

May 23, 2023

Financial Results for the Fiscal Year Ended March 31, 2023

Asahi Mutual Life Insurance Company (the “Company”; President: Hiroki Kimura) announces financial results for the fiscal year ended March 31, 2023

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1. Business Highlights

(1) Sum Insured of Policies in Force and New Policies

(i) Policies in Force

	As of March 31, 2022				As of March 31, 2023			
	Number of policies		Amount (100 millions of Yen)		Number of policies		Amount (100 millions of Yen)	
	(Thousands)	Changes (%, Pre-FYE)		Changes (%, Pre-FYE)	(Thousands)	Changes (%, Pre-FYE)		Changes (%, Pre-FYE)
Individual insurance	7,372	100.3	123,289	93.0	7,347	99.6	115,128	93.4
Individual annuities	479	94.6	19,388	94.1	452	94.4	18,199	93.9
Group insurance	-	-	14,034	97.0	-	-	14,103	100.5
Group annuities	-	-	131	85.0	-	-	124	94.8

Notes:

1. Policy amount for individual annuities are equal to (a) the funds to be held at the time annuity payments are to commence for an annuity for which annuity payments have not yet commenced and (b) the amount of policy reserves for an annuity for which payments have commenced.
2. Policy amount in force for group annuities is equal to the amount of outstanding policy reserves.
3. Number of policies includes number of each unit with regard to "Hoken-ou", "Hoken-ou Plus", etc.

(ii) New Policies

	Year ended March 31, 2022					
	Number of policies		Amount (100 millions of Yen)			
	(Thousands)	Changes (%, YoY)		Changes (%, YoY)	New policies	Net increase by conversion
Individual insurance	724	96.3	1,692	101.4	3,033	(1,340)
Individual annuities	-	-	(51)	-	-	(51)
Group insurance	-	-	212	65.9	212	-
Group annuities	-	-	-	-	-	-

	Year ended March 31, 2023					
	Number of policies		Amount (100 millions of Yen)			
	(Thousands)	Changes (%, YoY)		Changes (%, YoY)	New policies	Net increase by conversion
Individual insurance	668	92.3	1,909	112.8	3,055	(1,146)
Individual annuities	-	-	(41)	-	-	(41)
Group insurance	-	-	397	186.8	397	-
Group annuities	-	-	-	-	-	-

Notes:

1. Number of new policies is the sum of new policies and policies after conversion.
2. Amount of new policies for individual annuities, both new policies and net increase by conversion, is equal to the funds to be held at the time annuity payments are to commence.
3. Number of policies includes number of each unit with regard to "Hoken-ou", "Hoken-ou Plus", etc.

(2) Annualized Premiums

(i) Policies in Force

(100 millions of Yen)

	As of March 31, 2022		As of March 31, 2023	
		Changes (%, Pre-FYE)		Changes (%, Pre-FYE)
Individual insurance	3,830	98.5	3,743	97.7
Individual annuities	1,242	93.9	1,173	94.5
Total	5,072	97.3	4,917	97.0
Third-sector products	2,240	101.2	2,235	99.8

(ii) New Policies

(100 millions of Yen)

	Year ended March 31, 2022		Year ended March 31, 2023	
		Changes (%, YoY)		Changes (%, YoY)
Individual insurance	233	91.8	203	87.3
Individual annuities	(0)	–	(0)	–
Total	232	92.1	202	87.3
Third-sector products	193	92.2	163	84.4

Notes:

1. Annualized premiums are calculated by multiplying factors according to the premium payment method (for single premium contracts, the amount is calculated by dividing the premium by the coverage period).
2. Figures for third-sector products represent portion of annualized premiums corresponding to the medical benefits (hospitalization benefits, surgery benefits, etc.), living benefits (specific illness benefits, nursing care benefits, etc.) and waiver benefits (excluding disability benefits, but including specific illness benefits and nursing care benefits).

(3) Selected Financial Data

(100 millions of Yen)

	Year ended March 31, 2022		Year ended March 31, 2023	
		Changes (%, YoY)		Changes (%, YoY)
Premium and other income	3,871	98.9	3,792	98.0
Investment income	1,449	98.9	1,441	99.4
Claims and other payments	3,814	99.0	4,043	106.0
Investment expenses	366	106.1	648	177.1
Ordinary profit	323	88.2	176	54.6

(4) Proposed Appropriation of Surplus

(100 millions of Yen)

	Year ended March 31, 2022		Year ended March 31, 2023	
		Changes (%, YoY)		Changes (%, YoY)
Unappropriated surplus	566	119.0	601	106.2
Reversal of voluntary surplus reserves	-	-	1	-
Reserve for dividends to policyholders	21	98.5	24	117.7
Net surplus	132	100.5	114	86.2
Surplus carried forward	412	127.6	464	112.6

(5) Total Assets

(100 millions of Yen)

	As of March 31, 2022		As of March 31, 2023	
		Changes (%, Pre-FYE)		Changes (%, Pre-FYE)
Total assets	55,041	99.4	52,856	96.0

2. Investment Results of General Account Assets

(1) Asset Composition

(Millions of Yen)

	As of March 31, 2022		As of March 31, 2023	
	Amount	Percentage	Amount	Percentage
Cash, deposits, call loans	145,376	2.7	207,394	3.9
Monetary claims bought	22,534	0.4	20,292	0.4
Securities	4,539,235	82.9	4,277,590	81.3
Domestic bonds	2,621,140	47.9	2,609,731	49.6
Domestic stocks	464,670	8.5	507,674	9.7
Foreign securities	1,383,693	25.3	1,088,201	20.7
Foreign bonds	1,027,053	18.8	705,216	13.4
Foreign stocks and other foreign securities	356,640	6.5	382,985	7.3
Other securities	69,731	1.3	71,982	1.4
Loans	311,416	5.7	303,961	5.8
Policy loans	32,199	0.6	30,254	0.6
Industrial and consumer loans	279,217	5.1	273,707	5.2
Real estate	363,513	6.6	355,384	6.8
Deferred tax assets	-	-	5,690	0.1
Others	94,397	1.7	89,543	1.7
Allowance for possible loan losses	(550)	(0.0)	(648)	(0.0)
Total	5,475,924	100.0	5,259,210	100.0
Foreign currency-denominated assets	1,489,515	27.2	1,140,112	21.7

(2) Changes (Increases/Decreases) in Assets

(Millions of Yen)

	Year ended March 31, 2022	Year ended March 31, 2023
	Amount	Amount
Cash, deposits, call loans	(1,315)	62,017
Monetary claims bought	(2,559)	(2,241)
Securities	(46,777)	(261,644)
Domestic bonds	(87,505)	(11,408)
Domestic stocks	26,311	43,004
Foreign securities	26,016	(295,491)
Foreign bonds	(13,781)	(321,836)
Foreign stocks and other foreign securities	39,797	26,344
Other securities	(11,599)	2,251
Loans	7,965	(7,454)
Policy loans	(2,983)	(1,944)
Industrial and consumer loans	10,948	(5,510)
Real estate	(9,690)	(8,129)
Deferred tax assets	-	5,690
Others	17,172	(4,854)
Allowance for possible loan losses	(143)	(98)
Total	(35,349)	(216,714)
Foreign currency-denominated assets	37,469	(349,403)

(3) Investment Income

(Millions of Yen)

	Year ended March 31, 2022	Year ended March 31, 2023
Interest, dividends and other income	120,531	118,430
Interest on deposits	0	0
Interest and dividends on securities	99,054	96,416
Interest on loans	4,241	4,964
Rent revenue from real estate	16,339	16,180
Other interest and dividends	895	868
Gains on sales of securities	11,949	16,115
Gains on sales of domestic bonds	4,943	6,720
Gains on sales of domestic stocks and other securities	6,238	1,490
Gains on sales of foreign securities	767	7,904
Others	-	-
Gains on redemption of securities	317	98
Gains on derivative financial instruments, net	-	-
Foreign exchange gains, net	3,065	1,912
Reversal of allowance for possible loan losses	-	-
Other investment income	6,919	7,167
Total	142,783	143,725

(4) Investment Expenses

(Millions of Yen)

	Year ended March 31, 2022	Year ended March 31, 2023
Interest expenses	4,876	3,986
Losses on trading securities	1,133	-
Losses on sales of securities	11,177	25,525
Losses on sales of domestic bonds	1,073	3,752
Losses on sales of domestic stocks and other securities	1,448	1,987
Losses on sales of foreign securities	8,655	19,785
Others	-	-
Losses on valuation of securities	273	114
Losses on valuation of domestic bonds	-	-
Losses on valuation of domestic stocks and other securities	272	108
Losses on valuation of foreign securities	1	5
Others	-	-
Losses on redemption of securities	48	466
Losses on derivative financial instruments, net	2,510	18,826
Foreign exchange losses, net	-	-
Provision for allowance for possible loan losses	141	99
Write-offs of loans	0	0
Depreciation of rental real estate and other assets	5,511	5,565
Other investment expenses	10,981	10,313
Total	36,655	64,899

(5) Investment Indicators

(i) Rates of Return

(%)

	Year ended March 31, 2022	Year ended March 31, 2023
Cash, deposits, call loans	0.00	0.00
Monetary claims bought	2.34	2.42
Securities	2.28	1.66
Domestic bonds	1.68	1.48
Domestic stocks	6.34	4.71
Foreign securities	2.45	1.52
Loans	1.40	1.39
Industrial and consumer loans	1.06	1.08
Real estate	2.46	2.39
Total	2.04	1.53
Foreign Investments	2.43	1.52

Notes:

1. Rates of return above are calculated by dividing the net investment income by the average daily book value balance.
2. Foreign investments are the sum of assets denominated in foreign currencies and yen.

(ii) Average Daily Balance

(Millions of Yen)

	Year ended March 31, 2022	Year ended March 31, 2023
Cash, deposits, call loans	106,446	120,221
Monetary claims bought	23,837	21,334
Securities	4,286,937	4,231,827
Domestic bonds	2,654,208	2,662,709
Domestic stocks	217,716	239,809
Foreign securities	1,343,961	1,257,834
Loans	303,923	294,427
Industrial and consumer loans	270,218	263,194
Real estate	375,154	365,506
Total	5,201,254	5,156,282
Foreign Investments	1,354,372	1,275,193

Note: Foreign investments are the sum of assets denominated in foreign currencies and yen.

(iii) Net Valuation Gains/Losses on Trading Securities

(Millions of Yen)

	As of March 31, 2022		As of March 31, 2023	
	Amount	Net valuation gains(losses) included in the statements of income	Amount	Net valuation gains(losses) included in the statements of income
Trading securities	-	-	-	-

(iv) Fair Value Information on Securities (other than trading securities)

(Millions of Yen)

	As of March 31, 2022					As of March 31, 2023				
	Book value	Fair value	Gains/losses			Book value	Fair value	Gains/losses		
				Gains	Losses				Gains	Losses
Held-to-maturity debt securities	301,647	333,640	31,992	32,001	(8)	288,832	312,438	23,605	23,661	(56)
Policy-reserve-matching bonds	2,028,714	2,159,139	130,424	169,489	(39,065)	2,093,763	2,109,209	15,445	129,585	(114,139)
Stocks of subsidiaries	-	-	-	-	-	-	-	-	-	-
Available-for-sale securities	1,912,317	2,135,750	223,432	300,935	(77,503)	1,626,794	1,786,581	159,786	293,373	(133,587)
Domestic bonds	468,248	467,355	(893)	6,409	(7,302)	417,814	401,531	(16,283)	2,292	(18,575)
Domestic stocks	166,694	413,036	246,341	259,795	(13,453)	173,309	431,919	258,609	268,691	(10,081)
Foreign securities	1,208,339	1,184,814	(23,525)	31,335	(54,860)	963,085	881,997	(81,087)	19,885	(100,973)
Foreign bonds	904,300	872,053	(32,247)	11,095	(43,342)	623,607	550,216	(73,390)	1,744	(75,134)
Foreign stocks and other foreign securities	304,039	312,761	8,721	20,239	(11,518)	339,477	331,781	(7,696)	18,141	(25,838)
Other securities	68,202	69,587	1,384	3,271	(1,886)	71,793	70,235	(1,557)	2,399	(3,956)
Monetary claims bought	833	957	123	123	-	792	897	105	105	-
Negotiable certificates of deposit	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-
Total	4,242,680	4,628,529	385,849	502,426	(116,576)	4,009,390	4,208,228	198,837	446,620	(247,782)
Domestic bonds	2,622,033	2,756,333	134,299	180,668	(46,368)	2,626,015	2,628,326	2,311	135,049	(132,738)
Domestic stocks	166,694	413,036	246,341	259,795	(13,453)	173,309	431,919	258,609	268,691	(10,081)
Foreign securities	1,363,339	1,365,318	1,978	56,839	(54,860)	1,118,085	1,055,559	(62,525)	38,448	(100,973)
Foreign bonds	1,059,300	1,052,556	(6,743)	36,599	(43,342)	778,607	723,778	(54,828)	20,306	(75,134)
Foreign stocks and other foreign securities	304,039	312,761	8,721	20,239	(11,518)	339,477	331,781	(7,696)	18,141	(25,838)
Other securities	68,202	69,587	1,384	3,271	(1,886)	71,793	70,235	(1,557)	2,399	(3,956)
Monetary claims bought	22,410	24,255	1,844	1,852	(8)	20,187	22,187	1,999	2,032	(33)
Negotiable certificates of deposit	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-

Notes:

- The table above includes assets which are considered appropriate to deem as securities under the Financial Instruments and Exchange Act.
- The table above excludes stocks, investments in partnerships and others without a market price.

* Book value of stocks, investments in partnerships and others without a market price is as follows:

(Millions of Yen)

	As of March 31, 2022	As of March 31, 2023
Stocks of subsidiaries	37,377	62,621
Available-for-sale securities	54,874	59,770
Domestic stocks	14,257	13,134
Foreign stocks	11	11
Others	40,605	46,625
Total	92,251	122,391

(v) Fair Value Information on Money Held in Trust

The Company doesn't hold money held in trust.

(6) Fair Value Information on Real estate (land)

(Millions of Yen)

	As of March 31, 2022			As of March 31, 2023		
	Book value	Fair value	Gains/losses	Book value	Fair value	Gains/losses
Land	220,186	285,692	65,505	216,699	291,263	74,564

Notes:

1. Fair Value is calculated based on appraisal value for property tax and others.
2. The amount above includes leasehold.

