangible fixed assets were ¥1,165,279 million (U.S.$10,498 million), ¥1,160,112 million and ¥1,178,325 million as of March 31, 2019, 2018 and 2017, respectively.

10. Separate Accounts

Separate account assets as provided for in Article 118, Paragraph 1 of the Insurance Business Act were ¥1,479,649 million (U.S.$13,331 million), ¥1,521,665 million and ¥1,598,901 million as of March 31, 2019, 2018 and 2017, respectively, and a corresponding liability is recorded in the same amount. The amounts of separate accounts are included in the respective account balance on the consolidated balance sheets.

11. Reserve for Dividends to Policyholders (mutual company)

A reserve for dividends to policyholders (mutual company) is recognized to reserve dividends to policyholders of the parent company, which is a mutual company.

Changes in the reserve for dividends to policyholders (mutual company) for the fiscal years ended March 31, 2019, 2018 and 2017, were as follows:

	Millions of Yen			Millions of U.S. Dollars
	2019	2018	2017	2019
Balance at the beginning of the fiscal year	¥ 995,167	¥1,001,102	¥1,015,013	$ 8,966
Transfer to reserve from surplus in the previous fiscal year	218,353	184,086	229,857	1,967
Dividends paid to policyholders during the fiscal year	(215,540)	(212,224)	(266,227)	(1,941)
Increase in interest	22,233	22,203	22,458	200
Balance at the end of the fiscal year	¥1,020,213	¥ 995,167	¥1,001,102	$ 9,191

12. Reserve for Dividends to Policyholders (limited company)

A reserve for dividends to policyholders (limited company) is recognized to reserve dividends to policyholders of subsidiaries, which are limited companies.

Changes in the reserve for dividends to policyholders (limited company) for the fiscal years ended March 31, 2019, 2018 and 2017, were as follows:

	Millions of Yen			Millions of U.S. Dollars
	2019	2018	2017	2019
Balance at the beginning of the fiscal year	¥ 65,078	¥ 67,847	¥ 69,681	$ 586
Dividends paid to policyholders during the fiscal year	(19,231)	(20,053)	(20,020)	(173)
Increase in interest	11	12	25	0
Provision for reserve for dividends to policyholders (limited company)	13,837	17,272	18,161	124
Increase due to change in scope of consolidation	629	_	_	5
Balance at the end of the fiscal year	¥ 60,326	¥ 65,078	¥ 67,847	$ 543

13. Corporate Bonds

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

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

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

Balance as of March 31, 2019, 2018 and 2017

Issuer	Bond	Issue date	Millions of Yen 2019	Millions of Yen 2018	Millions of Yen 2017	Millions of U.S. dollars 2019	Interest rate (%)	Collateral	Maturity	Callable dates
Nippon Life	U.S. dollar-denominated subordinated corporate bonds	October 2012	¥157,040 ($2,000 million)	¥157,040 ($2,000 million)	¥157,040 ($2,000 million)	$1,414	5.00%	None	October 2042	Each interest payment date on or after October 2022
Nippon Life	U.S. dollar-denominated subordinated corporate bonds	October 2014	242,550 ($2,250 million)	242,550 ($2,250 million)	242,550 ($2,250 million)	2,185	5.10%	None	October 2044	Tenth anniversary date after the issue date and on each fifth anniversary date thereafter
Nippon Life	U.S. dollar-denominated subordinated corporate bonds	January 2016	176,235 ($1,500 million)	176,235 ($1,500 million)	176,235 ($1,500 million)	1,587	4.70%	None	January 2046	Tenth anniversary date after the issue date and on each fifth anniversary date thereafter
Nippon Life	U.S. dollar-denominated subordinated corporate bonds	September 2017	88,064 ($800 million)	88,064 ($800 million)	–	793	4.00%	None	September 2047	Tenth anniversary date after the issue date and on each fifth anniversary date thereafter
Nippon Life	Subordinated corporate bonds	April 2015	75,000	75,000	75,000	675	1.52%	None	April 2045	Tenth anniversary date after the issue date and on each fifth anniversary date thereafter
Nippon Life	Subordinated corporate bonds	April 2016	70,000	70,000	70,000	630	0.94%	None	April 2046	Tenth anniversary date after the issue date and on each fifth anniversary date thereafter

Issuer	Bond	Issue date	Millions of Yen 2019	2018	2017	Millions of U.S. dollars 2019	Interest rate (%)	Collateral	Maturity	Callable dates
Nippon Life	Subordinated corporate bonds	April 2016	30,000	30,000	30,000	270	1.12%	None	April 2051	Fifteenth anniversary date after the issue date and on each fifth anniversary date thereafter
Nippon Life	Subordinated corporate bonds	November 2016	75,000	75,000	75,000	675	0.91%	None	November 2046	Tenth anniversary date after the issue date and on each fifth anniversary date thereafter
Nippon Life	Subordinated corporate bonds	November 2016	15,000	15,000	15,000	135	1.10%	None	November 2051	Fifteenth anniversary date after the issue date and on each fifth anniversary date thereafter
Nippon Life	Subordinated corporate bonds	April 2017	100,000	100,000	–	900	1.05%	None	April 2047	Tenth anniversary date after the issue date and on each fifth anniversary date thereafter
Mitsui Life	Perpetual subordinated corporate bond	July 2016	30,000	30,000	30,000	270	0.74%	None	No maturity date	Each interest payment date on or after July 2021
Mitsui Life	Subordinated corporate bonds	July 2016	50,000	50,000	50,000	450	0.86%	None	July 2046	Each interest payment date on or after July 2026
Nippon Wealth Life	Subordinated corporate bonds	October 2014	3,500	–	–	31	1.00%	None	October 2024	Fifth anniversary date after the issue date and on each half anniversary date thereafter
Nippon Wealth Life	Perpetual subordinated corporate bond	March 2015	10,800	–	–	97	2.20%	None	No maturity date	Fifth anniversary date after the issue date and on each half anniversary date thereafter
Nippon Wealth Life	Subordinated corporate bonds	March 2015	10,100	–	–	90	2.00%	None	March 2045	Fifth anniversary date after the issue date and on each half anniversary date thereafter
Nippon Wealth Life	Perpetual subordinated corporate bond	December 2015	11,200	–	–	100	2.00%	None	No maturity date	Fifth anniversary date after the issue date and on each half anniversary date thereafter
Nippon Wealth Life	Perpetual subordinated corporate bond	December 2015	17,600	–	–	158	2.32%	None	No maturity date	Tenth anniversary date after the issue date and on each half anniversary date thereafter

Balance as of March 31, 2019, 2018 and 2017

Issuer	Bond	Issue date	Millions of Yen 2019	2018	2017	Millions of U.S. dollars 2019	Interest rate (%)	Collateral	Maturity	Callable dates
Nippon Wealth Life	Perpetual subordinated corporate bond	February 2017	¥ 5,500	¥ –	¥ –	$ 49	1.42%	None	No maturity date	Fifth anniversary date after the issue date and on each half anniversary date thereafter
Nippon Wealth Life	Perpetual subordinated corporate bond	February 2017	5,700	–	–	51	1.64%	None	No maturity date	Tenth anniversary date after the issue date and on each half anniversary date thereafter
Nippon Wealth Life	Perpetual subordinated corporate bond	February 2017	2,300	–	–	20	1.94%	None	No maturity date	Fifteenth anniversary date after the issue date and on each half anniversary date thereafter
Total	–	–	¥1,175,589	¥1,108,889	¥920,825	$10,591	–	–	–	–

1. *Figures enclosed in parentheses for the balances as of March 31, 2019, 2018 and 2017 are the balances in foreign currencies.*

2. *"Furiate-shori" for currency swaps are applied to hedge the cash flow volatility caused by foreign exchange rate fluctuations on U.S. dollar-denominated subordinated corporate bonds.*

14. Other Liabilities

Other liabilities include subordinated loans payable of ¥336,500 million (U.S.$3,031 million), ¥100,000 million and ¥100,000 million as of March 31, 2019, 2018 and 2017, respectively, which is subordinate to the fulfillment of all other debt obligations.

Balance as of March 31, 2019, 2018 and 2017

Issuer	Loan	Issue date	Millions of Yen			Millions of U.S. dollars	Interest rate (%)	Collateral	Maturity	Callable dates
			2019	2018	2017	2019				
Nippon Life	Subordinated corporate loans	April 2018	¥100,000	¥ –	¥ –	$ 900	1.05%	None	April 2048	Tenth anniversary date after the issue date and on each fifth anniversary date thereafter
Nippon Life	Subordinated corporate loans	September 2018	120,000	–	–	1,081	1.03%	None	September 2048	Tenth anniversary date after the issue date and on each fifth anniversary date thereafter
Mitsui Life	Subordinated corporate loans	August 2016	50,000	50,000	50,000	450	0.98%	None	No maturity date	Each interest payment date on or after October 2021
Mitsui Life	Subordinated corporate loans	August 2016	50,000	50,000	50,000	450	0.93%	None	No maturity date	Each interest payment date on or after October 2021
Nippon Wealth Life	Subordinated corporate loans	March 2015	16,500	–	–	148	0.71%	None	March 2025	Each interest payment date on or after March 2020
Total	–	–	¥336,500	¥100,000	¥100,000	$3,031	–	–	–	–

15. Net Defined Benefit Liability

(1) Summary of retirement benefit plans

In terms of defined benefit plans, the Company has a defined benefit corporate pension plan and a lump-sum retirement payment plan for non sales personnel and sales management personnel, etc. In terms of defined contribution plans, the Company has a defined contribution pension plan. The Company also has a defined benefit plan for sales representatives, etc., in the form of a lump-sum retirement payment plan and an in-house pension plan. Certain consolidated subsidiaries mainly have a lump-sum retirement payment plan as a defined benefit plan and a defined contribution pension plan as a defined contribution plan.

(2) Defined benefit plan

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

For the years ended March 31, 2019, 2018 and 2017	Millions of Yen 2019	2018	2017	Millions of U.S. Dollars 2019
Retirement benefit obligations at the beginning of the year	¥707,164	¥720,187	¥737,348	$6,371
Service costs	28,279	28,304	27,951	254
Interest cost	4,278	4,352	4,456	38
Actuarial losses accrued during the year	5,587	3,681	2,210	50
Retirement benefit payments	(48,726)	(49,362)	(51,779)	(439)
Increase due to change in scope of consolidation	1,757	–	–	15
Others	(11)	1	–	(0)
Retirement benefit obligations at the end of the year	¥698,329	¥707,164	¥720,187	$6,291

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

For the years ended March 31, 2019, 2018 and 2017

	Millions of Yen			Millions of U.S. Dollars
	2019	2018	2017	2019
Pension plan assets at the beginning of the year	¥266,183	¥271,613	¥278,723	$2,398
Expected return on plan assets	3,766	3,844	4,613	33
Actuarial gains accrued during the year	1,550	2,539	187	13
Contributions by business proprietor	7,279	7,302	7,181	65
Retirement benefit payments	(18,647)	(19,117)	(19,091)	(168)
Pension plan assets at the end of the year	¥260,132	¥266,183	¥271,613	$2,343

3) Reconciliation of net defined benefit liability at the beginning and end of the fiscal year under the simplified valuation method

For the years ended March 31, 2019, 2018 and 2017

	Millions of Yen			Millions of U.S. Dollars
	2019	2018	2017	2019
Net defined benefit liability at the beginning of the year	¥2,180	¥1,984	¥1,824	$19
Benefit costs	304	322	243	2
Retirement benefit payments	(125)	(126)	(82)	(1)
Net defined benefit liability at the end of the year	¥2,359	¥2,180	¥1,984	$21

4) Reconciliation of retirement benefit obligations, pension plan assets, and net defined benefit liability on the consolidated balance sheets

For the years ended March 31, 2019, 2018 and 2017

	Millions of Yen			Millions of U.S. Dollars
	2019	2018	2017	2019
Retirement benefit obligations for funded plans	¥ 286,003	¥ 294,371	¥ 303,933	$ 2,576
Pension plan assets	(260,132)	(266,183)	(271,613)	(2,343)
Subtotal	25,871	28,188	32,319	233
Retirement benefit obligations for nonfunded plans	414,684	414,973	418,238	3,736
Net defined benefit liability recorded in the consolidated balance sheets	¥ 440,556	¥ 443,161	¥ 450,558	$ 3,969
Net defined benefit liability	¥ 440,556	¥ 443,161	¥ 450,558	$ 3,969
Net defined benefit liability recorded in the consolidated balance sheets	¥ 440,556	¥ 443,161	¥ 450,558	$ 3,969

5) Losses (gains) relating to retirement benefits

For the years ended March 31, 2019, 2018 and 2017

	Millions of Yen			Millions of U.S. Dollars
	2019	2018	2017	2019
Service costs	¥28,279	¥28,304	¥27,951	$254
Interest cost	4,278	4,352	4,456	38
Expected return on plan assets	(3,766)	(3,844)	(4,613)	(33)
Amortization of actuarial losses for the period	11,121	9,311	8,599	100
Benefit cost under the simplified valuation method	304	322	243	2
Others	409	1	–	3
Benefit cost for defined benefit plans	¥40,625	¥38,447	¥36,636	$366

6) Breakdown of items included in other comprehensive income (before tax)

For the years ended March 31, 2019, 2018 and 2017

	Millions of Yen			Millions of U.S. Dollars
	2019	2018	2017	2019
Actuarial gains	¥7,084	¥8,169	¥6,575	$63
Total	¥7,084	¥8,169	¥6,575	$63

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

For the years ended March 31, 2019, 2018 and 2017

	Millions of Yen			Millions of U.S. Dollars
	2019	2018	2017	2019
Unrecognized actuarial losses	¥19,301	¥26,385	¥34,555	$173
Total	¥19,301	¥26,385	¥34,555	$173

8) Pension plan assets consist of the following:

	2019	2018	2017
General account of Nippon Life	49.8%	50.2%	50.6%
Domestic bonds	23.0%	22.0%	24.6%
Foreign securities	16.2%	14.8%	20.3%
Cash and deposits	6.6%	7.7%	1.4%
Domestic stocks	4.5%	5.4%	3.1%
Other	0.0%	0.0%	0.0%
Total	100.0%	100.0%	100.0%

9) Calculation method for long-term expected rate of return on plan assets To determine the long-term expected rate of return on pension plan assets, the Company and certain consolidated subsidiaries take into consideration present and forecasted allocation of the pension plan assets, and present and long-term rates of return that are expected from the portfolio of assets that comprise the pension plan assets.

10) Matters relating to the basis for actuarial calculations
The main items in the basis for actuarial calculations of the Company and certain consolidated subsidiaries as of March 31, 2019, 2018 and 2017, are as follows:

	2019	2018	2017
Discount rate	0.6-0.7%	0.6-0.7%	0.6-0.7%
Long-term expected rate of return on plan assets	1.4-3.0%	1.4-3.0%	1.6-3.0%

(3) Defined contribution plans

The Company and its consolidated subsidiaries contributed ¥4,859 million (U.S.$43 million), ¥4,768 million and ¥3,732 million to defined contribution plans during the fiscal years ended March 31, 2019, 2018 and 2017, respectively.

16. Foundation Funds

Foundation funds serve as the primary source of capital for Japanese mutual life insurance companies. These funds are similar to loans, as interest payments, maturity dates and other items must be established at the time of the offering. In the event of a bankruptcy or similar development, repayment of the principal and interest on foundation funds is subordinated to the repayment of amounts owed to ordinary creditors and insurance claims and benefit payments owed to policyholders. Upon redemption of foundation funds, mutual companies are required to make an addition to the reserve for redemption of foundation funds, which serves as retained earnings, equal to the amount redeemed. As a result, the full amount of foundation funds remains in net assets even after redemption. Foundation funds are therefore positioned as a mutual company's core capital, which is equivalent to the stated capital of a joint-stock company. The Company redeemed ¥50,000 million (U.S.$450 million), ¥50,000 million and ¥50,000 million of foundation funds and credited the same amount to reserve for redemption of foundation funds as prescribed in Article 56 of the Insurance Business Act for the fiscal years ended March 31, 2019, 2018, and 2017, respectively. ¥50,000 million of foundation funds were offered pursuant to Article 60 of the Insurance Business Act during the fiscal year ended March 31, 2018.

17. Pledged Assets

Assets pledged as collateral in the form of investments in securities, lease receivables, land, and buildings as of March 31, 2019, were ¥1,751,960 million (U.S.$15,784 million), ¥15,308 million (U.S.$137 million), ¥252 million (U.S.$2 million), and ¥45 million (U.S.$0 million), respectively. The total amount of liabilities covered by the aforementioned assets was ¥756,504 million (U.S.$6,815 million) as of March 31, 2019.

These amounts included ¥851,839 million (U.S.$7,674 million) of the sale of securities under repurchase agreements and ¥918,495 million (U.S.$8,275 million) in payables under repurchase agreements, as well as ¥28,595 million (U.S.$257 million) of investments in securities deposited and ¥32,610 million (U.S.$293 million) of cash received as collateral under securities lending transactions secured by cash, as of March 31, 2019.

Assets pledged as collateral in the form of investments in securities, lease receivables, land, and buildings as of March 31, 2018, were ¥1,562,278 million, ¥25,183 million, ¥252 million and ¥47 million, respectively. The total amount of liabilities covered by the aforementioned assets was ¥836,716 million as of March 31, 2018.

These amounts included ¥239,784 million of the sale of securities under repurchase agreements and ¥237,046 million in payables under repurchase agreements, as well as ¥587,521 million of investments in securities deposited and ¥575,412 million of cash received as collateral under securities lending transactions secured by cash, as of March 31, 2018.

Assets pledged as collateral in the form of investments in securities, lease receivables, land, and buildings as of March 31, 2017, were ¥1,645,929 million, ¥22,471 million, ¥252 million and ¥50 million, respectively. The total amount of liabilities covered by the aforementioned assets was ¥895,060 million as of March 31, 2017.

These amounts included ¥894,171 million of investments in securities deposited and ¥873,822 million of cash received as collateral under securities lending transactions secured by cash as of March 31, 2017.

18. Investments in Nonconsolidated Subsidiaries and Affiliates

The total amounts of stocks and investments in nonconsolidated subsidiaries and affiliates were ¥422,542 million (U.S.$3,807 million), ¥412,517 million and ¥313,202 million as of March 31, 2019, 2018 and 2017, respectively.

19. Loans

(1) The total amounts of loans to bankrupt borrowers, delinquent loans, loans that are delinquent for over three months, and restructured loans, which were included in loans, were ¥32,251 million (U.S.$290 million), ¥31,097 million and ¥32,210 million as of March 31, 2019, 2018 and 2017, respectively.

i) The balances of loans to bankrupt borrowers and delinquent loans were ¥1,284 million (U.S.$11 million) and ¥29,037 million (U.S.$261 million), respectively, as of March 31, 2019, ¥1,511 million and ¥27,397 million, respectively, as of March 31, 2018 and ¥1,771 million and ¥27,267 million, respectively, as of March 31, 2017.

Loans to bankrupt borrowers are loans for which interest is not accrued as income, except for a portion of loans written off, and to which any event specified in Article 96, Paragraph 1, Item 3 (a) to (e) or Item 4 of the Order for Enforcement of the Corporation Tax Act has occurred. Interest is not accrued as income for the loans since the recovery of principal or interest on the loans is unlikely due to the fact that principal repayments or interest payments are overdue for a significant period of time or for other reasons.

Delinquent loans are loans for which interest is not accrued and exclude loans to bankrupt borrowers and loans with interest payments extended with the objective of restructuring or supporting the borrowers.

ii) There were no loans delinquent for over three months as of March 31, 2019, 2018 and 2017.

Loans that are delinquent for over three months are loans with principal or interest unpaid for over three months beginning one day after the due date based on the loan agreement. These loans exclude loans classified as loans to bankrupt borrowers and delinquent loans.

iii) The balances of restructured loans were ¥1,930 million (U.S.$17 million), ¥2,188 million and ¥3,171 million as of March 31, 2019, 2018 and 2017, respectively.

Restructured loans are loans that provide certain concessions favorable to borrowers with the intent of supporting the borrowers' restructuring, such as by reducing or exempting interest, postponing principal or interest payments, releasing credits, or providing other benefits to the borrowers. These loans exclude loans classified as loans to bankrupt borrowers, delinquent loans, and loans delinquent for over three months.

(2) Direct write-offs of loans decreased the balances of loans to bankrupt borrowers and delinquent loans by ¥3,173 million (U.S.$28 million) and ¥168 million (U.S.$1 million), respectively, as of March 31, 2019, ¥15 million and ¥235 million, respectively, as of March 31, 2018, and ¥442 million and ¥261 million, respectively, as of March 31, 2017.

20. Loan Commitments

The amounts of commitments related to loans and loans outstanding were ¥306,323 million (U.S.$2,759 million), ¥265,022 million and ¥184,905 million as of March 31, 2019, 2018 and 2017, respectively.

21. Contributions to the Life Insurance Policyholder Protection Fund and Organization

Of the maximum borrowing amount from the Life Insurance Policyholders Protection Corporation of Japan, which is provided for in Article 37-4 of the Order for Enforcement of the Insurance Business Act, the amounts applied to the Company and certain consolidated subsidiaries were estimated to be ¥92,025 million (U.S.$829 million), ¥91,262 million and ¥93,194 million as of March 31, 2019, 2018 and 2017, respectively. The amounts contributed to the aforementioned corporation were recorded within operating expenses for the fiscal year.

22. Impairment Losses

(1) Method for grouping the assets

Leased property and idle property of the Company and certain consolidated subsidiaries are classified as one asset group per property. Assets utilized for insurance business operations are classified into one asset group.

(2) Circumstances causing impairment losses

The Company and certain consolidated subsidiaries observed a marked decrease in profitability or fair value in some of the fixed asset groups. The book value of fixed assets was reduced to the recoverable amount and impairment losses were recognized as extraordinary losses for the fiscal years ended March 31, 2019, 2018 and 2017.

(3) Breakdown of asset groups that recognized impairment losses:

For the year ended March 31, 2019

	Millions of Yen		
Purpose of use	**Land**	**Buildings and others**	**Total**
Leased property	¥ 23	¥ 8	¥ 31
Idle property	1,536	759	2,295
Total	¥1,559	¥767	¥2,327

For the year ended March 31, 2018

	Millions of Yen		
Purpose of use	**Land**	**Buildings and others**	**Total**
Leased property	¥ 39	¥ 65	¥ 105
Idle property	1,501	635	2,136
Total	¥1,540	¥701	¥2,242

For the year ended March 31, 2017

	Millions of Yen		
Purpose of use	**Land**	**Buildings and others**	**Total**
Leased property	¥2,146	¥ 967	¥3,113
Idle property	1,644	484	2,129
Total	¥3,790	¥1,452	¥5,243

For the year ended March 31, 2019

	Millions of U.S. Dollars		
Purpose of use	**Land**	**Buildings and others**	**Total**
Leased property	$ 0	$0	$ 0
Idle property	13	6	20
Total	$14	$6	$20

(4) Calculation method of recoverable amount

The recoverable amount used for the measurement of impairment losses is based on the net realizable value upon sales of the assets or the discounted future cash flows.

The discount rates used in the calculation of future cash flows are 3.0-3.8%, 3.0-3.9% and 4.0-4.4% for the fiscal years ended March 31, 2019, 2018 and 2017, respectively. Net realizable values are determined based on appraisals performed in accordance with the "Real Estate Appraisal Standards" or standard land prices.

23. Deferred Tax Assets and Liabilities

(1) Deferred tax assets/liabilities consisted of the following:

	Millions of Yen			Millions of U.S. Dollars
	2019	**2018**	**2017**	**2019**
Deferred tax assets	¥ 1,655,051	¥ 1,562,626	¥ 1,465,350	$ 14,911
Valuation allowance for deferred tax assets	(107,691)	(100,772)	(119,537)	(970)
Subtotal	1,547,360	1,461,854	1,345,813	13,941
Deferred tax liabilities	(2,093,314)	(2,080,903)	(1,960,772)	(18,860)
Net deferred tax liabilities	¥ (545,954)	¥ (619,049)	¥ (614,959)	$ (4,918)

The major components resulting in deferred tax assets/liabilities were as follows:

	Millions of Yen			Millions of U.S. Dollars
	2019	2018	2017	2019
Deferred tax assets:				
Policy reserves and other reserves	¥ 935,673	¥ 873,955	¥ 804,589	$ 8,430
Reserve for price fluctuations in investments in securities	407,422	375,549	317,474	3,670
Net defined benefit liability	123,036	124,983	126,237	1,108
Deferred tax liabilities:				
Net unrealized gains on available-for-sale securities	1,916,168	1,902,132	1,780,812	17,264

(2) The statutory tax rate was 27.9% for the fiscal year ended March 31, 2019, and 28.2% for the fiscal years ended March 31, 2018 and 2017. The main factors for the difference between the statutory tax rates and the effective income tax rates were as follows:

	2019	2018	2017
Reserve for dividends to policyholders (mutual company)	(18.8)%	(24.3)%	(14.7)%

24. Other Comprehensive Income (Loss)

The components of other comprehensive income (loss) for the fiscal years ended March 31, 2019, 2018 and 2017, were as follows:

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

For the year ended March 31, 2019

	Millions of Yen		Millions of U.S. Dollars	
Net unrealized gains on available-for-sale securities:				
Gains arising during the year	¥ 75,501		$ 680	
Reclassification adjustments to profit or loss	(21,292)	¥ 54,209	(191)	$ 488
Deferred losses on derivatives under hedge accounting:				
Gains arising during the year	29,789		268	
Reclassification adjustments to profit or loss	8,440	38,229	76	344
Foreign currency translation adjustments:				
Losses arising during the year	(29,212)		(263)	
Reclassification adjustments to profit or loss	–	(29,212)	–	(263)
Remeasurement of defined benefit plans:				
Losses arising during the year	(4,038)		(36)	
Reclassification adjustments to profit or loss	11,122	7,084	100	63
Share of other comprehensive loss of associates accounted for under the equity method:				
Losses arising during the year	(12,388)		(111)	
Reclassification adjustments to profit or loss	(613)	(13,001)	(5)	(117)
Amount before income tax effect		57,309		516
Income tax effect		(31,005)		(279)
Total other comprehensive income		¥ 26,303		$ 236

For the year ended March 31, 2018

		Millions of Yen
Net unrealized gains on available-for-sale securities:		
Gains arising during the year	¥502,586	
Reclassification adjustments to profit or loss	(47,681)	¥ 454,904
Deferred losses on derivatives under hedge accounting:		
Losses arising during the year	(1,892)	
Reclassification adjustments to profit or loss	10,489	8,597
Foreign currency translation adjustments:		
Gains arising during the year	5,436	
Reclassification adjustments to profit or loss	–	5,436
Remeasurement of defined benefit plans:		
Losses arising during the year	(1,123)	
Reclassification adjustments to profit or loss	9,293	8,169
Share of other comprehensive loss of associates accounted for under the equity method:		
Losses arising during the year	(2,110)	
Reclassification adjustments to profit or loss	(349)	(2,460)
Amount before income tax effect		474,647
Income tax effect		(126,080)
Total other comprehensive income		¥ 348,566

For the year ended March 31, 2017

		Millions of Yen
Net unrealized gains on available-for-sale securities:		
Losses arising during the year	¥(111,657)	
Reclassification adjustments to profit or loss	(79,897)	¥(191,555)
Deferred losses on derivatives under hedge accounting:		
Gains arising during the year	69,253	
Reclassification adjustments to profit or loss	12,161	81,414
Foreign currency translation adjustments:		
Gains arising during the year	14,750	
Reclassification adjustments to profit or loss	–	14,750
Remeasurement of defined benefit plans:		
Losses arising during the year	(2,012)	
Reclassification adjustments to profit or loss	8,588	6,575
Share of other comprehensive income of associates accounted for under the equity method:		
Gains arising during the year	3,198	
Reclassification adjustments to profit or loss	(1,748)	1,450
Amount before income tax effect		(87,363)
Income tax effect		30,829
Total other comprehensive loss		¥ (56,533)

(2) Income tax effect relating to other comprehensive income (loss)

For the year ended March 31, 2019

	Millions of Yen			Millions of U.S. Dollars		
	Before income tax effect	Income tax effect	After income tax effect	Before income tax effect	Income tax effect	After income tax effect
Net unrealized gains on available-for-sale securities	¥ 54,209	¥(18,344)	¥ 35,865	$ 488	$(165)	$ 323
Deferred losses on derivatives under hedge accounting	38,229	(10,684)	27,544	344	(96)	248
Foreign currency translation adjustments	(29,212)	–	(29,212)	(263)	–	(263)
Remeasurement of defined benefit plans	7,084	(1,976)	5,107	63	(17)	46
Share of other comprehensive loss of associates accounted for under the equity method	(13,001)	–	(13,001)	(117)	–	(117)
Total other comprehensive income	¥ 57,309	¥(31,005)	¥ 26,303	$ 516	$(279)	$ 236

For the year ended March 31, 2018

	Millions of Yen		
	Before income tax effect	Income tax effect	After income tax effect
Net unrealized gains on available-for-sale securities	¥454,904	¥(121,361)	¥333,542
Deferred losses on derivatives under hedge accounting	8,597	(2,430)	6,166
Foreign currency translation adjustments	5,436	–	5,436
Remeasurement of defined benefit plans	8,169	(2,288)	5,881
Share of other comprehensive loss of associates accounted for under the equity method	(2,460)	–	(2,460)
Total other comprehensive income	¥474,647	¥(126,080)	¥348,566

For the year ended March 31, 2017

	Millions of Yen		
	Before income tax effect	Income tax effect	After income tax effect
Net unrealized gains on available-for-sale securities	¥(191,555)	¥ 55,429	¥(136,125)
Deferred losses on derivatives under hedge accounting	81,414	(22,755)	58,659
Foreign currency translation adjustments	14,750	–	14,750
Remeasurement of defined benefit plans	6,575	(1,844)	4,730
Share of other comprehensive income of associates accounted for under the equity method	1,450	–	1,450
Total other comprehensive loss	¥ (87,363)	¥ 30,829	¥ (56,533)

25. Others

The following items are disclosed in the nonconsolidated financial statements and not required to be disclosed in the consolidated financial statements by the Japanese Insurance Business Act.