(Reference)

Fair value information on securities including stocks, investments in partnerships and others without a market price is as follows:

(Millions of Yen)

	As of March 31, 2022					As of March 31, 2023				
	Book value	Fair value	Gains/losses			Book value	Fair value	Gains/losses		
				Gains	Losses				Gains	Losses
Held-to-maturity debt securities	301,647	333,640	31,992	32,001	(8)	288,832	312,438	23,605	23,661	(56)
Policy-reserve-matching bonds	2,028,714	2,159,139	130,424	169,489	(39,065)	2,093,763	2,109,209	15,445	129,585	(114,139)
Stocks of subsidiaries	37,377	37,377	-	-	-	62,621	62,621	-	-	-
Available-for-sale securities	1,967,191	2,194,030	226,838	304,350	(77,512)	1,686,565	1,852,666	166,100	299,693	(133,592)
Domestic bonds	468,248	467,355	(893)	6,409	(7,302)	417,814	401,531	(16,283)	2,292	(18,575)
Domestic stocks	180,951	427,293	246,341	259,795	(13,453)	186,443	445,053	258,609	268,691	(10,081)
Foreign securities	1,248,812	1,228,693	(20,118)	34,750	(54,869)	1,007,974	933,201	(74,773)	26,205	(100,978)
Foreign bonds	904,300	872,053	(32,247)	11,095	(43,342)	623,607	550,216	(73,390)	1,744	(75,134)
Foreign stocks and other foreign securities	344,512	356,640	12,128	23,655	(11,527)	384,367	382,985	(1,382)	24,461	(25,844)
Other securities	68,346	69,731	1,384	3,271	(1,886)	73,539	71,982	(1,557)	2,399	(3,956)
Monetary claims bought	833	957	123	123	-	792	897	105	105	-
Negotiable certificates of deposit	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-
Total	4,334,931	4,724,187	389,255	505,841	(116,585)	4,131,782	4,336,935	205,152	452,940	(247,788)
Domestic bonds	2,622,033	2,756,333	134,299	180,668	(46,368)	2,626,015	2,628,326	2,311	135,049	(132,738)
Domestic stocks	218,328	464,670	246,341	259,795	(13,453)	249,065	507,674	258,609	268,691	(10,081)
Foreign securities	1,403,812	1,409,197	5,384	60,254	(54,869)	1,162,974	1,106,764	(56,210)	44,768	(100,978)
Foreign bonds	1,059,300	1,052,556	(6,743)	36,599	(43,342)	778,607	723,778	(54,828)	20,306	(75,134)
Foreign stocks and other foreign securities	344,512	356,640	12,128	23,655	(11,527)	384,367	382,985	(1,382)	24,461	(25,844)
Other securities	68,346	69,731	1,384	3,271	(1,886)	73,539	71,982	(1,557)	2,399	(3,956)
Monetary claims bought	22,410	24,255	1,844	1,852	(8)	20,187	22,187	1,999	2,032	(33)
Negotiable certificates of deposit	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-

Note: The table above includes assets which are considered appropriate to deem as securities under the Financial Instruments and Exchange Act.

3. Unaudited Non-consolidated Balance Sheets

(Millions of Yen)

	As of March 31, 2022	As of March 31, 2023
Assets:		
Cash and deposits:	35,852	41,673
Cash	20	16
Deposits	35,832	41,656
Call loans	111,000	166,000
Monetary claims bought	22,534	20,292
Securities:	4,565,837	4,303,789
National government bonds	1,669,691	1,693,184
Local government bonds	50,540	50,610
Corporate bonds	907,641	865,936
Domestic stocks	472,584	507,674
Foreign securities	1,395,647	1,088,201
Other securities	69,731	98,181
Loans:	311,416	303,961
Policy loans	32,199	30,254
Industrial and consumer loans	279,217	273,707
Tangible fixed assets:	368,550	359,493
Land	216,027	212,541
Buildings	146,310	141,781
Lease assets	2,194	1,360
Construction in progress	1,175	1,062
Other tangible fixed assets	2,841	2,748
Intangible fixed assets:	28,743	33,497
Software	18,928	19,813
Other intangible fixed assets	9,815	13,683
Agency accounts receivable	11	6
Reinsurance receivables	393	687
Other assets:	60,054	50,226
Accounts receivable	22,778	14,406
Prepaid expenses	3,517	3,385
Accrued income	20,077	18,292
Money on deposit	3,044	2,791
Derivative financial instruments	960	5,879
Cash collateral paid for financial instruments	7,513	2,473
Suspense payments	861	1,355
Other assets	1,300	1,641
Prepaid pension cost	318	424
Deferred tax assets	-	5,690
Customers' liabilities under acceptances and guarantees	-	600
Allowance for possible loan losses	(550)	(648)
Total assets	5,504,161	5,285,695

3. Unaudited Non-consolidated Balance Sheets (Continued)

(Millions of Yen)

	As of March 31, 2022	As of March 31, 2023
Liabilities:		
Policy reserves and other reserves:	4,425,731	4,331,522
Reserve for outstanding claims	32,018	34,513
Policy reserves	4,365,068	4,269,904
Reserve for dividends to policyholders	28,644	27,103
Reinsurance payables	752	700
Bonds payable	102,424	150,555
Other liabilities:	375,938	290,565
Payables under securities borrowing transactions	179,548	182,247
Loans payable	41,000	49,000
Income taxes payable	4,474	133
Accounts payable	27,340	6,048
Accrued expenses	7,639	8,202
Deferred income	202	366
Deposits received	415	494
Guarantee deposits received	17,831	17,473
Derivative financial instruments	90,445	15,084
Cash collateral received for financial instruments	3,791	9,039
Lease obligations	2,194	1,360
Asset retirement obligations	914	967
Suspense receipts	140	148
Reserve for employees' retirement benefits	29,847	28,727
Reserve for price fluctuation	48,210	38,210
Deferred tax liabilities	3,622	-
Deferred tax liabilities for land revaluation	15,711	15,062
Acceptances and guarantees	-	600
Total liabilities	5,002,238	4,855,944
Net assets:		
Foundation funds	91,000	51,000
Reserve for redemption of foundation funds	166,000	206,000
Reserve for revaluation	281	281
Surplus:	117,444	90,207
Reserve for future losses	347	366
Other surplus:	117,097	89,841
Reserve for fund redemption	53,500	22,600
Equalized reserve for dividends to policyholders	6,983	7,093
Unappropriated surplus (loss)	56,614	60,148
Total foundation funds and others	374,726	347,489
Net unrealized gains (losses) on available-for-sale securities, net of tax	173,936	130,668
Land revaluation differences	(46,739)	(48,406)
Total valuation and translation adjustments	127,197	82,261
Total net assets	501,923	429,751
Total liabilities and net assets	5,504,161	5,285,695

4. Unaudited Non-consolidated Statements of Income

(Millions of Yen)

	Year ended March 31, 2022	Year ended March 31, 2023
Ordinary income:	597,910	629,512
Premium and other income:	387,134	379,223
Insurance premiums	385,691	377,409
Reinsurance revenue	1,443	1,813
Investment income:	144,983	144,154
Interest, dividends and other income:	120,531	118,430
Interest and dividends on securities	99,054	96,416
Interest on loans	4,241	4,964
Rent revenue from real estate	16,339	16,180
Other interest and dividends	895	868
Gains on sales of securities	11,949	16,115
Gains on redemption of securities	317	98
Foreign exchange gains	3,065	1,912
Other investment income	6,919	7,167
Investment gains on separate accounts	2,199	429
Other ordinary income:	65,792	106,134
Fund receipt from deposit of claims paid	8,135	7,536
Reversal of reserve for employees' retirement benefits	1,008	1,119
Reversal of policy reserves	54,304	95,163
Other ordinary income	2,343	2,314
Ordinary expenses:	565,605	611,863
Claims and other payments:	381,466	404,395
Claims	107,517	110,749
Annuities	116,767	112,411
Benefits	72,938	94,530
Surrender benefits	79,236	81,755
Other payments	2,403	2,426
Reinsurance premiums	2,602	2,522
Provision for policy reserves and other reserves:	3,449	2,498
Provision for reserve for outstanding claims	3,446	2,494
Provision for interest on policyholders' dividend reserves	3	3
Investment expenses:	36,655	64,899
Interest expenses	4,876	3,986
Losses on trading securities	1,133	-
Losses on sales of securities	11,177	25,525
Losses on valuation of securities	273	114
Losses on redemption of securities	48	466
Losses on derivative financial instruments	2,510	18,826
Provision for allowance for possible loan losses	141	99
Depreciation of rental real estate and other assets	5,511	5,565
Other investment expenses	10,981	10,313
Operating expenses	110,388	106,088
Other ordinary expenses:	33,646	33,982
Claim deposit payments	9,859	10,019
Taxes	9,345	9,197
Depreciation	12,354	12,299
Other ordinary expenses	2,086	2,466
Ordinary profit	32,305	17,648
Extraordinary gains:	2,928	11,889
Gains on disposal of fixed assets	2,925	1,889
Reversal of reserve for price fluctuation	-	10,000
Other extraordinary gains	3	-
Extraordinary losses:	6,561	6,072
Losses on disposal of fixed assets	2,751	2,738
Impairment losses	1,149	3,289
Provision for reserve for price fluctuation	2,530	-
Other extraordinary losses	130	44
Surplus before income taxes	28,671	23,464
Income taxes-current	10,788	(1,300)
Income taxes-deferred	(5,041)	7,507
Total income taxes	5,747	6,207
Net surplus	22,924	17,257

I. Presentation of Unaudited Non-consolidated Financial Statements

Basis of Presentation

The accompanying non-consolidated financial statements have been prepared from the accounts maintained by Asahi Mutual Life Insurance Company (the “Company”) in accordance with the provisions set forth in the Insurance Business Act of Japan and its related rules and regulations applicable to the mutual life insurance industry and in conformity with accounting principles generally accepted in Japan, which are different in certain respects from accounting principles generally accepted in countries and jurisdictions other than Japan.

In addition, the notes to the non-consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

Amounts of less than one million yen have been eliminated. As a result, total amounts in yen shown herein do not necessarily agree with the sum of the individual amounts.

The Insurance Business Act shall prescribe the disclosure of a single fiscal year. The Company provides the disclosure of comparative financial information corresponding to each comparative fiscal year in the presented financial statements for use by readers outside Japan.

In preparing the accompanying non-consolidated financial statements, certain reclassifications have been made to the non-consolidated financial statements issued domestically in order to present them in a format which is more familiar to readers outside Japan.

II. Notes to Unaudited Non-consolidated Balance Sheet

1. Significant Accounting Policies

(1) Valuation methods of securities

The valuation of securities, including deposits and monetary claims bought which are equivalent to securities is as follows:

- i) Trading securities are stated at fair market value. Costs of sales are determined by the moving average method.
- ii) Held-to-maturity debt securities are stated at amortized cost (straight-line method) determined by the moving average method.
- iii) Policy-reserve-matching bonds, which are in accordance with “Temporary Treatment of Accounting and Auditing Concerning Policy-reserve-matching Bonds in Insurance Industry” (Industry Audit Committee Report No. 21 issued by the Japanese Institute of Certified Public Accountants (“JICPA”)), are stated at amortized cost (straight-line method) determined by the moving average method.
- iv) Investments in subsidiaries and affiliates are stated at cost.
- v) Available-for-sale securities except for the following are stated at fair market value based on the market prices at the balance sheet date, of which costs of sales are

determined by the moving average method. Available-for-sale securities, of which public and corporate bonds including foreign bonds with the difference between acquisition cost and face value considered as an adjustment of interest, are stated at amortized cost (straight-line method) determined by the moving average method. Stocks and others without a market price are stated at cost determined by the moving average method. Net unrealized gains or losses on these available-for-sale securities, net of tax, are recorded as a separate component of net assets.

(2) Policy-reserve-matching bonds

The Company classifies bonds held with the aim of matching the duration to outstanding insurance liabilities within the sub-groups (categorized by insurance type, investment policy and other factors) of individual life insurance and individual annuities as policy-reserve-matching bonds in accordance with “Temporary Treatment of Accounting and Auditing Concerning Policy-reserve-matching Bonds in Insurance Industry” (Industry Audit Committee Report No. 21 issued by the JICPA).

(3) Valuation methods of derivative financial instruments

Derivative financial instruments are stated at fair market value.

(4) Revaluation of land

The Company revalued the land for business purposes based on the Act on Revaluation of Land (Act No. 34 promulgated on March 31, 1998). The difference between fair value and book value resulting from the revaluation, net of related taxes, is recorded as land revaluation differences as a separate component of net assets and the related tax is recorded as deferred tax liabilities for revaluation.

■ Date of revaluation: March 31, 2001

■ Method of revaluation as prescribed for in Article 3, Paragraph 3 of the said Act:

The calculation is based on the publicly announced appraisal value with certain adjustments set forth in Article 2, Item 1 of the Enforcement Ordinance of the Act on Revaluation of Land (Government Ordinance No. 119 promulgated on March 31, 1998) or the appraisal value determined by the real-estate appraiser set forth in Article 2, Item 5 of the said Ordinance with certain reasonable adjustments.

(5) Depreciation of tangible fixed assets

Depreciation of the Company’s tangible fixed assets is calculated by the following methods.

■ Tangible fixed assets (excluding lease assets): Declining-balance method

However, buildings are depreciated using the straight-line method.

■ Lease assets related to finance lease transactions that do not transfer ownership: Straight-line method over the lease term with no residual value

(6) Foreign currency translation

Foreign currency-denominated assets and liabilities are translated into Japanese yen at the effective exchange rate prevailing at the balance sheet date.

(7) Allowance for possible loan losses

Allowance for possible loan losses is provided in accordance with the Company's standards of self-assessment and write-offs and reserves on credit quality:

- i) For credit to borrowers who are legally bankrupt such as being in bankruptcy proceedings or civil rehabilitation (hereinafter "legally bankrupt borrowers") and who are substantially bankrupt (hereinafter "substantially bankrupt borrowers"), the Company provides the remaining amount of credits after the direct write-off described below and the deductions of the amount expected to be collected through the disposal of collateral or the execution of guarantees.
- ii) For credit to borrowers who are not currently bankrupt but have a high risk of bankruptcy (hereinafter "borrowers with high possibility of bankruptcy"), the Company provides the amounts deemed as necessary considering the borrowers' ability to pay, within the amounts after deductions of the amount expected to be collected through the disposal of collateral or the execution of guarantees.
- iii) For credit to borrowers other than the above, the Company provides the amounts calculated by multiplying the book value by the actual ratio of bad debt losses on defaults during a certain past period.

All credit is assessed by the relevant departments in accordance with the Company's standards of self-assessment on credit quality. The results of the assessment are reviewed by the audit department, which is independent of business-related divisions. Subsequently, allowance for possible loan losses is provided based on the results of these assessments.

For credit to legally bankrupt borrowers and substantially bankrupt borrowers, the amounts remaining after deductions of collateral value or the amounts collectible through the execution of guarantees are written-off directly from the book value as the estimated uncollectible amounts. The amount written-off as of March 31, 2023 was ¥5 million.

(8) Accounting for employees' retirement benefits and method of amortizing retirement benefit expenses

Reserve for employees' retirement benefits and prepaid pension cost are presented for the employees' retirement benefits based on projected benefit obligation and pension plan assets at the balance sheet date.

The Company uses the following methods of accounting in relation to retirement benefits.

- The retirement benefit obligation is attributed to each period by the benefit formula method.
- Actuarial differences are amortized under the straight-line method over a period of six years starting the following year.
- Prior service cost is charged to income when incurred.

Previously, actuarial differences were amortized under the straight-line method over a period of seven years, however this period has been shortened to six years effective from the fiscal year ended March 31, 2023, since the average remaining working lives of the employees have fallen below this level.

The impact of this change on ordinary profit and surplus before income taxes for the fiscal year ended March 31, 2023 is immaterial.

(9) Reserve for price fluctuation

Reserve for price fluctuation is calculated in accordance with Article 115 of the Insurance Business Act.