- Net Assets Provided for in the Ordinance for Enforcement of the Insurance Business Act
- Policy Reserves for Reinsurance Contracts Provided in Accordance with Article 71, Paragraph 1 of the Ordinance for Enforcement of the Insurance Business Act
- Investment Income and Expenses
- Provision for Policy Reserves for Ceded Reinsurance

26. Subsequent Events

(1) The Company assumed the following Yen-denominated subordinated loan on April 22, 2019:

Principal amount	¥90,000 million (U.S.$810 million)
Interest rate	Fixed rate of 0.95% per annum before April 22, 2029, and a fixed rate with step-up thereafter (reset every five years)
Repayment date	The third bank business day preceding April 22, 2049 (The loan is callable on the third bank business day preceding April 22, 2029, and every five years thereafter until the loan is fully redeemed at the discretion of the Company, subject to prior approval by the regulatory authorities.)
Use of funds	General working capital

(2) On May 22, 2019, the Company resolved to make Reliance Nippon Life Asset Management Limited (“RNAM”), which is an affiliate accounted for under the equity method, a consolidated subsidiary by carrying out a tender offer for shares of RNAM and, after the tender offer, by acquiring up to 75% of total outstanding RNAM shares from the shareholder Reliance Capital Limited (“RACP”). On May 23, 2019, we entered into a sales agreement with RCAP to acquire shares of RNAM held by RCAP (the “Contract”). The tender offer under the local tender offer rules requires the approval of the local authority as a precondition for execution.

1) Overview of the business combination

a. Name and business of the acquiree

Name: Reliance Nippon Life Asset Management Limited Business: Asset management business

b. Major reasons for the business combination

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

c. Date of business combination

From the end of July 2019 to the beginning of October 2019 (Not confirmed at the moment)

d. Legal form of the business combination

Tender Offer under the Local Tender Offer Rules and Acquisition from RCAP under this Agreement ("the tender offer, etc.")

e. Name of the company after business combination

Reliance Nippon Life Asset Management Limited

f. Percentage of voting rights to be acquired

Percentage of voting rights before the tender offer, etc.

42.9%

Ratio of voting rights to be acquired through tender offer, etc.

32.1%

Percentage of voting rights after the tender offer, etc.

75.0%

g. Main rationale for determining the acquirer

It is clear that the Company will control the decision-making body of the acquiree by obtaining the majority of voting rights.

2) Acquisition cost and breakdown

Consideration for acquisition

The market value of RNAM shares held before the business combination at the business combination date

60,350 million rupees (U.S.$875 million)

Additional payment in cash

45,219 million rupees (U.S.$655 million)

Acquisition cost

105,570 million rupees (U.S.$1,531 million)

(68.94 rupees = U.S.$1, March 31, 2019)

The market value of RNAM shares held before the business combination at the business combination date is an approximate value

3) Description and the amount of main acquisition-related costs

Not confirmed at the moment.

4) Gain or loss on stage acquisition

Not confirmed at the moment.

5) Amount of and reasons for recognizing goodwill

Not confirmed at the moment.

6) Amounts of the assets to be acquired and the liabilities to be assumed on the business

Not confirmed at the moment.

(3) On June 17, 2019, the Company reached an agreement with Grand Guardian Insurance Holding Public Company Limited ("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 an equity interest of 35.0% in GGLI for the equivalent of U.S.$21 million. We submitted the application for permission to Myanmar financial authorities on June 21, 2019.

(4) The nonconsolidated proposed appropriations of surplus for the fiscal year ended March 31, 2019, were approved as planned at the annual meeting of the representatives of policyholders held on July 2, 2019.

(5) During the annual meeting of the representatives of policyholders held on July 2, 2019, a resolution was passed to partially amend the Articles of Incorporation in connection with an issuance of foundation funds of ¥50,000 million (U.S.$450 million) during the fiscal year ending March 31, 2020.

Independent Auditor's Report

To the Board of Directors of Nippon Life Insurance Company:

We have audited the accompanying nonconsolidated balance sheets of Nippon Life Insurance Company as of March 31, 2019, 2018 and 2017, and the related nonconsolidated statements of income, and changes in net assets, and the nonconsolidated proposed appropriations of surplus for the years then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Nonconsolidated Financial Statements

Management is responsible for the preparation and fair presentation of these nonconsolidated financial statements in accordance with the Insurance Business Act and the related rules and regulations applicable to the mutual life insurance industry and accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of nonconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these nonconsolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the nonconsolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the nonconsolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the nonconsolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the nonconsolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the nonconsolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the nonconsolidated financial statements referred to above present fairly, in all material respects, the financial position of Nippon Life Insurance Company as of March 31, 2019, 2018 and 2017, and the results of its operations for the years then ended in accordance with the Insurance Business Act and the related rules and regulations applicable to the mutual life insurance industry and accounting principles generally accepted in Japan.

Emphasis of Matter

As explained in Note 1(1) to the nonconsolidated financial statements, the information provided in the nonconsolidated financial statements including notes to the nonconsolidated financial statements is limited to information required by the Insurance Business Act and the related rules and regulations applicable to the mutual life insurance industry and disclosed as additional information. Our opinion is not modified with respect to this matter.

Convenience Translation

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1(2) to the nonconsolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC
Tokyo, Japan
May 20, 2019
(July 2, 2019 as to (3), (4), (5) and (6) of Note 25)

Nippon Life Insurance Company

Consolidated Financial Statements

Nonconsolidated Balance Sheets

As of March 31	Millions of Yen 2019	2018	2017	Millions of U.S. Dollars (Note 1) 2019
ASSETS:				
Cash and deposits (Note 3):	¥ 977,580	¥ 834,511	¥ 917,055	$ 8,807
Cash	229	283	270	2
Deposits	977,351	834,227	916,784	8,805
Call loans	**429,912**	**471,113**	**270,000**	**3,873**
Monetary receivables purchased (Note 3)	**244,043**	**278,235**	**326,256**	**2,198**
Assets held in trust (Note 3)	**13,157**	**10,421**	**3,397**	**118**
Investments in securities (Notes 3, 5, 14 and 15):				
National government bonds	21,140,721	19,842,086	19,724,839	190,474
Local government bonds	790,372	883,461	959,375	7,121
Corporate bonds	1,969,571	2,089,678	2,290,236	17,745
Domestic stocks	9,110,036	9,521,609	8,879,181	82,079
Foreign securities	20,121,556	19,661,925	19,201,698	181,291
Other securities	3,251,467	2,704,745	1,969,730	29,295
Subtotal	**56,383,725**	**54,703,507**	**53,025,060**	**508,007**
Loans (Notes 3, 16 and 17):				
Policy loans	582,774	619,030	654,701	5,250
Industrial and consumer loans	6,855,961	6,849,298	7,094,826	61,770
Subtotal	**7,438,736**	**7,468,329**	**7,749,527**	**67,021**
Tangible fixed assets (Notes 4, 6 and 14):				
Land	1,121,375	1,089,297	1,107,241	10,103
Buildings	512,736	475,516	471,770	4,619
Lease assets	9,798	12,669	11,738	88
Construction in progress	15,496	42,550	40,283	139
Other tangible fixed assets	21,182	10,825	9,968	190
Subtotal	**1,680,589**	**1,630,859**	**1,641,001**	**15,141**
Intangible fixed assets:				
Software	105,693	81,985	80,949	952
Other intangible fixed assets	86,808	103,057	92,353	782
Subtotal	**192,502**	**185,042**	**173,302**	**1,734**
Reinsurance receivables	**587**	**512**	**523**	**5**
Other assets:				
Accounts receivable	68,757	191,009	79,970	619
Prepaid expenses	16,219	15,594	13,651	146
Accrued income	304,988	300,306	279,876	2,747
Money on deposit	34,203	34,000	34,280	308
Deposits for futures transactions	37,303	20,562	10,371	336
Futures transactions variation margin	23	7	34	0
Derivative financial instruments (Note 3)	173,657	258,631	218,327	1,564
Suspense	4,417	10,802	20,412	39
Other assets	48,472	37,686	34,789	436
Subtotal	**688,042**	**868,603**	**691,712**	**6,199**
Customers' liability for acceptances and guarantees	**69,893**	**52,065**	**44,267**	**629**
Allowance for doubtful accounts	**(4,463)**	**(2,401)**	**(2,882)**	**(40)**
Allowance for investment loss	**(29,597)**	**(28,138)**	**(25,219)**	**(266)**
Total assets	**¥68,084,710**	**¥66,472,661**	**¥64,814,005**	**$613,431**

Nippon Life Insurance Company

Nonconsolidated Balance Sheets (continued)

As of March 31	Millions of Yen 2019	2018	2017	Millions of U.S. Dollars (Note 1) 2019
LIABILITIES:				
Policy reserves and other reserves:				
Reserve for outstanding claims	¥ 238,428	¥ 285,702	¥ 347,747	$ 2,148
Policy reserves (Note 18)	55,088,621	53,741,024	52,650,294	496,338
Reserve for dividends to policyholders (Note 9)	1,020,213	995,167	1,001,102	9,191
Subtotal	**56,347,264**	**55,021,894**	**53,999,143**	**507,678**
Reinsurance payables	**624**	**594**	**605**	**5**
Corporate bonds (Notes 3 and 10)	**1,028,889**	**1,028,889**	**840,825**	**9,270**
Other liabilities:				
Payables under repurchase agreements (Notes 3 and 14)	709,062	237,046	–	6,388
Cash received as collateral under securities lending transactions (Notes 3 and 14)	32,610	330,722	674,067	293
Loans payable (Note 3)	243,668	22,897	26,649	2,195
Income taxes payable	40,348	37,406	8,020	363
Accounts payable	94,895	199,866	195,211	854
Accrued expenses	69,349	64,810	63,839	624
Deferred income	16,543	17,399	19,100	149
Deposits received	109,790	105,494	102,065	989
Guarantee deposits received	83,367	77,870	78,799	751
Futures transactions variation margin	169	9	17	1
Derivative financial instruments (Note 3)	178,821	156,536	270,838	1,611
Cash collateral received for financial instruments	92,597	191,976	103,383	834
Lease obligations	9,341	12,059	11,835	84
Asset retirement obligations	4,850	2,192	2,191	43
Suspense receipts	8,481	9,768	11,085	76
Other liabilities	486	–	48	4
Subtotal	**1,694,384**	**1,466,056**	**1,567,152**	**15,266**
Accrued bonuses for directors and audit and supervisory board members	**106**	**90**	**79**	**0**
Accrued retirement benefits (Note 12)	**365,897**	**361,114**	**358,630**	**3,296**
Accrued retirement benefits for directors and audit and supervisory board members	**4,225**	**4,840**	**4,498**	**38**
Reserve for program points	**9,203**	**9,411**	**9,013**	**82**
Reserve for price fluctuations in investments in securities	**1,381,653**	**1,282,194**	**1,116,795**	**12,448**
Deferred tax liabilities (Note 23)	**496,857**	**577,415**	**563,323**	**4,476**
Deferred tax liabilities for land revaluation	**103,748**	**104,828**	**106,432**	**934**
Acceptances and guarantees	**69,893**	**52,065**	**44,267**	**629**
Total liabilities	**61,502,747**	**59,909,395**	**58,610,767**	**554,128**
NET ASSETS:				
Foundation funds (Note 13)	**100,000**	**150,000**	**150,000**	**900**
Reserve for redemption of foundation funds (Note 13)	**1,250,000**	**1,200,000**	**1,150,000**	**11,262**
Reserve for revaluation	**651**	**651**	**651**	**5**
Surplus:				
Legal reserve for deficiencies	17,578	16,804	16,042	158
Other surplus reserves:	416,948	433,796	424,593	3,756
Equalized reserve for dividends to policyholders	10,000	40,000	50,000	90
Contingency funds	71,917	71,917	71,917	647
Reserve for social public welfare assistance	351	351	328	3
Reserve for reduction entry of real estate	49,836	49,708	51,196	449
Reserve for reduction entry of real estate to be purchased	28,603	23,422	5,643	257
Other reserves	170	170	170	1
Unappropriated surplus	256,070	248,227	245,337	2,307
Total surplus	**434,526**	**450,600**	**440,635**	**3,915**
Total foundation funds and others	**1,785,178**	**1,801,251**	**1,741,286**	**16,084**
Net unrealized gains on available-for-sale securities	**4,882,692**	**4,882,103**	**4,585,298**	**43,992**
Deferred losses on derivatives under hedge accounting	**(31,216)**	**(59,099)**	**(65,262)**	**(281)**
Land revaluation losses	**(54,690)**	**(60,989)**	**(58,084)**	**(492)**
Total valuations, conversions, and others	**4,796,785**	**4,762,014**	**4,461,951**	**43,218**
Total net assets	**6,581,963**	**6,563,265**	**6,203,237**	**59,302**
Total liabilities and net assets	**¥68,084,710**	**¥66,472,661**	**¥64,814,005**	**$613,431**

The accompanying notes are an integral part of the nonconsolidated financial statements.

Nippon Life Insurance Company

Nonconsolidated Statements of Income

For the years ended March 31	Millions of Yen 2019	2018	2017	Millions of U.S. Dollars (Note 1) 2019
Ordinary income:				
Revenues from insurance and reinsurance:				
Insurance premiums	¥4,774,223	¥4,487,627	¥4,646,209	$43,014
Reinsurance revenue	912	793	1,125	8
Subtotal	**4,775,136**	**4,488,421**	**4,647,334**	**43,023**
Investment income (Note 20):				
Interest, dividends, and other income:	1,427,665	1,407,350	1,365,628	12,863
Interest on deposits and savings	4,868	420	76	43
Interest on securities and dividends	1,198,538	1,183,986	1,127,836	10,798
Interest on loans	124,582	130,059	141,124	1,122
Real estate rental income	82,977	80,271	84,499	747
Other income	16,698	12,612	12,092	150
Gain on sales of securities	194,922	179,682	254,013	1,756
Gain on redemptions of securities	6,187	14,941	5,805	55
Foreign exchange gains, net	2,140	–	–	19
Reversal of allowance for doubtful accounts	–	471	742	–
Other investment income	1,784	596	702	16
Gain from separate accounts, net	16,803	49,566	35,072	151
Subtotal	**1,649,502**	**1,652,609**	**1,661,965**	**14,861**
Other ordinary income:				
Income from annuity riders	8,959	10,897	9,442	80
Income from deferred benefits	83,119	90,531	106,290	748
Reversal of reserve for outstanding claims	47,274	62,044	–	425
Other ordinary income	41,043	34,004	27,642	369
Subtotal	**180,396**	**197,478**	**143,375**	**1,625**
Total ordinary income	**6,605,036**	**6,338,509**	**6,452,675**	**59,510**
Ordinary expenses:				
Benefits and other payments:				
Death and other claims	1,048,516	1,032,798	1,018,393	9,446
Annuity payments	791,978	802,214	836,311	7,135
Health and other benefits	653,486	649,240	658,966	5,887
Surrender benefits	949,282	926,376	801,780	8,552
Other refunds	209,971	251,106	212,024	1,891
Reinsurance premiums	1,354	1,388	1,754	12
Subtotal	**3,654,589**	**3,663,124**	**3,529,231**	**32,927**
Provision for policy reserves:				
Provision for reserve for outstanding claims	–	–	31,116	–
Provision for policy reserves (Note 21)	1,347,596	1,090,730	1,214,378	12,141
Provision for interest on reserve for dividends to policyholders	22,233	22,203	22,458	200
Subtotal	**1,369,830**	**1,112,934**	**1,267,952**	**12,341**
Investment expenses (Note 20):				
Interest expenses	30,872	21,923	18,996	278
Loss from assets held in trust, net	2,563	3,276	1,976	23
Loss on sales of securities	138,790	102,833	118,770	1,250
Loss on valuation of securities	21,371	11,235	27,738	192
Loss on redemptions of securities	8,097	23,359	32,958	72
Loss on derivative financial instruments, net	93,110	105,877	119,127	838
Foreign exchange losses, net	–	9,589	1,209	–
Provision for allowance for doubtful accounts	4,002	–	–	36
Provision for allowance for investment loss	1,459	2,918	25,219	13
Depreciation of rental real estate and other assets	16,364	14,826	15,337	147
Other investment expenses	28,480	28,360	26,670	256
Subtotal	**345,112**	**324,200**	**388,005**	**3,109**

Nippon Life Insurance Company

Nonconsolidated Statements of Income (continued)

For the years ended March 31	Millions of Yen 2019	Millions of Yen 2018	Millions of Yen 2017	Millions of U.S. Dollars (Note 1) 2019
Operating expenses (Note 19)	**611,973**	**600,571**	**572,159**	**5,513**
Other ordinary expenses:				
Deferred benefit payments	118,984	117,190	126,767	1,072
Taxes	49,358	46,058	44,541	444
Depreciation	46,595	42,576	47,578	419
Provision for retirement benefits	4,782	2,483	–	43
Other ordinary expenses	20,291	18,908	17,974	182
Subtotal	**240,011**	**227,217**	**236,861**	**2,162**
Total ordinary expenses	**6,221,517**	**5,928,048**	**5,994,211**	**56,054**
Ordinary profit	**383,518**	**410,461**	**458,464**	**3,455**
Extraordinary gains:				
Gain on disposals of fixed assets	¥ 3,904	¥ 16,492	¥ 38,895	$ 35
Subtotal	**3,904**	**16,492**	**38,895**	**35**
Extraordinary losses:				
Loss on disposals of fixed assets	6,413	6,412	14,630	57
Impairment losses (Note 22)	2,148	2,062	4,328	19
Provision for reserve for price fluctuations in investments in securities	99,459	165,399	169,411	896
Loss on reduction entry of real estate	–	–	2	–
Contributions for assisting social public welfare	3,000	2,977	2,977	27
Subtotal	**111,021**	**176,850**	**191,348**	**1,000**
Surplus before income taxes	**276,400**	**250,102**	**306,011**	**2,490**
Income taxes (Note 23):				
Current	114,690	104,789	86,280	1,033
Deferred	(97,658)	(97,030)	(48,873)	(879)
Total income taxes	17,031	7,758	37,406	153
Net surplus	**¥ 259,369**	**¥ 242,344**	**¥ 268,604**	**$ 2,336**

The accompanying notes are an integral part of the nonconsolidated financial statements.

Nippon Life Insurance Company

Nonconsolidated Statements of Changes in Net Assets

Millions of Yen

For the year ended March 31, 2017	Foundation funds and others: Foundation funds (Note 13)	Reserve for redemption of foundation funds (Note 13)	Reserve for revaluation	Surplus: Legal reserve for deficiencies	Other surplus reserves: Equalized reserve for dividends to policyholders	Contingency funds	Reserve for social public welfare assistance	Reserve for reduction entry of real estate	Reserve for reduction entry of real estate to be purchased	Other reserves	Unappropriated surplus	Total surplus	Total foundation funds and others
Beginning balance	**¥200,000**	**¥1,100,000**	**¥651**	**¥15,163**	**¥50,000**	**¥71,917**	**¥ 305**	**¥50,187**	**¥ –**	**¥170**	**¥ 292,087**	**¥ 479,830**	**¥1,780,481**
Cumulative effect of change in accounting policies											1,873	1,873	1,873
Beginning balance after reflecting accounting policy changes	**200,000**	**1,100,000**	**651**	**15,163**	**50,000**	**71,917**	**305**	**50,187**	**–**	**170**	**293,960**	**481,703**	**1,782,355**
Increase/decrease:													
Additions to reserve for dividends to policyholders											(229,857)	(229,857)	(229,857)
Additions to legal reserve for deficiencies				879							(879)	–	–
Additions to reserve for redemption of foundation funds		50,000									(50,000)	(50,000)	–
Interest on foundation funds											(1,698)	(1,698)	(1,698)
Net surplus											268,604	268,604	268,604
Redemption of foundation funds	(50,000)												(50,000)
Additions to reserve for social public welfare assistance							3,000				(3,000)	–	–
Reversal of reserve for social public welfare assistance							(2,977)				2,977	–	–
Additions to reserve for reduction entry of real estate								1,614			(1,614)	–	–
Reversal of reserve for reduction entry of real estate								(606)			606	–	–
Additions to reserve for reduction entry of real estate to be purchased									5,643		(5,643)	–	–
Reversal of land revaluation losses											(28,117)	(28,117)	(28,117)
Net change, excluding foundation funds and others													
Net change	**(50,000)**	**50,000**	**–**	**879**	**–**	**–**	**23**	**1,008**	**5,643**	**–**	**(48,623)**	**(41,068)**	**(41,068)**
Ending balance	**¥150,000**	**¥1,150,000**	**¥651**	**¥16,042**	**¥50,000**	**¥71,917**	**¥ 328**	**¥51,196**	**¥5,643**	**¥170**	**¥ 245,337**	**¥ 440,635**	**¥1,741,286**

Nippon Life Insurance Company

Nonconsolidated Statements of Changes in Net Assets (continued)

					Millions of Yen
	Valuations, conversions, and others				
For the year ended March 31, 2017	Net unrealized gains on available-for-sale securities	Deferred losses on derivatives under hedge accounting	Land revaluation losses	Total valuations, conversions, and others	Total net assets
Beginning balance	**¥4,722,733**	**¥(123,923)**	**¥(86,202)**	**¥4,512,608**	**¥6,293,089**
Cumulative effect of change in accounting policies					1,873
Beginning balance after reflecting accounting policy changes	**4,722,733**	**(123,923)**	**(86,202)**	**4,512,608**	**6,294,963**
Increase/decrease:					
Additions to reserve for dividends to policyholders					(229,857)
Additions to legal reserve for deficiencies					–
Additions to reserve for redemption of foundation funds					–
Interest on foundation funds					(1,698)
Net surplus					268,604
Redemption of foundation funds					(50,000)
Additions to reserve for social public welfare assistance					–
Reversal of reserve for social public welfare assistance					–
Additions to reserve for reduction entry of real estate					–
Reversal of reserve for reduction entry of real estate					–
Additions to reserve for reduction entry of real estate to be purchased					–
Reversal of land revaluation losses					(28,117)
Net change, excluding foundation funds and others	(137,434)	58,660	28,117	(50,656)	(50,656)
Net change	**(137,434)**	**58,660**	**28,117**	**(50,656)**	**(91,725)**
Ending balance	**¥4,585,298**	**¥ (65,262)**	**¥(58,084)**	**¥4,461,951**	**¥6,203,237**

Nippon Life Insurance Company

Nonconsolidated Statements of Changes in Net Assets (continued)

For the year ended March 31, 2018	Foundation funds (Note 13)	Reserve for redemption of foundation funds (Note 13)	Reserve for revaluation	Legal reserve for deficiencies	Equalized reserve for dividends to policyholders	Contingency funds	Reserve for social public welfare assistance	Reserve for reduction entry of real estate	Reserve for reduction entry of real estate to be purchased	Other reserves	Unappropriated surplus	Total surplus	Total foundation funds and others
	Millions of Yen												
	Foundation funds and others												
			Surplus										
				Other surplus reserves									
Beginning balance	**¥150,000**	**¥1,150,000**	**¥651**	**¥16,042**	**¥ 50,000**	**¥71,917**	**¥ 328**	**¥51,196**	**¥ 5,643**	**¥170**	**¥245,337**	**¥440,635**	**¥1,741,286**
Increase/decrease:													
Issuance of foundation funds	50,000												50,000
Additions to reserve for dividends to policyholders											(184,086)	(184,086)	(184,086)
Additions to legal reserve for deficiencies				762							(762)	–	–
Additions to reserve for redemption of foundation funds		50,000									(50,000)	(50,000)	–
Interest on foundation funds											(1,198)	(1,198)	(1,198)
Net surplus											242,344	242,344	242,344
Redemption of foundation funds	(50,000)												(50,000)
Reversal of equalized reserve for dividends to policyholders					(10,000)						10,000	–	–
Additions to reserve for social public welfare assistance							3,000				(3,000)	–	–
Reversal of reserve for social public welfare assistance							(2,977)				2,977	–	–
Additions to reserve for reduction entry of real estate								1,453			(1,453)	–	–
Reversal of reserve for reduction entry of real estate								(2,942)			2,942	–	–
Additions to reserve for reduction entry of real estate to be purchased									23,415		(23,415)	–	–
Reversal of reserve for reduction entry of real estate to be purchased									(5,636)		5,636	–	–
Reversal of land revaluation losses											2,905	2,905	2,905
Net change, excluding foundation funds and others													
Net change	**–**	**50,000**	**–**	**762**	**(10,000)**	**–**	**23**	**(1,488)**	**17,778**	**–**	**2,889**	**9,965**	**59,965**
Ending balance	**¥150,000**	**¥1,200,000**	**¥651**	**¥16,804**	**¥ 40,000**	**¥71,917**	**¥ 351**	**¥49,708**	**¥23,422**	**¥170**	**¥248,227**	**¥450,600**	**¥1,801,251**

Nippon Life Insurance Company

Nonconsolidated Statements of Changes in Net Assets (continued)

Millions of Yen

For the year ended March 31, 2018	Valuations, conversions, and others: Net unrealized gains on available-for-sale securities	Valuations, conversions, and others: Deferred losses on derivatives under hedge accounting	Valuations, conversions, and others: Land revaluation losses	Valuations, conversions, and others: Total valuations, conversions, and others	Total net assets
Beginning balance	**¥4,585,298**	**¥(65,262)**	**¥(58,084)**	**¥4,461,951**	**¥6,203,237**
Increase/decrease:					
Issuance of foundation funds					50,000
Additions to reserve for dividends to policyholders					(184,086)
Additions to legal reserve for deficiencies					–
Additions to reserve for redemption of foundation funds					–
Interest on foundation funds					(1,198)
Net surplus					242,344
Redemption of foundation funds					(50,000)
Reversal of equalized reserve for dividends to policyholders					–
Additions to reserve for social public welfare assistance					–
Reversal of reserve for social public welfare assistance					–
Additions to reserve for reduction entry of real estate					–
Reversal of reserve for reduction entry of real estate					–
Additions to reserve for reduction entry of real estate to be purchased					–
Reversal of reserve for reduction entry of real estate to be purchased					–
Reversal of land revaluation losses					2,905
Net change, excluding foundation funds and others	296,805	6,162	(2,905)	300,062	300,062
Net change	**296,805**	**6,162**	**(2,905)**	**300,062**	**360,028**
Ending balance	**¥4,882,103**	**¥(59,099)**	**¥(60,989)**	**¥4,762,014**	**¥6,563,265**

Nippon Life Insurance Company

Nonconsolidated Statements of Changes in Net Assets (continued)

													Millions of Yen
	Foundation funds and others												
			Surplus										
				Other surplus reserves									
For the year ended March 31, 2019	Foundation funds (Note 13)	Reserve for redemption of foundation funds (Note 13)	Reserve for revaluation	Legal reserve for deficiencies	Equalized reserve for dividends to policyholders	Contingency funds	Reserve for social public welfare assistance	Reserve for reduction entry of real estate	Reserve for reduction entry of real estate to be purchased	Other reserves	Unappropriated surplus	Total surplus	Total foundation funds and others
Beginning balance	**¥150,000**	**¥1,200,000**	**¥651**	**¥16,804**	**¥40,000**	**¥71,917**	**¥ 351**	**¥49,708**	**¥23,422**	**¥170**	**¥248,227**	**¥450,600**	**¥1,801,251**
Increase/decrease:													
Additions to reserve for dividends to policyholders											(218,353)	(218,353)	(218,353)
Additions to legal reserve for deficiencies				774							(774)	–	–
Additions to reserve for redemption of foundation funds		50,000									(50,000)	(50,000)	–
Interest on foundation funds											(790)	(790)	(790)
Net surplus											259,369	259,369	259,369
Redemption of foundation funds	(50,000)												(50,000)
Reversal of equalized reserve for dividends to policyholders					(30,000)						30,000	–	–
Additions to reserve for social public welfare assistance							3,000				(3,000)	–	–
Reversal of reserve for social public welfare assistance							(3,000)				3,000	–	–
Additions to reserve for reduction entry of real estate								3,802			(3,802)	–	–
Reversal of reserve for reduction entry of real estate								(3,674)			3,674	–	–
Additions to reserve for reduction entry of real estate to be purchased									11,204		(11,204)	–	–
Reversal of reserve for reduction entry of real estate to be purchased									(6,023)		6,023	–	–
Reversal of land revaluation losses											(6,299)	(6,299)	(6,299)
Net change, excluding foundation funds and others													
Net change	**(50,000)**	**50,000**	**–**	**774**	**(30,000)**	**–**	**–**	**128**	**5,180**	**–**	**7,843**	**(16,073)**	**(16,073)**
Ending balance	**¥100,000**	**¥1,250,000**	**¥651**	**¥17,578**	**¥10,000**	**¥71,917**	**¥ 351**	**¥49,836**	**¥28,603**	**¥170**	**¥256,070**	**¥434,526**	**¥1,785,178**

Nippon Life Insurance Company

Nonconsolidated Statements of Changes in Net Assets (continued)

	Millions of Yen				
	Valuations, conversions, and others				
For the year ended March 31, 2019	Net unrealized gains on available-for-sale securities	Deferred losses on derivatives under hedge accounting	Land revaluation losses	Total valuations, conversions, and others	Total net assets
Beginning balance	**¥4,882,103**	**¥(59,099)**	**¥(60,989)**	**¥4,762,014**	**¥6,563,265**
Increase/decrease:					
Additions to reserve for dividends to policyholders					(218,353)
Additions to legal reserve for deficiencies					–
Additions to reserve for redemption of foundation funds					–
Interest on foundation funds					(790)
Net surplus					259,369
Redemption of foundation funds					(50,000)
Reversal of equalized reserve for dividends to policyholders					–
Additions to reserve for social public welfare assistance					–
Reversal of reserve for social public welfare assistance					–
Additions to reserve for reduction entry of real estate					–
Reversal of reserve for reduction entry of real estate					–
Additions to reserve for reduction entry of real estate to be purchased					–
Reversal of reserve for reduction entry of real estate to be purchased					–
Reversal of land revaluation losses					(6,299)
Net change, excluding foundation funds and others	588	27,883	6,299	34,770	34,770
Net change	**588**	**27,883**	**6,299**	**34,770**	**18,697**
Ending balance	**¥4,882,692**	**¥(31,216)**	**¥(54,690)**	**¥4,796,785**	**¥6,581,963**

Nippon Life Insurance Company

Nonconsolidated Statements of Changes in Net Assets (continued)

For the year ended March 31, 2019	Foundation funds (Note 13)	Reserve for redemption of foundation funds (Note 13)	Reserve for revaluation	Legal reserve for deficiencies	Equalized reserve for dividends to policyholders	Contingency funds	Reserve for social public welfare assistance	Reserve for reduction entry of real estate	Reserve for reduction entry of real estate to be purchased	Other reserves	Unappropriated surplus	Total surplus	Total foundation funds and others
	Millions of U.S. Dollars (Note 1) — Foundation funds and others			Surplus		Other surplus reserves							
Beginning balance	**$1,351**	**$10,811**	**$5**	**$151**	**$ 360**	**$647**	**$ 3**	**$447**	**$211**	**$1**	**$ 2,236**	**$ 4,059**	**$16,228**
Increase/decrease:													
Additions to reserve for dividends to policyholders											(1,967)	(1,967)	(1,967)
Additions to legal reserve for deficiencies				6							(6)	–	–
Additions to reserve for redemption of foundation funds		450									(450)	(450)	–
Interest on foundation funds											(7)	(7)	(7)
Net surplus											2,336	2,336	2,336
Redemption of foundation funds	(450)												(450)
Reversal of equalized reserve for dividends to policyholders					(270)						270	–	–
Additions to reserve for social public welfare assistance							27				(27)	–	–
Reversal of reserve for social public welfare assistance							(27)				27	–	–
Additions to reserve for reduction entry of real estate								34			(34)	–	–
Reversal of reserve for reduction entry of real estate								(33)			33	–	–
Additions to reserve for reduction entry of real estate to be purchased									100		(100)	–	–
Reversal of reserve for reduction entry of real estate to be purchased									(54)		54	–	–
Reversal of land revaluation losses											(56)	(56)	(56)
Net change, excluding foundation funds and others													
Net change	**(450)**	**450**	**–**	**6**	**(270)**	**–**	**–**	**1**	**46**	**–**	**70**	**(144)**	**(144)**
Ending balance	**$ 900**	**$11,262**	**$5**	**$158**	**$ 90**	**$647**	**$ 3**	**$449**	**$257**	**$1**	**$ 2,307**	**$ 3,915**	**$16,084**

Nippon Life Insurance Company

Nonconsolidated Statements of Changes in Net Assets (continued)

	Millions of U.S. Dollars (Note 1)				
	Valuations, conversions, and others				
For the year ended March 31, 2019	Net unrealized gains on available-for-sale securities	Deferred losses on derivatives under hedge accounting	Land revaluation losses	Total valuations, conversions, and others	Total net assets
Beginning balance	**$43,986**	**$(532)**	**$(549)**	**$42,904**	**$59,133**
Increase/decrease:					
Additions to reserve for dividends to policyholders					(1,967)
Additions to legal reserve for deficiencies					–
Additions to reserve for redemption of foundation funds					–
Interest on foundation funds					(7)
Net surplus					2,336
Redemption of foundation funds					(450)
Reversal of equalized reserve for dividends to policyholders					–
Additions to reserve for social public welfare assistance					–
Reversal of reserve for social public welfare assistance					–
Additions to reserve for reduction entry of real estate					–
Reversal of reserve for reduction entry of real estate					–
Additions to reserve for reduction entry of real estate to be purchased					–
Reversal of reserve for reduction entry of real estate to be purchased					–
Reversal of land revaluation losses					(56)
Net change, excluding foundation funds and others	5	251	56	313	313
Net change	**5**	**251**	**56**	**313**	**168**
Ending balance	**$43,992**	**$(281)**	**$(492)**	**$43,218**	**$59,302**

The accompanying notes are an integral part of the nonconsolidated financial statements.

Nippon Life Insurance Company

Nonconsolidated Proposed Appropriations of Surplus

For the years ended March 31	Thousands of Yen 2019	2018	2017	Thousands of U.S. Dollars (Note 1) 2019
Unappropriated surplus	**¥256,070,286**	**¥248,227,021**	**¥245,337,320**	**$2,307,147**
Reversal from voluntary surplus reserves:	**25,746,117**	**39,697,424**	**18,578,397**	**231,967**
Reversal of equalized reserve for dividends to policyholders	10,000,000	30,000,000	10,000,000	90,098
Reversal of reserve for reduction entry of real estate	1,270,042	3,674,119	2,942,005	11,442
Reversal of reserve for reduction entry of real estate to be purchased	14,476,074	6,023,305	5,636,391	130,426
Total	**¥281,816,403**	**¥287,924,446**	**¥263,915,718**	**$2,539,115**
Appropriations:	**¥281,816,403**	**¥287,924,446**	**¥263,915,718**	**$2,539,115**
Reserve for dividends to policyholders	211,818,691	218,353,870	184,086,582	1,908,448
Net surplus	69,997,712	69,570,576	79,829,135	630,666
Legal reserve for deficiencies	816,000	774,000	762,000	7,352
Reserve for redemption of foundation funds	50,000,000	50,000,000	50,000,000	450,491
Interest on foundation funds	355,000	790,000	1,198,000	3,198
Voluntary surplus reserves:	18,826,712	18,006,576	27,869,135	169,625
Reserve for social public welfare assistance	3,000,000	3,000,000	3,000,000	27,029
Reserve for reduction entry of real estate	15,163,274	3,802,405	1,453,954	136,618
Reserve for reduction entry of real estate to be purchased	663,437	11,204,171	23,415,180	5,977
Surplus carried forward	–	–	–	–

Of the surplus available for disposition, a minimum ratio for the reserve for dividends to policyholders needs to be established in the Articles of Incorporation.

Nippon Life applies mutatis mutandis Article 30-6 of the Ordinance for Enforcement of the Insurance Business Act in the Articles of Incorporation and has established the ratio (20/100) stipulated in said Article 30-6 as the minimum ratio in the Articles of Incorporation. The ratio of provision of the appropriation of surplus in the fiscal year ended March 31, 2019 was 99.96%.

Amounts of less than one thousand yen and one thousand U.S. dollars have been eliminated in the table above.

Nippon Life Insurance Company

Notes to the Nonconsolidated Financial Statements

1. Basis of Presenting the Nonconsolidated Financial Statements

(1) Accounting principles and presentation

The accompanying nonconsolidated financial statements have been prepared from the accounts and records maintained by NIPPON LIFE INSURANCE COMPANY (“Nippon Life” or the “Company”) in accordance with the provisions set forth in the Insurance Business Act and the related rules and regulations applicable to the mutual life insurance industry, and in accordance with accounting principles generally accepted in Japan, which are different in certain respects from the application and disclosure requirements of International Financial Reporting Standards. Certain accounting and reporting practices required to be followed by the industry are regulated by the Financial Services Agency and the related ministry by means of ministerial ordinances and guidance. The accompanying nonconsolidated financial statements of Nippon Life are in compliance with such requirements. However, while the business report and supporting schedules have been prepared by the management of Nippon Life as a part of the disclosures required by the Company’s Act and the Insurance Business Act, they are not provided herein. The information provided in the nonconsolidated financial statements including the notes to the nonconsolidated financial statements is limited to information required by the Insurance Business Act and the related rules and regulations applicable to the mutual life insurance industry and disclosed as additional information. Amounts of less than one million yen and one million U.S. dollars have been eliminated for financial statement presentation. As a result, totals may not add up exactly. As consolidated statements of cash flows and certain disclosures are presented in the consolidated financial statements of the Company, nonconsolidated statements of cash flows and certain disclosures are not presented herein in accordance with accounting principles generally accepted in Japan.

(2) U.S. dollar amounts

Nippon Life prepares its nonconsolidated financial statements in Japanese yen. The U.S. dollar amounts included in the nonconsolidated financial statements and notes thereto represent the arithmetical results of translating Japanese yen to U.S. dollars on the basis of ¥110.99=U.S.$1, the effective rate of exchange at the balance sheet date of March 31, 2019. The inclusion of such U.S. dollar amounts is solely for convenience and is not intended to imply that Japanese yen amounts have been or could be readily converted, realized or settled in U.S. dollars at ¥110.99=U.S.$1 or at any other rate.

2. Summary of Significant Accounting Policies

(1) Securities and hedging activities

1) Securities (including items such as deposits and monetary receivables purchased which are treated as securities based on the “Accounting Standard for Financial Instruments” (The Accounting Standards Board of Japan (ASBJ) Statement No. 10) and securities within assets held in trust) are valued as follows:

   i) Trading securities are stated at fair value on the balance sheet date. The moving average method is used for calculating the cost basis.

   ii) Held-to-maturity debt securities are valued using the moving average method, net of accumulated amortization (straight-line).

   iii) Policy-reserve-matching bonds are valued using the moving average method, net of accumulated amortization (straight-line), in accordance with the Industry Audit Committee Report No. 21, “Temporary Treatment of Accounting and Auditing

Concerning Policy-Reserve-Matching Bonds in the Insurance Industry," issued by the Japanese Institute of Certified Public Accountants (JICPA).

iv) Investments in subsidiaries and affiliates (stocks issued by subsidiaries prescribed in Article 2, Paragraph 12 of the Insurance Business Act or subsidiaries prescribed in Article 13-5-2, Paragraph 3 of the Order for Enforcement of the Insurance Business Act and stocks issued by affiliates prescribed in Article 13-5-2, Paragraph 4 of the Order for Enforcement of the Insurance Business Act) are stated at cost using the moving average method.

v) Available-for-sale securities

a. Regarding securities with a fair value, stocks (including foreign stocks) are valued using the average fair value during the period of one month before the balance sheet date (the cost basis is calculated using the moving average method). Other securities with a fair value are valued using the fair value on the balance sheet date (the cost basis is calculated using the moving average method).

b. Regarding securities of which the fair value is extremely difficult to be determined, bonds (including foreign bonds) for which the difference between the purchase price and face value is due to an interest rate adjustment are stated at cost using the moving average method, net of accumulated amortization (straight-line). Other securities without readily determinable fair values are stated at cost using the moving average method.

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

Hedge accounting is applied based on the following methods:

1) The Company mainly applies the following hedge accounting methods:

The exceptional accounting treatment ("*Tokurei-shori*") for interest rate swaps is applied to hedge the cash flow volatility of certain loans denominated in Japanese yen and certain loans denominated in foreign currencies; deferred hedge accounting for interest rate swaps is applied to hedge the interest rate fluctuation exposures on certain insurance policies, based on the Industry Audit Committee Report No. 26, "Accounting and Auditing Treatments related to Application of Accounting for Financial Instruments in the Insurance Industry," issued by the JICPA; deferred hedge accounting and designated hedge accounting ("*Furiate-shori*") for currency swaps are applied to hedge the cash flow volatility caused by foreign exchange rate fluctuations on certain foreign currency-denominated bonds, certain foreign currency-denominated loans, and foreign currency-denominated subordinated corporate bonds issued by the Company; fair value hedge accounting for foreign exchange forward contracts is applied to hedge the price fluctuation exposures related to foreign exchange rate fluctuations on certain foreign currency-denominated bonds and certain other foreign currency-denominated instruments; and fair value hedge accounting for equity forward contracts is applied to hedge the price fluctuation exposures on certain domestic stocks.

2) Hedging instruments and hedged items

(Hedging instruments)	(Hedged items)
Interest rate swaps	Loans, foreign currency-denominated loans, and insurance policies
Currency swaps	Foreign currency-denominated bonds, foreign currency-denominated loans, and foreign currency-denominated subordinated corporate bonds
Foreign exchange forward contracts	Foreign currency-denominated bonds and other foreign currency-denominated instruments
Equity forward contracts	Domestic stocks

3) Effectiveness of hedging activities is mainly evaluated by performing a ratio analysis of fair value movement comparisons based on the hedging instruments and hedged items taken, which is in accordance with the Company's internal risk management policies.

4) Derivative financial instruments and derivative financial instruments within assets held in trust are stated at fair value.

(2) Policy-reserve-matching bonds

Securities that are held for the purpose of matching the duration of outstanding liabilities within the subgroups classified by insurance type, payment method, maturity period, currency, and investment policy are classified as policy-reserve-matching bonds in accordance with the Industry Audit Committee Report No. 21, "Temporary Treatment of Accounting and Auditing Concerning Policy-Reserve-Matching Bonds in the Insurance Industry," issued by the JICPA.

The Company has specified and subcategorized the following insurance policies:

1) All insurance policies for products other than single premium products and group annuities

2) All insurance policies for single premium products (denominated in yen) other than variable assumed rate-type insurance

3) All insurance policies for group annuities other than guaranteed fixed term rate products

4) All single premium products (denominated in U.S. dollars) other than the foregoing

5) All single premium products (denominated in Australian dollars) other than the foregoing

6) All single premium products (denominated in euros) other than the foregoing

(3) Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into Japanese yen using the "Accounting Standards for Foreign Currency Transactions" (Business Accounting Council).

Foreign currency-denominated available-for-sale securities of the Company, with exchange rates that have significantly fluctuated and where recovery is not expected, are converted to Japanese yen using either the rate on the balance sheet date or the average one-month rate prior to the balance sheet date, whichever indicates a weaker yen. This translation difference is recorded as a loss on valuation of securities.

(4) Tangible fixed assets

1) Tangible fixed assets are depreciated based on the following methods:

a. Tangible fixed assets (except for lease assets)

(i) Buildings

Straight-line method.

(ii) Assets other than the above

Declining-balance method.

Certain other tangible fixed assets with an acquisition price of less than ¥200,000 are depreciated over a 3 year period on a straight-line basis.

b. Lease assets

(i) Lease assets related to financial leases where ownership is transferred

The same depreciation method applied to fixed assets owned by the Company.

(ii) Lease assets related to financial leases where ownership is not transferred

Straight-line method based on lease period.

The estimated useful lives of major items are as follows:

Buildings	2 to 60 years
Other tangible fixed assets	2 to 20 years

Tangible fixed assets are stated at cost, net of accumulated depreciation and impairment losses.

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

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

(5) Software

Capitalized software for internal use, which is included within intangible fixed assets, is amortized using the straight-line method over its estimated useful lives as internally determined (5 years).

(6) Leases

Financial leases where ownership is not transferred are capitalized based on the "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13).

(7) Allowance for doubtful accounts

1) An allowance for doubtful accounts is recognized in accordance with the Company's internal Asset Valuation Regulation and Write-Off/ Provision Rule.

   i) An allowance for loans to borrowers who are legally or substantially bankrupt, such as being bankrupt or being in the process of civil rehabilitation proceedings, is recognized based on the amount of credit remaining after directly deducting amounts expected to be collected through the disposal of collateral or the execution of guarantees from the balance of loans (as mentioned at 3) below).

   ii) An allowance for loans to borrowers who are not currently legally bankrupt, but have a significant possibility of bankruptcy is recognized at the amounts deemed necessary considering an assessment of the borrowers' overall solvency and the amounts remaining after deduction of amounts expected to be collected through the disposal of collateral or the execution of guarantees.

   iii) An allowance for loans to borrowers other than the above is provided based on the borrowers' balance multiplied by the historical average (of a certain period) percentage of bad debt.

2) All credits are assessed by responsible sections in accordance with the Company's internal Asset Valuation Regulation. The assessments are verified by the independent Asset Auditing Department. The results of the assessments are reflected in the calculation of the allowance for doubtful accounts.

3) The estimated uncollectible amount calculated by subtracting the amount of collateral value or the amount collectible by the execution of guarantees from the balance of loans is directly deducted from the balance of loans (including loans with credits secured and/or guaranteed) made to legally or substantially bankrupt borrowers. The estimated uncollectible amounts were ¥2,019 million (U.S.$18 million) (including ¥76 million (U.S.$0 million) of credits secured and/or guaranteed), ¥102 million (including ¥83 million of credits secured and/or guaranteed) and ¥531 million (including ¥94 million of credits secured and/or guaranteed) as of March 31, 2019, 2018 and 2017, respectively.

(8) Allowance for investment loss

To provide for losses on investments, an allowance for investment loss is recognized for the securities of which the fair value is extremely difficult to be determined and which are expected to have loss in future, and measured at the amount of the estimated losses that could arise in the future in accordance with the Company's internal Asset Valuation Regulation and Write-off/ Provision Rule.

(9) Accrued bonuses for directors and audit and supervisory board members

Accrued bonuses for directors and audit and supervisory board members are recognized based on amounts estimated to be paid.

(10) Accrued retirement benefits

1) Accrued retirement benefits are recognized based on the estimated amount of projected benefit obligations in excess of the fair value of pension plan assets for future severance payments to employee on the balance sheet date as of March 31, 2019, 2018 and 2017.

2) The accounting methods used for retirement benefits as of March 31, 2019, 2018 and 2017, are as follows:

   i) Attribution method for estimated retirement benefits: Benefit formula basis

   ii) Period of amortizing actuarial gains/losses: 5 years

   iii) Period of amortizing prior service costs: 5 years

(11) Accrued retirement benefits for directors and audit and supervisory board members

Accrued retirement benefits for directors and audit and supervisory board members are recognized based on estimated payment amounts under internal rules.

(12) Reserve for program points

A reserve for program points is recognized based on the amount projected to be incurred for expenses from the use of points granted to policyholders.

(13) Reserve for price fluctuations in investments in securities

Reserve for price fluctuations in investments in securities is recognized based on Article 115 of the Insurance Business Act.

(14) Accounting for consumption taxes

Consumption taxes and local consumption taxes are accounted for by the tax exclusion method. However, consumption taxes paid on certain asset transactions, which are not deductible from consumption taxes withheld and are stipulated to be deferred under the Consumption Tax Act, are deferred as prepaid expenses and amortized over a 5 year period on a straight-line basis. Consumption taxes other than deferred consumption taxes are expensed as incurred.

(15) Consolidated taxation system

In December 2018, the Company and its certain subsidiaries requested for approval to apply the consolidated taxation system, and the consolidated taxation system is to be applied from the following fiscal year. Accordingly, effective from the fiscal year ended March 31, 2019, the Company and its certain subsidiaries have applied accounting treatments based on the application of the consolidated taxation system in accordance with the "Revised Practical Solution for Tentative Treatment of Tax Effect Accounting under Consolidated Taxation System (Part 1)" (ASBJ, PITF* No. 5) and the "Revised Practical Solution for Tentative Treatment of Tax Effect Accounting under Consolidated Taxation System (Part 2)" (ASBJ, PITF No. 7).

(16) Policy reserves

Policy reserves of the Company are reserves set forth in accordance with Article 116 of the Insurance Business Act. Insurance premium reserves are recognized based on the following methodology. In accordance with Article 69, Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act, policy reserves include those that are reserved for certain individual annuity policies.

1) Reserves for policies subject to the standard policy reserve are calculated in accordance with the method prescribed by the Commissioner of the Financial Services Agency (Ordinance No. 48 issued by the Ministry of Finance in 1996).

2) Reserves for other policies are calculated based on the net level premium method.

* PITF: Practical Issue Task Force

Effective from the fiscal year ended March 31, 2019, the Company has reserved additional policy reserve amounts over a five-year period to cover a possible deficiency in the amount of the reserve for certain individual annuity policyholders. As a result, the policy reserves increased by ¥121,292 million (U.S.$1,092 million), while ordinary profit and surplus before income taxes decreased by ¥121,292 million (U.S.$1,092 million), compared with amounts that would have been recorded had the additional policy reserve amounts not been included.

During the fiscal year ended March 31, 2018, additional policy reserve amounts were included to cover a possible deficiency in the amount of the reserve for certain individual annuity policyholders. As a result, policy reserves increased by ¥88,192 million, while ordinary profit and surplus before income taxes decreased by ¥88,192 million, compared to amounts that would have been recorded had the additional policy reserve amounts not been included.

(17) Revenue recognition

Regarding revenues, insurance premiums are recognized when cash is received and insurance premiums due but not collected are not recognized as revenues. Unearned insurance premiums are recognized as policy reserves.

(18) Policy acquisition costs

Policy acquisition costs are recorded to expense as incurred.

(19) Income taxes

The provision for income taxes is computed based on the pretax income included in the nonconsolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying the enacted statutory tax rates to the temporary differences.

Effective from the fiscal year ended March 31, 2017, the Company has applied the "Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, March 28, 2016), which included certain revisions of the previous accounting and auditing guidance issued by the JICPA. While the new guidance continues to follow the basic framework of the previous guidance, it provides new guidance for the application of judgment in assessing the recoverability of deferred tax assets.

The previous guidance provided a basic framework which included certain specific restrictions on recognizing deferred tax assets depending on the Company classification in respect of its profitability, taxable income and temporary differences, etc.

The new guidance does not change such basic framework but, in limited cases, allows companies to recognize deferred tax assets even for a deductible temporary difference for which it was specifically prohibited to recognize a deferred tax asset under the previous guidance, if the Company can justify, with reasonable grounds, that it is probable that the deductible temporary difference will be utilized against future taxable income in some future period.

The new guidance was effective for the beginning of annual periods beginning on or after April 1, 2016. The new guidance shall not be applied retrospectively and any adjustments from the application of the new guidance at the beginning of the reporting period shall be reflected within unappropriated surplus or valuations, conversions and others at the beginning of the reporting period.

Following the new guidance, the Company partially revised its accounting treatment of recoverability of deferred tax assets.

As a result, as of April 1, 2016, deferred tax assets increased by ¥1,873 million and unappropriated surplus increased by ¥1,873 million.

3. Financial Instruments

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

Based on this, in order to reliably pay benefits and other payments in the future, the Company has positioned yen-denominated assets that can be expected to provide stable income, such as bonds and loans, as the Company's core assets, and from the viewpoint of improving profit in the mid- to long-term, the Company invests in domestic stocks and foreign securities. Also, from the viewpoint of effective investment, the Company mainly uses derivative transactions for managing asset investment risks. Specifically, the Company uses interest rate swaps and interest rate swaptions for the Company's interest rate-related investments, foreign exchange forward contracts and currency options and swaps for the Company's currency-related investments, and equity forward contracts, equity index futures and equity index options for the Company's equity-related investments, and hedge accounting is applied with respect to a portion thereof.

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

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

To manage credit risk, the Company has built a thorough monitoring system involving the Assessment Management Department, which is independent of the departments handling investment and finance activities. The Company also continues to build a sound portfolio through the establishment and monitoring of interest guidelines to ensure the returns the Company obtains are commensurate with the risk, a system of internal ratings for classifying the creditworthiness of borrowers, and credit ceilings to ensure that credit risk is not excessively concentrated in a particular company, group, or country.

In addition, the Company calculates credit value-at-risk as a measurement of the magnitude of credit risk across the Company's portfolio as a whole, and monitors whether the magnitude of risk stays within an appropriate range.