(10) Accounting for hedging activities

Hedging activities are accounted for in accordance with the “Accounting Standards for Financial Instruments” (Accounting Standards Board of Japan (“ASBJ”) Statement No. 10).

The Company mainly applies the following hedging activities:

The Company applies deferred hedge accounting and the exceptional accounting treatment (“Tokurei-shori”) for interest rate swaps used to hedge the cash flow volatility of certain loans.

The Company also applies fair value hedge accounting for hedging activities related to foreign exchange rate fluctuation exposures on certain bonds, investment trusts and others denominated in foreign currencies.

The Company also applies designated hedge accounting (“Furiate-shori”) for currency swaps used to hedge foreign exchange rate fluctuation exposures on the foreign currency-denominated bonds issued by the Company.

The Company also applies designated hedge accounting (“Furiate-shori”) for the foreign currency-denominated transactions other than the above.

The effectiveness of a hedge is mostly assessed by a ratio analysis, comparing the fluctuations in the fair value or cash flows of hedged items and hedging instruments.

(11) Accounting for consumption taxes

The Company accounts for consumption tax and local consumption tax by the tax-exclusion method. The consumption taxes on certain assets, which are not deductible from consumption taxes withheld and that are stipulated to be deferred under the Corporation Tax Act of Japan, are deferred as prepaid expenses and amortized equally over five years.

Consumption taxes other than deferred consumption taxes are recognized as an expense when incurred.

(12) Premium and other income (excluding reinsurance revenue)

Premium and other income (excluding reinsurance revenue) is recorded in principle for insurance policies for which insurance premium has been received and the insurer’s liability under the insurance policies or insurance coverage period has commenced by the

relevant amounts received.

Of insurance premiums, the portion corresponding to the period that has yet to pass as of the end of the fiscal year is set aside as policy reserves in accordance with Article 116 of the Insurance Business Act and Article 69, Paragraph 1, Item 2 of the Enforcement Regulation of the Insurance Business Act.

(13) Claims and other payments (excluding reinsurance premiums)

Claims and other payments (excluding reinsurance premiums) are recorded for insurance policies for which amounts calculated under policy conditions have been paid in the occurrence of insured events under the policy conditions by the relevant amounts paid.

In accordance with Article 117 of the Insurance Business Act and Article 72 of the Enforcement Regulation of the Insurance Business Act, reserve for outstanding claims is set aside for claims, etc. which is not recorded as payment of claims, etc. but for which the Company has payment obligation or the occurrence of insured events has not been reported but the Company finds that insured events have already occurred, as of the end of the fiscal year.

With respect to reserve for outstanding claims incurred but not reported events (referring to claims for which the occurrence of the insured events has not been reported but the Company finds that insured events have already occurred; hereinafter the same), the scope of payment of morbidity claims was changed in the fiscal year ended March 31, 2023 with regard to people with diagnoses of COVID-19 given and were under the care of a doctor and the like at an accommodation facility or at home (“deemed hospitalizations”). As a result of this change, an appropriate amount of reserves cannot be obtained with the calculation method set forth in the main rules in Article 1, Paragraph 1 of the Japanese Ministry of Finance Public Notice No.234, 1998 (“IBNR Notification”). The company therefore records the amount that was calculated using the following method, pursuant to provisions in the proviso of Article 1, Paragraph 1 of IBNR Notification (the “Proviso”).

(Overview of the calculation method)

The Company calculates the reserve for outstanding claims incurred but not reported events for deemed hospitalizations and the others separately.

With respect to the amount of reserve for outstanding claims incurred but not reported events other than deemed hospitalizations, the company first deducts the amount related to deemed hospitalizations from a required amount of reserves for incurred but not reported cases and the amount of claim payments for all the fiscal years, as set forth in the main rules in Article 1, Paragraph 1 of IBNR Notification, and then calculates in the same manner as in the main rules in Article 1, Paragraph 1 of IBNR Notification.

The amount of reserve for outstanding claims incurred but not reported events is calculated based on the amount for deemed hospitalizations of those at high risk of serious illness after September 26, 2022, the number of new infections and the number of new infections over the last three months, considering the average days it takes from the occurrence of the insured events for payment to the filing of claims.

(14) Policy reserves

Policy reserves are calculated as stated in accordance with the methods stated in the statement of calculation procedures for insurance premiums and policy reserves (Article 4, Paragraph 2, Item 4 of the Insurance Business Act) pursuant to Article 116, Paragraph 1 of the Insurance Business Act, for insurance policies under which the insurer's liability has started as of the end of the fiscal year, in preparation for the performance of future obligations under the insurance policies.

Of policy reserves, the premium reserves at the end of the fiscal year are calculated by the following method:

In regard to the policies subject to the standard policy reserves, the method as prescribed by the Commissioner of Financial Services Agency (Japanese Ministry of Finance Public Notice No. 48, 1996) is applied.

In regard to the policies not subject to the standard policy reserves, the net level premium method is applied.

Regarding policy reserves, the chief actuary checks that policy reserves are appropriately accumulated in each fiscal year, pursuant to Article 121, Paragraph 1 of the Insurance Business Act and Article 80 of the Enforcement Regulation of the Insurance Business Act.

Contingency reserves included in policy reserves are set aside in accordance with Article 116 of the Insurance Business Act and Article 69, Paragraph 1, Item 3 of the Enforcement Regulation of the Insurance Business Act to cover risks that may accrue in the future in order to ensure the performance of future obligations under insurance policies.

(15) Impairment losses of tangible fixed assets

Impairment losses of the Company's tangible fixed assets are calculated by the following method.

i) Calculation method

Real estate and other assets used for insurance business operations are classified as one asset group as a whole. Other assets such as real estate for rent, real estate not in use and real estate scheduled to be sold are classified as one group individually. As for real estate used for multiple purposes, the asset group to which the real estate belongs is decided depending on usage rate and others.

The Company identifies indications of impairment on each asset group when earnings from business operations using the asset group continuously become negative.

As for asset groups for which indications of impairment are identified, when total amounts of undiscounted net future cash flows from the asset groups are less than their book values, the Company recognizes impairment losses and reduces the book values to their recoverable amounts.

The recoverable amounts of real estate and other assets for insurance business operation and real estate for rent are determined at value in use or net realizable value. The recoverable amounts of real estate not in use and real estate scheduled to be sold are determined at net realizable value. Value in use is determined as the

discounted present value of estimated net future cash flows and discount rate used in the calculation is based on the cost of capital of the Company.

Net realizable value is calculated based on the appraisal value in accordance with “Real Estate Appraisal Standards” or the publicly announced appraisal value after deducting expected disposal costs.

ii) Key assumptions

Key assumptions for the estimated net future cash flows which are used in recognizing impairment losses and calculating value in use are usage plans considering current status of use of asset groups, including tenancy rates, rents and others. These assumptions may be affected by economic condition and changes specific to asset groups.

iii) Effects on non-consolidated financial statements for the following fiscal year

While the Company considers key assumptions for the estimated net future cash flows which are used in recognizing impairment losses and calculating value in use are best estimate based on available information including external information, impairment losses may occur in the following fiscal year due to future uncertainties.

Furthermore, the appraisal value in accordance with “Real Estate Appraisal Standards” may be affected by future real estate market trends. In case that net realizable value decreases as a result, impairment losses may occur in the following fiscal year.

(16) Software

Capitalized software for internal use owned by the Company is amortized using the straight-line method over the estimated useful lives.

2. Accounting Changes

The Company has applied “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, revised on June 17, 2021) from the fiscal year ended March 31, 2023.

In accordance with the transitional treatment set forth in Paragraph 27-2 of Implementation Guidance on Accounting Standard for Fair Value Measurement, the Company has applied new accounting policies prospectively. Following this, some investment trusts are categorized into some level in the following “Note 5. Matters Concerning Fair Value of Major Financial Instruments and Breakdown by Input Level”.

3. Financial Instruments

Asset management of the general accounts other than the separate accounts stipulated in Article 118, Paragraph 1 of the Insurance Business Act is conducted based on the following principles.

- For accumulation whole life with variable interest rates, accumulation insurance with variable interest rates and new single premium individual annuities which have an effective date on or after April 2, 2012, the Company mainly invests in domestic bonds, engaging in matching asset liability management, or Matching ALM, which aims at matching the duration to outstanding insurance liabilities to avoid interest rate fluctuation risks.
- For individual life insurance and individual annuities other than above, the Company holds yen-denominated fixed income investments, including bonds and loans, as the core of its asset portfolio. The Company also holds domestic stocks, foreign securities and real estate assets to enhance its profitability.

Derivatives are mainly used to hedge market price fluctuation risk and exchange rate fluctuation risk regarding securities and exchange rate fluctuation risk related to the foreign currency-denominated bonds issued by the Company. As the major financial instruments, securities are exposed to market risk and credit risk, loans are exposed to credit risk and exchange rate fluctuation risk, and derivatives are exposed to market risk and credit risk.

In managing market risks, the following two methods are used. One is the quantitative risk management of securities etc. using the Value at Risk (“VaR”) method and the other is the risk management by stress test and sensitivity analysis which analyze the effect on the Company’s whole portfolio, simulating scenarios of deteriorating market environments. This is for the purpose of managing an appropriate asset allocation within the ranges of acceptable risks.

In managing credit risks, the Company quantifies the credit risks of entire portfolio through VaR method and controls the amount of risks within an acceptable range. Furthermore, the Company assigns in-house credit ratings to our borrowers in accordance with the creditworthiness of each borrower. Strict credit research of each borrower before lending as well as following up on any changes of creditworthiness of each borrower after lending are implemented by Risk Management Department, which is independent of the departments executing investments and lending. Maximum limits of credit are set up for each borrower in accordance with its credit risks to avoid the concentration of credit risks on specific corporations and specific corporation groups. Through all these measures, the Company endeavors to develop high quality portfolio.

The balance sheet amounts, fair values and the differences between those of major financial assets and liabilities as of March 31, 2023 were as follows. The following table does not include cash and deposits, call loans and payables under securities borrowing transactions which are mostly settled in a short term and their fair values approximate their book values.

	Millions of Yen		
	As of March 31, 2023		
	Balance Sheet Amount	Fair Value	Difference
Monetary claims bought	¥ 20,292	¥ 22,187	¥ 1,894
Held-to-maturity debt securities	19,395	21,290	1,894
Available-for-sale securities	897	897	-
Securities	4,175,083	4,212,239	37,156
Trading securities	26,198	26,198	-
Held-to-maturity debt securities	269,436	291,147	21,711
Policy-reserve-matching bonds	2,093,763	2,109,209	15,445
Available-for-sale securities	1,785,683	1,785,683	-
Loans	303,961	310,838	6,876
Policy loans	30,254	30,254	-
Industrial and consumer loans	273,707	280,583	6,876
Total assets	4,499,337	4,545,265	45,927
Bonds payable	150,555	147,092	(3,462)
Loans payable	49,000	50,490	1,490
Total liabilities	199,555	197,583	(1,972)
Derivative financial instruments	(9,204)	(9,204)	-
Hedge accounting not applied	(1,807)	(1,807)	-
Hedge accounting applied	(7,397)	(7,397)	-

*Assets and liabilities generated by derivative financial instruments are offset and presented net.
Net liabilities in total are presented in parentheses.

Unlisted stocks and others, including investments in subsidiaries and affiliates, without market prices are not included in the table above. The amounts of the unlisted stocks and others, including investments in subsidiaries and affiliates, reported in the non-consolidated balance sheet was ¥75,767 million as of March 31, 2023.

Investment trusts for which the treatments are applied in accordance with Paragraph 24-3 and 24-9 of “Implementation Guidance on Accounting Standard for Fair Value Measurement” are included in the table above.

Investments in partnerships and others for which the treatments are applied in accordance with Paragraph 24-16 of “Implementation Guidance on Accounting Standard for Fair Value Measurement” are not included in the table above. The amount of the investments in partnerships and others, reported in the non-consolidated balance sheet was ¥52,939 million as of March 31, 2023.

4. Matters concerning fair value of major financial instruments and breakdown by input level

Fair values of financial instruments are categorized into the following three levels in accordance with the observability and significance of the inputs used to measure the fair value.

Level 1: Fair values measured by unadjusted quoted prices in active markets for identical assets or liabilities

Level 2: Fair values measured by inputs which are directly or indirectly observable other than Level 1 inputs

Level 3: Fair values measured by significant unobservable inputs

When several inputs that have significant impact on fair value measurement are used and those inputs are categorized into different levels, the fair value is categorized into the lowest priority level for fair value measurement among the levels to which each of the inputs belongs.

(1) Financial assets and liabilities recorded at fair values on the non-consolidated balance sheet

	Millions of Yen				
	As of March 31, 2023				
	Fair Value				
	Level 1	Level 2	Level 3	Total	
Monetary claims bought	¥	–	¥	897	¥ 897
Available-for-sale securities		–	–	897	897
Securities *1		547,776	1,060,004	64,899	1,672,680
Trading securities		–	26,198	–	26,198
Others		–	26,198	–	26,198
Available-for-sale securities		547,776	1,033,805	64,899	1,646,481
National government bonds and local government bonds		24,700	2,683	–	27,383
Corporate bonds		–	374,147	–	374,147
Domestic stocks		431,919	–	–	431,919
Foreign bonds		8,310	477,007	64,899	550,216
Others		82,846	179,968	–	262,814
Total assets		547,776	1,060,004	65,796	1,673,577
Derivative financial instruments *2		0	(9,755)	549	(9,204)
Currency-related		–	(9,755)	–	(9,755)
Stock-related		0	–	549	550

*1 Investment trusts for which the treatments are applied in accordance with Paragraph 24-3 and 24-9 of “Implementation Guidance on Accounting Standard for Fair Value Measurement” are not included in the table above.

The amount of the investment trusts for which the treatments are applied in accordance with paragraph 24-3 of the implementation guidance, reported in the non-consolidated balance sheet was ¥134,005 million as of March 31, 2023. The amount of the investment trusts for which the treatments are applied in accordance with Paragraph 24-9 of the implementation guidance, reported in the non-consolidated balance sheet was ¥5,196 million as of March 31, 2023.

*2 Assets and liabilities generated by derivative financial instruments are offset and presented net. Net liabilities in total are presented in parentheses.

- i) Investment trusts for which the treatments are applied in accordance with Paragraph 24-3 and 24-9 of “Implementation Guidance on Accounting Standard for Fair Value Measurement”
- a) Reconciliation between the beginning and ending balance, and net unrealized gains (losses) recognized as gains (losses) for the fiscal year, of the investment trusts for which the treatments are applied in accordance with Paragraph 24-3 of “Implementation Guidance on Accounting Standard for Fair Value Measurement”

	<u>Millions of Yen</u>
	Year ended
	<u>March 31, 2023</u>
Beginning balance	¥ 121,141
Gains (losses) and net unrealized gains (losses) on available-for-sale securities, net of tax recorded for the fiscal year:	
Gains (losses) recorded for the fiscal year *	642
Net unrealized gains (losses) on available-for-sale securities, net of tax recorded for the fiscal year	1,926
Net amount of purchase, sale, and redemption	(1,283)
Amount of investment trusts whose NAV is deemed as market value	12,221
Amount of investment trusts whose NAV is not deemed as market value	-
Ending balance	<u>134,005</u>
Net unrealized gains (losses) on investment trusts held at the balance sheet date among the amount recorded to gains (losses) for the fiscal year *	<u>1,926</u>

* Those amounts are included in investment income and investment expenses in the non-consolidated statement of income.