Notes to the Nonconsolidated Financial Statements (continued)

(1) Balance sheet amounts and fair values of major financial instruments and their differences are as follows:

As of March 31	Millions of Yen 2019 Balance sheet amount(*1)	Fair value(*2)	Difference	2018 Balance sheet amount(*1)	Fair value(*2)	Difference	2017 Balance sheet amount(*1)	Fair value(*2)	Difference	Millions of U.S. Dollars 2019 Balance sheet amount(*1)	Fair value(*2)	Difference
Cash and deposits (negotiable certificates of deposit):	¥ 279,297	¥ 279,297	¥ –	¥ 327,500	¥ 327,500	¥ –	¥ 697,601	¥ 697,601	¥ –	$ 2,516	$ 2,516	$ –
Available-for-sale securities	279,297	279,297	–	327,500	327,500	–	697,601	697,601	–	2,516	2,516	–
Monetary receivables purchased:	244,043	254,481	10,437	278,235	290,037	11,801	326,256	353,953	27,696	2,198	2,292	94
Policy-reserve-matching bonds	200,585	211,022	10,437	239,375	251,177	11,801	287,005	314,702	27,696	1,807	1,901	94
Available-for-sale securities	43,458	43,458	–	38,859	38,859	–	39,251	39,251	–	391	391	–
Assets held in trust:	13,157	13,157	–	10,421	10,421	–	3,397	3,397	–	118	118	–
Trading securities	13,157	13,157	–	10,421	10,421	–	3,397	3,397	–	118	118	–
Investments in securities:	54,812,749	58,954,878	4,142,128	53,131,946	56,928,112	3,796,166	51,461,932	55,179,731	3,717,799	493,853	531,172	37,319
Trading securities	869,370	869,370	–	959,156	959,156	–	1,153,506	1,153,506	–	7,832	7,832	–
Policy-reserve-matching bonds	20,493,498	24,562,806	4,069,307	19,287,856	22,978,483	3,690,626	19,372,276	23,016,736	3,644,459	184,642	221,306	36,663
Investments in subsidiaries and affiliates	64,047	136,869	72,821	64,047	169,587	105,539	14,251	87,590	73,339	577	1,233	656
Available-for-sale securities	33,385,831	33,385,831	–	32,820,885	32,820,885	–	30,921,898	30,921,898	–	300,800	300,800	–
Loans(*3):	7,435,325	7,693,649	258,324	7,466,987	7,692,014	225,026	7,747,748	8,060,437	312,689	66,990	69,318	2,327
Policy loans	582,612	582,612	–	618,864	618,864	–	654,537	654,537	–	5,249	5,249	–
Industrial and consumer loans	6,852,712	7,111,037	258,324	6,848,123	7,073,150	225,026	7,093,210	7,405,899	312,689	61,741	64,069	2,327
Derivative financial instruments(*4):	(5,164)	(5,164)	–	102,095	102,095	–	(52,511)	(52,511)	–	(46)	(46)	–
Hedge accounting not applied	40,866	40,866	–	8,879	8,879	–	11,201	11,201	–	368	368	–
Hedge accounting applied	(46,030)	(46,030)	–	93,215	93,215	–	(63,713)	(63,713)	–	(414)	(414)	–
Corporate bonds(*3,*5)	(1,028,889)	(1,069,735)	(40,846)	(1,028,889)	(1,081,892)	(53,003)	(840,825)	(890,476)	(49,651)	(9,270)	(9,638)	(368)
Payables under repurchase agreements(*5)	(709,062)	(709,062)	–	(237,046)	(237,046)	–	–	–	–	(6,388)	(6,388)	–
Cash received as collateral under securities lending transactions(*5)	(32,610)	(32,610)	–	(330,722)	(330,722)	–	(674,067)	(674,067)	–	(293)	(293)	–
Loans payable(*5)	(243,668)	(245,926)	(2,258)	(22,897)	(22,897)	–	(26,649)	(26,649)	–	(2,195)	(2,215)	(20)

*(*1) For transactions for which an allowance for doubtful accounts was recorded, the amount of the allowance is deducted.*

*(*2) For securities for which impairment losses were recognized in the fiscal years ended March 31, 2019, 2018 and 2017, the fair value is the balance sheet amount after the impairment losses are deducted.*

*(*3) The fair values of derivative financial instruments that are interest rate swaps under exceptional accounting treatment ("Tokurei-shori") or currency swaps under designated hedge accounting ("Furiate-shori") are included in the fair values of loans and corporate bonds because they are accounted for as an integral part of the loans and corporate bonds that are the hedged items.*

*(*4) Assets and liabilities generated by derivative financial instruments are offset and presented net. Net liabilities in total are presented in parentheses.*

*(*5) Corporate bonds, payables under repurchase agreements, cash received as collateral under securities lending transactions, and loans payable are recorded in liabilities and presented in parentheses.*

(2) Fair value measurement methods for major financial instruments are as follows:

1) Securities, deposits, and monetary receivables purchased that are treated as securities based on the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10)

i) Items with a market price

Fair value is measured based on the closing market price on the balance sheet date. However, the fair values of available-for-sale domestic and foreign equity securities are based on the average market price over a one-month period prior to the balance sheet date.

ii) Items without a market price

Fair value is measured mainly by discounting future cash flows to present value or valuations obtained from external information vendors.

2) Loans

i) Policy loans

Fair value is measured at the book value of policy loans as the fair value is deemed to approximate book value due to expected repayment periods, interest rate requirements, and other conditions. These loans have no repayment date based on characteristics, such as the loan amount being limited to the extent of the surrender benefit.

ii) Industrial and consumer loans

Fair value of variable interest rate loans is deemed to approximate book value because market interest rates are reflected in future cash flows over the short term. Thus, book value is used as fair value for variable interest rate loans. Fair value of fixed interest rate loans is measured mainly by discounting future cash flows to present value.

Fair value of loans to legally or substantially bankrupt borrowers or borrowers who are not currently legally bankrupt but have a high probability of bankruptcy is measured by deducting the estimated uncollectible amount from the book value prior to direct write-offs.

3) Derivative financial instruments

i) Fair value of futures and other market transactions is measured by the liquidation value or closing market price on the balance sheet date.

ii) Fair value of equity options is measured mainly based on liquidation value or closing market price on the balance sheet date or valuations obtained from external information vendors.

iii) Fair value of interest rate swaps, interest rate swaptions, foreign exchange contracts, currency options, currency swaps, and forward contracts is measured mainly based on valuations obtained from external parties.

4) Assets held in trust

Fair value is based on a reasonably calculated price by the trustee of the assets held in trust, in accordance with the calculation methods set forth in 1) and 3) above.

5) Corporate bonds

Corporate bonds are stated at fair value on the balance sheet date.

6) Payables under repurchase agreements and cash received as collateral under securities lending transactions

The book value is used as fair value due to their short-term settlement.

7) Loans payable

Fair value of variable interest rate loans payable is deemed to approximate book value because market interest rates are reflected in future cash flows over the short term. Thus, book value is used as fair value for variable interest rate loans payable. Fair value of fixed interest rate loans payable is measured, in principle, by discounting future cash flows to present value; however, loans payable financed by means of public offerings employing securitization schemes are measured at the fair value of the corporate bonds issued to back the loans payable.

(3) Unlisted equity securities, investments in partnerships whereby partnership assets consist of unlisted equity securities, and other items of which the fair value is extremely difficult to be determined are not included in investments in securities in table (1).

Balance sheet amounts by holding purpose were ¥1,025,134 million (U.S.$9,236 million), ¥895,401 million and ¥823,477 million for stocks of subsidiaries and affiliates, and ¥545,841 million (U.S.$4,917 million), ¥676,159 million and ¥739,650 million for available-for-sale securities as of March 31, 2019, 2018 and 2017, respectively.

(4) Matters regarding securities and others by holding purpose are as follows:

1) Trading securities

Derivative financial instruments within assets held in trust and investments in securities for separate accounts are classified as trading securities as of March 31, 2019, 2018 and 2017.

Valuation gains/losses included in profit and loss were losses of ¥21,555 million (U.S.$194 million), gains of ¥64,141 million and ¥69,952 million for derivative financial instruments within assets held in trust and investments in securities related to separate accounts for the fiscal years ended March 31, 2019, 2018 and 2017, respectively.

2) Held-to-maturity debt securities

No ending balance as of March 31, 2019, 2018 and 2017.

Notes to the Nonconsolidated Financial Statements (continued)

3) Policy-reserve-matching bonds

Balance sheet amounts, fair values, and their differences by type are as follows:

As of March 31	Millions of Yen									Millions of U.S. Dollars		
	2019			2018			2017			2019		
Type	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference
Fair value exceeds the balance sheet amount:												
Monetary receivables purchased	¥ 194,434	¥ 204,940	¥ 10,506	¥ 233,375	¥ 245,210	¥ 11,835	¥ 283,224	¥ 310,953	¥ 27,728	$ 1,751	$ 1,846	$ 94
Domestic bonds	20,395,884	24,459,552	4,063,668	19,038,485	22,732,183	3,693,698	19,055,356	22,707,836	3,652,479	183,763	220,376	36,612
Foreign securities	94,606	100,249	5,642	40,685	42,681	1,995	54,979	57,114	2,135	852	903	50
Subtotal	20,684,924	24,764,742	4,079,817	19,312,546	23,020,075	3,707,529	19,393,560	23,075,904	3,682,343	186,367	223,125	36,758
Fair value does not exceed the balance sheet amount:												
Monetary receivables purchased	6,151	6,082	(68)	6,000	5,966	(33)	3,781	3,749	(31)	55	54	(0)
Domestic bonds	908	906	(1)	202,192	197,207	(4,985)	261,940	251,784	(10,155)	8	8	(0)
Foreign securities	2,099	2,096	(2)	6,493	6,411	(82)	–	–	–	18	18	(0)
Subtotal	9,159	9,086	(72)	214,685	209,585	(5,100)	265,721	255,534	(10,187)	82	81	(0)
Total	¥20,694,084	¥24,773,828	¥4,079,744	¥19,527,231	¥23,229,660	¥3,702,428	¥19,659,282	¥23,331,438	¥3,672,156	$186,449	$223,207	$36,757

Notes to the Nonconsolidated Financial Statements (continued)

4) Available-for-sale securities

Acquisition cost or amortized cost, balance sheet amounts, and their differences by type are as follows:

As of March 31	Millions of Yen									Millions of U.S. Dollars		
	2019			2018			2017			2019		
Type	Acquisition cost or amortized cost	Balance sheet amount	Difference	Acquisition cost or amortized cost	Balance sheet amount	Difference	Acquisition cost or amortized cost	Balance sheet amount	Difference	Acquisition cost or amortized cost	Balance sheet amount	Difference
Balance sheet amount exceeds acquisition cost or amortized cost:												
Cash and deposits (negotiable certificates of deposit)	¥ 167,300	¥ 167,300	¥ 0	¥ 307,500	¥ 307,500	¥ 0	¥ 587,600	¥ 587,601	¥ 1	$ 1,507	$ 1,507	$ 0
Monetary receivables purchased	6,236	6,359	122	2,383	2,413	30	2,717	2,786	68	56	57	1
Domestic bonds	2,865,902	3,102,335	236,432	2,707,745	2,908,221	200,475	2,523,610	2,718,192	194,582	25,821	27,951	2,130
Domestic stocks	3,322,876	7,709,087	4,386,210	3,518,805	8,406,953	4,888,147	3,283,750	7,671,718	4,387,968	29,938	69,457	39,518
Foreign securities	13,978,619	16,132,011	2,153,391	9,373,675	11,217,569	1,843,893	10,020,827	11,973,295	1,952,467	125,944	145,346	19,401
Other securities	2,638,653	2,899,307	260,654	1,883,085	2,080,403	197,318	905,547	1,072,503	166,956	23,773	26,122	2,348
Subtotal	22,979,588	30,016,401	7,036,812	17,793,196	24,923,063	7,129,867	17,324,053	24,026,098	6,702,045	207,041	270,442	63,400
Balance sheet amount does not exceed acquisition cost or amortized cost:												
Cash and deposits (negotiable certificates of deposit)	112,000	111,997	(2)	20,000	19,999	(0)	110,000	109,999	(0)	1,009	1,009	(0)
Monetary receivables purchased	37,166	37,099	(67)	36,649	36,445	(203)	36,466	36,464	(1)	334	334	(0)
Domestic bonds	29,495	28,436	(1,058)	238,136	232,455	(5,681)	431,162	424,690	(6,472)	265	256	(9)
Domestic stocks	945,349	736,886	(208,462)	647,287	558,503	(88,783)	743,549	649,817	(93,732)	8,517	6,639	(1,878)
Foreign securities	2,669,627	2,591,621	(78,005)	7,226,482	6,941,846	(284,635)	5,911,682	5,661,076	(250,605)	24,052	23,350	(702)
Other securities	188,375	186,145	(2,229)	485,015	474,932	(10,083)	773,892	750,603	(23,288)	1,697	1,677	(20)
Subtotal	3,982,014	3,692,187	(289,826)	8,653,571	8,264,182	(389,389)	8,006,753	7,632,652	(374,101)	35,877	33,265	(2,611)
Total	¥26,961,602	¥33,708,588	¥6,746,985	¥26,446,768	¥33,187,245	¥6,740,477	¥25,330,807	¥31,658,751	¥6,327,943	$242,919	$303,708	$60,789

* *Securities totaling ¥545,841 million (U.S.$4,917 million), ¥676,159 million and ¥739,650 million, whose fair values are extremely difficult to be determined, as of March 31, 2019, 2018 and 2017, respectively, are not included.*

Impairment losses of ¥11,920 million (U.S.$107 million), ¥69 million and ¥13,659 million were recognized for securities with a fair value during the fiscal years ended March 31, 2019, 2018 and 2017, respectively.

Regarding stocks (including foreign stocks) with fair values, impairment losses are recognized for stocks whose fair value has declined significantly from the acquisition price based on the average fair value in the last month of the fiscal year, in principle. However, in the case of a security that meets certain criteria, such as a security for which the fair value declines substantially and the decline in the fair value in the last month of the fiscal year is substantial, impairment losses are recognized based on the fair value on the fiscal year-end date.

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

a. A security for which the ratio of the average fair value in the last month of the fiscal year to the acquisition cost is 50% or less.

b. A security that meets both of the following criteria:

   1. Average fair value in the last month of the fiscal year is between 50% and 70% of its acquisition cost.

   2. The historical fair value, the business conditions of the issuing company and other aspects are subject to certain requirements.

Notes to the Nonconsolidated Financial Statements (continued)

(5) Scheduled repayment amounts for the main monetary claims and liabilities and redemption amounts for securities with maturities are as follows:

	Millions of Yen				Millions of U.S. Dollars			
As of March 31, 2019	**1 year or under**	**Over 1 year under 5 years**	**Over 5 years under 10 years**	**Over 10 years**	**1 year or under**	**Over 1 year under 5 years**	**Over 5 years under 10 years**	**Over 10 years**
Cash and deposits (negotiable certificates of deposit):	¥ 279,300	¥ –	¥ –	¥ –	$2,516	$ –	$ –	$ –
Available-for-sale securities	279,300	–	–	–	2,516	–	–	–
Monetary receivables purchased:	27,000	3,641	41,224	171,869	243	32	371	1,548
Policy-reserve-matching bonds	–	3,472	41,224	155,722	–	31	371	1,403
Available-for-sale securities	27,000	169	–	16,147	243	1	–	145
Investments in securities:	1,082,740	4,495,963	11,475,079	25,894,499	9,755	40,507	103,388	233,304
Policy-reserve-matching bonds	256,565	1,651,686	4,578,031	13,947,727	2,311	14,881	41,247	125,666
Available-for-sale securities	826,174	2,844,277	6,897,047	11,946,771	7,443	25,626	62,141	107,638
Loans(*1)	893,317	2,562,299	1,648,281	1,746,467	8,048	23,085	14,850	15,735
Corporate bonds	–	–	–	1,028,889	–	–	–	9,270
Payables under repurchase agreements	709,062	–	–	–	6,388	–	–	–
Cash received as collateral under securities lending transactions	32,610	–	–	–	293	–	–	–
Loans payable(*2)	3,948	16,690	3,030	220,000	35	150	27	1,982

*(*1) Assets such as policy loans, which do not have a stated maturity date, are not included. Also, ¥6,478 million (U.S.$58 million) in loans to legally or substantially bankrupt borrowers or borrowers who are not currently legally bankrupt but have a high probability of bankruptcy are not included.*

*(*2) Liabilities such as subordinated loans payable, which do not have a stated maturity date, are not included.*

As of March 31, 2018	1 year or under	Over 1 year under 5 years	Over 5 years under 10 years	Over 10 years
				Millions of Yen
Cash and deposits (negotiable certificates of deposit):	¥327,500	¥ –	¥ –	¥ –
Available-for-sale securities	327,500	–	–	–
Monetary receivables purchased:	23,000	5,834	29,718	219,569
Policy-reserve-matching bonds	–	5,682	29,564	203,911
Available-for-sale securities	23,000	152	153	15,658
Investments in securities:	781,713	4,530,832	9,885,634	25,364,253
Policy-reserve-matching bonds	349,492	1,260,776	4,444,311	13,134,690
Available-for-sale securities	432,221	3,270,055	5,441,322	12,229,562
Loans(*1)	920,137	2,586,756	1,629,408	1,709,831
Corporate bonds	–	–	–	1,028,889
Payables under repurchase agreements	237,046	–	–	–
Cash received as collateral under securities lending transactions	330,722	–	–	–
Loans payable(*2)	241	9,680	12,975	–

*(*1) Assets such as policy loans, which do not have a stated maturity date, are not included. Also, ¥1,938 million in loans to legally or substantially bankrupt borrowers or borrowers who are not currently legally bankrupt but have a high probability of bankruptcy are not included.*

*(*2) Liabilities such as subordinated loans payable, which do not have a stated maturity date, are not included.*

As of March 31, 2017	1 year or under	Over 1 year under 5 years	Over 5 years under 10 years	Over 10 years
				Millions of Yen
Cash and deposits (negotiable certificates of deposit):	¥ 697,600	¥ –	¥ –	¥ –
Available-for-sale securities	697,600	–	–	–
Monetary receivables purchased:	36,000	7,614	27,855	254,374
Policy-reserve-matching bonds	–	7,373	27,631	251,656
Available-for-sale securities	36,000	240	223	2,717
Investments in securities:	996,932	4,189,432	8,961,694	25,165,526
Policy-reserve-matching bonds	469,887	1,238,127	4,250,506	13,302,332
Available-for-sale securities	527,045	2,951,304	4,711,187	11,863,193
Loans(*1)	1,068,023	2,688,067	1,633,464	1,700,346
Corporate bonds	–	–	–	840,825
Cash received as collateral under securities lending transactions	674,067	–	–	–
Loans payable(*2)	2,474	8,087	16,086	–

*(*1) Assets such as policy loans, which do not have a stated maturity date, are not included. Also, ¥3,919 million in loans to legally or substantially bankrupt borrowers or borrowers who are not currently legally bankrupt but have a high probability of bankruptcy are not included.*

*(*2) Liabilities such as subordinated loans payable, which do not have a stated maturity date, are not included.*

4. Disclosures about Fair Value of Investment and Rental Properties

The balance sheet amounts for investment and rental properties were ¥1,155,388 million (U.S.$10,409 million), ¥1,119,049 million and ¥1,126,760 million, with a fair value of ¥1,432,815 million (U.S.$12,909 million), ¥1,295,288 million and ¥1,307,396 million as of March 31, 2019, 2018 and 2017, respectively. The Company owns rental office buildings and commercial facilities, the fair value of which at year-end is the amount measured based mainly on the "Real Estate Appraisal Standards." The amounts corresponding to asset retirement obligations that were included in the balance sheet amounts of investment and rental properties were ¥3,011 million (U.S.$27 million), ¥476 million and ¥492 million as of March 31, 2019, 2018 and 2017, respectively.

5. Securities Loaned and Borrowed

The amounts of securities lent under lending agreements were ¥3,327,460 million (U.S.$29,979 million), ¥2,780,156 million and ¥2,423,266 million as of March 31, 2019, 2018 and 2017, respectively.

Assets that can be sold or resecured are marketable securities borrowed under lending agreements. These assets were held without being sold or resecured and totaled ¥488,657 million (U.S.$4,402 million), ¥520,816 million and ¥601,117 million at fair value as of March 31, 2019, 2018 and 2017, respectively.

6. Accumulated Depreciation

The amounts of accumulated depreciation of tangible fixed assets were ¥1,131,041 million (U.S.$10,190 million), ¥1,129,850 million and ¥1,152,571 million as of March 31, 2019, 2018 and 2017, respectively.

7. Separate Accounts

Separate account assets as provided for in Article 118, Paragraph 1 of the Insurance Business Act were ¥1,257,999 million (U.S.$11,334 million), ¥1,294,140 million and ¥1,315,792 million as of March 31, 2019, 2018 and 2017, respectively, and a corresponding liability is recorded in the same amount. The amounts of separate accounts are included in the respective account balance on the nonconsolidated balance sheets.

8. Monetary Receivables from and Monetary Liabilities to Subsidiaries and Affiliates

The total amounts of credits and debits to subsidiaries and affiliates as of March 31, 2019, 2018 and 2017, were as follows:

	Millions of Yen			Millions of U.S. Dollars
	2019	2018	2017	2019
Monetary receivables	¥54,229	¥64,630	¥90,028	$488
Monetary liabilities	5,367	4,633	3,852	48

9. Reserve for Dividends to Policyholders

Changes in the reserve for dividends to policyholders for the fiscal years ended March 31, 2019, 2018 and 2017, were as follows:

	Millions of Yen			Millions of U.S. Dollars
	2019	2018	2017	2019
Balance at the beginning of the fiscal year	¥ 995,167	¥1,001,102	¥1,015,013	$ 8,966
Transfer to reserve from surplus in the previous fiscal year	218,353	184,086	229,857	1,967
Dividends paid to policyholders during the fiscal year	(215,540)	(212,224)	(266,227)	(1,941)
Increase in interest	22,233	22,203	22,458	200
Balance at the end of the fiscal year	¥1,020,213	¥ 995,167	¥1,001,102	$ 9,191

10. Corporate Bonds

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

The corporate bonds are callable at the discretion of the Company, subject to the approval of the regulatory authority and other conditions.

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

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

11. Net Assets Provided for in the Ordinance for Enforcement of the Insurance Business Act

The amounts per Article 30, Paragraph 2 of the Ordinance for Enforcement of the Insurance Business Act were ¥4,852,126 million (U.S.$43,716 million), ¥4,823,655 million and ¥4,520,687 million as of March 31, 2019, 2018 and 2017, respectively.

12. Accrued Retirement Benefits

(1) Summary of retirement benefit plans

In terms of defined benefit plans, the Company has a defined benefit corporate pension plan and a lump-sum retirement payment plan for non sales personnel, sales management personnel, etc. In terms of defined contribution plans, the Company has a defined contribution pension plan. The Company also has a defined benefit plan for sales representatives, etc., in the form of a lump-sum retirement payment plan and an in-house pension plan.

(2) Defined benefit plan

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

For the years ended March 31, 2019, 2018 and 2017

	Millions of Yen			Millions of U.S. Dollars
	2019	2018	2017	2019
Retirement benefit obligations at the beginning of the year	¥640,036	¥651,278	¥665,416	$5,766
Service costs	25,944	26,098	25,826	233
Interest cost	3,840	3,907	3,992	34
Actuarial losses accrued during the year	4,651	2,622	1,375	41
Retirement benefit payments	(42,628)	(43,870)	(45,331)	(384)
Retirement benefit obligations at the end of the year	¥631,844	¥640,036	¥651,278	$5,692

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

For the years ended March 31, 2019, 2018 and 2017

	Millions of Yen			Millions of U.S. Dollars
	2019	2018	2017	2019
Pension plan assets at the beginning of the year	¥255,668	¥260,869	¥267,698	$2,303
Expected return on plan assets	3,451	3,521	4,283	31
Actuarial gains accrued during the year	1,735	2,496	398	15
Contributions by business proprietor	6,574	6,598	6,223	59
Retirement benefit payments	(17,401)	(17,817)	(17,734)	(156)
Pension plan assets at the end of the year	¥250,029	¥255,668	¥260,869	$2,252

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

For the years ended March 31, 2019, 2018 and 2017

	Millions of Yen			Millions of U.S. Dollars
	2019	2018	2017	2019
Retirement benefit obligations for funded plans	¥ 274,401	¥ 281,697	¥ 290,160	$ 2,472
Pension plan assets	(250,029)	(255,668)	(260,869)	(2,252)
	24,372	26,028	29,291	219
Retirement benefit obligations for nonfunded plans	357,443	358,339	361,117	3,220
Unrecognized actuarial gains	(15,918)	(23,254)	(31,777)	(143)
Accrued retirement benefits	¥ 365,897	¥ 361,114	¥ 358,630	$ 3,296

4) Losses (gains) relating to retirement benefits

For the years ended March 31, 2019, 2018 and 2017

	Millions of Yen			Millions of U.S. Dollars
	2019	2018	2017	2019
Service costs	¥25,944	¥26,098	¥25,826	$233
Interest cost	3,840	3,907	3,992	34
Expected return on plan assets	(3,451)	(3,521)	(4,283)	(31)
Amortization of actuarial losses for the period	10,251	8,649	8,152	92
Benefit cost for defined benefit plans	¥36,584	¥35,133	¥33,688	$329

5) Pension plan assets consist of the following:

	2019	2018	2017
General account of Nippon Life	51.4%	51.8%	52.3%
Domestic bonds	21.5%	20.4%	23.2%
Foreign securities	16.1%	14.6%	20.4%
Cash and deposits	6.8%	8.0%	1.4%
Domestic stocks	4.2%	5.1%	2.7%
Total	100.0%	100.0%	100.0%

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

7) Matters relating to the basis for actuarial calculations

The main items in the basis for actuarial calculations as of March 31, 2019, 2018 and 2017, are as follows:

	2019	2018	2017
Discount rate	0.6%	0.6%	0.6%
Long-term expected rate of return on plan assets	1.4%	1.4%	1.6%

(3) Defined contribution plans

The Company contributed ¥2,188 million (U.S.$19 million), ¥2,182 million and ¥2,166 million to defined contribution plans during the fiscal years ended March 31, 2019, 2018 and 2017, respectively.

13. Foundation Funds

Foundation funds serve as the primary source of capital for Japanese mutual life insurance companies. These funds are similar to loans, as interest payments, maturity dates and other items must be established at the time of the offering. In the event of a bankruptcy or similar development, repayment of the principal and interest on foundation funds is subordinated to the repayment of amounts owed to ordinary creditors and insurance claims and benefit payments owed to policyholders. Upon redemption of foundation funds, mutual companies are required to make an addition to the reserve for redemption of foundation funds, which serves as retained earnings, equal to the amount redeemed. As a result, the full amount of foundation funds remains in net assets even after redemption. Foundation funds are therefore positioned as a mutual company's core capital, which is equivalent to the stated capital of a joint-stock company.

The Company redeemed ¥50,000 million (U.S.$450 million), ¥50,000 million and ¥50,000 million of foundation funds and credited the same amount to reserve for redemption of foundation funds as prescribed in Article 56 of the Insurance Business Act for the fiscal years ended March 31, 2019, 2018 and 2017, respectively. ¥50,000 million of foundation funds were offered pursuant to Article 60 of the Insurance Business Act during the fiscal year ended March 31, 2018.

14. Pledged Assets

Assets pledged as collateral in the form of investments in securities, land, and buildings as of March 31, 2019, were ¥1,521,608 million (U.S.$13,709 million), ¥252 million (U.S.$2 million) and ¥45 million (U.S.$0 million), respectively. The total amount of liabilities covered by the aforementioned assets was ¥742,163 million (U.S.$6,686 million) as of March 31, 2019.

These amounts included ¥668,928 million (U.S.$6,026 million) of the sale of securities under repurchase agreements and ¥709,062 million (U.S.$6,388 million) in payables under repurchase agreements, as well as ¥28,595 million (U.S.$257 million) of investments in securities deposited and ¥32,610 million (U.S.$293 million) of cash received as collateral under securities lending transactions secured by cash, as of March 31, 2019.

Assets pledged as collateral in the form of investments in securities, land, and buildings as of March 31, 2018, were ¥1,295,180 million, ¥252 million and ¥47 million, respectively. The total amount of liabilities covered by the aforementioned assets was ¥567,775 million as of March 31, 2018.

These amounts included ¥239,784 million of the sale of securities under repurchase agreements and ¥237,046 million in payables under repurchase agreements, as well as ¥370,155 million of investments in securities deposited and ¥330,722 million of cash received as collateral under securities lending transactions secured by cash, as of March 31, 2018.

Assets pledged as collateral in the form of investments in securities, land, and buildings as of March 31, 2017, were ¥1,402,770 million, ¥252 million and ¥50 million, respectively. The total amount of liabilities covered by the aforementioned assets was ¥674,122 million as of March 31, 2017.

These amounts included ¥726,324 million of investments in securities deposited and ¥674,116 million of cash received as collateral under securities lending transactions secured by cash as of March 31, 2017.

15. Investments in Subsidiaries and Affiliates

The total amounts of stocks and investments in subsidiaries and affiliates were ¥1,089,182 million (U.S.$9,813 million), ¥959,448 million and ¥837,729 million as of March 31, 2019, 2018 and 2017, respectively.

16. Loans

(1) The total amounts of loans to bankrupt borrowers, delinquent loans, loans that are delinquent for over three months, and restructured loans, which were included in loans, were ¥31,673 million (U.S.$285 million), ¥29,704 million and ¥32,058 million as of March 31, 2019, 2018 and 2017, respectively.

i) The balances of loans to bankrupt borrowers and delinquent loans were ¥1,289 million (U.S.$11 million) and ¥28,454 million (U.S.$256 million), respectively, as of March 31, 2019, ¥1,501 million and ¥26,014 million, respectively, as of March 31, 2018, and ¥1,764 million and ¥27,122 million, respectively, as of March 31, 2017.

Loans to bankrupt borrowers are loans for which interest is not accrued as income, except for a portion of loans written off, and to which any event specified in Article 96, Paragraph 1, Item 3 (a) to (e) or Item 4 of the Order for Enforcement of the Corporation Tax Act has occurred. Interest is not accrued as income for the loans since the recovery of principal or interest on the loans is unlikely due to the fact that principal repayments or interest payments are overdue for a significant period of time or for other reasons.

Delinquent loans are loans for which interest is not accrued and exclude loans to bankrupt borrowers and loans with interest payments extended with the objective of restructuring or supporting the borrowers.

ii) There were no loans delinquent for over three months as of March 31, 2019, 2018 and 2017.

Loans that are delinquent for over three months are loans with principal or interest unpaid for over three months beginning one day after the due date based on the loan agreement. These loans exclude loans classified as loans to bankrupt borrowers and delinquent loans.

iii) The balances of restructured loans were ¥1,930 million (U.S.$17 million), ¥2,188 million and ¥3,171 million as of March 31, 2019, 2018 and 2017, respectively.

Restructured loans are loans that provide certain concessions favorable to borrowers with the intent of supporting the borrowers' restructuring, such as by reducing or exempting interest, postponing principal or interest payments, releasing credits, or providing other benefits to the borrowers. These loans exclude loans classified as loans to bankrupt borrowers, delinquent loans, and loans delinquent for over three months.

(2) Direct write-offs of loans decreased the balances of loans to bankrupt borrowers and delinquent loans by ¥1,935 million (U.S.$17 million) and ¥84 million (U.S.$0 million), respectively, as of March 31, 2019, ¥13 million and ¥88 million, respectively, as of March 31, 2018, ¥399 million and ¥132 million, respectively, as of March 31, 2017.

17. Loan Commitments

The amounts of commitments related to loans and loans outstanding were ¥372,534 million (U.S.$3,356 million), ¥333,205 million and ¥249,880 million as of March 31, 2019, 2018 and 2017, respectively.

18. Policy Reserves for Reinsurance Contracts Provided in Accordance with Article 71, Paragraph 1 of the Ordinance for Enforcement of the Insurance Business Act

The amounts of policy reserves provided for the portion of reinsurance (hereafter referred to as "policy reserves for ceded reinsurance") as defined in Article 71, Paragraph 1 of the Ordinance for Enforcement of the Insurance Business Act were ¥279 million (U.S.$2 million), ¥293 million and ¥275 million as of March 31, 2019, 2018 and 2017, respectively.

19. Contributions to the Life Insurance Policyholder Protection Fund and Organization

Of the maximum borrowing amount from the Life Insurance Policyholders Protection Corporation of Japan, which is provided for in Article 37-4 of the Order for Enforcement of the Insurance Business Act, the amounts applied to the Company were estimated to be ¥77,113 million (U.S.$694 million), ¥80,139 million and ¥81,509 million as of March 31, 2019, 2018 and 2017, respectively. The amounts contributed to the aforementioned corporation were recorded within operating expenses for the fiscal year.

20. Investment Income and Expenses

The major components of gain on sales of securities were as follows:

	Millions of Yen			Millions of U.S. Dollars
	2019	2018	2017	2019
Domestic bonds including national government bonds	¥ 29,912	¥ 12,476	¥ 27,575	$ 269
Domestic stocks and other securities	118,672	130,988	194,152	1,069
Foreign securities	46,337	36,217	32,285	417

The major components of loss on sales of securities were as follows:

	Millions of Yen			Millions of U.S. Dollars
	2019	2018	2017	2019
Domestic bonds including national government bonds	¥ 1,802	¥ 571	¥ 1,184	$ 16
Domestic stocks and other securities	10,065	7,706	8,182	90
Foreign securities	126,922	94,555	109,395	1,143

The major components of loss on valuation of securities were as follows:

	Millions of Yen			Millions of U.S. Dollars
	2019	2018	2017	2019
Domestic stocks and other securities	¥11,035	¥ 395	¥13,662	$99
Foreign securities	10,336	10,839	14,023	93

Loss from assets held in trust, net included net valuation losses of ¥1,565 million (U.S.$14 million), ¥3,267 million and ¥1,974 million for the fiscal years ended March 31, 2019, 2018 and 2017, respectively.

Gain/loss on derivative financial instruments, net included net valuation gains of ¥46,850 million (U.S.$422 million) for the fiscal year ended March 31, 2019 and net valuation losses of ¥24,062 million and ¥11,045 million for the fiscal years ended March 31, 2018 and 2017, respectively.

21. Provision for/Reversal of Policy Reserves for Ceded Reinsurance

Reversal of policy reserves for ceded reinsurance that was added from the calculation of provision for policy reserves was ¥14 million (U.S.$0 million) for the fiscal year ended March 31, 2019.

Provision for policy reserves for ceded reinsurance that was deducted from the calculation of provision for policy reserves was ¥17 million and ¥60 million for the fiscal years ended March 31, 2018 and 2017, respectively.

22. Impairment Losses

(1) Method for grouping the assets

Leased property and idle property are classified as one asset group per property. Assets utilized for insurance business operations are classified into one asset group.

(2) Circumstances causing impairment losses

The Company observed a marked decrease in profitability or fair value in some of the fixed asset groups. The book value of fixed assets was reduced to the recoverable amount and impairment losses were recognized as extraordinary losses for the fiscal years ended March 31, 2019, 2018 and 2017.

(3) Breakdown of asset groups that recognized impairment losses:

For the year ended March 31, 2019

	Millions of Yen		
Purpose of use	**Land**	**Buildings**	**Total**
Idle property	¥1,510	¥638	¥2,148
Total	¥1,510	¥638	¥2,148

For the year ended March 31, 2018

	Millions of Yen		
Purpose of use	**Land**	**Buildings**	**Total**
Idle property	¥1,431	¥630	¥2,062
Total	¥1,431	¥630	¥2,062

For the year ended March 31, 2017

	Millions of Yen		
Purpose of use	**Land**	**Buildings**	**Total**
Leased property	¥1,866	¥608	¥2,475
Idle property	1,484	368	1,852
Total	¥3,351	¥976	¥4,328

For the year ended March 31, 2019

	Millions of U.S. Dollars		
Purpose of use	**Land**	**Buildings**	**Total**
Idle property	$13	$5	$19
Total	$13	$5	$19

(4) Calculation method of recoverable amount

The recoverable amount used for the measurement of impairment losses is based on the net realizable value upon sales of the assets or the discounted future cash flows.

The discount rate used in the calculation of future cash flows is 3.0% for the fiscal years ended March 31, 2019 and 2018 and 4.0% for the fiscal year ended March 31, 2017. Net realizable values are determined based on appraisals performed in accordance with the “Real Estate Appraisal Standards” or standard prices.

23. Deferred Tax Assets and Liabilities

(1) Deferred tax assets/liabilities consisted of the following:

	Millions of Yen			Millions of U.S. Dollars
	2019	2018	2017	2019
Deferred tax assets	¥ 1,511,165	¥ 1,422,159	¥ 1,330,324	$ 13,615
Valuation allowance for deferred tax assets	(50,389)	(45,025)	(53,509)	(453)
Subtotal	1,460,776	1,377,134	1,276,815	13,161
Deferred tax liabilities	(1,957,633)	(1,954,549)	(1,840,138)	(17,637)
Net deferred tax liabilities	¥ (496,857)	¥ (577,415)	¥ (563,323)	$ (4,476)

The major components resulting in deferred tax assets/liabilities were as follows:

	Millions of Yen			Millions of U.S. Dollars
	2019	2018	2017	2019
Deferred tax assets:				
Policy reserves and other reserves	¥ 892,984	¥ 840,473	¥ 785,164	$ 8,045
Reserve for price fluctuations in investments in securities	385,481	357,732	312,176	3,473
Accrued retirement benefits	102,085	100,750	100,141	919
Deferred tax liabilities:				
Net unrealized gains on available-for-sale securities	¥1,869,165	¥1,873,322	¥1,764,473	$16,840

(2) The statutory tax rate was 27.9% for the fiscal year ended March 31, 2019 and 28.2% for the fiscal years ended March 31, 2018 and 2017. The main factors for the difference between the statutory tax rates and the effective income tax rates were as follows:

	2019	2018	2017
Reserve for dividends to policyholders	(21.4)%	(24.6)%	(17.0)%

24. Transactions with Subsidiaries and Affiliates

The total income and expenses from transactions with subsidiaries and affiliates for the fiscal years ended March 31, 2019, 2018 and 2017, were as follows:

	Millions of Yen			Millions of U.S. Dollars
	2019	2018	2017	2019
Total income	¥43,096	¥52,836	¥33,263	$388
Total expenses	34,989	33,088	34,913	315

25. Subsequent Events

(1) The Preparatory Company, which was established by the Company on July 2, 2018, changed its name to HANASAKU LIFE on February 1, 2019, following the completion of the acquisition of approvals of the Commissioner of the Financial Services Agency pursuant to Article 271-10, Paragraph 1 and Article 106, Paragraph 7 of the Insurance

Business Act by the Company and the acquisition of a life insurance business license pursuant to Article 3 of the Insurance Business Act by the Preparatory Company on the same day.

1) Purpose of establishing the company

The purpose of establishing the company is to flexibly and dynamically provide services to independent insurance agencies and related entities in order to more appropriately address diversifying customer needs and growing sales channels.

2) Overview of HANASAKU LIFE

a. Company Name: HANASAKU LIFE INSURANCE Co., Ltd.

b. Head Office: Minato-ku, Tokyo

c. Capital Stock: ¥10,000 million (U.S.$90 million)

The Company carried out a capital increase of ¥20,000 million in HANASAKU LIFE on April 1, 2019.

3) Date of establishment

July 2, 2018

4) Percentage of voting rights held by the Company

100%

(2) The Company assumed the following Yen-denominated subordinated loan on April 22, 2019:

Principal amount	¥90,000 million (U.S.$810 million)
Interest rate	Fixed rate of 0.95% per annum before April 22, 2029, and a fixed rate with step-up thereafter (reset every five years)
Repayment date	The third bank business day preceding April 22, 2049 (The loan is callable on the third bank business day preceding April 22, 2029, and every five years thereafter until the loan is fully redeemed at the discretion of the Company, subject to prior approval by the regulatory authorities.)
Use of funds	General working capital

(3) On May 22, 2019, the Company resolved to make Reliance Nippon Life Asset Management Limited (“RNAM”), which is an affiliate accounted for under the equity method, a consolidated subsidiary by carrying out a tender offer for shares of RNAM and, after the tender offer, by acquiring up to 75% of total outstanding RNAM shares from the shareholder Reliance Capital Limited (“RACP”). On May 23, 2019, we entered into a sales agreement with RCAP to acquire shares of RNAM held by RCAP (the “Contract”). The tender offer under the local tender offer rules requires the approval of the local authority as a precondition for execution.

1) Overview of the business combination

a. Name and business of the acquiree

Name: Reliance Nippon Life Asset Management Limited

Business: Asset management business

b. Major reasons for the business combination

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

c. Date of business combination

From the end of July 2019 to the beginning of October 2019

(Not confirmed at the moment)

d. Legal form of the business combination

Tender Offer under the Local Tender Offer Rules and Acquisition from RCAP under this Agreement ("the tender offer, etc.")

e. Name of the company after business combination

Reliance Nippon Life Asset Management Limited

f. Percentage of voting rights to be acquired

Percentage of voting rights before the tender offer, etc.

42.9%

Ratio of voting rights to be acquired through tender offer, etc.

32.1%

Percentage of voting rights after the tender offer, etc.

75.0%

g. Main rationale for determining the acquirer

It is clear that the Company will control the decision-making body of the acquiree by obtaining the majority of voting rights.

2) Acquisition cost and breakdown

Consideration for acquisition

The market value of RNAM shares held before the business combination at the business combination date

60,350 million rupees (U.S.$875 million)

Additional payment in cash

45,219 million rupees (U.S.$655 million)

Acquisition cost

105,570 million rupees (U.S.$1,531 million)

(68.94 rupees = U.S.$1, March 31, 2019)

The market value of RNAM shares held before the business combination at the business combination date is an approximate value

3) Description and the amount of main acquisition-related costs

   Not confirmed at the moment.

4) Gain or loss on stage acquisition

   Not confirmed at the moment.

5) Amount of and reasons for recognizing goodwill

   Not confirmed at the moment.

6) Amounts of the assets to be acquired and the liabilities to be assumed on the business

   Not confirmed at the moment.

(4) On June 17, 2019, the Company reached an agreement with Grand Guardian Insurance Holding Public Company Limited ("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 an equity interest of 35.0% in GGLI for the equivalent of U.S.$21 million. We submitted the application for permission to Myanmar financial authorities on June 21, 2019.

(5) The nonconsolidated proposed appropriations of surplus for the fiscal year ended March 31, 2019, were approved as planned at the annual meeting of the representatives of policyholders held on July 2, 2019.

(6) During the annual meeting of the representatives of policyholders held on July 2, 2019, a resolution was passed to partially amend the Articles of Incorporation in connection with an issuance of foundation funds of ¥50,000 million (U.S.$450 million) during the fiscal year ending March 31, 2020.

Index to Unaudited Interim Financial Statements Annex

Consolidated Balance Sheets

	Million Yen	
	As of September 30, 2019	As of March 31, 2019
Assets:		
Cash and deposits	1,667,950	1,541,390
Call loans	462,992	429,912
Monetary receivables purchased	366,573	401,938
Assets held in trust	10,998	13,357
Investments in securities	65,908,262	64,458,905
Loans	8,518,442	8,510,520
Tangible fixed assets	1,907,083	1,907,653
Intangible fixed assets	441,811	263,513
Reinsurance receivables	59,100	9,368
Other assets	1,735,324	1,199,998
Deferred tax assets	7,306	9,140
Customers' liability for acceptances and guarantees	75,648	71,016
Allowance for doubtful accounts	(5,372)	(7,198)
Total assets	81,156,121	78,809,517
Liabilities:		
Policy reserves and other reserves:	66,359,354	65,483,705
Reserve for outstanding claims	271,633	302,778
Policy reserves	64,905,347	64,100,386
Reserve for dividends to policyholders (mutual company)	1,123,292	1,020,213
Reserve for dividends to policyholders (limited company)	59,080	60,326
Reinsurance payables	7,657	8,424
Corporate bonds	1,175,589	1,175,589
Other liabilities	3,252,570	2,518,762
Accrued bonuses for directors, and audit and supervisory board members	38	106
Net defined benefit liability	438,022	440,556
Accrued retirement benefits for directors, and audit and supervisory board members	4,705	4,905
Reserve for program points	9,654	9,203
Reserve for price fluctuations in investments in securities	1,516,663	1,460,182
Deferred tax liabilities	741,788	555,094
Deferred tax liabilities for land revaluation	103,497	103,748
Acceptances and guarantees	75,648	71,016
Total liabilities	73,685,191	71,831,296
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	498,553	629,555
Total foundation funds and others	1,899,204	1,980,206
Net unrealized gains on available-for-sale securities	5,470,005	4,943,922
Deferred losses on derivatives under hedge accounting	(3,571)	(31,643)
Land revaluation losses	(54,076)	(54,690)
Foreign currency translation adjustments	(20,464)	(4,853)
Remeasurement of defined benefit plans	(8,476)	(13,494)
Total accumulated other comprehensive income	5,383,417	4,839,241
Share acquisition rights	515	—
Noncontrolling interests	187,792	158,772
Total net assets	7,470,930	6,978,221
Total liabilities and net assets	81,156,121	78,809,517

Notes to the Consolidated Balance Sheets as of September 30, 2019

1. (1) Securities of the Company and its certain consolidated subsidiaries (including items such as deposits and monetary receivables purchased which are treated as securities based on the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10) and securities within assets held in trust) are valued as follows:

    1) Trading securities are stated at fair value at the balance sheet date. The moving average method is used for calculating cost of securities sold.

    2) Held-to-maturity debt securities are measured at amortized cost using the moving average method. The cost of securities is amortized on a straight-line basis.

    3) Policy-reserve-matching bonds are measured at amortized cost using the moving average method. The cost of bonds is amortized on a straight-line basis in accordance with the Industry Audit Committee Report No. 21, "Temporary Treatment of Accounting and Auditing Concerning Policy-Reserve-Matching Bonds in the Insurance Industry," issued by the JICPA.

    4) Investments in subsidiaries and affiliates that are not consolidated nor accounted for under the equity method (stocks issued by subsidiaries prescribed in Article 2, Paragraph 12 of the Insurance Business Act or subsidiaries prescribed in Article 13-5-2, Paragraph 3 of the Order for Enforcement of the Insurance Business Act and stocks issued by affiliates prescribed in Article 13-5-2, Paragraph 4 of the Order for Enforcement of the Insurance Business Act) are stated at cost using the moving average method.

    5) Available-for-sale securities

        a. Regarding securities with a fair value, stocks (including foreign stocks) are measured at the average fair value based on quoted market prices during the period of one month before the balance sheet date (cost of securities sold is calculated using the moving average method). Other securities with a fair value are measured at the fair value at the balance sheet date (cost of securities sold is calculated using the moving average method).

        b. Of securities of which fair value is extremely difficult to be determined, bonds (including foreign bonds) for which the difference between the purchase price and face value is due to an interest rate adjustment are measured at amortized cost using the moving average method. The cost of those bonds is amortized on a straight-line basis. Other securities without readily determinable fair values are stated at cost using the moving average method.

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

2. Securities that are held for the purpose of matching the duration of outstanding liabilities within the subgroups classified by insurance type, payment method, maturity period, currency, and investment policy are classified as policy-reserve-matching bonds in accordance with the Industry Audit Committee Report No. 21, "Temporary Treatment of Accounting and Auditing Concerning Policy-Reserve-Matching Bonds in the Insurance Industry," issued by the JICPA.

   The Company has specified the following types of insurance policies and set those as subcategories:

   (1) The Company

    1) All insurance policies for products other than single payment products and group annuities

    2) All insurance policies for single payment products (denominated in yen) other than variable assumed rate-type insurance

    3) All insurance policies for group annuities other than guaranteed fixed-term rate products

    4) All single payment products (denominated in U.S. dollars) other than the foregoing

    5) All single payment products (denominated in Australian dollars) other than the foregoing

    6) All single payment products (denominated in euros) other than the foregoing

(2) TAIJU LIFE INSURANCE COMPANY LIMITED

    1) Whole life insurance and annuity insurance (up to 40 years) (the component of future cash flows generated from whole life insurance (including whole life insurance with term rider) and annuity insurance for up to 40 years)

    2) Insured contributory pension plans (up to 27 years) (future cash flows generated from insured contributory pension plans for the period up to 27 years)

    3) Foreign currency-denominated single payment endowment insurance (U.S. dollar) (foreign currency-denominated, U.S. dollar, single payment endowment insurance commencing on or after January 1, 2019)

    4) Foreign currency-denominated single payment endowment insurance (Australian dollar) (foreign currency-denominated, Australian dollar, single payment endowment insurance commencing on or after October 1, 2017)

(3) Nippon Wealth Life Insurance Company Limited

    1) Single payment fixed annuities, single payment fixed whole life insurance, single payment life insurance with living benefits, and single payment insurance against three major diseases (excluding single payment fixed annuities commencing on or after April 1, 2006, and for which the insured was 80 years of age or older as of the date the policy was concluded).

    2) Single payment fixed whole life insurance (fixed accumulation value type)

    3) Whole life cancer insurance and endowment insurance

    4) U.S. dollar-denominated single payment fixed annuities and U.S. dollar-denominated single payment fixed whole life insurance

    5) Australian dollar-denominated single payment fixed annuities

    6) Insurance and annuities other than the above (certain types of insurance are excluded)

3. Derivative financial instruments and derivative financial instruments within assets held in trust are stated at fair value based on quoted market prices.

4. (1) Tangible fixed assets are depreciated based on the following methods:

    a. Tangible fixed assets (except for lease assets)

        (i) Buildings

        Straight-line method.

        (ii) Assets other than the above

        Primarily the declining-balance method.

        Certain other tangible fixed assets with an acquisition cost of less than ¥200,000 of the Company and its certain consolidated subsidiaries are depreciated over three years on a straight-line basis.

    b. Lease assets

        (i) Lease assets related to financial leases that transfer ownership of the leased property to the lessee The same depreciation method applied to self-owned fixed assets.

        (ii) Lease assets other than the above

        Straight-line method over the lease term

(2) Software, which is included in intangible fixed assets, is amortized using the straight-line method.

5. Assets and liabilities denominated in foreign currencies are translated into Japanese yen in accordance with the "Accounting Standards for Foreign Currency Transactions" (Business Accounting Council).

Foreign currency-denominated available-for-sale securities of the Company with exchange rates that have significantly fluctuated and where those recoveries are not expected are converted to Japanese yen using either the rate at the balance sheet date or the one-month average rate prior to the balance sheet date, whichever indicates a weaker yen. The translation difference is recorded as a loss on valuation of securities.

Translation differences related to bonds included in translation differences of foreign currency-denominated available-for-sale securities held by certain consolidated subsidiaries are recorded as foreign exchange gains/losses in net, while translation differences related to other foreign currency-denominated available-for-sale securities are recorded as a separate component of net assets.

6. (1) An allowance for doubtful accounts for the Company is recognized in accordance with the Company's internal Asset Valuation Regulation and Write-off/Provision Rule as follows:

    1) An allowance for loans to borrowers who are legally or substantially bankrupt, such as being bankrupt or being in the process of civil rehabilitation proceedings, is recognized based on the amount of credit remaining after directly deducting amounts expected to be collected through the disposal of collateral or the execution of guarantees from the balance of loans (as mentioned at (4) below).

    2) An allowance for loans to borrowers who are not currently legally bankrupt but have a high possibility of bankruptcy is recognized at the amounts deemed necessary considering the borrowers' overall solvency and the amounts remaining after deduction of amounts expected to be collected through the disposal of collateral or the execution of guarantees.

    3) An allowance for loans to borrowers other than the above is provided based on the borrowers' balance multiplied by the historical average percentage of bad debt for a certain period.

   (2) All credits extended by the Company are assessed by responsible sections in accordance with the Company's internal Asset Valuation Regulation. The assessments are verified by the independent Asset Auditing Department. The results of the assessments are reflected in the calculation of the allowance for doubtful accounts.

   (3) For consolidated subsidiaries, the Company and its consolidated subsidiaries record allowance for doubtful accounts deemed necessary mainly in accordance mainly with the Company's internal Asset Valuation Regulation and Write-off/Provision Rule.

   (4) The estimated uncollectible amount calculated by subtracting the amount of collateral value or the amount collectible by the execution of guarantees from the balance of loans is directly deducted from the balance of loans (including loans with credits secured and/or guaranteed) made to legally or substantially bankrupt borrowers. The estimated uncollectible amount was ¥3,927 million (including ¥83 million of credits secured and/or guaranteed) as of September 30, 2019.

7. Accrued bonuses for directors, and audit and supervisory board members are recognized based on amounts estimated to be paid.

8. (1) Net defined benefit liability is recognized based on the estimated amount of projected benefit obligations in excess of the fair value of pension plan assets as of September 30, 2019, for future payment of employee retirement benefits that have been accrued.

   (2) Basis used for accounting for retirement benefits of the Company and its certain consolidated subsidiaries is as follows:

    1) Attribution method for estimated retirement benefits: Benefit formula basis

    2) Amortizing period for actuarial gains/losses: Five years

    3) Amortizing period for prior service costs: Five years

9. Accrued retirement benefits for directors, and audit and supervisory board members are recognized based on estimated payment amounts under internal rules.

10. A reserve for program points is recognized based on the amount projected to be incurred for expenses from the use of points granted to policyholders.
11. A reserve for price fluctuations in investments in securities is recognized based on Article 115 of the Insurance Business Act.
12. In finance leases where the Company's consolidated subsidiary is the lessor that do not transfer ownership of the leased property to the lessee, the consolidated subsidiary recognizes sales revenue and cost of sale at the time of receiving the lease payments.
13. Hedge accounting is applied by the Company and its certain consolidated subsidiaries based on the following methods:
    1) The Company and its consolidated subsidiaries mainly apply the following hedge accounting methods:
        - The exceptional accounting treatment ("*Tokurei-shori*") is applied to interest rate swaps to hedge the cash flow volatility of certain loans denominated in Japanese yen and foreign currencies;
        - Deferred hedge accounting is applied to interest rate swaps to hedge the interest rate fluctuation exposures on certain insurance policies, based on the Industry Audit Committee Report No. 26, "Accounting and Auditing Treatments Related to Application of Accounting for Financial Instruments in the Insurance Industry" issued by the JICPA;
        - Deferred hedge accounting and designated hedge accounting ("*Furiate-shori*") are applied to currency swaps to hedge the cash flow volatility caused by foreign exchange rate fluctuations on certain foreign currency-denominated bonds, loans, and subordinated corporate bonds issued by the Company and its consolidated subsidiaries;
        - Fair value hedge accounting is applied to foreign exchange forward contracts to hedge the price fluctuation exposures related to foreign exchange rate fluctuations on certain foreign currency-denominated bonds and other instruments; and
        - Fair value hedge accounting is applied to equity forward contracts to hedge the price fluctuation exposures on certain domestic stocks.
    2) Hedging instruments and hedged items

Hedging instruments	**Hedged items**
Interest rate swaps	Loans, foreign currency-denominated loans, and insurance policies
Currency swaps	Foreign currency-denominated bonds, foreign currency-denominated loans, and foreign currency-denominated subordinated corporate bonds
Foreign exchange forward contracts	Foreign currency-denominated bonds and other instruments
Equity forward contracts	Domestic stocks

    3) Effectiveness of hedging activities is mainly evaluated by a ratio analysis of fair value movement comparisons of the hedging instruments and hedged items in accordance with the internal risk management policies of the Company and its certain consolidated subsidiaries.
14. All transactions are accounted for exclusive of consumption taxes and local consumption taxes of the Company and its certain consolidated subsidiaries; however, consumption taxes paid on certain asset transactions, which are not deductible from consumption taxes withheld and are stipulated to be deferred under the Consumption Tax Act, are deferred as prepaid expenses and amortized over a five-year period on a straight-line basis. Consumption taxes other than deferred consumption taxes are expensed as incurred in the six months ended September 30, 2019.
15. Effective from the six months ended September 30, 2019, the Company and certain subsidiaries have applied the consolidated taxation system with the Company as the parent company for consolidated taxation purposes.

16. (1) Policy reserves of the Company and its consolidated subsidiaries that are domestic life insurance companies are reserves set forth in accordance with Article 116 of the Insurance Business Act. Insurance premium reserves are recognized based on the following methodology. In accordance with Article 69, Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act, policy reserves include those that are reserved for certain individual annuity policies.

    1) Reserves for policies subject to the standard policy reserve are calculated in accordance with the method prescribed by the Commissioner of the Financial Services Agency (Ordinance No. 48 issued by the Ministry of Finance in 1996).

    2) Reserves for other policies are calculated based on the net level premium method.

    In addition, the Company and its certain consolidated life insurance companies in Japan provided additional policy reserves in the six months ended September 30, 2019. As a result, policy reserves increased by ¥68,819 million, while ordinary profit and surplus before income taxes decreased by ¥68,819 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 ¥62,299 million, while ordinary profit and surplus before income taxes decreased by ¥62,299 million, compared with amounts that would have been recorded if the additional policy reserve amounts had not been reserved in the six months ended September 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 ¥6,520 million, while ordinary profit and surplus before income taxes decreased by ¥6,520 million, compared with amounts that would have been recorded if the additional policy reserve amounts had not been reserved in the six months ended September 30, 2019.

    (2) Policy reserves of consolidated overseas life insurance companies are recorded as the amounts calculated in accordance with the accounting standards of each country, such as Australian accounting standards.

17. The corporate tax, inhabitant tax, and income tax adjustments of the Company for the six months ended September 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.