- b) Breakdown of balance by restriction on cancellation as of the end of fiscal year

	<u>Millions of Yen</u>
	As of
	<u>March 31, 2023</u>
Investment trusts which need more than 1 month to cancel from the notification of cancellation	¥ 45,332
Other than above	88,672

- c) Reconciliation between the beginning and ending balance, and net unrealized gains (losses) recognized as gains (losses) for the fiscal year, of the investment trusts for which the treatments are applied in accordance with Paragraph 24-9 of “Implementation Guidance on Accounting Standard for Fair Value Measurement”

	<u>Millions of Yen</u>	
	As of	
	<u>March 31, 2023</u>	
	¥	5,104
Beginning balance		
Gains (losses) and net unrealized gains (losses) on available-for-sale securities, net of tax recorded for the fiscal year:		93
Gains (losses) recorded for the fiscal year *		-
Net unrealized gains (losses) on available-for-sale securities, net of tax recorded for the fiscal year		93
Net amount of purchase, sale, and redemption		(0)
Amount of investment trusts whose NAV is deemed as market value		-
Amount of investment trusts whose NAV is not deemed as market value		-
Ending balance		<u>5,196</u>
Net unrealized gains (losses) on investment trusts held at the balance sheet date among the amount recorded to gains (losses) for the fiscal year *		<u>-</u>

* Those amounts are included in investment income and investment expenses in the non-consolidated statement of income.

(2) Financial assets and liabilities not recorded at fair values on the non-consolidated balance sheet

	<u>Millions of Yen</u>			
	As of March 31, 2023			
	Fair Value			
	Level 1	Level 2	Level 3	Total
	¥	¥	¥	¥
Monetary claims bought	-	20,842	447	21,290
Held-to-maturity debt securities	-	20,842	447	21,290
Securities	1,715,893	510,901	173,562	2,400,357
Held-to-maturity debt securities	36,263	81,322	173,562	291,147
National government bonds and local government bonds	36,263	-	-	36,263
Corporate bonds	-	81,332	-	81,332
Foreign bonds	-	-	173,562	173,562
Policy-reserve-matching bonds	1,679,630	429,579	-	2,109,209
National government bonds and local government bonds	1,679,630	46,179	-	1,725,809
Corporate bonds	-	383,400	-	383,400
Loans	-	-	310,838	310,838
Policy loans	-	-	30,254	30,254
Industrial and consumer loans	-	-	280,583	280,583
Total assets	<u>1,715,893</u>	<u>531,744</u>	<u>484,848</u>	<u>2,732,485</u>
Bonds payable	-	147,092	-	147,092
Loans payable	-	-	50,490	50,490
Total liabilities	<u>-</u>	<u>147,092</u>	<u>50,490</u>	<u>197,583</u>

(3) Description of the evaluation methods and inputs used to measure fair value

- i) Securities including monetary claims bought which are treated as securities based on “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10)

Fair values of securities for which unadjusted quoted market prices in active markets are available are categorized as Level 1, which mainly include listed stocks, listed investment trusts and government bonds. In the case the market is inactive even if the quoted market price is available, those securities are categorized as Level 2, which mainly include corporate bonds and foreign bonds. In the case the quoted market price is not available, fair values are measured by evaluation methods such as discounting future cash flows. In evaluation, the Company maximizes the use of observable inputs including swap rates, interest rate swap spreads, currency basis and others. When significant unobservable inputs are used to measure fair values, those securities are categorized as Level 3.

The fair value of unlisted investment trusts, which have no restriction on cancellation that are significant enough to require compensation for risk from market participants, are based on the quoted prices and others offered by counterparty financial institutions and categorized as level 2.

- ii) Loans

As credit exposure for policy loans without specific repayment periods is limited to the amount of the cash surrender value, the Company considers book value as fair value with assumption that fair value approximates book value in light of factors such as projected repayment period and interest terms. Policy loans are categorized as level 3.

As for industrial and consumer loans, the fair value of loans is stated at theoretical prices calculated by discounting the future cash flows to the present value by type of loan, using market interest rates with some adjustments based on internal credit rating. Industrial and consumer loans are categorized as level 3. The fair value of loans to legally bankrupt borrowers, substantially bankrupt borrowers and borrowers with high possibility of bankruptcy is stated at the amounts by deducting estimated losses from the book value before direct write-offs. Loans to legally bankrupt borrowers, substantially bankrupt borrowers and borrowers with high possibility of bankruptcy are categorized as level 3.

- iii) Bonds payable

The fair value of bonds payable issued by the Company is stated at fair market value. Bonds payable issued by the Company are categorized as level 2. The fair value of bonds payable for which designated hedge accounting (“Furiate-shori”) for currency swaps are applied is stated at fair market value added by the fair value of currency swaps. The Company adopts prices obtained from external information vendors as the fair value of currency swaps.

iv) Loans payable

As for loans payable, the fair value of loans is stated at theoretical prices calculated by discounting the future cash flows to the present value, using market interest rates with some adjustments based on the Company's credit risk. Loans payable are categorized as level 3.

v) Derivative financial instruments

As for derivative financial instruments, the fair values of foreign currency forward contracts are stated at theoretical prices calculated by the Company based on the TTM at the balance sheet date. The fair values of currency options, stock options and interest rate swaptions are stated at the quoted prices offered by counterparty financial institutions.

In evaluation of derivative financial instruments, the Company maximizes the use of observable inputs. In the case unobservable inputs are not used or impact of unobservable inputs are not material, derivative financial instruments are categorized as level 2. In the case significant unobservable inputs are used, derivative financial instruments are categorized as level 3.

(4) Quantitative information about financial assets and liabilities measured and stated in the non-consolidated balance sheet at fair value and categorized as Level 3

i) Quantitative information on significant unobservable inputs

Quoted prices obtained from third parties are used for fair values categorized as level 3 without adjustment.

ii) Reconciliation between the beginning and ending balance, and net unrealized gains (losses) recognized as gains (losses) for the fiscal year

	Millions of Yen			
	Year ended March 31, 2023			
	Monetary claims bought	Securities	Total (i) + (ii)	Derivative financial instruments
	Available-for- sale securities Others (i)	Available-for- sale securities Foreign bonds (ii)		Stock-related
Beginning balance	¥ 957	¥ 29,482	¥ 30,440	¥ 270
Gains (losses) and net unrealized gains (losses) on available-for-sale securities, net of tax recorded for the fiscal year:				
Gains (losses) recorded for the fiscal year *1	(39)	(1,498)	(1,538)	(1,981)
Net unrealized gains (losses) on available-for-sale securities, net of tax recorded for the fiscal year	(20)	298	278	(1,981)
Net amount of purchase, sale, issue, and settlement	(18)	(1,797)	(1,816)	-
Transfer to fair values of Level 3 *2	(20)	-	(20)	2,262
Transfer from fair values of Level 3 *3	-	41,912	41,912	-
Ending balance	-	(4,997)	(4,997)	-
Ending balance	897	64,899	65,796	550
Net unrealized gains (losses) on financial assets and liabilities held at the balance sheet date among the amount recorded to gains (losses) for the fiscal year *1	(20)	298	278	(1,981)

*1 Those amounts are included in investment income and investment expenses in the non-consolidated statement of income.

*2 Those amounts are transferred from level 2 to level 3 because of lack of observable data. Those transfers were made at the end of the fiscal year.

*3 Those amounts are transferred from level 3 to level 2 since it has become possible to obtain observable data. Those transfers were made at the end of the fiscal year.

iii) Description of the fair value evaluation process

The Company establishes policies and procedures for measuring the fair value in the actuarial and accounting department and the risk management department. In accordance with these policies and procedures, the risk management department measures the fair value. The validity of the evaluation methods and inputs used to measure fair value and the appropriateness of categorization of fair value are verified in the independent division in the risk management department.

In fair value measurement, valuation models in which the nature, characteristics and risks of individual assets are most appropriately reflected are used. In addition, when quoted prices obtained from third parties are used, the validity of the prices is verified by appropriate methods such as confirmation of evaluation method and used inputs and comparison with the fair values of similar financial instruments.

5. Investments and Rental Properties

The Company holds investment and rental properties such as office buildings in Tokyo and other areas. The carrying amount and the fair value of investment and rental properties were ¥240,015 million and ¥290,414 million as of March 31, 2023. The fair value is mainly based on the value (including some adjustments using the reference prices) of real estate appraisal report prepared by the external real-estate appraiser in accordance with real estate appraisal standards.

6. Securities Lent under Lending Agreements

The amount of securities lent under lending agreements was ¥199,653 million as of March 31, 2023.

7. Claims

The total amount of claims against bankrupt and quasi-bankrupt obligors, claims with collection risk, delinquent loans three or more months past due and restructured loans, which were included in claims, was ¥521 million as of March 31, 2023.

- i) Claims against bankrupt and quasi-bankrupt obligors were ¥386 million as of March 31, 2023.
- ii) Claims with collection risk were ¥30 million as of March 31, 2023.
- iii) Delinquent loans three or more months past due were ¥85 million as of March 31, 2023.
- iv) Restructured loans were ¥20 million as of March 31, 2023.

Claims against bankrupt and quasi-bankrupt obligors are claims to obligors who are subject to bankruptcy, corporate reorganization or rehabilitation or other similar proceedings and other obligors in serious financial difficulties.

Claims with collection risk are claims to obligors with deteriorated financial condition and results of operations from which it is unlikely that the principal and interest on the claims will be recovered, excluding those claims classified as claims against bankrupt and quasi-bankrupt obligors.

Delinquent loans three or more months past due are loans for which interest payments or repayments of principal are delinquent for three months or more from the due dates under the terms of the related loan agreements, excluding those claims classified as claims against bankrupt and quasi-bankrupt obligors and claims with collection risk.

Restructured loans are loans for which certain concessions favorable to borrowers, such as interest reduction or exemptions, rescheduling of due dates of principal or interest payments, waivers of claim or other terms, have been negotiated for the purpose of assisting and supporting the borrowers in the restructuring of their businesses. This category excludes claims classified as claims against bankrupt and quasi-bankrupt obligors, claims with collection risk and delinquent loans three or more months past due.

The direct write-offs related to claims decreased the amounts of claims against bankrupt and quasi-bankrupt obligors described above by ¥5 million as of March 31, 2023.

8. Accumulated Depreciation of Tangible Fixed Assets

Accumulated depreciation of tangible fixed assets totaled ¥281,800 million as of March 31, 2023.

9. Separate Accounts

Total assets in separate accounts provided for in Article 118 of the Insurance Business Act were ¥26,438 million as of March 31, 2023. The amounts of separate account liabilities were the same as separate account assets.

10. Receivables from/Payables to Subsidiaries

The total amounts of receivables from/payables to subsidiaries were ¥411 million and ¥2,744 million as of March 31, 2023.

11. Deferred Taxes

(1) Deferred tax assets/liabilities were recognized as follows:

	<u>Millions of Yen</u>
	As of
	<u>March 31, 2023</u>
Deferred tax assets	¥ 61,132
Valuation allowance for deferred tax assets	13,580
Subtotal	<u>47,551</u>
Deferred tax liabilities	<u>41,861</u>
Net deferred tax assets (liabilities)	<u>¥ 5,690</u>

Major components of deferred tax assets/liabilities were as follows:

	<u>Millions of Yen</u>
	As of
	<u>March 31, 2023</u>
Deferred tax assets	
Contingency reserve	¥ 17,607
Reserve for price fluctuation	10,660
Reserve for employees' retirement benefits	8,015
Impairment losses	7,356
IBNR reserves	4,260
Losses on valuation of securities	<u>3,489</u>
Deferred tax liabilities	
Net unrealized gains on available-for-sale securities	<u>¥ 37,793</u>

Tax loss carried forward and the deferred tax assets by carry forward period were as follows:

	<u>Millions of Yen</u>			
	<u>As of March 31, 2023</u>			
	1 year or less	Over 1 to 5 years	Over 5 years	Total
Tax loss carried forward	-	-	¥ 1,001	¥ 1,001
Valuation allowance	-	-	-	-
Deferred tax assets	-	-	1,001	1,001*

* The Company considers tax loss carried forward recorded for deferred tax assets to be recoverable as it is expected that there will be taxable income in the future.

- (2) The statutory tax rate was 27.9% for the fiscal year ended March 31, 2023. The main factor causing the difference between the statutory tax rate and the actual effective tax rate after considering deferred taxes was as follows:

	<u>Year ended</u>
	<u>March 31, 2023</u>
Interest on foundation funds	(3.5)%

- (3) The Company has applied the group tax sharing system from fiscal year ended March 31, 2023. As a result, the Company has applied the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (ASBJ PITF No.42, issued on August 12, 2021) to the accounting and disclosure treatment of corporate tax, local corporate tax and tax effect accounting.

12. Reserve for Dividends to Policyholders

	<u>Millions of Yen</u>
	<u>Year ended</u>
	<u>March 31, 2023</u>
Balance at the beginning of the fiscal year	<u>¥ 28,644</u>
Transfer to reserve from surplus in the previous fiscal year	2,121
Dividends to policyholders paid out during the fiscal year	3,664
Increase in interest	<u>3</u>
Balance at the end of the fiscal year	<u>¥ 27,103</u>

13. Stocks of Subsidiaries and Affiliates

The amount of stocks of subsidiaries and affiliates the Company held as of March 31, 2023 was ¥ 62,621 million.

The Company provided capital of ¥5,000 million to Nanairo Life Insurance Co., Ltd. on April 14, 2023.

14. Pledged Assets

Assets pledged as collateral as of March 31, 2023 were securities in the amount of ¥3,224 million.

15. Policy Reserves for the Reinsurance Contracts

Reserve for outstanding claims for the reinsurance contracts provided in accordance with Article 73, Paragraph 3 of the Enforcement Regulation of the Insurance Business Act which applies mutatis mutandis to Article 71, Paragraph 1 of the Enforcement Regulation of the Insurance Business Act (hereinafter “reserve for outstanding claims for ceded reinsurance”) was ¥17 million as of March 31, 2023.

Policy reserves for the reinsurance contracts provided in accordance with Article 71, Paragraph 1 of the Enforcement Regulation of the Insurance Business Act (hereinafter “policy reserves for ceded reinsurance”) were ¥357 million as of March 31, 2023.

16. Adjustment to Redemption of Foundation Funds and Appropriation of Net Surplus

The total amount of adjustment to redemption of foundation funds and appropriation of net surplus defined in Article 30, Paragraph 2 of the Enforcement Regulation of the Insurance Business Act was ¥130,950 million as of March 31, 2023.

17. Redemption of Foundation funds

The Company redeemed ¥40,000 million of foundation funds, which is part of ¥80,000 million of foundation funds offered in August 2015, prior to the redemption date. Accompanying the redemption, the Company transferred the same amount from reserve for fund redemption to reserve for redemption of foundation funds in accordance with Article 56 of the Insurance Business Act.

18. Assets with Rights to Sell

The Company has the legal right to sell or collateralize securities borrowed under loan agreements. The market value of these assets that were not sold or pledged as collateral as of March 31, 2023 was ¥21,882 million. No assets were pledged as collateral as of March 31, 2023.