18. (1) Consolidated balance sheet amounts and fair values of major financial instruments and their differences are as follows:

	Million Yen		
	Consolidated balance sheet amount(*1)	Fair value(*2)	Difference
Cash and deposits (negotiable certificates of deposit):	301,299	301,299	—
Available-for-sale securities	301,299	301,299	—
Monetary receivables purchased:	366,573	383,298	16,725
Held-to-maturity debt securities	39,181	40,256	1,074
Policy-reserve-matching bonds	257,823	273,474	15,650
Available-for-sale securities	69,568	69,568	—
Assets held in trust:	10,998	10,998	—
Trading securities	10,798	10,798	—
Available-for-sale securities	200	200	—
Investments in securities:	64,946,708	70,209,563	5,262,854
Trading securities	1,393,167	1,393,167	—
Held-to-maturity debt securities	375,586	401,095	25,509
Policy-reserve-matching bonds	24,244,005	29,301,905	5,057,900
Investments in subsidiaries and affiliates	43,772	223,217	179,445
Available-for-sale securities	38,890,176	38,890,176	—
Loans(*3):	8,515,622	8,815,393	299,770
Policy loans	620,245	620,245	—
Industrial and consumer loans	7,895,376	8,195,147	299,770
Derivative financial instruments(*4):	143,737	143,737	—
Hedge accounting not applied	142,242	142,242	—
Hedge accounting applied	1,495	1,495	—
Corporate bonds(*3 and *5)	(1,175,589)	(1,224,057)	(48,468)
Payables under repurchase agreements(*5)	(1,196,298)	(1,196,298)	—
Loans payable(*3 and *5)	(527,425)	(532,175)	(4,749)

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

(*2) For securities for which impairment losses were recognized in the six months ended September 30, 2019, the fair value is the consolidated balance sheet amount net of the impairment losses recognized.

(*3) The fair values of derivative financial instruments that are interest rate swaps to which exceptional accounting treatment ("*Tokurei-shori*") is applied or currency swaps to which designated hedge accounting ("*Furiate-shori*") is applied are included in the fair values of loans, corporate bonds, and loans payable because they are accounted for as an integral part of the loans, corporate bonds, and loans payable that are the hedged items.

(*4) Receivables and payables generated by derivative financial instruments are offset and presented in net amounts. Net payables in total are presented in parentheses.

(*5) Corporate bonds, payables under repurchase agreements, and loans payable are recorded in liabilities and presented in parentheses.

(2) Fair value measurement methods for the major financial instruments of the Company and its certain consolidated subsidiaries are as follows:

1) Securities, deposits, and monetary receivables purchased that are treated as securities based on the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10)

a. Items with a market price

Fair value is measured based on the closing market price at the balance sheet date. However, the fair values of available-for-sale domestic and foreign equity securities are based on the average market price over a one-month period prior to the balance sheet date.

b. Items without a market price

Fair value is measured by discounting future cash flows to present value or valuations obtained from external parties.

2) Loans

a. Policy loans

Fair value is measured at the book value of policy loans, as the fair value is deemed to approximate book value due to expected repayment periods, interest rate requirements, and other conditions. These loans have no repayment date based on characteristics, such as the loan amount being limited to the extent of the surrender benefit.

b. Industrial and consumer loans

Fair value of variable interest rate loans is deemed to approximate their book value because market interest rates are reflected in future cash flows over the short term. Thus, book value is used as fair value for variable interest rate loans. Fair value of fixed interest rate loans is measured mainly by discounting future cash flows to present value.

Fair value of loans to legally or substantially bankrupt borrowers or borrowers who are not currently legally bankrupt, but have a high probability of bankruptcy are measured by deducting the estimated uncollectible amount from the book value prior to direct write-offs.

3) Derivative financial instruments

a. Fair value of futures and other market transactions is measured by the liquidation value or closing market price at the balance sheet date.

b. Fair value of equity options is measured mainly based on liquidation value or closing market price at the balance sheet date or valuations obtained from external parties.

c. Fair value of interest rate swaps, interest rate swaptions, foreign exchange contracts, currency options, currency swaps, and forward contracts is measured mainly based on valuations obtained from external parties.

4) Assets held in trust

Fair value is based on a reasonably calculated price by the trustee of the assets held in trust in accordance with the calculation methods set forth in 1) and 3) above.

5) Corporate bonds

Corporate bonds are stated at fair value at the balance sheet date.

6) Payables under repurchase agreements

The book value is used as fair value due to their short-term settlement.

7) Loans payable

Fair value of variable interest rate loans payable is deemed to approximate their book value because market interest rates are reflected in future cash flows over the short term. Thus, book value is used as fair value for variable interest rate loans payable. Fair value of fixed interest rate loans payable is measured, in principle, by discounting future cash flows to present value; however, loans payable financed by means of public offerings employing securitization schemes are measured at the fair value of the corporate bonds issued to back the loans payable.

(3) Unlisted equity securities, investments in partnerships whereby partnership assets consist of unlisted equity securities, and other items of which the fair value is extremely difficult to be determined are not included in investments in securities in table (1). The consolidated balance sheet amount of the foregoing was ¥961,553 million as of September 30, 2019.

(4) Matters regarding securities and others by holding purpose are as follows:

1) Trading securities

Derivative financial instruments within assets held in trust, investments in securities for separate accounts, and certain other securities are classified as trading securities.

Valuation gains/losses of those instruments included in profit and loss were gains of ¥14,530 million for the six months ended September 30, 2019.

2) Held-to-maturity debt securities

Consolidated balance sheet amounts and fair values, and their differences by type are as follows:

	Type	Million Yen Consolidated balance sheet amount	Fair value	Difference
Fair value exceeds the consolidated balance sheet amount	Monetary receivables purchased	24,863	26,096	1,233
	Domestic bonds	68,206	69,808	1,601
	Foreign securities	293,762	317,704	23,941
	Subtotal	386,832	413,609	26,776
Fair value does not exceed the consolidated balance sheet amount	Monetary receivables purchased	14,318	14,159	(158)
	Domestic bonds	1,100	1,100	—
	Foreign securities	12,516	12,482	(34)
	Subtotal	27,935	27,742	(192)
Total		414,767	441,351	26,584

3) Policy-reserve-matching bonds

Consolidated balance sheet amounts and fair values, and their differences by type are as follows:

	Type	Million Yen Consolidated balance sheet amount	Fair value	Difference
Fair value exceeds the consolidated balance sheet amount	Monetary receivables purchased	251,615	267,325	15,710
	Domestic bonds	22,987,188	27,944,990	4,957,802
	Foreign securities	894,544	1,001,270	106,726
	Subtotal	24,133,348	29,213,587	5,080,238
Fair value does not exceed the consolidated balance sheet amount	Monetary receivables purchased	6,208	6,148	(59)
	Domestic bonds	332,445	326,210	(6,234)
	Foreign securities	29,827	29,433	(393)
	Subtotal	368,480	361,792	(6,688)
Total		24,501,829	29,575,379	5,073,550

4) Available-for-sale securities

Acquisition cost or amortized cost, and consolidated balance sheet amounts, and their differences by type are as follows:

	Type	Million Yen: Acquisition cost or amortized cost	Consolidated balance sheet amount	Difference
Consolidated balance sheet amount exceeds acquisition cost or amortized cost	Cash and deposits (negotiable certificates of deposit)	132,800	132,800	0
	Monetary receivables purchased	45,132	47,162	2,030
	Domestic bonds	3,903,594	4,224,532	320,937
	Domestic stocks	3,355,658	7,725,070	4,369,411
	Foreign securities	17,103,317	19,992,055	2,888,737
	Other securities	3,068,303	3,406,898	338,595
	Subtotal	27,608,806	35,528,519	7,919,712
Consolidated balance sheet amount does not exceed acquisition cost or amortized cost	Cash and deposits (negotiable certificates of deposit)	168,500	168,499	(0)
	Monetary receivables purchased	22,497	22,405	(91)
	Assets held in trust	200	200	—
	Domestic bonds	198,833	193,566	(5,266)
	Domestic stocks	1,293,578	967,429	(326,148)
	Foreign securities	2,381,189	2,278,234	(102,954)
	Other securities	104,583	102,388	(2,194)
	Subtotal	4,169,381	3,732,725	(436,656)
	Total	31,778,187	39,261,244	7,483,056

* Securities totaling ¥634,491 million, whose fair value is extremely difficult to determine, are not included in the table above.

Impairment losses of ¥22,033 million were recognized for securities with a fair value during the six months ended September 30, 2019. Regarding stocks (including foreign stocks) with fair values of the Company and certain consolidated subsidiaries, impairment losses are recognized for stocks whose fair value has declined significantly from the acquisition cost based on the average fair value of the month preceding September 30, 2019. However, in the case of a security that meets certain criteria, such as a security for which the fair value has declined significantly and the decline in the fair value in the month preceding September 30, 2019, is significant, impairment losses are recognized based on the fair value as of September 30, 2019.

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

a. A security for which the average fair value in the month preceding September 30, 2019, is 50% or less of the acquisition cost.

b. The average fair value in the month preceding September 30, 2019, exceeds 50%, but equal to or less than 70% of the acquisition cost.

19. As of September 30, 2019, there were no significant changes in the consolidated balance sheet amounts and fair values of investment and rental properties from the end of the previous fiscal year.

20. (1) The total amount of loans to bankrupt borrowers, delinquent loans, loans that are delinquent for over three months, and restructured loans, which were included in loans, was ¥31,319 million as of September 30, 2019. The details of those balances were as follows:

1) The balances of loans to bankrupt borrowers and delinquent loans were ¥1,177 million and ¥28,384 million, respectively, as of September 30, 2019.

Loans to bankrupt borrowers are loans for which interest is not accrued as income, except for a portion of loans written off, and to which any event specified in Article 96, Paragraph 1, Item 3 (a) to (e) or Item 4 of the Order for Enforcement of the Corporation Tax Act has occurred. Interest is not accrued as income for such loans since the recovery of principal or interest on the loans is unlikely due to the fact that principal repayments or interest payments are overdue for a significant period of time or for other reasons.

Delinquent loans are loans for which interest is not accrued other than the loans to bankrupt borrowers and those with interest payments extended with the objective of restructuring or supporting the borrowers.

2) There were no loans delinquent for over three months as of September 30, 2019.

Loans that are delinquent for over three months are loans with principal or interest unpaid for over three months beginning one day after the due date based on the loan agreement other than the loans classified as loans to bankrupt borrowers and delinquent loans.

3) The balance of restructured loans was ¥1,757 million as of September 30, 2019.

Restructured loans are loans that provide certain concessions favorable to borrowers with the intent of supporting the borrowers' restructuring, such as by reducing or exempting interest, postponing principal or interest payments, releasing credits, or providing other benefits to the borrowers other than the loans classified as loans to bankrupt borrowers, delinquent loans, and loans delinquent for over three months.

(2) Direct write-offs of loans decreased the balances of loans to bankrupt borrowers and delinquent loans by ¥3,194 million and ¥733 million, respectively, as of September 30, 2019.

21. The amount of accumulated depreciation of tangible fixed assets was ¥1,166,952 million as of September 30, 2019.

22. Separate account assets as provided in accordance with Article 118, Paragraph 1 of the Insurance Business Act were ¥1,485,545 million as of September 30, 2019, and a corresponding liability is recorded in the same amount.

23. Changes in the reserve for dividends to policyholders (mutual company) for the six months ended September 30, 2019, were as follows:

	Million Yen	
	Six months ended September 30, 2019	
a. Balance at the beginning of the current fiscal year	¥	1,020,213
b. Transfer to reserve from surplus for the previous fiscal year	¥	211,818
c. Dividends paid to policyholders (mutual company) during the current six-month period	¥	119,677
d. Increase in interest	¥	10,937
e. Balance at the end of the current six-month period (a+b-c+d)	¥	1,123,292

24. Changes in the reserve for dividends to policyholders (limited company) for the six months ended September 30, 2019, were as follows:

	Million Yen	
	Six months ended September 30, 2019	
a. Balance at the beginning of the current fiscal year	¥	60,326
b. Dividends paid to policyholders (limited company) during the current six-month period	¥	7,449
c. Increase in interest	¥	5
d. Provision for reserve for dividends to policyholders (limited company)	¥	6,197
e. Balance at the end of the current six-month period (a-b+c+d)	¥	59,080

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

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

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

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

26. Other liabilities include subordinated loans payable of ¥426,500 million with special provisions that the fulfillment of obligations on the loans payable is subordinate to all other debt obligations.

    The Company has decided to take out the following yen-denominated subordinated loan on November 21, 2019.

Principal amount	¥80 billion
Interest rate	Fixed rate of 0.85% per annum before November 21, 2029, and a fixed rate with step-up thereafter (reset every five years)
Repayment date	The third bank business day preceding November 21, 2049 (The loan is callable on the third bank business day preceding November 21, 2029, and the third bank business day preceding each fifth anniversary date thereafter, until the loan is fully redeemed at the discretion of the Company, subject to prior approval by the regulatory authorities.)
Use of funds	General working capital

27. Assets pledged as collateral in the form of cash and deposits, investments in securities, land, buildings and lease receivables as of September 30, 2019, were ¥59 million, ¥2,004,254 million, ¥252 million, ¥44 million and ¥13,346 million, respectively. The total amount of liabilities covered by the assets pledged was ¥1,220,035 million as of September 30, 2019. These amounts included ¥1,102,815 million of sale of securities under repurchase agreements, ¥1,196,298 million of payables under repurchase agreements, ¥10,026 million of investments in securities deposited, and ¥10,878 million of cash received as collateral under securities lending transactions secured by cash as of September 30, 2019.

28. Foundation funds (kikin) of ¥50,000 million were offered pursuant to Article 60 of the Insurance Business Act during the six months ended September 30, 2019.

29. The Company redeemed ¥50,000 million of foundation funds and credited the same amount to reserve for redemption of foundation funds as prescribed in Article 56 of the Insurance Business Act for the six months ended September 30, 2019.

30. The total amount of stocks and investments in nonconsolidated subsidiaries and affiliates was ¥370,834 million.

    On September 10, 2019, the Company made an investment of ¥2,256 million in Grand Guardian Life Insurance Company Limited ("GGLI"), acquiring approximately 35.0% of GGLI's shares. In addition, GGLI changed its name to Grand Guardian Nippon Life Insurance Company Limited on September 11, 2019.

31. Matters concerning stock options are as follows:

(1) Stock option-related expenses of ¥140 million and profit related to the forfeiture of unexercised stock options of ¥2 million were recorded as gains on equity method investments and presented in other ordinary income.

(2) Description of stock options

	RNAM			
	2017 First Series of Share Acquisition Rights	**2017 Second Series of Share Acquisition Rights**	**2017 Third Series of Share Acquisition Rights**	**2019 First Series of Share Acquisition Rights**
Title and number of grantees	Representative Director: 1 Employees: 84	Representative Director: 1 Employees: 137	Representative Director: 1 Employees: 157	Representative Director: 1 Employees: 156
Number of stock options granted by class of shares*1	Common shares: 4,944,246	Common shares: 4,598,135	Common shares: 11,190,706	Common shares: 18,081,008
Grant date	August 8, 2017	April 25, 2018	April 29, 2019	August 1, 2019
Vesting conditions	25% of the stock options are vested every year after being granted.*2	25% of the stock options are vested every year after being granted.	25% of the stock options are vested every year after being granted.	25% of the stock options are vested every year after being granted.
Requisite service period	From the grant date to the date when the vesting conditions are satisfied	From the grant date to the date when the vesting conditions are satisfied	From the grant date to the date when the vesting conditions are satisfied	From the grant date to the date when the vesting conditions are satisfied
Exercise period	From August 8, 2018 to August 7, 2024	From April 25, 2019 to April 24, 2025	From April 29, 2020 to April 28, 2026	From August 1, 2020 to July 31, 2026

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

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

(3) Volume and changes in stock options

a. Number of stock options

Unit: Stocks

	RNAM			
	2017 First Series of Share Acquisition Rights	2017 Second Series of Share Acquisition Rights	2017 Third Series of Share Acquisition Rights	2019 First Series of Share Acquisition Rights
Before vesting				
As of March 31, 2019	3,880,220	4,464,829	—	—
Granted	—	—	11,190,706	18,081,008
Forfeited	192,436	217,207	103,179	34,568
Vested	820,463	1,116,207	—	—
Outstanding	2,867,321	3,131,415	11,087,527	18,046,440
After vesting				
As of March 31, 2019	884,608	—	—	—
Vested	820,463	1,116,207	—	—
Exercised	37,460	—	—	—
Forfeited	64,145	72,402	—	—
Exercisable	1,603,466	1,043,805	—	—

* The table above shows changes at RNAM from the end of the previous fiscal year.

b. Price information

Unit: Indian rupees

	RNAM			
	2017 First Series of Share Acquisition Rights	2017 Second Series of Share Acquisition Rights	2017 Third Series of Share Acquisition Rights	2019 First Series of Share Acquisition Rights
Exercise price	204.25	256.10	202.50	223.32
Average stock price when exercised	227.05	—	—	—
Fair value on the grant date	10.82	45.71	38.94	43.06

(4) Valuation technique for fair value of stock options

a. Valuation technique

Black-Scholes option-pricing model

b. Principal parameters used in the option-pricing model

	RNAM			
	2017 First Series of Share Acquisition Rights	2017 Second Series of Share Acquisition Rights	2017 Third Series of Share Acquisition Rights	2019 First Series of Share Acquisition Rights
Expected volatility*1	13.92%–20.81%	14.21%–20.81%	16.66%	16.46%
Expected remaining life*2	4.0–5.5 years	4.0–5.5 years	4.0–5.5 years	4.0–5.5 years
Expected dividends rates*3	3.09%	3.25%	2.97%	3.22%
Risk-free interest rate*4	6.20%–6.34%	7.06%–7.15%	6.32%–6.55%	6.22%–6.45%

*1 Calculated based on indexes provided by the National Stock Exchange of India.

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

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

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

(5) Method of estimating the number of stock options vested

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

32. Matters concerning business combinations through acquisitions are as follows:

1) Overview of the business combination

a. Name and business of the acquiree

Name: RNAM

Business: Asset management

b. Main reasons for executing the business combination

RNAM's trust assets under management have grown steadily, and the Company intends to support

RNAM's attempt to enhance presence in the Indian asset management market, which is expected to show future growth driven by the solid economic growth.

c. Date of business combination

September 30, 2019 (deemed acquisition date)

d. Legal form of the business combination

Open offer to the public shareholders as per Indian regulations and share acquisition based on an agreement with Reliance Capital Limited (RCAP) to acquire shares of RNAM held by RCAP (the "Open Offer").

e. Name of company after business combination

RNAM

(Scheduled to be renamed, subject to approval by the relevant authorities and other conditions)

f. Percentage of voting rights acquired

Percentage of voting rights held before the Open Offer

42.875%

Percentage of voting rights acquired based on the Open Offer*

32.125%

Percentage of voting rights after the acquisition

75%

* Reflects the impact of changes in the percentage of voting rights due to the exercise of stock options for RNAM shares after the open offer.

g. Main rationale for determining the acquirer

It is clear that the Company will control the decision-making body of the acquiree by obtaining the majority of voting rights.

2) Period for which the acquiree's business results were included in the consolidated statement of income for the six months ended September 30, 2019

On the consolidated statement of income for the six months ended September 30, 2019, profit or loss related to the acquiree from April 1, 2019 to September 30, 2019 is recorded as gain on equity method investments and presented in other ordinary income.

3) Acquisition cost and breakdown

Consideration for acquisition:

Fair value of RNAM shares held right before the Open Offer

¥92,940 million

Additional cash payment for RNAM shares acquired through the Open Offer

¥68,759 million

Acquisition cost

¥161,699 million

4) Difference between the acquisition cost and the total cost of individual transactions before obtaining control Gain on step acquisitions

¥48,730 million

5) Description and the amount of main acquisition-related costs

Advisory fees and others

¥215 million

6) Amount of and reasons for recognizing goodwill, and amortization method and period

a. Amount of goodwill

¥98,115 million

The figure is a provisional amount estimated based on currently available information as the allocation of the acquisition cost has not yet been completed as of the end of September 2019.

b. Reasons

Goodwill was recognized because the equity interest in the net amount of the assets acquired and the liabilities assumed was lower than the acquisition cost.

c. Amortization method and period

Straight-line amortization over 20 years

7) Amounts of the assets acquired and the liabilities assumed on the date of business combination and their main components

Total assets:	¥116,050 million (including the amount allocated to intangible assets other than goodwill of ¥74,674 million)
Total liabilities:	¥30,755 million (including deferred tax liabilities of ¥26,050 million)

8) Amount of acquisition cost allocated to intangible assets other than goodwill and amortization period

Amount of intangible assets other than goodwill:	¥74,674 million,
Amortization period:	19 years

(including contract-related assets of ¥74,674 million and amortization period of 19 years)

The figures are provisional amounts and amortization periods estimated based on currently available information, as the allocation of the acquisition cost has not yet been completed as of the end of September 2019.

9) Estimated amount of impact on the consolidated statements of income for the six months ended September 30, 2019 and calculation method, assuming that the business combination was completed as of the beginning of the six months ended September 30, 2019

Ordinary income was ¥10,150 million, ordinary profit was ¥204 million, and net surplus attributable to the parent company was ¥47,718.

The estimated amounts of the impact represent the difference between gain on equity method investments and gain on step acquisitions recorded by the Company for the six months ended September 30, 2019, based on RNAM's ordinary income, ordinary profit, and net surplus attributable to the parent company for the six months ended

September 30, 2019. In addition, amortization and related amounts are calculated based on the assumption that goodwill recognized at the time of the business combination as well as intangible assets were recognized as of the beginning of the six months ended September 30, 2019. The estimated amounts do not represent RNAM's ordinary income, ordinary profit, and net surplus attributable to the parent company that would have been recorded if the business combination had actually been completed as of the beginning of the six months ended September 30, 2019.

This note has not received audit certification.

33. The amount of securities lent under lending agreements was ¥3,383,198 million as of September 30, 2019.

34. Assets that the Company has a free disposal right to sell or re-pledge are marketable securities borrowed under lending agreements. These assets were held without being sold or re-pledged and totaled ¥349,607 million at fair value as of September 30, 2019.

35. The unused amount of commitments related to loans and similar loan agreements was ¥310,119 million as of September 30, 2019.

36. Of the maximum borrowing amount from the Life Insurance Policyholders Protection Corporation of Japan, which is provided for in Article 37-4 of the Order for Enforcement of the Insurance Business Act, the amount applied to the Company and its certain consolidated subsidiaries was estimated to be ¥89,563 million as of September 30, 2019. The amount contributed to the corporation above was recorded as operating expenses.

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

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

38. TAIJU LIFE INSURANCE COMPANY, the Company's subsidiary, has concluded a modified coinsurance agreement (commencement date of reinsurance agreement: July 1, 2019) covering foreign currency- denominated single payment endowment insurance (U.S. dollar) and foreign currency-denominated single payment endowment insurance (Australian dollar).

    Through this modified coinsurance 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 coinsurance agreement stood at ¥50,106 million as of September 30, 2019. The outstanding balance of the policy reserve component associated with the modified coinsurance agreement stood at ¥704,676 million as of September 30, 2019.

Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

[Consolidated Statements of Income]

	Million Yen	
	Six months ended September 30, 2019	Six months ended September 30, 2018
Ordinary income:	4,102,239	4,009,947
Revenues from insurance and reinsurance	2,950,348	2,778,123
Investment income:	995,495	1,090,814
Interest, dividends, and other income	796,468	802,447
Gain on trading securities	28,143	8,927
Gain on sales of securities	105,155	131,020
Gain on derivative financial instruments, net	48,095	—
Foreign exchange gains, net	—	103,506
Gain from separate accounts, net	14,822	43,016
Other ordinary income	156,395	141,009
Ordinary expenses:	3,948,483	3,742,385
Benefits and other payments:	2,250,651	2,192,250
Death and other claims	619,463	647,099
Annuity payments	468,568	460,393
Health and other benefits	449,771	435,007
Surrender benefits	537,199	531,435
Other refunds	127,173	96,153
Provision for policy reserves:	829,684	735,737
Provision for policy reserves	818,741	724,600
Provision for interest on reserve for dividends to policyholders (mutual company)	10,937	11,130
Provision for interest on reserve for dividends to policyholders (limited company)	5	6
Investment expenses:	291,686	248,051
Interest expenses	18,509	16,676
Loss from assets held in trust, net	3,260	9,340
Loss on sales of securities	18,499	70,894
Loss on valuation of securities	50,121	4,386
Loss on derivative financial instruments, net	—	114,930
Foreign exchange losses, net	171,322	—
Operating expenses	405,496	402,122
Other ordinary expenses	170,964	164,223
Ordinary profit	153,756	267,562
Extraordinary gains:	51,767	13,498
Gain on disposals of fixed assets	3,036	3,151
Gain on bargain purchase	—	10,347
Gain on step acquisitions	48,730	—
Extraordinary losses:	63,301	118,526
Loss on disposals of fixed assets	1,754	2,013
Impairment losses	2,065	1,449
Provision for reserve for price fluctuations in investments in securities	56,480	112,213
Contributions for assisting social public welfare	3,000	2,850
Provision for reserve for dividends to policyholders (limited company)	6,197	6,394
Surplus before income taxes	136,024	156,139
Income taxes – current	73,728	60,373
Income taxes – deferred	(69,837)	(48,268)
Total income taxes	3,890	12,105
Net surplus	132,133	144,033
Net (deficit) surplus attributable to noncontrolling interests	(1,634)	2,612
Net surplus attributable to the parent company	133,768	141,421

Notes to the Consolidated Statement of Income for the Six Months Ended September 30, 2019

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. 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 six months ended September 30, 2019, is as follows:

	Million Yen			
Purpose of use	**Land**	**Leasehold interests in land**	**Buildings and others**	**Total**
Real estate for rental use	¥ 29	—	¥ 580	¥ 610
Idle properties	¥ 843	¥ 168	¥ 443	¥ 1,455
Total	¥ 872	¥ 168	¥ 1,024	¥ 2,065

   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. Reinsurance premiums included in revenues from insurance and reinsurance of TAIJU LIFE INSURANCE COMPANY, the Company's subsidiary, include reinsurance premiums of ¥78,753 million related to the modified coinsurance agreement for foreign currency-denominated single payment endowment insurance (U.S. dollar) and foreign currency-denominated single payment endowment insurance (Australian dollar). The breakdown of these premiums is as follows:

   a. Adjustment to policy reserve for ceded reinsurance (excluding b.): ¥24,130 million
   b. Additional policy reserves associated with market price adjustments: ¥50,564 million
   c. Others: ¥ 4,058 million

   With the implementation of this reinsurance, ordinary profit and surplus before income taxes increased by ¥50,106 million each.

[Consolidated Statements of Comprehensive Income]

	Million Yen	
	Six months ended September 30, 2019	Six months ended September 30, 2018
Net surplus	132,133	144,033
Other comprehensive (loss) income:	553,588	(18,574)
Net unrealized gains on available-for-sale securities	533,289	49,287
Deferred gains (losses) on derivatives under hedge accounting	28,547	(35,172)
Foreign currency translation adjustments	(12,993)	(21,459)
Remeasurement of defined benefit plans	5,084	3,999
Share of other comprehensive loss of associates accounted for under the equity method	(339)	(15,229)
Comprehensive income:	685,722	125,459
Comprehensive income attributable to the parent company	677,330	128,764
Comprehensive income (loss) attributable to noncontrolling interests	8,391	(3,305)

Consolidated Statements of Cash Flows

	Million Yen	
	Six months ended September 30, 2019	Six months ended September 30, 2018
I. Cash flows from operating activities:		
Surplus before income taxes	136,024	156,139
Depreciation of real estate for rental use and other assets	10,008	9,120
Depreciation	33,367	25,617
Impairment losses	2,065	1,449
Amortization of goodwill	1,238	1,337
Gain on bargain purchase	—	(10,347)
Net decrease in reserve for outstanding claims	(30,688)	(23,833)
Net increase in policy reserve	814,370	719,807
Provision for interest on reserve for dividends to policyholders (mutual company)	10,937	11,130
Provision for interest on reserve for dividends to policyholders (limited company)	5	6
Provision for reserve for dividends to policyholders (limited company)	6,197	6,394
Net (decrease) increase in allowance for doubtful accounts	(588)	2,757
Net decrease in accrued bonuses for directors, and audit and supervisory board members	(68)	(57)
Net increase in net defined benefit liability	4,357	1,554
Net decrease in accrued retirement benefits for directors, and audit and supervisory board members	(200)	(880)
Net increase in reserve for price fluctuations in investments in securities	56,480	112,213
Interest, dividends, and other income	(796,468)	(802,447)
Net gains on investments in securities	(34,332)	(51,804)
Interest expenses	18,509	16,676
Net losses (gains) on tangible fixed assets	309	(1,415)
Gains from separate accounts	(14,822)	(43,016)
Gain on step acquisitions	(48,730)	—
Others, net	(20,536)	(37,273)
Subtotal	147,437	93,129
Interest, dividends, and other income received	838,736	850,252
Interest paid	(17,513)	(14,892)
Dividends paid to policyholders (mutual company)	(98,514)	(95,924)
Dividends paid to policyholders (limited company)	(7,449)	(8,287)
Others, net	(6,375)	2,494
Income taxes paid	(68,295)	(88,021)
Net cash provided by operating activities	788,025	738,749

Consolidated Statements of Cash Flows—(Continued)

	Million Yen	
	Six months ended September 30, 2019	Six months ended September 30, 2018
II. Cash flows from investing activities:		
Net increase in deposits	0	28
Purchases of monetary receivables purchased	(3,328)	(4,775)
Proceeds from sales and redemptions of monetary receivables purchased	24,340	28,549
Purchases of assets held in trust	(1,000)	(3,700)
Proceeds from decrease in assets held in trust	99	0
Purchases of securities	(4,519,982)	(6,969,044)
Proceeds from sales and redemptions of securities	3,333,996	5,861,977
Disbursements for loans	(758,781)	(753,904)
Proceeds from collections of loans	665,449	769,097
Others, net	653,767	274,428
Total of asset management activities	(605,439)	(797,343)
[Sum of operating activities and asset management activities]	182,586	(58,594)
Purchases of tangible fixed assets	(25,354)	(16,674)
Proceeds from sales of tangible fixed assets	3,670	10,598
Payments for acquisition of subsidiary's shares resulting in change in the scope of consolidation	(55,886)	(49,960)
Others, net	(24,956)	(22,788)
Net cash used in investing activities	(707,965)	(876,169)
III. Cash flows from financing activities:		
Proceeds from debt borrowing	133,514	297,330
Repayments of debt	(47,284)	(88,866)
Proceeds from issuance of foundation funds	50,000	—
Redemption of foundation funds	(50,000)	(50,000)
Interest payments on foundation funds	(355)	(790)
Others, net	963	(5,364)
Net cash provided by financing activities	86,838	152,310
IV. Effect of exchange rate changes on cash and cash equivalents	(11,475)	13,531
V. Net increase in cash and cash equivalents	155,422	28,422
VI. Cash and cash equivalents at the beginning of the period	2,011,931	1,897,011
VII. Increase in cash and cash equivalents resulting from change in scope of consolidation	3,621	—
VIII. Cash and cash equivalents at the end of the period	2,170,976	1,925,434

Notes to the Consolidated Statement of Cash Flows for the Six Months Ended September 30, 2019

1. Cash and cash equivalents

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

2. Main components of assets and liabilities of newly consolidated subsidiaries due to acquisition of shares

   Major assets and liabilities of RNAM and its four affiliated companies at the time of acquisition, as well as the acquisition cost and the net payment for the acquisition are as follows:

		Million Yen
Total assets:	¥	116,050
(including the amount allocated to intangible assets other than goodwill of ¥74,674 million)		
Goodwill	¥	98,115
Total liabilities:	¥	(30,755)
(including deferred tax liabilities of ¥(26,050) million)		
Share acquisition rights	¥	(515)
Noncontrolling interests	¥	(21,194)
Acquisition cost	¥	161,699
Gain on step acquisitions	¥	(48,730)
Acquisition cost before obtaining control	¥	(44,209)
Cash and cash equivalents of the acquiree	¥	(12,873)
Net payments for the acquisition	¥	55,886

Consolidated Statements of Changes in Net Assets

For the six months ended September 30, 2019

	Million Yen				
	Foundation funds and others				
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Consolidated surplus	Total foundation funds and others
Beginning balance	100,000	1,250,000	651	629,555	1,980,206
Increase/decrease:					
Issuance of foundation funds	50,000				50,000
Additions to reserve for dividends to policyholders (mutual company)				(211,818)	(211,818)
Additions to reserve for redemption of foundation funds		50,000		(50,000)	—
Interest on foundation funds				(355)	(355)
Net surplus attributable to the parent company				133,768	133,768
Redemption of foundation funds	(50,000)				(50,000)
Reversal of land revaluation losses				(613)	(613)
Changes in the scope of consolidation and application of the equity method				(1,982)	(1,982)
Net change, excluding foundation funds and others					
Net change	—	50,000	—	(131,002)	(81,002)
Ending balance	100,000	1,300,000	651	498,553	1,899,204

	Million Yen								
	Accumulated other comprehensive income								
	Net unrealized gains on available-for-sale securities	Deferred losses on derivatives under hedge accounting	Land Revaluation losses	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Share acquisition rights	Non-controlling interests	Total net assets
Beginning balance	4,943,922	(31,643)	(54,690)	(4,853)	(13,494)	4,839,241	—	158,772	6,978,221
Increase/decrease:									
Issuance of foundation funds									50,000
Additions to reserve for dividends to policyholders (mutual company)									(211,818)
Additions to reserve for redemption of foundation funds									—
Interest on foundation funds									(355)
Net surplus attributable to the parent company									133,768
Redemption of foundation funds									(50,000)
Reversal of land revaluation losses									(613)
Changes in the scope of consolidation and application of the equity method									(1,982)
Net change, excluding foundation funds and others	526,083	28,072	613	(15,610)	5,017	544,176	515	29,019	573,711
Net change	526,083	28,072	613	(15,610)	5,017	544,176	515	29,019	492,709
Ending balance	5,470,005	(3,571)	(54,076)	(20,464)	(8,476)	5,383,417	515	187,792	7,470,930

Consolidated Statements of Changes in Net Assets—(Continued)

For the six months ended September 30, 2018

	Million Yen				
	Foundation funds and others				
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Consolidated surplus	Total foundation funds and others
Beginning balance	150,000	1,200,000	651	625,131	1,975,782
Increase/decrease:					
Additions to reserve for dividends to policyholders (mutual company)				(218,353)	(218,353)
Additions to reserve for redemption of foundation funds		50,000		(50,000)	—
Interest on foundation funds				(790)	(790)
Net surplus attributable to the parent company				141,421	141,421
Redemption of foundation funds	(50,000)				(50,000)
Reversal of land revaluation losses				831	831
Net change, excluding foundation funds and others					
Net change	(50,000)	50,000	—	(126,890)	(126,890)
Ending balance	100,000	1,250,000	651	498,241	1,848,892

	Million Yen							
	Accumulated other comprehensive income							
	Net unrealized gains on available-for-sale securities	Deferred losses on derivatives under hedge accounting	Land revaluation losses	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Noncontrolling interests	Total net assets
Beginning balance	4,918,602	(59,092)	(60,989)	28,706	(18,632)	4,808,594	137,996	6,922,373
Increase/decrease:								
Additions to reserve for dividends to policyholders (mutual company)								(218,353)
Additions to reserve for redemption of foundation funds								—
Interest on foundation funds								(790)
Net surplus attributable to the parent company								141,421
Redemption of foundation funds								(50,000)
Reversal of land revaluation losses								831
Net change, excluding foundation funds and others	47,963	(35,097)	(831)	(29,469)	3,946	(13,488)	15,806	2,317
Net change	47,963	(35,097)	(831)	(29,469)	3,946	(13,488)	15,806	(124,572)
Ending balance	4,966,565	(94,189)	(61,821)	(762)	(14,685)	4,795,105	153,802	6,797,800

Notes to Statements of Changes in Net Assets

1. Matters concerning share acquisition rights

		Million Yen
Classification	Breakdown of share acquisition rights	Balance as of September 30, 2019
RNAM	Share acquisition rights provided as stock options	515

Nonconsolidated Balance Sheets

	Million Yen	
	As of September 30, 2019	As of March 31, 2019
Assets:		
Cash and deposits	1,070,209	977,580
Call loans	462,992	429,912
Monetary receivables purchased	213,431	244,043
Assets held in trust	10,798	13,157
Investments in securities:	57,840,760	56,383,725
National government bonds	21,213,769	21,140,721
Local government bonds	747,783	790,372
Corporate bonds	2,092,714	1,969,571
Domestic stocks	9,021,534	9,110,036
Foreign securities	21,241,433	20,121,556
Loans:	7,455,541	7,438,736
Policy loans	566,972	582,774
Industrial and consumer loans	6,888,569	6,855,961
Tangible fixed assets	1,676,032	1,680,589
Intangible fixed assets	191,254	192,502
Reinsurance receivables	178	587
Other assets	1,188,411	688,042
Customers' liability for acceptances and guarantees	74,656	69,893
Allowance for doubtful accounts	(3,198)	(4,463)
Allowance for investment loss	(32,150)	(29,597)
Total assets	70,148,916	68,084,710
Liabilities:		
Policy reserves and other reserves:	57,079,335	56,347,264
Reserve for outstanding claims	206,698	238,428
Policy reserves	55,749,343	55,088,621
Reserve for dividends to policyholders	1,123,292	1,020,213
Reinsurance payables	189	624
Corporate bonds	1,028,889	1,028,889
Other liabilities:	2,441,362	1,694,384
Income taxes payable	43,150	40,348
Lease obligations	8,272	9,341
Asset retirement obligations	4,857	4,850
Other liabilities	2,385,081	1,639,844
Accrued bonuses for directors, and audit and supervisory board members	38	106
Accrued retirement benefits	371,393	365,897
Accrued retirement benefits for directors, and audit and supervisory board members	4,044	4,225
Reserve for program points	9,654	9,203
Reserve for price fluctuations in investments in securities	1,435,604	1,381,653
Deferred tax liabilities	631,884	496,857
Deferred tax liabilities for land revaluation	103,497	103,748
Acceptances and guarantees	74,656	69,893
Total liabilities	63,180,550	61,502,747

Nonconsolidated Balance Sheets—(Continued)

	Million Yen	
	As of September 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:	274,590	434,526
Legal reserve for deficiencies	18,394	17,578
Other surplus reserves:	256,196	416,948
Equalized reserve for dividends to policyholders	—	10,000
Contingency funds	71,917	71,917
Reserve for social public welfare assistance	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	105,236	256,070
Total foundation funds and others	1,675,241	1,785,178
Net unrealized gains on available-for-sale securities	5,349,840	4,882,692
Deferred losses on derivatives under hedge accounting	(2,638)	(31,216)
Land revaluation losses	(54,076)	(54,690)
Total valuations, conversions, and others	5,293,125	4,796,785
Total net assets	6,968,366	6,581,963
Total liabilities and net assets	70,148,916	68,084,710

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

Notes to the Nonconsolidated Balance Sheet as of September 30, 2019

1. (1) Securities (including items, such as deposits and monetary receivables purchased which are treated as securities based on the "Accounting Standard for Financial Instruments" (ASBJ* Statement No. 10) and securities within assets held in trust) are valued as follows:

    1) Trading securities are stated at fair value at the balance sheet date. The moving average method is used for calculating cost of securities sold.

    2) Held-to-maturity debt securities are measured at amortized cost using the moving average method.

       The cost of securities is amortized on a straight-line basis.

    3) Policy-reserve-matching bonds are measured at amortized cost using the moving average method.

       The cost of bonds is amortized on a straight-line basis in accordance with the Industry Audit Committee Report No. 21, "Temporary Treatment of Accounting and Auditing Concerning Policy- Reserve-Matching Bonds in the Insurance Industry," issued by the JICPA.

    4) Investments in subsidiaries and affiliates (stocks issued by subsidiaries prescribed in Article 2, Paragraph 12 of the Insurance Business Act or subsidiaries prescribed in Article 13-5-2, Paragraph 3 of the Order for Enforcement of the Insurance Business Act and stocks issued by affiliates prescribed in Article 13-5-2, Paragraph 4 of the Order for Enforcement of the Insurance Business Act) are stated at cost using the moving average method.

    5) Available-for-sale securities

       a. Regarding securities with fair value, stocks (including foreign stocks) are measured at the average fair value based on quoted market prices during the period of one month before the balance sheet date (cost of securities sold is calculated using the moving average method). Other securities with fair value are measured at the fair value at the balance sheet date (cost of securities sold is calculated using the moving average method).

       b. Of securities of which their fair value is extremely difficult to be determined, bonds (including foreign bonds) for which the difference between the purchase price and face value is due to an interest rate adjustment are measured at amortized cost using the moving average method. The cost of those bonds is amortized on a straight-line basis. Other securities without readily determinable fair values are stated at cost using the moving average method.

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

2. Securities that are held for the purpose of matching the duration of outstanding liabilities within the subgroups classified by insurance type, payment method, maturity period, currency, and investment policy are classified as policy-reserve-matching bonds in accordance with the Industry Audit Committee Report No. 21, "Temporary Treatment of Accounting and Auditing Concerning Policy-Reserve-Matching Bonds in the Insurance Industry," issued by the JICPA.

   The Company has specified the following types of insurance policies and set those as subcategories:

   (1) All insurance policies for products other than single payment products and group annuities

   (2) All insurance policies for single payment products (denominated in yen) other than variable assumed rate-type insurance

   (3) All insurance policies for group annuities other than guaranteed fixed-term rate products

---

* ASBJ: The Accounting Standards Board of Japan

(4) All single payment products (denominated in U.S. dollars) other than the foregoing

(5) All single payment products (denominated in Australian dollars) other than the foregoing

(6) All single payment products (denominated in euros) other than the foregoing

3. Derivative financial instruments and derivative financial instruments within assets held in trust are stated at fair value based on quoted market prices.

4. (1) Tangible fixed assets are depreciated based on the following methods:

   a. Tangible fixed assets (except for lease assets)

      (i) Buildings

      Straight-line method

      (ii) Assets other than the above

      Declining-balance method

      Certain other tangible fixed assets with an acquisition cost of less than ¥200,000 are depreciated over three years on a straight-line basis

   b. Lease assets

      (i) Lease assets related to financial leases that transfer ownership of the leased property to the lessee

      The same depreciation method applied to fixed assets owned by the Company

      (ii) Lease assets related to financial leases that do not transfer ownership of the leased property to the lessee

      Straight-line method over the lease term

   (2) Software, which is included in intangible fixed assets, is amortized using the straight-line method.

5. Assets and liabilities denominated in foreign currencies are translated into Japanese yen in accordance with the "Accounting Standards for Foreign Currency Transactions" (Business Accounting Council).

   Foreign currency-denominated available-for-sale securities with exchange rates which have significantly fluctuated and where those recoveries are not expected are converted to Japanese yen using either the rate at the balance sheet date or the one-month average rate prior to the balance sheet date, whichever indicates a weaker yen. The translation difference is recorded as a loss on valuation of securities.

6. (1) An allowance for doubtful accounts is recognized in accordance with the Company's internal Asset Valuation Regulation and Write-off/Provision Rule as follows:

   1) An allowance for loans to borrowers who are legally or substantially bankrupt, such as being bankrupt or being in the process of civil rehabilitation proceedings, is recognized based on the amount of credit remaining after directly deducting amounts expected to be collected through the disposal of collateral or the execution of guarantees from the balance of loans (as mentioned at (3) below).

   2) An allowance for loans to borrowers who are not currently legally bankrupt but have a high possibility of bankruptcy is recognized at the amounts deemed necessary considering the borrowers' overall solvency and the amounts remaining after deduction of amounts expected to be collected through the disposal of collateral or the execution of guarantees.

   3) An allowance for loans to borrowers other than the above is provided based on the borrowers' balance multiplied by the historical average percentage of bad debt for a certain period.

   (2) All credits are assessed by responsible sections in accordance with the Company's internal Asset Valuation Regulation. The assessments are verified by the independent Asset Auditing Department. The results of the assessments are reflected in the calculation of the allowance for doubtful accounts.

(3) The estimated uncollectible amount calculated by subtracting the amount of collateral value or the amount collectible by the execution of guarantees from the balance of loans is directly deducted from the balance of loans (including loans with credits secured and/or guaranteed) made to legally or substantially bankrupt borrowers. The estimated uncollectible amount was ¥2,639 million (including ¥81 million of credits secured and/or guaranteed) as of September 30, 2019.

7. To provide for losses on investments, an allowance for investment loss is recognized for the securities of which the fair value is extremely difficult to be determined, but expected to have loss in future and measured at the amount of the estimated losses that could arise in the future in accordance with the Company's internal Asset Valuation Regulation and Write-off/Provision Rule.

8. Accrued bonuses for directors, and audit and supervisory board members are recognized based on amounts estimated to be paid.

9. (1) Accrued retirement benefits are recognized based on the estimated amount of projected benefit obligations in excess of the fair value of pension plan assets as of March 31, 2020, for future severance payments to employee that have been accrued as of the balance sheet date.

   (2) The accounting methods used for retirement benefit obligations and benefit costs are as follows:

      1) Attribution method for estimated retirement benefits: Benefit formula basis

      2) Period of amortizing actuarial gains/losses: Five years

      3) Period of amortizing prior service costs: Five years

10. Accrued retirement benefits for directors, and audit and supervisory board members are recognized based on estimated payment amounts under internal rules.

11. A reserve for program points is recognized based on the amount projected to be incurred for expenses from the use of points granted to policyholders.

12. A reserve for price fluctuations in investments in securities is recognized based on Article 115 of the Insurance Business Act.

13. Hedge accounting is applied based on the following methods:

   1) The Company mainly applies the following hedge accounting methods:

      - The exceptional accounting treatment ("*Tokurei-shori*") is applied to interest rate swaps to hedge the cash flow volatility of certain loans denominated in Japanese yen and foreign currencies;
      - Deferred hedge accounting is applied to interest rate swaps to hedge the interest rate fluctuation exposures on certain insurance policies, based on the Industry Audit Committee Report No. 26, "Accounting and Auditing Treatments Related to Application of Accounting for Financial Instruments in the Insurance Industry" issued by the JICPA;
      - Deferred hedge accounting and designated hedge accounting ("*Furiate-shori*") are applied to currency swaps to hedge the cash flow volatility caused by foreign exchange rate fluctuations on certain foreign currency-denominated bonds, loans, and subordinated corporate bonds issued by the Company;
      - Fair value hedge accounting is applied to foreign exchange forward contracts to hedge the price fluctuation exposures related to foreign exchange rate fluctuations on certain foreign currency-denominated bonds and other instruments; and
      - Fair value hedge accounting is applied to equity forward contracts to hedge the price fluctuation exposures on certain domestic stocks.

2) Hedging instruments and hedged items

Hedging instruments	Hedged items
Interest rate swaps	Loans, foreign currency-denominated loans, and insurance policies
Currency swaps	Foreign currency-denominated bonds, foreign currency-denominated loans, and foreign currency-denominated subordinated corporate bonds
Foreign exchange forward contracts	Foreign currency-denominated bonds and other instruments
Equity forward contracts	Domestic stocks

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

14. All transactions are accounted for exclusive of consumption taxes and local consumption taxes; however, consumption taxes paid on certain asset transactions, which are not deductible from consumption taxes withheld and are stipulated to be deferred under the Consumption Tax Act, are deferred as prepaid expenses and amortized over a five-year period on a straight-line basis. Consumption taxes other than deferred consumption taxes are expensed as incurred.

15. Effective from the six months ended September 30, 2019, the consolidated taxation system has been applied with the Company as the parent company for consolidated taxation purposes.

16. Policy reserves are reserves set forth in accordance with Article 116 of the Insurance Business Act. Insurance premiums reserves are recognized based on the following methodology. In accordance with Article 69, Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act, policy reserves include those that are reserved for certain individual annuity policies.

    1) Reserves for policies subject to the standard policy reserve are computed in accordance with the method prescribed by the Commissioner of the Financial Services Agency (Ordinance No. 48 issued by the Ministry of Finance in 1996).

    2) Reserves for other policies are computed based on the net level premium method.

    Effective from the fiscal year ended March 31, 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 ¥62,299 million, while ordinary profit and surplus before income taxes decreased by ¥62,299 million, compared with amounts that would have been recorded if the additional policy reserve amounts had not been reserved in the six months ended September 30, 2019.

17. The corporate tax, inhabitant tax, and income tax adjustments for the six months ended September 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.

18. (1) Balance sheet amounts and fair values of major financial instruments, and their differences are as follows:

	Million Yen		
	Balance sheet amount(*1)	Fair value(*2)	Difference
Cash and deposits (negotiable certificates of deposit):	232,799	232,799	—
Available-for-sale securities	232,799	232,799	—
Monetary receivables purchased:	213,431	224,009	10,578
Policy-reserve-matching bonds	184,994	195,572	10,578
Available-for-sale securities	28,436	28,436	—
Assets held in trust:	10,798	10,798	—
Trading securities	10,798	10,798	—
Investments in securities:	56,241,345	60,713,430	4,472,084
Trading securities	798,400	798,400	—
Policy-reserve-matching bonds	20,647,697	25,029,370	4,381,673
Investments in subsidiaries and affiliates	132,806	223,217	90,410
Available-for-sale securities	34,662,440	34,662,440	—
Loans(*3):	7,453,484	7,718,958	265,473
Policy loans	566,815	566,815	—
Industrial and consumer loans	6,886,669	7,152,143	265,473
Derivative financial instruments(*4):	71,479	71,479	—
Hedge accounting not applied	75,171	75,171	—
Hedge accounting applied	(3,691)	(3,691)	—
Corporate bonds(*3 and *5)	(1,028,889)	(1,075,528)	(46,639)
Payables under repurchase agreements(*5)	(1,044,828)	(1,044,828)	—
Loans payable(*5)	(330,753)	(334,276)	(3,523)

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

(*2) For securities for which impairment losses were recognized in the six months ended September 30, 2019, the fair value is the balance sheet amount net of the impairment losses recognized.

(*3) The fair values of derivative financial instruments that are interest rate swaps to which exceptional accounting treatment ("*Tokurei-shori*") is applied or currency swaps to which designated hedge accounting ("*Furiate-shori*") is applied are included in the fair values of loans and corporate bonds because they are accounted for as an integral part of the loans and corporate bonds that are the hedged items.

(*4) Receivables and payables generated by derivative financial instruments are offset and presented in net amounts. Net payables are presented in parentheses.

(*5) Corporate bonds, payables under repurchase agreements, and loans payable are recorded in liabilities and presented in parentheses.

(2) Fair value measurement methods for major financial instruments are as follows:

1) Securities, deposits, and monetary receivables purchased that are treated as securities based on the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10)

a. Items with a market price

Fair value is measured based on the closing market price at the balance sheet date. However, the fair values of available-for-sale domestic and foreign equity securities are based on the average market price over a one-month period prior to the balance sheet date.

b. Items without a market price

Fair value is measured by discounting future cash flows to present value or valuations obtained from external parties.

2) Loans

a. Policy loans

Fair value is measured at the book value of policy loans as the fair value is deemed to approximate book value due to expected repayment periods, interest rate requirements, and other conditions. These loans have no repayment date based on characteristics, such as the loan amount being limited to the extent of the surrender benefit.

b. Industrial and consumer loans

Fair value of variable interest rate loans is deemed to approximate their book value because market interest rates are reflected in future cash flows over the short term. Thus, book value is used as fair value for variable interest rate loans. Fair value of fixed interest rate loans is measured mainly by discounting future cash flows to present value.

Fair value of loans to legally or substantially bankrupt borrowers or borrowers who are not currently legally bankrupt but have a high probability of bankruptcy are measured by deducting the estimated uncollectible amount from the book value prior to direct write-offs.

3) Derivative financial instruments

a. Fair value of futures and other market transactions is measured by the liquidation value or closing market price at the balance sheet date.

b. Fair value of equity options is measured mainly based on liquidation value or closing market price at the balance sheet date or valuations obtained from external parties.

c. Fair value of interest rate swaps, interest rate swaptions, foreign exchange contracts, currency options, currency swaps, and forward contracts is measured mainly based on valuations obtained from external parties.

4) Assets held in trust

Fair value is based on a reasonably calculated price by the trustee of the assets held in trust in accordance with the calculation methods set forth in 1) and 3) above.

5) Corporate bonds

Corporate bonds are stated at fair value at the balance sheet date.

6) Payable under repurchase agreements

Fair value is measured at the book value of payables under repurchase agreements due to their short-term settlement terms.

7) Loans payable

Fair value of variable interest rate loans payable is deemed to approximate their book value because market interest rates are reflected in future cash flows over the short term. Thus, book value is used as fair value for variable interest rate loans payable. Fair value of fixed interest rate loans payable is measured, in principle, by discounting future cash flows to present value; however, loans payable financed by means of public offerings employing securitization schemes are measured at the fair value of the corporate bonds issued to back the loans payable.

(3) Unlisted equity securities, investments in partnerships whereby partnership assets consist of unlisted equity securities, and other items of which the fair value is extremely difficult to be determined are not included in investments in securities in table (1). Balance sheet amounts by holding purpose were ¥1,052,914 million for stocks of subsidiaries and affiliates, and ¥546,500 million for available-for-sale securities as of September 30, 2019.

(4) Matters regarding securities and others by holding purpose are as follows:

1) Trading securities

Derivative financial instruments within assets held in trust and investments in securities for separate accounts are classified as trading securities. Valuation losses of those instruments included in profit and loss were ¥5,473 million for the six months ended September 30, 2019.

2) Held-to-maturity debt securities

There were no balances as of September 30, 2019.

3) Policy-reserve-matching bonds

Balance sheet amounts and fair values, and their differences by type are as follows:

	Type	Million Yen Balance sheet amount	Fair value	Difference
Fair value exceeds the balance sheet amount	Monetary receivables purchased	179,472	190,109	10,637
	Domestic bonds	20,210,817	24,586,457	4,375,640
	Foreign securities	114,245	126,379	12,133
	Subtotal	20,504,535	24,902,946	4,398,411
Fair value does not exceed the balance sheet amount	Monetary receivables purchased	5,521	5,462	(59)
	Domestic bonds	319,504	313,418	(6,086)
	Foreign securities	3,129	3,115	(13)
	Subtotal	328,155	321,996	(6,159)
Total		20,832,691	25,224,943	4,392,251

4) Available-for-sale securities

Acquisition cost or amortized cost, and balance sheet amounts, and their differences by type are as follows:

	Type	Million Yen Acquisition cost or amortized cost	Balance sheet amount	Difference
Balance sheet amount exceeds acquisition cost or amortized cost	Cash and deposits (negotiable certificates of deposit)	132,800	132,800	0
	Monetary receivables purchased	15,660	16,332	672
	Domestic bonds	2,845,124	3,111,220	266,095
	Domestic stocks	3,238,823	7,584,499	4,345,676
	Foreign securities	15,491,895	18,303,827	2,811,932
	Other securities	2,946,851	3,278,458	331,607
	Subtotal	24,671,154	32,427,139	7,755,984
Balance sheet amount does not exceed acquisition cost or amortized cost	Cash and deposits (negotiable certificates of deposit)	100,000	99,999	(0)
	Monetary receivables purchased	12,104	12,103	(1)
	Domestic bonds	80,971	79,267	(1,703)
	Domestic stocks	1,037,376	766,455	(270,921)
	Foreign securities	1,524,028	1,462,239	(61,788)
	Other securities	77,650	76,471	(1,178)
	Subtotal	2,832,131	2,496,538	(335,593)
Total		27,503,286	34,923,677	7,420,391

* Securities totaling ¥546,500 million, whose fair value is extremely difficult to determine, are not included in the table above. Impairment losses of ¥21,664 million were recognized for securities with a fair value during the six months ended September 30, 2019.

Regarding stocks (including foreign stocks) with fair values, impairment losses are recognized for stocks whose fair value has declined significantly from the acquisition cost based on the average fair value of the month preceding September 30, 2019, in principle. However, in the case of a security that meets certain criteria, such as a security for which the fair value has declined significantly and the decline in the fair value in the month preceding September 30, 2019, is significant, impairment losses are recognized based on the fair value as of September 30, 2019.