19. Commitment Line

As of March 31, 2023, there were unused commitment line agreements under which the Company is the lender of ¥10,086 million.

20. Subordinated Bonds Payable

As of March 31, 2023, bonds payable are subordinated bonds payable, for which the repayments are subordinated to other obligations.

21. Subordinated Loans Payable

As of March 31, 2023, loans payable are subordinated loans payable, for which the repayments are subordinated to other obligations.

22. Reserve for Employees' Retirement Benefits

(1) Summary of retirement benefit plans

As defined benefit plan, the Company has defined benefit corporate pension plans, which are funded-type, and lump-sum retirement allowance plans which are non-funded type but resulted in funded type due to setting of employee pension trust.

(2) Defined benefit plan

i) Reconciliation of beginning and ending balance of retirement benefit obligations

	<u>Millions of Yen</u>
	Year ended
	<u>March 31, 2023</u>
Retirement benefit obligations at the beginning of the fiscal year	¥ 39,489
Service cost	1,779
Interest cost	394
Actuarial difference occurred during the fiscal year	601
Retirement benefit payments	(3,706)
Retirement benefit obligations at the end of the fiscal year	<u>¥ 38,558</u>

ii) Reconciliation of beginning and ending balance of pension plan assets

	<u>Millions of Yen</u>
	Year ended
	<u>March 31, 2023</u>
Pension plan assets at the beginning of the fiscal year	¥ 7,123
Expected return on pension plan assets	60
Actuarial difference occurred during the fiscal year	181
Contributions by the employer	152
Retirement benefit payments	(117)
Pension plan assets at the end of the fiscal year	<u>¥ 7,399</u>

iii) Reconciliation of retirement benefit obligation and pension plan assets with reserve for employees' retirement benefits and prepaid pension cost presented on the non-consolidated balance sheet

	<u>Millions of Yen</u>
	As of
	<u>March 31, 2023</u>
a. Funded plan retirement benefit obligation	¥ 38,558
b. Pension plan assets	(7,399)
c. (a + b)	31,158
d. Unrecognized actuarial differences	(2,854)
e. Net amount of liabilities and assets presented on the non-consolidated balance sheet	<u>28,303</u>
f. Reserve for employees' retirement benefits	28,727
g. Prepaid pension cost	(424)
h. Net amount of liabilities and assets presented on the non-consolidated balance sheet	<u>¥ 28,303</u>

iv) Breakdown of retirement benefit expenses

	<u>Millions of Yen</u>
	Year ended
	<u>March 31, 2023</u>
Service cost	¥ 1,779
Interest cost	394
Expected return on pension plan assets	(60)
Amortization of actuarial differences	401
Retirement benefit expenses related to defined benefit plan	<u>¥ 2,515</u>

v) Breakdown of main pension plan assets

The breakdown of main asset categories as a percentage of pension plan assets was as follows:

	<u>As of</u> <u>March 31, 2023</u>
Stocks	40%
Bonds	11%
Others	49%
Total	<u>100%</u>

vi) Method for determining the expected long-term rate of return

To determine the expected long-term rate of return on pension plan assets, the Company takes into account the present and future allocation of pension plan assets, and the present and expected future long-term rate of return on the diverse range of assets that makes up the pension assets.

vii) Underlying actuarial assumptions

The main underlying actuarial assumptions were as follows:

	<u>As of</u> <u>March 31, 2023</u>
Discount rate	1.0%
Expected long-term rate of return on pension plan assets	0.8%
Defined benefit corporate pension plans	1.6%

III. Notes to Unaudited Non-consolidated Statement of Income

1. Transactions with Subsidiaries and Affiliates

The total amounts of revenues and expenditures in connection with subsidiaries and affiliates were ¥803 million and ¥10,061 million for the fiscal year ended March 31, 2023.

2. Investment Income and Expenses

The major components of gains on sales of securities were as follows:

	<u>Millions of Yen</u> <u>Year ended</u> <u>March 31, 2023</u>
Domestic bonds	¥ 6,720
Domestic stocks and other securities	1,490
Foreign securities	7,904

The major components of losses on sales of securities were as follows:

	<u>Millions of Yen</u>
	<u>Year ended</u>
	<u>March 31, 2023</u>
Domestic bonds	¥ 3,752
Domestic stocks and other securities	1,987
Foreign securities	19,785

The major components of losses on valuation of securities were as follows:

	<u>Millions of Yen</u>
	<u>Year ended</u>
	<u>March 31, 2023</u>
Domestic stocks and other securities	¥ 108
Foreign securities	5

Losses on derivative financial instruments included net valuation losses of ¥4,761 million for the fiscal year ended March 31, 2023.

3. Policy Reserves for the Reinsurance Contracts

Provision for reserve for outstanding claims for ceded reinsurance, which was deducted in calculating provision for reserve for outstanding claims for the fiscal year ended March 31, 2023 was ¥7 million.

Reversal of policy reserves for ceded reinsurance, which were deducted in calculating reversal of policy reserves for the fiscal year ended March 31, 2023 was ¥15 million.

4. Impairment Losses of Fixed Assets

For the fiscal year ended March 31, 2023, impairment losses of fixed assets by the Company were as follows:

(1) Method of grouping

The method of grouping is described in “Note 1. (15) Impairment losses of tangible fixed assets” of the non-consolidated balance sheet.

(2) Background information on recognizing the impairment losses

As the profitability of certain real estate for rent dropped down significantly due to a decrease in the level of rental income and a declining trend in the market prices of land, the Company reduced the book values of such real estate for rent, real estate not in use and real estate scheduled to be sold to their recoverable amounts. The write-downs were recognized as impairment losses and included in the extraordinary losses.

(3) Asset groups for which impairment losses were recognized and losses by classification of fixed assets

	<u>Millions of Yen</u>
	<u>Year ended</u>
	<u>March 31, 2023</u>
Real estate for rent:	
Land	¥ -
Building	-
Total real estate for rent (i)	<u>-</u>
Real estate not in use:	
Land	552
Building	<u>1,683</u>
Total real estate not in use (ii)	<u>2,235</u>
Real estate scheduled to be sold:	
Land	701
Building	<u>351</u>
Total real estate scheduled to be sold (iii)	<u>1,053</u>
Total:	
Land	1,254
Building	<u>2,035</u>
Total (i) + (ii) + (iii)	<u>¥ 3,289</u>

(4) Calculation method of recoverable amounts

The recoverable amounts of real estate for rent are determined at net realizable value or value in use. The recoverable amounts for real estate not in use and real estate scheduled to be sold are net realizable value. Value in use is determined as the estimated net future cash flows, reflecting the volatility risk, discounted at 3.3% for the fiscal year ended March 31, 2023. Net realizable value is calculated based on the appraisal value in accordance with “Real Estate Appraisal Standards” or the publicly announced appraisal value after deducting expected disposal costs.

5. Breakdown of Ordinary Profit (Fundamental Profit)

(Millions of Yen)

		Year ended March 31, 2022	Year ended March 31, 2023
Fundamental profit	A	44,922	13,357
Capital gains		19,624	34,386
Gains on money held in trust		-	-
Gains on trading securities		-	-
Gains on sales of securities		11,949	16,115
Gains on derivative financial instruments		-	-
Foreign exchange gains		3,065	1,912
Other capital gains		4,609	16,358
Capital losses		16,845	44,834
Losses on money held in trust		-	-
Losses on trading securities		1,133	-
Losses on sales of securities		11,177	25,525
Losses on valuation of securities		273	114
Losses on derivative financial instruments		2,510	18,826
Foreign exchange losses		-	-
Other capital losses		1,749	368
Net capital gains (losses)	B	2,779	(10,448)
Fundamental profit plus net capital gains (losses)	A+B	47,702	2,909
Other one-time gains		44	14,779
Reinsurance revenue		-	-
Reversal of contingency reserve		-	14,779
Reversal of specific allowance for possible loan losses		44	-
Others		-	-
Other one-time losses		15,441	40
Reinsurance premiums		-	-
Provision for contingency reserve		15,441	-
Provision for specific allowance for possible loan losses		-	40
Provision for allowance for specified overseas loans		-	-
Write-offs of loans		0	0
Others		-	-
Net other one-time gains (losses)	C	(15,397)	14,738
Ordinary profit	A+B+C	32,305	17,648

※ The above fundamental profit is calculated based on the new calculation method.

(Reference) Breakdown of "other" items

(Millions of Yen)

	Year ended March 31, 2022	Year ended March 31, 2023
Fundamental profit	(2,859)	(15,990)
Hedging costs related to foreign exchange	1,723	(14,443)
Gains (losses) on cancellation of investment trusts	(4,609)	(1,915)
Gains (losses) on redemption of securities caused by foreign exchange fluctuation	26	368
Other capital gains	4,609	16,358
Hedging costs related to foreign exchange	-	14,443
Gains on cancellation of investment trusts	4,609	1,915
Gains on redemption of securities caused by foreign exchange fluctuation	-	-
Other capital losses	1,749	368
Hedging costs related to foreign exchange	1,723	-
Losses on cancellation of investment trusts	-	-
Losses on redemption of securities caused by foreign exchange fluctuation	26	368

6. Unaudited Non-consolidated Statements of Changes in Net Assets

Year ended March 31, 2022

(Millions of Yen)

	Foundation funds and others									
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Surplus					Total surplus	Total foundation funds and others
				Reserve for future losses	Other surplus					
					Reserve for fund redemption	Equalized reserve for dividends to policyholders	Unappropriated surplus (loss)			
Beginning balance	91,000	166,000	281	328	44,400	7,091	47,558	99,378	356,660	
Changes in the fiscal year:										
Additions to reserve for dividends to policyholders							(2,153)	(2,153)	(2,153)	
Additions to reserve for future losses				19			(19)			
Payment of interest on foundation funds							(4,089)	(4,089)	(4,089)	
Net surplus							22,924	22,924	22,924	
Additions to reserve for fund redemption					9,100		(9,100)			
Reversal of equalized reserve for dividends to policyholders						(108)	108			
Reversal of land revaluation differences							1,384	1,384	1,384	
Net changes, excluding foundation funds and others										
Net changes in the fiscal year	-	-	-	19	9,100	(108)	9,055	18,066	18,066	
Ending balance	91,000	166,000	281	347	53,500	6,983	56,614	117,444	374,726	

	Valuation and translation adjustments			Total net assets
	Net unrealized gains (losses) on available-for-sale securities, net of tax	Land revaluation differences	Total valuation and translation adjustments	
Beginning balance	213,200	(45,354)	167,845	524,505
Changes in the fiscal year:				
Additions to reserve for dividends to policyholders				(2,153)
Additions to reserve for future losses				
Payment of interest on foundation funds				(4,089)
Net surplus				22,924
Additions to reserve for fund redemption				
Reversal of equalized reserve for dividends to policyholders				
Reversal of land revaluation differences				1,384
Net changes, excluding foundation funds and others	(39,264)	(1,384)	(40,648)	(40,648)
Net changes in the fiscal year	(39,264)	(1,384)	(40,648)	(22,582)
Ending balance	173,936	(46,739)	127,197	501,923

Year ended March 31, 2023

(Millions of Yen)

	Foundation funds and others									
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Surplus					Total surplus	Total foundation funds and others
				Reserve for future losses	Other surplus					
					Reserve for fund redemption	Equalized reserve for dividends to policyholders	Unappropriated surplus (loss)			
Beginning balance	91,000	166,000	281	347	53,500	6,983	56,614	117,444	374,726	
Changes in the fiscal year:										
Additions to reserve for dividends to policyholders							(2,121)	(2,121)	(2,121)	
Additions to reserve for future losses				19			(19)			
Additions to reserve for redemption of foundation funds		40,000			(40,000)			(40,000)		
Payment of interest on foundation funds							(4,040)	(4,040)	(4,040)	
Net surplus							17,257	17,257	17,257	
Redemption of foundation funds	(40,000)								(40,000)	
Additions to reserve for fund redemption					9,100		(9,100)			
Additions to equalized reserve for dividends to policyholders						110	(110)			
Reversal of land revaluation differences							1,666	1,666	1,666	
Net changes, excluding foundation funds and others										
Net changes in the fiscal year	(40,000)	40,000	-	19	(30,900)	110	3,533	(27,237)	(27,237)	
Ending balance	51,000	206,000	281	366	22,600	7,093	60,148	90,207	347,489	

	Valuation and translation adjustments			Total net assets
	Net unrealized gains (losses) on available-for-sale securities, net of tax	Land revaluation differences	Total valuation and translation adjustments	
Beginning balance	173,936	(46,739)	127,197	501,923
Changes in the fiscal year:				
Additions to reserve for dividends to policyholders				(2,121)
Additions to reserve for future losses				
Additions to reserve for redemption of foundation funds				
Payment of interest on foundation funds				(4,040)
Net surplus				17,257
Redemption of foundation funds				(40,000)
Additions to reserve for fund redemption				
Additions to equalized reserve for dividends to policyholders				
Reversal of land revaluation differences				1,666
Net changes, excluding foundation funds and others	(43,268)	(1,666)	(44,935)	(44,935)
Net changes in the fiscal year	(43,268)	(1,666)	(44,935)	(72,172)
Ending balance	130,668	(48,406)	82,261	429,751

7. Unaudited Non-consolidated Statements of Proposed Appropriation of Surplus

(Millions of Yen)

	Year ended March 31, 2022	Year ended March 31, 2023
Unappropriated surplus (loss)	56,614	60,148
Reversal of voluntary surplus reserves	–	199
Reversal of equalized reserve for dividends to policyholders	–	199
Total	56,614	60,348
Appropriation of surplus (loss)	15,390	13,935
Reserve for dividends to policyholders	2,121	2,497
Net surplus (loss)	13,269	11,438
Reserve for future losses	19	15
Interest on foundation funds	4,040	2,323
Voluntary surplus reserves	9,210	9,100
Reserve for fund redemption	9,100	9,100
Equalized reserve for dividends to policyholders	110	–
Surplus (loss) carried forward	41,223	46,412

8. Disclosed Claims Based on Insurance Business Act

(Millions of Yen, %)

	As of March 31, 2022	As of March 31, 2023
Claims against bankrupt and quasi-bankrupt obligors	453	386
Claims with collection risk	70	30
Delinquent loans three or more months past due	66	85
Restructured loans	20	20
Subtotal	609	521
(Percentage of total)	(0.11)	(0.10)
Claims against normal obligors	530,361	505,064
Total	530,971	505,586

Notes:

1. Claims against bankrupt and quasi-bankrupt obligors are claims to obligors who are subject to bankruptcy, corporate reorganization or rehabilitation or other similar proceedings and other obligors in serious financial difficulties.
2. Claims with collection risk are claims to obligors with deteriorated financial condition and results of operations from which it is unlikely that the principal and interest on the claims will be recovered, other than the claims described in note 1. above.
3. Delinquent loans three or more months past due are loans for which interest payments or repayments of principal are delinquent for three months or more from the due dates under the terms of the related loan agreements, other than the claims described in note 1. or 2. above.
4. Restructured loans are loans for which certain concessions favorable to borrowers, such as interest reduction or exemptions, rescheduling of due dates of principal or interest payments, waivers of claim or other terms, have been negotiated for the purpose of assisting and supporting the borrowers in the restructuring of their businesses, other than the claims described in note 1., 2. or 3. above.
5. Claims against normal obligors are all other claims.

9. Solvency Margin Ratio

(Millions of Yen)

		As of March 31, 2022	As of March 31, 2023
Total solvency margin	(A)	1,009,231	947,464
Foundation funds and surplus		368,564	342,668
Reserve for price fluctuation		48,210	38,210
Contingency reserve		77,889	63,109
General allowance for possible loan losses		286	345
(Net unrealized gains on available-for-sale securities (before tax effect) and deferred hedge gains (before tax effect)) × 90% (in case of losses: × 100%)		204,154	149,490
Net unrealized gains on land × 85% (in case of losses: × 100%)		29,306	35,037
Excess amount of policy reserves based on full-time Zillmer method		145,556	148,266
Qualifying subordinated debt		141,424	199,555
Excess amount of policy reserves based on full-time Zillmer method and qualifying subordinated debt excluded from the calculation of solvency margin		–	–
Deduction		(25,000)	(50,000)
Others		18,839	20,780
Total amount of risk	$\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$ (B)	211,372	203,084
Insurance risk	R_1	12,078	11,558
Third sector insurance risk	R_8	10,727	10,848
Risk of assumed yield	R_2	66,749	64,049
Minimum guarantee risk	R_7	1,027	1,004
Investment risk	R_3	137,767	132,366
Operational risk	R_4	4,567	4,396
Solvency margin ratio	$(A) / \{(1/2) \times (B)\} \times 100$	954.9%	933.0%

Notes:

- The figures above are calculated based on Articles 86 and 87 of the Enforcement Regulation of the Insurance Business Act and Japanese Ministry of Finance Public Notice No. 50, 1996.
- "Excess amount of policy reserves based on full-time Zillmer method", "Qualifying subordinated debt" and "Excess amount of policy reserves based on full-time Zillmer method and qualifying subordinated debt excluded from the calculation of solvency margin" are calculated based on the Public Notice No.25 of the Financial Services Agency of 2011.
- "Minimum guarantee risk" is calculated by standard method.

10. Status of Separate Account

(1) Separate Account Assets by Products

(Millions of Yen)

	As of March 31, 2022	As of March 31, 2023
	Amount	Amount
Individual variable insurance	28,175	26,438
Individual variable annuities	-	-
Group annuity products	-	-
Total	28,175	26,438

(2) Individual Variable Insurance (Separate Account)

(i)Sum Insured of Policies in Force

	As of March 31, 2022		As of March 31, 2023	
	Number of policies (Thousands)	Amount (Millions of Yen)	Number of policies (Thousands)	Amount (Millions of Yen)
Individual variable insurance (fixed term)	-	-	-	-
Individual variable insurance (whole life)	12	86,879	12	83,683
Total	12	86,879	12	83,683

(ii) Breakdown of Separate Account Assets for Individual Variable Insurance

(Millions of Yen)

	As of March 31, 2022		As of March 31, 2023	
	Amount	Percentage	Amount	Percentage
Cash, deposits, call loans	1,475	5.2	279	1.1
Securities	26,601	94.4	26,198	99.1
Domestic bonds	6,733	23.9	-	-
Domestic stocks	7,914	28.1	-	-
Foreign securities	11,953	42.4	-	-
Foreign bonds	3,684	13.1	-	-
Foreign stocks and other foreign securities	8,269	29.3	-	-
Other securities	-	-	26,198	99.1
Loans	-	-	-	-
Others	98	0.4	(39)	(0.2)
Allowance for possible loan losses	-	-	-	-
Total	28,175	100.0	26,438	100.0

(iii) Investment Income and Expenses of Separate Account for Individual Variable Insurance

(Millions of Yen)

	Year ended	Year ended
	March 31, 2022	March 31, 2023
	Amount	Amount
Interest, dividends and other income	518	337
Gains on sales of securities	3,526	3,773
Gains on redemptions of securities	-	-
Gains on valuation of securities	3,268	1,274
Foreign exchange gains	36	76
Gains on derivative financial instruments	-	-
Other investment income	0	0
Losses on sales of securities	1,327	2,100
Losses on redemptions of securities	1	0
Losses on valuation of securities	3,787	2,836
Foreign exchange losses	33	95
Losses on derivative financial instruments	-	-
Other investment expenses	0	0
Net Investment Income	2,199	429

(3) Individual Variable Annuities (Separate Account)

The Company does not have individual variable annuity contracts in force.

11. Status of the Company, Subsidiaries and Affiliates

(1) Selected Financial Data

(Millions of Yen)

	Year ended March 31, 2022	Year ended March 31, 2023
Ordinary income	610,408	671,638
Ordinary profit	29,321	9,791
Net surplus attributable to the Parent Company	19,685	11,513
Comprehensive income	(20,254)	(31,730)

(Millions of Yen)

	As of March 31, 2022	As of March 31, 2023
Total assets	5,502,292	5,283,507
Solvency margin ratio	982.2%	979.3%

(2) Unaudited Consolidated Balance Sheets

(Millions of Yen)

	As of March 31, 2022	As of March 31, 2023
Assets:		
Cash and deposits	47,030	50,601
Call loans	111,000	166,000
Monetary claims bought	22,534	20,292
Securities	4,536,365	4,249,612
Loans	311,416	303,961
Tangible fixed assets:	369,142	360,023
Land	216,027	212,541
Buildings	146,679	142,153
Lease assets	2,194	1,360
Construction in progress	1,175	1,062
Other tangible fixed assets	3,065	2,906
Intangible fixed assets:	33,255	38,053
Software	23,347	24,380
Other intangible fixed assets	9,907	13,672
Agency accounts receivable	11	6
Reinsurance receivables	6,788	26,871
Other assets	64,605	58,965
Net defined benefit assets	524	421
Deferred tax assets	168	8,745
Customers' liabilities under acceptances and guarantees	-	600
Allowance for possible loan losses	(550)	(648)
Total assets	5,502,292	5,283,507
Liabilities:		
Policy reserves and other reserves:	4,426,229	4,335,719
Reserve for outstanding claims	32,025	36,411
Policy reserves	4,365,560	4,272,203
Reserve for dividends to policyholders	28,644	27,103
Reinsurance payables	776	826
Bonds payable	102,424	150,555
Other liabilities	378,694	294,447
Net defined benefit liabilities	32,852	31,548
Reserve for price fluctuation	48,210	38,210
Deferred tax liabilities	2,913	0
Deferred tax liabilities for land revaluation	15,711	15,062
Acceptances and guarantees	-	600
Total liabilities	5,007,812	4,866,969
Net assets:		
Foundation funds	91,000	51,000
Reserve for redemption of foundation funds	166,000	206,000
Reserve for revaluation	281	281
Consolidated surplus	111,982	79,001
Total foundation funds and others	369,264	336,283
Net unrealized gains (losses) on available-for-sale securities, net of tax	173,938	130,668
Land revaluation differences	(46,739)	(48,406)
Accumulated remeasurements of defined benefit plans	(2,077)	(2,104)
Total accumulated other comprehensive income	125,121	80,157
Non-controlling interests	94	96
Total net assets	494,480	416,537
Total liabilities and net assets	5,502,292	5,283,507

(3) Unaudited Consolidated Statements of Income and Statements of Comprehensive Income

(Unaudited Consolidated Statements of Income)

(Millions of Yen)

	Year ended March 31, 2022	Year ended March 31, 2023
Ordinary income:	610,408	671,638
Premium and other income	395,434	418,799
Investment income:	144,550	143,540
Interest, dividends and other income	120,142	117,878
Gains on sales of securities	11,950	16,117
Gains on redemption of securities	317	98
Foreign exchange gains	3,067	1,913
Other investment income	6,872	7,102
Investment gains on separate accounts	2,199	429
Other ordinary income	70,423	109,299
Ordinary expenses:	581,087	661,847
Claims and other payments:	382,521	417,238
Claims	107,517	110,749
Annuities	116,767	112,411
Benefits	73,011	97,218
Surrender benefits	79,236	81,755
Other payments	5,988	15,104
Provision for policy reserves and other reserves:	3,456	4,389
Provision for reserve for outstanding claims	3,453	4,386
Provision for interest on policyholders' dividend reserves	3	3
Investment expenses:	36,655	64,899
Interest expenses	4,876	3,986
Losses on trading securities	1,133	-
Losses on sales of securities	11,177	25,525
Losses on valuation of securities	273	114
Losses on redemption of securities	48	466
Losses on derivative financial instruments	2,510	18,826
Provision for allowance for possible loan losses	141	99
Depreciation of rental real estate and other assets	5,511	5,565
Other investment expenses	10,981	10,313
Operating expenses	123,403	137,405
Other ordinary expenses	35,050	37,914
Ordinary profit	29,321	9,791
Extraordinary gains:	2,928	11,888
Gains on disposal of fixed assets	2,925	1,889
Reversal of reserve for price fluctuation	-	9,999
Other extraordinary gains	3	-
Extraordinary losses:	6,561	6,054
Losses on disposal of fixed assets	2,751	2,720
Impairment losses	1,149	3,289
Provision for reserve for price fluctuation	2,530	-
Other extraordinary losses	130	44
Surplus before income taxes	25,687	15,625
Income taxes-current	10,963	(1,284)
Income taxes-deferred	(5,012)	5,343
Total income taxes	5,950	4,058
Net surplus	19,737	11,566
Net surplus attributable to non-controlling interests	51	53
Net surplus attributable to the Parent Company	19,685	11,513

(Unaudited Consolidated Statements of Comprehensive Income)

(Millions of Yen)

	Year ended March 31, 2022	Year ended March 31, 2023
Net surplus	19,737	11,566
Other comprehensive income:	(39,991)	(43,296)
Net unrealized gains (losses) on available-for-sale securities, net of tax	(39,263)	(43,270)
Remeasurements of defined benefit plans	(728)	(26)
Comprehensive income:	(20,254)	(31,730)
Comprehensive income attributable to the Parent Company	(20,305)	(31,783)
Comprehensive income attributable to non-controlling interests	51	53

(4) Unaudited Consolidated Statements of Cash Flows

(Millions of Yen)

	Year ended March 31, 2022	Year ended March 31, 2023
I. Cash flows from operating activities		
Surplus before income taxes	25,687	15,625
Depreciation of rental real estate and other assets	5,511	5,565
Depreciation	12,811	13,439
Impairment losses	1,149	3,289
Increase (decrease) in reserve for outstanding claims	3,453	4,386
Increase (decrease) in policy reserves	(53,812)	(93,356)
Provision for interest on policyholders' dividend reserves	3	3
Increase (decrease) in allowance for possible loan losses	141	99
Increase (decrease) in net defined benefit liabilities	(1,008)	(1,119)
Increase (decrease) in reserve for price fluctuation	2,530	(9,999)
Interest, dividends and other income	(120,142)	(117,878)
(Gains) losses on securities	(1,833)	9,461
(Gains) losses on derivative financial instruments	2,510	18,826
Interest expenses	4,876	3,986
Foreign exchange (gains) losses, net	(3,067)	(1,913)
(Gains) losses on tangible fixed assets	(636)	(468)
(Increase) decrease in reinsurance receivables	(5,801)	(20,082)
(Increase) decrease in other assets except from investing and financing activities	(3,396)	(3,867)
Increase (decrease) in reinsurance payables	95	50
Increase (decrease) in other liabilities except from investing and financing activities	(437)	1,680
Others, net	4,050	12,250
Subtotal	(127,314)	(160,021)
Interest, dividends and other income received	121,824	120,844
Interest paid	(5,178)	(3,693)
Dividends to policyholders paid	(3,562)	(3,664)
Income taxes (paid) refunded	(11,462)	(10,344)
Net cash provided by (used in) operating activities	(25,694)	(56,880)
II. Cash flows from investing activities		
Proceeds from sales and redemptions of monetary claims bought	2,573	2,199
Purchases of securities	(438,244)	(563,641)
Proceeds from sales and redemptions of securities	559,515	801,416
Disbursements for loans	(55,639)	(65,193)
Proceeds from collections of loans	50,961	74,249
Proceeds from derivative financial instruments	(49,969)	(129,065)
Increase (decrease) in payables under securities borrowing transactions	737	2,698
Others, net	(1,133)	-
①Total of investing activities	68,801	122,663
[I + ①]	43,106	65,782
Purchases of tangible fixed assets	(8,703)	(8,232)
Proceeds from sales of tangible fixed assets	8,084	4,147
Others, net	(11,328)	(14,332)
Net cash provided by (used in) investing activities	56,854	104,245
III. Cash flows from financing activities		
Proceeds from debt borrowing	-	10,000
Redemption of debt borrowing	-	(2,000)
Proceeds from issuance of bonds	15,000	48,131
Redemption of bonds	(40,349)	-
Redemption of foundation funds	-	(40,000)
Payment of interest on foundation funds	(4,089)	(4,040)
Dividends paid to non-controlling interests	(36)	(51)
Others, net	(803)	(834)
Net cash provided by (used in) financing activities	(30,279)	11,205
IV. Net increase (decrease) in cash and cash equivalents	880	58,570
V. Cash and cash equivalents at the beginning of the year	157,149	158,030
VI. Cash and cash equivalents at the end of the year	158,030	216,601

(5) Unaudited Consolidated Statements of Changes in Net Assets

Year ended March 31, 2022

(Millions of 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	91,000	166,000	281	97,154	354,436
Changes in the fiscal year:					
Additions to reserve for dividends to policyholders				(2,153)	(2,153)
Payment of interest on foundation funds				(4,089)	(4,089)
Net surplus attributable to the Parent Company				19,685	19,685
Reversal of land revaluation differences				1,384	1,384
Net changes, excluding foundation funds and others					
Net changes in the fiscal year	-	-	-	14,827	14,827
Ending balance	91,000	166,000	281	111,982	369,264

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Net unrealized gains (losses) on available-for-sale securities, net of tax	Land revaluation differences	Accumulated remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Beginning balance	213,201	(45,354)	(1,349)	166,497	79	521,014
Changes in the fiscal year:						
Additions to reserve for dividends to policyholders						(2,153)
Payment of interest on foundation funds						(4,089)
Net surplus attributable to the Parent Company						19,685
Reversal of land revaluation differences						1,384
Net changes, excluding foundation funds and others	(39,263)	(1,384)	(728)	(41,375)	14	(41,360)
Net changes in the fiscal year	(39,263)	(1,384)	(728)	(41,375)	14	(26,533)
Ending balance	173,938	(46,739)	(2,077)	125,121	94	494,480

Year ended March 31, 2023

(Millions of 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	91,000	166,000	281	111,982	369,264
Changes in the fiscal year:					
Additions to reserve for dividends to policyholders				(2,121)	(2,121)
Additions to reserve for redemption of foundation funds		40,000		(40,000)	
Payment of interest on foundation funds				(4,040)	(4,040)
Net surplus attributable to the Parent Company				11,513	11,513
Redemption of foundation funds	(40,000)				(40,000)
Reversal of land revaluation differences				1,666	1,666
Net changes, excluding foundation funds and others					
Net changes in the fiscal year	(40,000)	40,000	-	(32,981)	(32,981)
Ending balance	51,000	206,000	281	79,001	336,283

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Net unrealized gains (losses) on available-for-sale securities, net of tax	Land revaluation differences	Accumulated remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Beginning balance	173,938	(46,739)	(2,077)	125,121	94	494,480
Changes in the fiscal year:						
Additions to reserve for dividends to policyholders						(2,121)
Additions to reserve for redemption of foundation funds						
Payment of interest on foundation funds						(4,040)
Net surplus attributable to the Parent Company						11,513
Redemption of foundation funds						(40,000)
Reversal of land revaluation differences						1,666
Net changes, excluding foundation funds and others	(43,270)	(1,666)	(26)	(44,963)	1	(44,962)
Net changes in the fiscal year	(43,270)	(1,666)	(26)	(44,963)	1	(77,943)
Ending balance	130,668	(48,406)	(2,104)	80,157	96	416,537

I. Presentation of Unaudited Consolidated Financial Statements

1. Basis of Presentation

The accompanying consolidated financial statements have been prepared from the accounts maintained by Asahi Mutual Life Insurance Company (the “Company”) and its consolidated subsidiaries in accordance with the provisions set forth in the Insurance Business Act of Japan and its related rules and regulations applicable to the mutual life insurance industry and in conformity with accounting principles generally accepted in Japan, which are different in certain respects from accounting principles generally accepted in countries and jurisdictions other than Japan.