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

a. A security for which the average fair value in the month preceding September 30, 2019, is 50% or less of the acquisition cost.

b. A security that meets both of the following criteria:

   i). The average fair value in the month preceding September 30, 2019, exceeds 50% but equal to or less than 70% of the acquisition cost.

   ii). The historical market price, the business conditions of the issuing company, and other aspects are subject to certain requirements.

19. As of September 30, 2019, there were no significant changes in the balance sheet amounts and fair values of investment and rental properties from the end of the previous fiscal year.

20. (1) The total amount of loans to bankrupt borrowers, delinquent loans, loans that are delinquent for over three months, and restructured loans, which were included in loans, was ¥31,011 million as of September 30, 2019. The details of those balances were as follows:

   1) The balances of loans to bankrupt borrowers and delinquent loans were ¥1,176 million and ¥28,077 million, respectively, as of September 30, 2019.

   Loans to bankrupt borrowers are loans for which interest is not accrued as income, except for a portion of loans written off, and to which any event specified in Article 96, Paragraph 1, Item 3 (a) to (e) or Item 4 of the Order for Enforcement of the Corporation Tax Act has occurred. Interest is not accrued as income for such loans since the recovery of principal or interest on the loans is unlikely due to the fact that principal repayments or interest payments are overdue for a significant period of time or for other reasons.

   Delinquent loans are loans for which interest is not accrued other than the loans to bankrupt borrowers and those with interest payments extended with the objective of restructuring or supporting the borrowers.

   2) There were no loans delinquent for over three months as of September 30, 2019.

   Loans that are delinquent for over three months are loans with principal or interest unpaid for over three months beginning one day after the due date based on the loan agreement other than the loans to bankrupt borrowers and delinquent loans.

   3) The balance of restructured loans was ¥1,757 million as of September 30, 2019.

   Restructured loans are loans that provide certain concessions favorable to borrowers with the intent of supporting the borrowers' restructuring, such as by reducing or exempting interest, postponing principal or interest payments, releasing credits, or providing other benefits to the borrowers other than the loans to bankrupt borrowers, delinquent loans, and loans delinquent for over three months.

   (2) Direct write-offs of loans decreased the balances of loans to bankrupt borrowers and delinquent loans by ¥1,982 million and ¥657 million, respectively, as of September 30, 2019.

21. The amount of accumulated depreciation of tangible fixed assets was ¥1,127,052 million as of September 30, 2019.

22. Separate account assets as provided in accordance with Article 118, Paragraph 1 of the Insurance Business Act were ¥1,263,849 million as of September 30, 2019, and a corresponding liability is recorded in the same amount.

23. Changes in the reserve for dividends to policyholders for the six months ended September 30, 2019, were as follows:

		Million Yen
		Six months ended September 30, 2019
a. Balance at the beginning of the current fiscal year	¥	1,020,213
b. Transfer to reserve from surplus for the previous fiscal year	¥	211,818
c. Dividends paid to policyholders during the current six-month period	¥	119,677
d. Increase in interest	¥	10,937
e. Balance at the end of the current six-month period (a+b-c+d)	¥	1,123,292

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

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

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

25. Other liabilities include subordinated loans payable of ¥310,000 million with special provisions that the fulfillment of obligations on the loans payable is subordinate to all other debt obligations.

The Company has decided to take out the following yen-denominated subordinated loan on November 21, 2019.

Principal amount	¥80 billion
Interest rate	Fixed rate of 0.85% per annum before November 21, 2029, and a fixed rate with step-up thereafter (reset every five years)
Repayment date	The third bank business day preceding November 21, 2049 (The loan is callable on the third bank business day preceding November 21, 2029, and the third bank business day preceding each fifth anniversary date thereafter, until the loan is fully redeemed at the discretion of the Company, subject to prior approval by the regulatory authorities.)
Use of funds	General working capital

26. Assets pledged as collateral in the form of investments in securities, land, and buildings as of September 30, 2019, were ¥1,819,738 million, ¥252 million, and ¥44 million, respectively. The total amount of liabilities covered by the assets pledged was ¥1,055,710 million as of September 30, 2019.

These amounts included ¥975,202 million of sale of securities under repurchase agreements, ¥1,044,828 million of payables under repurchase agreements, ¥10,026 million of investments in securities deposited, and ¥10,878 million of cash received as collateral under securities lending transactions secured by cash as of September 30, 2019.

27. The Company has offered foundation funds (kikin) of ¥50,000 million as provided in Article 60 of the Insurance Business Act during the six months ended September 30, 2019.

28. The Company redeemed ¥50,000 million of foundation funds and credited the same amount to reserve for redemption of foundation funds as prescribed in Article 56 of the Insurance Business Act as of September 30, 2019.

29. The total amount of stocks and investments in subsidiaries and affiliates was ¥1,185,721 million as of September 30, 2019.

30. The amount of securities lent under lending agreements was ¥3,300,356 million as of September 30, 2019.

31. Assets that the Company has a free disposal right to sell or re-pledge are marketable securities borrowed under lending agreements. These assets were held without being sold or re-pledged and totaled ¥349,607 million at fair value as of September 30, 2019.

32. The unused amount of commitments related to loans and similar loans agreements was ¥377,119 million as of September 30, 2019.

33. Of the maximum borrowing amount from the Life Insurance Policyholders Protection Corporation of Japan, which is provided for in Article 37-4 of the Order for Enforcement of the Insurance Business Act, the amount applied to the Company was estimated to be ¥75,368 million as of September 30, 2019. The amount contributed to the corporation above was recorded as operating expenses.

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

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

35. The amount of policy reserves provided for the portion of reinsurance (the "policy reserves for ceded reinsurance") as defined in Article 71, Paragraph 1 of the Ordinance for Enforcement of the Insurance Business Act was ¥227 million as of September 30, 2019.

Nonconsolidated Statements of Income

	Million Yen	
	Six months ended September 30, 2019	Six months ended September 30, 2018
Ordinary income:	3,209,611	3,152,524
Revenues from insurance and reinsurance:	2,302,623	2,185,364
Insurance premiums	2,302,434	2,185,129
Investment income:	817,911	892,155
Interest, dividends, and other income	717,262	723,744
Gain on sales of securities	86,550	123,489
Gain on separate accounts, net	11,841	32,896
Other ordinary income	89,076	75,004
Ordinary expenses:	3,046,953	2,910,372
Benefits and other payments:	1,787,126	1,711,074
Death and other claims	501,134	511,741
Annuity payments	376,768	371,928
Health and other benefits	361,639	335,151
Surrender benefits	442,027	419,753
Other refunds	105,182	72,157
Provision for policy reserves:	671,659	611,947
Provision for policy reserves	660,721	600,816
Provision for interest on reserve for dividends to policyholders	10,937	11,130
Investment expenses:	169,094	176,512
Interest expenses	16,162	14,311
Loss from assets held in trust, net	3,260	9,340
Loss on sales of securities	15,154	66,171
Loss on valuation of securities	49,682	4,374
Loss on derivative financial instruments, net	34,172	53,023
Operating expenses	301,273	298,462
Other ordinary expenses	117,800	112,375
Ordinary profit	162,657	242,152
Extraordinary gains:	1,366	325
Gain on disposals of fixed assets	1,366	325
Extraordinary losses:	59,927	115,332
Loss on disposals of fixed assets	1,520	1,141
Impairment losses	1,455	1,426
Provision for reserve for price fluctuations in investments in securities	53,951	109,914
Contributions for assisting social public welfare	3,000	2,850
Surplus before income taxes	104,097	127,146
Income taxes—current	71,787	52,113
Income taxes—deferred	(70,540)	(46,136)
Total income taxes	1,246	5,976
Net surplus	102,850	121,169

Notes to the Nonconsolidated Statement of Income for the Six Months Ended September 30, 2019

1. Gain on sales of securities includes gains on sales of domestic bonds, including national government bonds, domestic stocks, and foreign securities of ¥31,709 million, ¥8,082 million, and ¥46,758 million, respectively, for the six months ended September 30, 2019.
2. Loss on sales of securities includes losses on sales of domestic stocks and foreign securities of ¥2,362 million and ¥12,792 million, respectively, for the six months ended September 30, 2019.
3. Loss on valuation of securities includes losses on valuation of domestic stocks and foreign securities of ¥21,723 million and ¥27,959 million, respectively, for the six months ended September 30, 2019.
4. Provision for policy reserves for ceded reinsurance that was added to the calculation of provision for policy reserves was ¥51 million for the six months ended September 30, 2019.
5. Breakdown of interest, dividends, and other income for the six months ended September 30, 2019, is as follows:

	Million Yen Six months ended September 30, 2019
Interest on deposits and savings	¥ 3,172
Interest on securities and dividends	¥ 602,181
Interest on loans	¥ 61,654
Real estate rental income	¥ 44,096
Other income	¥ 6,157
Total	¥ 717,262

6. Impairment losses are as follows:
   1) Method for grouping the assets

      Real estate for rental use and other assets 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 six months ended September 30, 2019, is as follows:

	Million Yen			
Purpose of use	Land	Leasehold interests in land	Buildings	Total
Idle properties	¥ 843	¥ 168	¥ 443	¥ 1,455
Total	¥ 843	¥ 168	¥ 443	¥ 1,455

   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.

Nonconsolidated Statements of Changes in Net Assets

For the six months ended September 30, 2019

	Million Yen												
	Foundation funds and others												
				Surplus									
					Other surplus reserves								
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Legal reserve for deficiencies	Equalized reserve for dividends to policyholders	Contingency funds	Reserve for social public welfare assistance	Reserve for reduction entry of real estate	Reserve for reduction entry of real estate to be purchased	Other reserves	Unappropriated surplus	Total surplus	Total foundation funds and others
Beginning balance	100,000	1,250,000	651	17,578	10,000	71,917	351	49,836	28,603	170	256,070	434,526	1,785,178
Increase/decrease:													
Issuance of foundation funds	50,000										—	—	50,000
Additions to reserve for dividends to policyholders											(211,818)	(211,818)	(211,818)
Additions to legal reserve for deficiencies				816							(816)	—	—
Additions to reserve for redemption of foundation funds		50,000									(50,000)	(50,000)	—
Interest on foundation funds											(355)	(355)	(355)
Net surplus											102,850	102,850	102,850
Redemption of foundation funds	(50,000)												(50,000)
Reversal of equalized reserve for dividends to policyholders					(10,000)						10,000	—	—
Additions to reserve for social public welfare assistance							3,000				(3,000)	—	—
Reversal of reserve for social public welfare assistance							(3,000)				3,000	—	—
Additions to reserve for reduction entry of real estate								15,163			(15,163)	—	—
Reversal of reserve for reduction entry of real estate								(1,270)			1,270	—	—
Additions to reserve for reduction entry of real estate to be purchased									663		(663)	—	—
Reversal of reserve for reduction entry of real estate to be purchased									(14,476)		14,476	—	—
Reversal of land revaluation losses											(613)	(613)	(613)
Net change, excluding foundation funds and others													
Net change	—	50,000	—	816	(10,000)	—	—	13,893	(13,812)	—	(150,833)	(159,936)	(109,936)
Ending balance	100,000	1,300,000	651	18,394	—	71,917	351	63,729	14,790	170	105,236	274,590	1,675,241

Nonconsolidated Statements of Changes in Net Assets—(Continued)

For the six months ended September 30, 2019

	Million Yen				
	Valuations, conversions, and others				
	Net unrealized gains on available-for-sale securities	Deferred losses on derivatives under hedge accounting	Land revaluation losses	Total valuations, conversions, and others	Total net assets
Beginning balance	4,882,692	(31,216)	(54,690)	4,796,785	6,581,963
Increase/decrease:					
Issuance of foundation funds					50,000
Additions to reserve for dividends to policyholders					(211,818)
Additions to legal reserve for deficiencies					—
Additions to reserve for redemption of foundation funds					—
Interest on foundation funds					(355)
Net surplus					102,850
Redemption of foundation funds					(50,000)
Reversal of equalized reserve for dividends to policyholders					—
Additions to reserve for social public welfare assistance					—
Reversal of reserve for social public welfare assistance					—
Additions to reserve for reduction entry of real estate					—
Reversal of reserve for reduction entry of real estate					—
Additions to reserve for reduction entry of real estate to be purchased					—
Reversal of reserve for reduction entry of real estate to be purchased					—
Reversal of land revaluation losses					(613)
Net change, excluding foundation funds and others	467,147	28,578	613	496,339	496,339
Net change	467,147	28,578	613	496,339	386,403
Ending balance	5,349,840	(2,638)	(54,076)	5,293,125	6,968,366

Nonconsolidated Statements of Changes in Net Assets—(Continued)

For the six months ended September 30, 2018

	Million Yen												
	Foundation funds and others												
				Surplus									
					Other surplus reserves								
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Legal reserve for deficiencies	Equalized reserve for dividends to policyholders	Contingency funds	Reserve for social public welfare assistance	Reserve for reduction entry of real estate	Reserve for reduction entry of real estate to be purchased	Other reserves	Unappropriated surplus	Total surplus	Total foundation funds and others
Beginning balance	150,000	1,200,000	651	16,804	40,000	71,917	351	49,708	23,422	170	248,227	450,600	1,801,251
Increase/decrease:													
Additions to reserve for dividends to policyholders											(218,353)	(218,353)	(218,353)
Additions to legal reserve for deficiencies				774							(774)	—	—
Additions to reserve for redemption of foundation funds		50,000									(50,000)	(50,000)	—
Interest on foundation funds											(790)	(790)	(790)
Net surplus											121,169	121,169	121,169
Redemption of foundation funds	(50,000)												(50,000)
Reversal of equalized reserve for dividends to policyholders					(30,000)						30,000	—	—
Additions to reserve for social public welfare assistance							3,000				(3,000)	—	—
Reversal of reserve for social public welfare assistance							(2,850)				2,850	—	—
Additions to reserve for reduction entry of real estate								3,802			(3,802)	—	—
Reversal of reserve for reduction entry of real estate								(3,674)			3,674	—	—
Additions to reserve for reduction entry of real estate to be purchased									11,204		(11,204)	—	—
Reversal of reserve for reduction entry of real estate to be purchased									(6,023)		6,023	—	—
Reversal of land revaluation losses											831	831	831
Net change, excluding foundation funds and others													
Net change	(50,000)	50,000	—	774	(30,000)	—	150	128	5,180	—	(123,375)	(147,142)	(147,142)
Ending balance	100,000	1,250,000	651	17,578	10,000	71,917	501	49,836	28,603	170	124,851	303,457	1,654,109

Nonconsolidated Statements of Changes in Net Assets—(Continued)

For the six months ended September 30, 2018

	Million Yen				
	Valuations, conversions, and others				
	Net unrealized gains on available-for-sale securities	Deferred losses on derivatives under hedge accounting	Land revaluation losses	Total valuations, conversions, and others	Total net assets
Beginning balance	4,882,103	(59,099)	(60,989)	4,762,014	6,563,265
Increase/decrease:					
Additions to reserve for dividends to policyholders					(218,353)
Additions to legal reserve for deficiencies					—
Additions to reserve for redemption of foundation funds					—
Interest on foundation funds					(790)
Net surplus					121,169
Redemption of foundation funds					(50,000)
Reversal of equalized reserve for dividends to policyholders					—
Additions to reserve for social public welfare assistance					—
Reversal of reserve for social public welfare assistance					—
Additions to reserve for reduction entry of real estate					—
Reversal of reserve for reduction entry of real estate					—
Additions to reserve for reduction entry of real estate to be purchased					—
Reversal of reserve for reduction entry of real estate to be purchased					—
Reversal of land revaluation losses					831
Net change, excluding foundation funds and others	67,351	(34,626)	(831)	31,892	31,892
Net change	67,351	(34,626)	(831)	31,892	(115,249)
Ending balance	4,949,454	(93,726)	(61,821)	4,793,907	6,448,016

(This page is intentionally left blank)

Glossary of Certain Terms

Administrative expense margin . . . . Administrative expense margin is the difference between the administrative expenses related to the relevant policy assumed by the insurer with respect to a given year in calculating premiums and the actual administrative expenses for that year.

Annuity . . . . A product that provides periodic, typically annual, benefits from a designated time in the future until the death of the insured or for a specific period. A single-premium benefit payment is made upon the death of the insured prior to commencement of annuity payments. If the death of the insured occurs after annuity payments have commenced and prior to the end of the fixed annuity payment term, the remainder of the annuity payments may either be accelerated or may continue to be paid in accordance with the schedule outlined in the policy. Annuity products include both fixed return products and variable return products for which the return reflects the results of investment made in separate accounts.

Assumed yield . . . . The rate of assumed investment yield, with respect to a given policy, used in pricing premiums of products and in calculation of policy reserves.

Capital . . . . The total of foundation fund (*kikin*) and other reserve funds and subordinated debt.

Cash value . . . . The amount of cash available to a policyholder on the surrender or lapse of a life insurance policy or annuity contract.

Ceding reinsurance commissions . . . . A fee paid to the primary insurer by the reinsurer for underwriting expenses such as marketing, administration, premium tax, etc.

Contingency reserve . . . . A reserve included as part of the policy reserves to account for (1) the risk of insurance payment events occurring at a higher than expected rate due to higher than expected mortality and morbidity rates and (2) the risk of actual yield on investments being lower than the assumed yields related to outstanding policies, etc.

Foundation fund (*kikin*) and other reserve funds . . . . The total of foundation funds and others, reserve for price fluctuations in investments in securities, contingency reserve, general allowance for doubtful accounts and others.

Distributable interest surplus . . . . The amount of surplus a Japanese mutual life insurance company is permitted to distribute with respect to interest payments on foundation funds obligations in any given fiscal year as provided for in Article 55, paragraph 1 of the Insurance Business Act, which amount is therein described as net assets reflected in the balance sheet, less

- foundation funds;
- legal reserve for deficiency (*sonshitsu-tenpo-junbi-kin*) and statutory reserve for redemption of foundation funds (*kikin-shokyaku-tsumitate-kin*) (including any amount from the reserve for redemption of foundation funds used to cover losses in excess of the reserve for losses pursuant to Article 59, paragraph 2 of the Insurance Business Act); and

- certain amounts including increased amount of capital pursuant to a market price evaluation, etc.

Distributable principal surplus . . . . The amount of surplus a Japanese mutual life insurance company is permitted to distribute with respect to principal payments on foundation funds obligations in any given fiscal year as provided for in Article 55, paragraph 2 of the Insurance Business Act, which amount is therein described as net assets reflected in the balance sheet, less

- foundation funds;
- legal reserve for deficiency (*sonshitsu-tenpo-junbi-kin*) and statutory reserve for redemption of foundation funds (*kikin-shokyaku-tsumitate-kin*) (including any amount from the reserve for redemption of foundation funds used to cover losses in excess of the reserve for losses pursuant to Article 59, paragraph 2 of the Insurance Business Act);
- interest payment on foundation funds;
- legal reserve for deficiency (*sonshitsu-tenpo-junbi-kin*) required to be provided in the year;
- deferred expenses for research and development booked as assets on the balance sheet; and
- certain amounts including increased amount of capital pursuant to a market price evaluation, etc.

Endowment . . . . Life insurance payable to the policyholder, if living, on the maturity date stated in the policy, or to a beneficiary if the insured dies before that date.

General account . . . . The aggregate of a life insurer's assets, other than those allocated to separate accounts. General account assets are invested by the insurer to meet fixed assumed yield for policyholders, and the insurer bears the investment risk on such assets.

In force . . . . A policy that is shown on records to be in force on a given date and that has not matured by death or otherwise or been surrendered or otherwise terminated. "In force" refers to the period of coverage, *i.e.*, the period during which the occurrence of insured events can result in liabilities.

Investment yield margin . . . . Investment yield margin is the difference, with respect to a given year, between the actual yield for that year and the assumed yield used in calculating premiums.

Lapse . . . . The termination or temporary discontinuance of an insurance policy due to non-payment of premiums within a specified time period.

Morbidity . . . . The relative incidence of disability due to disease or physical impairment.

Mortality rate . . . . Rates of death, varying by such parameters as age, gender and health, used in pricing premiums of products and in calculation of policy reserves.

Mortality rate margin . . Mortality rate margin is the difference between the mortality and morbidity rate assumed by the insurer, with respect to a given year, in calculating premiums and the actual mortality rate and morbidity for that year.

Negative spread	Negative spread = Investment income included in core operating profit - (assumed yield amount + provision for accumulated interest on policyholder dividends)
Net level premium method	Under the net level premium method, insurers must set aside policy reserves assuming that the ratio of net premium to total assumed yield premium paid remains constant over the term of the policy. The net level premium method increases an insurer's administrative expense burden in the early years of a policy, when actual administrative expenses exceed the portion of the premium received in such early years covering administrative expenses. Under an alternate method of calculating policy reserves, known as Zillmer's method, the net premium portion is reduced in the first year of the policy, allowing, in effect, policy acquisition costs to be deferred.
Net premium	The portion of the premium covering insurance underwriting risk, based on factors such as mortality rates, assumed yield and policy surrender and lapse ratio, excluding the portion covering administrative expenses.
Non-participating policy	Policies under which the policyholder receives no policyholder dividends. Non-participating policies generally feature lower premiums than participating policies and semi-participating policies.
Participating policy	Policies under which the policyholder is eligible to share in the divisible surplus of the insurer—calculated based on mortality rate margin, investment yield margin and administrative expense margin—through the receipt of annual policyholder dividends.
Policy reserves	Reserves established for the fulfillment of benefits and other payments related to the insurer's outstanding policies that are expected to be paid in the future. The policy reserves consist of a premium reserve, an unearned premium reserve, a reserve for refund and a contingency reserve. The insurer uses the net level premium method to calculate the amount it sets aside each year as policy reserves. The policy reserve is one of the three reserves composing the reserve for policy and other reserves.
Premium reserve	A reserve included in the policy reserves to account for the payment of future payment obligations, other than with respect to unearned premiums.
Premiums	Payments and considerations received with respect to insurance policies issued or reinsured by an insurer.
Real net assets	Real net assets are calculated by subtracting non-capital real liabilities from real assets. For this purpose, real assets are equal to an amount calculated based on assets reflected in the balance sheet (including, but not limited to, assets such as marketable securities and real estate with readily obtainable fair value) in accordance with the method promulgated by the Ordinance of the Cabinet Office and the Ministry of Finance, while non-capital real liabilities are equal to an amount calculated based on liabilities reflected in the balance sheet (excluding certain amounts such as the reserve for price fluctuations in

investments in securities and the contingency reserve) in accordance with the method promulgated by the FSA and the Ministry of Finance.

Reinsurance	The acceptance by one or more insurers of a portion of risk underwritten by another insurer (ceding insurer) that has directly written the coverage of a policy in return for a portion of the premium related thereto. The legal rights of the policyholder generally are not affected by the reinsurance transaction, and the insurer issuing the insurance contract remains liable to the policyholder for payment of policy benefits.
Reserve for dividends to policyholders	A reserve used to fund the payment of policyholder dividends. The reserve for policyholder dividends is one of the three reserves composing the reserve for policy and other reserves. For a mutual life insurance company, transfer to reserve for policyholder dividends is treated as dispositions of net surplus.
Reserve for outstanding claims	A reserve used to fund payments that are due, but have not yet been paid, on outstanding claims existing as of the end of the year and expected to be paid in the following fiscal year. The reserve for outstanding claims is one of the three reserves composing the reserve for policy and other reserves.
Reserve for price fluctuations in investments in securities	Pursuant to provisions of the Insurance Business Act, Japanese insurers are required to maintain a reserve to cover losses due to price fluctuations in assets subject to market price volatility, particularly investments in stock, bonds and foreign currency-denominated investments. This reserve may be used only to reduce deficits arising from price fluctuations of those assets unless otherwise approved by the Commissioner of the FSA.
Retention rate	A rate calculated by dividing the number of employees remaining with a company at the end of a certain period of time following their initial employment.
Semi-participating policy	Policies under which the insurer does not distribute yearly policyholder dividends to its policyholders, but instead distributes a portion of the net positive return on investments in excess of the assumed yield as calculated at the end of every five-year period. Semi-participating policies generally feature lower premiums than participating policies and generally distribute smaller distributions relative to participating policies.
Separate account	Assets related to the insurer's individual variable insurance and group variable annuity products, including group employee pension fund insurance and national pension fund insurance, are allocated to the insurer's separate account. Separate account assets and liabilities represent funds that are administered and invested by the insurer to meet specific investment objectives of policyholders. The investments in each separate account are maintained separately from those in other separate accounts and an insurer's general account and are generally not subject to the general liabilities of the insurer.

The investment results of the separate account assets generally pass through to the separate account policyholders, less management fees, so that an insurer bears limited or no investment risk on such assets.

Surrender . . . . The surrender of a policy by a policyholder. The policyholder generally receives the "cash value" of the policy, an amount available in cash upon surrender of a policy before it becomes payable upon death or maturity, minus a surrender fee reflecting expenses incurred by the insurer in placing the policy on its books. After a "surrender period" (usually several years) has elapsed, there is generally no charge for ending the contract.

Surrender and lapse ratio . . . . Surrender and lapse ratio = surrender and lapse amount ÷ policy amount at the beginning of the relevant fiscal year.

Third-sector insurance (also known as supplemental insurance) . . . . In the Japanese insurance industry, life insurance products and non-life insurance products are called "first-sector" and "second-sector" insurance products, respectively, and insurance products which have intermediate characteristics of both products are called "third-sector" insurance products. Third-sector insurance products consist of "third-sector life insurance products," which are similar in nature to first-sector insurance products and include medical, cancer and nursing-care insurance products, and "third-sector non-life insurance products," which are similar in nature to second-sector insurance products and include personal accident insurance and insurance for medical expenses.

Underwriting . . . . The process of examining, accepting and rejecting insurance risks, and classifying those accepted, in order to charge an appropriate premium for each accepted risk.

Unearned premium reserve . . . . A reserve included in the policy reserves to account for the payment of future obligations based on the portion of premiums received by the insurer for which protection has not yet been provided.

Variable annuity . . . . Annuities in which the return to holders is variable, rather than fixed, and reflects the results of investments made in the insurer's separate accounts.

Yield on investments . . . Investment return earned by the insurer on its invested assets.

Zillmer's method . . . . A method by which insurers may calculate policy reserves, which, in effect, allows policy acquisition costs to be deferred. Under this method, the net premium portion used in the calculation of policy reserves is reduced in the first year of the policy. This reduction makes the policy reserve provisions smaller than those under the net level premium method. In years following the first year, the reduction in policy reserve provisions in the first year are gradually adjusted to eliminate the difference between the net level premium method and Zillmer's method over a predetermined term of, for example, five or ten years.

(This page is intentionally left blank)

THE ISSUER

Nippon Life Insurance Company
6-6, Marunouchi 1-chome
Chiyoda-ku, Tokyo 100-8288
Japan

LEGAL ADVISERS TO THE ISSUER

as to U.S. law
Davis Polk & Wardwell LLP
Izumi Garden Tower 33F
6-1, Roppongi 1-chome
Minato-ku, Tokyo 106-6033
Japan

as to Japanese law
Mori Hamada & Matsumoto
Marunouchi Park Building
6-1, Marunouchi 2-chome
Chiyoda-ku, Tokyo 100-8222
Japan

LEGAL ADVISER TO THE INITIAL PURCHASERS

as to U.S. law
Skadden, Arps, Slate, Meagher & Flom LLP
Izumi Garden Tower, 21st Floor
6-1, Roppongi 1-chome
Minato-ku, Tokyo 106-6033
Japan

INDEPENDENT AUDITORS

Deloitte Touche Tohmatsu LLC
Marunouchi Nijubashi
Building 3-2-3 Marunouchi
Chiyoda-ku, Tokyo 100-8360
Japan

TRUSTEE, PAYING AGENT, CALCULATION AGENT, NOTES REGISTRAR AND TRANSFER AGENT

The Bank of New York Mellon
240 Greenwich Street, New York, NY 10286
United States of America

No dealer, salesperson or other person is authorized to give any information or to represent anything not contained in this offering circular. You must not rely on any unauthorized information or representations. This offering circular is an offer to sell only the Notes offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this offering circular is current only as of its date.

US$1,150,000,000

Nippon Life Insurance Company

3.400% Step-up Callable Subordinated Notes due 2050

NISSAY

J.P. Morgan

Citigroup

BofA Securities

Goldman Sachs & Co. LLC

Morgan Stanley

Barclays

BNP PARIBAS