In addition, the notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

Amounts of less than one million yen have been eliminated. As a result, total amounts in yen shown herein do not necessarily agree with the sum of the individual amounts.

The Insurance Business Act shall prescribe the disclosure of a single fiscal year. The Company provides the disclosure of comparative financial information corresponding to each comparative fiscal year in the presented financial statements for use by readers outside Japan.

In preparing the accompanying consolidated financial statements, certain reclassifications have been made to the consolidated financial statements issued domestically in order to present them in a format which is more familiar to readers outside Japan.

2. Principles of Consolidation

(1) Scope of consolidation

The consolidated subsidiaries as of March 31, 2023 are listed below:

Info Techno Asahi Co., Ltd.
Asahi Life Asset Management Co., Ltd.
Asahi Natixis Investment Managers Co., Ltd.
Nanairo Life Insurance Co., Ltd.

The major unconsolidated subsidiary is Asahi Real Estate Management Co., Ltd.

Each non-consolidated subsidiary is small in scale in terms of total assets, amount of sales, net income and surplus for the fiscal year ended March 31, 2023. As such non-consolidated subsidiaries are not considered to materially affect any reasonable determination as to the financial position and result of operation of the Company’s group, these companies are excluded from the consolidation.

(2) Application of equity method

Unconsolidated subsidiaries (such as Asahi Real Estate Management Co., Ltd, etc.) are immaterial in terms of their impact on consolidated net income and surplus, and also

immaterial as a whole, therefore, the equity method is not applied.

(3) Fiscal year-end of consolidated subsidiaries

The fiscal year-end of the consolidated subsidiaries is March 31.

(4) Amortization of goodwill

Goodwill is fully expensed as incurred.

II. Notes to Unaudited Consolidated Balance Sheet

1. Significant Accounting Policies

(1) Valuation methods of securities

The valuation of securities, including deposits and monetary claims bought which are equivalent to securities is as follows:

- i) Trading securities are stated at fair market value. Costs of sales are determined by the moving average method.
- ii) Held-to-maturity debt securities are stated at amortized cost (straight-line method) determined by the moving average method.
- iii) Policy-reserve-matching bonds, which are in accordance with “Temporary Treatment of Accounting and Auditing Concerning Policy-reserve-matching Bonds in Insurance Industry” (Industry Audit Committee Report No. 21 issued by the Japanese Institute of Certified Public Accountants (“JICPA”)), are stated at amortized cost (straight-line method) determined by the moving average method.
- iv) Investments in unconsolidated subsidiaries and affiliates not accounted for under the equity method are stated at cost.
- v) Available-for-sale securities except for the following are stated at fair market value based on the market prices at the balance sheet date, of which costs of sales are determined by the moving average method. Available-for-sale securities, of which public and corporate bonds including foreign bonds with the difference between acquisition cost and face value considered as an adjustment of interest, are stated at amortized cost (straight-line method) determined by the moving average method. Stocks and others without a market price are stated at cost determined by the moving average method. Net unrealized gains or losses on these available-for-sale securities, net of tax, are recorded as a separate component of net assets.

(2) Policy-reserve-matching bonds

The Company classifies bonds held with the aim of matching the duration to outstanding insurance liabilities within the sub-groups (categorized by insurance type, investment policy and other factors) of individual life insurance and individual annuities as policy-reserve-matching bonds in accordance with “Temporary Treatment of Accounting and

Auditing Concerning Policy-reserve-matching Bonds in Insurance Industry” (Industry Audit Committee Report No. 21 issued by the JICPA).

(3) Valuation methods of derivative financial instruments

Derivative financial instruments are stated at fair market value.

(4) Revaluation of land

The Company revalued the land for business purposes based on the Act on Revaluation of Land (Act No. 34 promulgated on March 31, 1998). The difference between fair value and book value resulting from the revaluation, net of related taxes, is recorded as land revaluation differences as a separate component of net assets and the related tax is recorded as deferred tax liabilities for revaluation.

■ Date of revaluation: March 31, 2001

■ Method of revaluation as prescribed for in Article 3, Paragraph 3 of the said Act:

The calculation is based on the publicly announced appraisal value with certain adjustments set forth in Article 2, Item 1 of the Enforcement Ordinance of the Act on Revaluation of Land (Government Ordinance No. 119 promulgated on March 31, 1998) or the appraisal value determined by the real-estate appraiser set forth in Article 2, Item 5 of the said Ordinance with certain reasonable adjustments.

(5) Depreciation of tangible fixed assets

Depreciation of the Company’s tangible fixed assets is calculated by the following methods.

■ Tangible fixed assets (excluding lease assets): Declining-balance method

However, buildings are depreciated using the straight-line method.

■ Lease assets related to finance lease transactions that do not transfer ownership: Straight-line method over the lease term with no residual value

(6) Foreign currency translation

Foreign currency-denominated assets and liabilities (excluding the shares of unconsolidated subsidiaries and affiliates) are translated into Japanese yen at the effective exchange rate prevailing at the balance sheet date.

(7) Allowance for possible loan losses

Allowance for possible loan losses is provided in accordance with the Company’s standards of self-assessment and write-offs and reserves on credit quality:

i) For credit to borrowers who are legally bankrupt such as being in bankruptcy proceedings or civil rehabilitation (hereinafter “legally bankrupt borrowers”) and who are substantially bankrupt (hereinafter “substantially bankrupt borrowers”), the Company provides the remaining amount of credits after the direct write-off described below and the deductions of the amount expected to be collected through the disposal of collateral or the execution of guarantees.

- ii) For credit to borrowers who are not currently bankrupt but have a high risk of bankruptcy (hereinafter “borrowers with high possibility of bankruptcy”), the Company provides the amounts deemed as necessary considering the borrowers’ ability to pay, within the amounts after deductions of the amount expected to be collected through the disposal of collateral or the execution of guarantees.
- iii) For credit to borrowers other than the above, the Company provides the amounts calculated by multiplying the book value by the actual ratio of bad debt losses on defaults during a certain past period.

All credit is assessed by the relevant departments in accordance with the Company’s standards of self-assessment on credit quality. The results of the assessment are reviewed by the audit department, which is independent of business-related divisions. Subsequently, allowance for possible loan losses is provided based on the results of these assessments.

For consolidated subsidiaries, the Company records the allowance amounts deemed necessary in accordance mainly with the Company’s standards of self-assessment and write-offs and reserves on credit quality.

For credit to legally bankrupt borrowers and substantially bankrupt borrowers, the amounts remaining after deductions of collateral value or the amounts collectible through the execution of guarantees are written-off directly from the book value as the estimated uncollectible amounts. The amount written-off as of March 31, 2023 was ¥5 million.

(8) Accounting for employees’ retirement benefits and method of amortizing retirement benefit expenses

Net defined benefit liabilities and assets are presented for the employees’ retirement benefits after deducting pension plan assets from retirement benefit obligations, based on estimated amounts as of the balance sheet date.

The Company uses the following methods of accounting in relation to retirement benefits.

- The retirement benefit obligation is attributed to each period by the benefit formula method.
- Actuarial differences are amortized under the straight-line method over a period of six years starting the following year.
- Prior service cost is charged to income when incurred.

Previously, actuarial differences were amortized under the straight-line method over a period of seven years, however this period has been shortened to six years effective from the fiscal year ended March 31, 2023, since the average remaining working lives of the employees have fallen below this level.

The impact of this change on ordinary profit and surplus before income taxes for the fiscal year ended March 31, 2023 is immaterial.

(9) Reserve for price fluctuation

Reserve for price fluctuation is calculated in accordance with Article 115 of the Insurance Business Act.

(10) Accounting for hedging activities

Hedging activities are accounted for in accordance with the “Accounting Standards for Financial Instruments” (Accounting Standards Board of Japan (“ASBJ”) Statement No. 10).

The Company mainly applies the following hedging activities:

The Company applies deferred hedge accounting and the exceptional accounting treatment (“Tokurei-shori”) for interest rate swaps used to hedge the cash flow volatility of certain loans.

The Company also applies fair value hedge accounting for hedging activities related to foreign exchange rate fluctuation exposures on certain bonds, investment trusts and others denominated in foreign currencies.

The Company also applies designated hedge accounting (“Furiate-shori”) for currency swaps used to hedge foreign exchange rate fluctuation exposures on the foreign currency-denominated bonds issued by the Company.

The Company also applies designated hedge accounting (“Furiate-shori”) for the foreign currency-denominated transactions other than the above.

The effectiveness of a hedge is mostly assessed by a ratio analysis, comparing the fluctuations in the fair value or cash flows of hedged items and hedging instruments.

(11) Accounting for consumption taxes

The Company and its subsidiaries account for consumption tax and local consumption tax by the tax-exclusion method. The consumption taxes on certain assets, which are not deductible from consumption taxes withheld and that are stipulated to be deferred under the Corporation Tax Act of Japan, are deferred as prepaid expenses and amortized equally over five years.

Consumption taxes other than deferred consumption taxes are recognized as an expense when incurred.

(12) Premium and other income (excluding reinsurance revenue)

Premium and other income (excluding reinsurance revenue) is recorded in principle for insurance policies for which insurance premium has been received and the insurer’s liability under the insurance policies or insurance coverage period has commenced by the relevant amounts received.

Of insurance premiums, the portion corresponding to the period that has yet to pass as of the end of the fiscal year is set aside as policy reserves in accordance with Article 116 of the Insurance Business Act and Article 69, Paragraph 1, Item 2 of the Enforcement Regulation of the Insurance Business Act.

(13) Reinsurance revenue

Reinsurance revenue is recorded as reinsurance claims and others received based on the proportion ceded in reinsurance and others stipulated in the reinsurance contracts in the

reporting period when the income and expenditure for ceded insurance policies (hereinafter “reinsurance ceded”) are recorded.

For modified coinsurance, ceding commissions which are received as part of amounts equivalent to new policy acquisition costs for reinsurance ceded are recorded as reinsurance revenue, while the same amounts are recorded as reinsurance receivables as unamortized ceding commissions and amortized over the period of the reinsurance contracts.

(14) Claims and other payments (excluding reinsurance premiums)

Claims and other payments (excluding reinsurance premiums) are recorded for insurance policies for which amounts calculated under policy conditions have been paid in the occurrence of insured events under the policy conditions by the relevant amounts paid.

In accordance with Article 117 of the Insurance Business Act and Article 72 of the Enforcement Regulation of the Insurance Business Act, reserve for outstanding claims is set aside for claims, etc. which is not recorded as payment of claims, etc. but for which the Company has payment obligation or the occurrence of insured events has not been reported but the Company finds that insured events have already occurred, as of the end of the fiscal year.

With respect to reserve for outstanding claims incurred but not reported events (referring to claims for which the occurrence of the insured events has not been reported but the Company finds that insured events have already occurred; hereinafter the same), the scope of payment of morbidity claims was changed in the fiscal year ended March 31, 2023 with regard to people with diagnoses of COVID-19 given and were under the care of a doctor and the like at an accommodation facility or at home (“deemed hospitalizations”). As a result of this change, an appropriate amount of reserves cannot be obtained with the calculation method set forth in the main rules in Article 1, Paragraph 1 of the Japanese Ministry of Finance Public Notice No.234, 1998 (“IBNR Notification”). The company therefore records the amount that was calculated using the following method, pursuant to provisions in the proviso of Article 1, Paragraph 1 of IBNR Notification (the “Proviso”).

(Overview of the calculation method)

The Company calculates the reserve for outstanding claims incurred but not reported events for deemed hospitalizations and the others separately.

With respect to the amount of reserve for outstanding claims incurred but not reported events other than deemed hospitalizations, the company first deducts the amount related to deemed hospitalizations from a required amount of reserves for incurred but not reported cases and the amount of claim payments for all the fiscal years, as set forth in the main rules in Article 1, Paragraph 1 of IBNR Notification, and then calculates in the same manner as in the main rules in Article 1, Paragraph 1 of IBNR Notification.

The amount of reserve for outstanding claims incurred but not reported events is calculated based on the amount for deemed hospitalizations of those at high risk of serious illness after September 26, 2022, the number of new infections and the number of new infections over the last three months, considering the average days it takes from the occurrence of the insured events for payment to the filing of claims.

(15) Reinsurance premiums

Reinsurance premiums are recorded as reinsurance premiums paid based on the proportion ceded in reinsurance and others stipulated in the reinsurance contracts in the reporting period when the income and expenditure for reinsurance ceded are recorded.

Part of policy reserves and reserve for outstanding claims corresponding to insurance policies which have been reinsured is not set aside in accordance with Article 71, Paragraph 1 and Article 73, paragraph 3 of the Enforcement Regulation of the Insurance Business Act.

(16) Policy reserves

Policy reserves are calculated as stated in accordance with the methods stated in the statement of calculation procedures for insurance premiums and policy reserves (Article 4, Paragraph 2, Item 4 of the Insurance Business Act) pursuant to Article 116, Paragraph 1 of the Insurance Business Act, for insurance policies under which the insurer's liability has started as of the end of the fiscal year, in preparation for the performance of future obligations under the insurance policies.

Of policy reserves, the premium reserves at the end of the fiscal year are calculated by the following method:

In regard to the policies subject to the standard policy reserves, the method as prescribed by the Commissioner of Financial Services Agency (Japanese Ministry of Finance Public Notice No. 48, 1996) is applied.

In regard to the policies not subject to the standard policy reserves, the net level premium method is applied.

Regarding policy reserves, the chief actuary checks that policy reserves are appropriately accumulated in each fiscal year, pursuant to Article 121, Paragraph 1 of the Insurance Business Act and Article 80 of the Enforcement Regulation of the Insurance Business Act.

Contingency reserves included in policy reserves are set aside in accordance with Article 116 of the Insurance Business Act and Article 69, Paragraph 1, Item 3 of the Enforcement Regulation of the Insurance Business Act to cover risks that may accrue in the future in order to ensure the performance of future obligations under insurance policies.

(17) Impairment losses of tangible fixed assets

Impairment losses of the Company's tangible fixed assets are calculated by the following method.

i) Calculation method

Real estate and other assets used for insurance business operations are classified as one asset group as a whole. Other assets such as real estate for rent, real estate not in use and real estate scheduled to be sold are classified as one group individually. As for real estate used for multiple purposes, the asset group to which the real estate belongs is decided depending on usage rate and others.

The Company identifies indications of impairment on asset groups when earnings from business operations using the asset groups continuously become negative.

As for asset groups for which indications of impairment are identified, when total amounts of undiscounted net future cash flows from the asset groups are less than their book values, the Company recognizes impairment losses and reduces the book values to their recoverable amounts.

The recoverable amounts of real estate and other assets for insurance business operation and real estate for rent are determined at value in use or net realizable value. The recoverable amounts of real estate not in use and real estate scheduled to be sold are determined at net realizable value. Value in use is determined as the discounted present value of estimated net future cash flows and discount rate used in the calculation is based on the cost of capital of the Company.

Net realizable value is calculated based on the appraisal value in accordance with “Real Estate Appraisal Standards” or the publicly announced appraisal value after deducting expected disposal costs.

ii) Key assumptions

Key assumptions for the estimated net future cash flows which are used in recognizing impairment losses and calculating value in use are usage plans considering current status of use of asset groups, including tenancy rates, rents and others. These assumptions may be affected by economic condition and changes specific to asset groups.

iii) Effects on financial statements for the following fiscal year

While the Company considers key assumptions for the estimated net future cash flows which are used in recognizing impairment losses and calculating value in use are best estimate based on available information including external information, impairment losses may occur in the following fiscal year due to future uncertainties.

Furthermore, the appraisal value in accordance with “Real Estate Appraisal Standards” may be affected by future real estate market trends. In case that net realizable value decreases as a result of this, impairment losses may occur in the following fiscal year.

(18) Software

Capitalized software for internal use owned by the Company and its subsidiaries (included in intangible fixed assets in the consolidated balance sheet) is amortized using the straight-line method over the estimated useful lives.

2. Accounting Changes

The Company and part of its subsidiaries have applied “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, revised on June 17, 2021) from the fiscal year ended March 31, 2023.

In accordance with the transitional treatment set forth in Paragraph 27-2 of Implementation Guidance on Accounting Standard for Fair Value Measurement, the

Company has applied new accounting policies prospectively. Following this, some investment trusts are categorized into some levels in the following “Note 4. Matters Concerning Fair Value of Major Financial Instruments and Breakdown by Input Level”.

3. Financial Instruments

Asset management of the general accounts other than the separate accounts stipulated in Article 118, Paragraph 1 of the Insurance Business Act is conducted based on the following principles.

- For accumulation whole life with variable interest rates, accumulation insurance with variable interest rates and new single premium individual annuities which have an effective date on or after April 2, 2012, the Company mainly invests in domestic bonds, engaging in matching asset liability management, or Matching ALM, which aims at matching the duration to outstanding insurance liabilities to avoid interest rate fluctuation risks.
- For individual life insurance and individual annuities other than above, the Company holds yen-denominated fixed income investments, including bonds and loans, as the core of its asset portfolio. The Company also holds domestic stocks, foreign securities and real estate assets to enhance its profitability.

Derivatives are mainly used to hedge market price fluctuation risk and exchange rate fluctuation risk regarding securities and exchange rate fluctuation risk related to the foreign currency-denominated bonds issued by the Company. As the major financial instruments, securities are exposed to market risk and credit risk, loans are exposed to credit risk and exchange rate fluctuation risk, and derivatives are exposed to market risk and credit risk.

In managing market risks, the following two methods are used. One is the quantitative risk management of securities etc. using the Value at Risk (“VaR”) method and the other is the risk management by stress test and sensitivity analysis which analyze the effect on the Company’s whole portfolio, simulating scenarios of deteriorating market environments. This is for the purpose of managing an appropriate asset allocation within the ranges of acceptable risks.

In managing credit risks, the Company quantifies the credit risks of entire portfolio through VaR method and controls the amount of risks within an acceptable range. Furthermore, the Company assigns in-house credit ratings to our borrowers in accordance with the creditworthiness of each borrower. Strict credit research of each borrower before lending as well as following up on any changes of creditworthiness of each borrower after lending are implemented by Risk Management Department, which is independent of the departments executing investments and lending. Maximum limits of credit are set up for each borrower in accordance with its credit risks to avoid the concentration of credit risks on specific corporations and specific corporation groups. Through all these measures, the Company endeavors to develop high quality portfolio.

The balance sheet amounts, fair values and the differences between those of major financial assets and liabilities as of March 31, 2023 were as follows. The following table does not include cash and deposits, call loans and payables under securities borrowing transactions which are mostly settled in a short term and their fair values approximate their book values.

	Millions of Yen		
	As of March 31, 2022		
	Balance Sheet Amount	Fair Value	Difference
Monetary claims bought	¥ 20,292	¥ 22,187	¥ 1,894
Held-to-maturity debt securities	19,395	21,290	1,894
Available-for-sale securities	897	897	-
Securities	4,175,095	4,212,252	37,156
Trading securities	26,198	26,198	-
Held-to-maturity debt securities	269,436	291,147	21,711
Policy-reserve-matching bonds	2,093,763	2,109,209	15,445
Available-for-sale securities	1,785,696	1,785,696	-
Loans	303,961	310,838	6,876
Policy loans	30,254	30,254	-
Industrial and consumer loans	273,707	280,583	6,876
Total assets	4,499,350	4,545,278	45,927
Bonds payable	150,555	147,092	(3,462)
Loans payable	49,000	50,490	1,490
Total liabilities	199,555	197,583	(1,972)
Derivative financial instruments	(9,204)	(9,204)	-
Hedge accounting not applied	(1,807)	(1,807)	-
Hedge accounting applied	(7,397)	(7,397)	-

* Assets and liabilities generated by derivative financial instruments are offset and presented net.
Net liabilities in total are presented in parentheses.

Unlisted stocks and others, including investments in subsidiaries and affiliates, without market prices are not included in the table above. The amounts of the unlisted stocks and others, including investments in subsidiaries and affiliates, reported in the consolidated balance sheet was ¥21,577 million as of March 31, 2023.

Investment trusts for which the treatments are applied in accordance with Paragraph 24-3 and 24-9 of “Implementation Guidance on Accounting Standard for Fair Value Measurement” are included in the table above.

Investments in partnerships and others for which the treatments are applied in accordance with Paragraph 24-16 of “Implementation Guidance on Accounting Standard for Fair Value Measurement” are not included in the table above. The amount of the investments in partnerships and others, reported in the consolidated balance sheet was ¥52,939 million as of March 31, 2023.

4. Matters Concerning Fair Value of Major Financial Instruments and Breakdown by Input Level

Fair values of financial instruments are categorized into the following three levels in accordance with the observability and significance of the inputs used to measure the fair value.

Level 1: Fair values measured by unadjusted quoted prices in active markets for identical assets or liabilities

Level 2: Fair values measured by inputs which are directly or indirectly observable other than Level 1 inputs

Level 3: Fair values measured by significant unobservable inputs

When several inputs that have significant impact on fair value measurement are used and those inputs are categorized into different levels, the fair value is categorized into the lowest priority level to fair value measurement among the levels in which each of the inputs belongs.

(1) Financial assets and liabilities recorded at fair values on the consolidated balance sheet

	Millions of Yen			
	As of March 31, 2023			
	Fair Value			
	Level 1	Level 2	Level 3	Total
Monetary claims bought	¥ -	¥ -	¥ 897	¥ 897
Available-for-sale securities	-	-	897	897
Securities *1	547,776	1,060,016	64,899	1,672,692
Trading securities	-	26,198	-	26,198
Others	-	26,198	-	26,198
Available-for-sale securities	547,776	1,033,818	64,899	1,646,493
National government bonds and local government bonds	24,700	2,683	-	27,383
Corporate bonds	-	374,147	-	374,147
Domestic stocks	431,919	-	-	431,919
Foreign bonds	8,310	477,007	64,899	550,216
Others	82,846	179,980	-	262,826
Total assets	547,776	1,060,016	65,796	1,673,589
Derivative financial instruments *2	0	(9,755)	549	(9,204)
Currency-related	-	(9,755)	-	(9,755)
Stock-related	0	-	549	550

*1 Investment trusts for which the treatments are applied in accordance with Paragraph 24-3 and 24-9 of “Implementation Guidance on Accounting Standard for Fair Value Measurement” are not included in the table above.

The amount of the investment trusts for which the treatments are applied in accordance with Paragraph 24-3 of the implementation guidance, reported in the consolidated balance sheet was ¥134,005 million as of March 31, 2023. The amount of the investment trusts for which the treatments are applied in accordance with Paragraph 24-9 of the implementation guidance, reported in the consolidated balance sheet was ¥5,196 million as of March 31, 2023.

*2 Assets and liabilities generated by derivative financial instruments are offset and presented net. Net liabilities in total are presented in parentheses.

i) Investment trusts for which the treatments are applied in accordance with Paragraph 24-3 and 24-9 of “Implementation Guidance on Accounting Standard for Fair Value Measurement”

a) Reconciliation between the beginning and ending balance, and net unrealized gains (losses) recognized as gains (losses) for the fiscal year, of the investment trusts for which the treatments are applied in accordance with Paragraph 24-3 of “Implementation Guidance on Accounting Standard for Fair Value Measurement”

	<u>Millions of Yen</u>
	<u>Year ended</u>
	<u>March 31, 2023</u>
Beginning balance	¥ 121,141
Gains (losses) and other comprehensive income for the fiscal year:	
Gains (losses) recorded for the fiscal year *1	642
Other comprehensive income recorded for the fiscal year *2	1,926
Net amount of purchase, sale, and redemption	(1,283)
Amount of investment trusts whose NAV is deemed as market value	12,221
Amount of investment trusts whose NAV is not deemed as market value	-
Ending balance	<u>134,005</u>
Net unrealized gains (losses) on investment trusts held at the balance sheet date among the amount recorded to gains (losses) for the fiscal year *1	<u>1,926</u>

*1 Those amounts are included in investment income and investment expenses in the consolidated statement of income.

*2 Those amounts are included in net unrealized gains (losses) on available-for-sale securities, net of tax in other comprehensive income in the consolidated statement of comprehensive income.

b) Breakdown of balance by restriction on cancellation as of the end of the fiscal year

	<u>Millions of Yen</u>
	<u>As of</u>
	<u>March 31, 2023</u>
Investment trusts which need more than 1 month to cancel from the notification of cancellation	¥ 45,332
Other than above	88,672

- c) Reconciliation between the beginning and ending balance, and net unrealized gains (losses) recognized as gains (losses) for the fiscal year, of the investment trusts for which the treatments are applied in accordance with Paragraph 24-9 of “Implementation Guidance on Accounting Standard for Fair Value Measurement”

	Millions of Yen
	Year ended
	March 31, 2023
Beginning balance	¥ 5,104
Gains (losses) and other comprehensive income for the fiscal year:	93
Gains (losses) recorded for the fiscal year *1	-
Other comprehensive income recorded for the fiscal year *2	93
Net amount of purchase, sale, and redemption	(0)
Amount of investment trusts whose NAV is deemed as market value	-
Amount of investment trusts whose NAV is not deemed as market value	-
Ending balance	<u>5,196</u>
Net unrealized gains (losses) on investment trusts held at the balance sheet date among the amount recorded to gains (losses) for the fiscal year *1	<u>-</u>

*1 Those amounts are included in investment income and investment expenses in the consolidated statement of income.

*2 Those amounts are included in net unrealized gains (losses) on available-for-sale securities, net of tax in other comprehensive income in the consolidated statement of comprehensive income.

(2) Financial assets and liabilities not recorded at fair values on the consolidated balance sheet

	Millions of Yen			
	As of March 31, 2023			
	Fair Value			
	Level 1	Level 2	Level 3	Total
Monetary claims bought	¥ -	¥ 20,842	¥ 447	¥ 21,290
Held-to-maturity debt securities	-	20,842	447	21,290
Securities	1,715,893	510,901	173,562	2,400,357
Held-to-maturity debt securities	36,263	81,322	173,562	291,147
National government bonds and local government bonds	36,263	-	-	36,263
Corporate bonds	-	81,322	-	81,322
Foreign bonds	-	-	173,562	173,562
Policy-reserve-matching bonds	1,679,630	429,579	-	2,109,209
National government bonds and local government bonds	1,679,630	46,179	-	1,725,809
Corporate bonds	-	383,400	-	383,400
Loans	-	-	310,838	310,838
Policy loans	-	-	30,254	30,254
Industrial and consumer loans	-	-	280,583	280,583
Total assets	<u>1,715,893</u>	<u>531,744</u>	<u>484,848</u>	<u>2,732,485</u>
Bonds payable	-	147,092	-	147,092
Loans payable	-	-	50,490	50,490
Total liabilities	<u>-</u>	<u>147,092</u>	<u>50,490</u>	<u>197,583</u>

(3) Description of the evaluation methods and inputs used to measure fair value

i) Securities including monetary claims bought which are treated as securities based on “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10)

Fair values of securities for which unadjusted quoted market prices in active markets are available are categorized as Level 1, which mainly include listed stocks, listed investment trusts and government bonds. In the case the market is inactive even if the quoted market price is available, those securities are categorized as Level 2, which mainly include corporate bonds and foreign bonds. In the case the quoted market price is not available, fair values are measured by evaluation methods such as discounting future cash flows. In evaluation, the Company maximizes the use of observable inputs including swap rates, interest rate swap spreads, currency basis and others. When significant unobservable inputs are used to measure fair values, those securities are categorized as Level 3.

The fair value of unlisted investment trusts, which have no restriction on cancellation that are significant enough to require compensation for risk from market participants, are based on the quoted prices and others offered by counterparty financial institutions and categorized as level 2.

ii) Loans

As credit exposure for policy loans without specific repayment periods is limited to the amount of the cash surrender value, the Company considers book value as fair value with assumption that fair value approximates book value in light of factors such as projected repayment period and interest terms. Policy loans are categorized as level 3.

As for industrial and consumer loans, the fair value of loans is stated at theoretical prices calculated by discounting the future cash flows to the present value by type of loan, using market interest rates with some adjustments based on internal credit rating. Industrial and consumer loans are categorized as level 3. The fair value of loans to legally bankrupt borrowers, substantially bankrupt borrowers and borrowers with high possibility of bankruptcy is stated at the amounts by deducting estimated losses from the book value before direct write-offs. Loans to legally bankrupt borrowers, substantially bankrupt borrowers and borrowers with high possibility of bankruptcy are categorized as level 3.

iii) Bonds payable

The fair value of bonds payable issued by the Company is stated at fair market value. Bonds payable issued by the Company are categorized as level 2. The fair value of bonds payable for which designated hedge accounting (“Furiate-shori”) for currency swaps are applied is stated at fair market value added by the fair value of currency swaps. The Company adopts prices obtained from external information vendors as the fair value of currency swaps.

iv) Loans payable

As for loans payable, the fair value of loans is stated at theoretical prices calculated

by discounting the future cash flows to the present value, using market interest rates with some adjustments based on the Company's credit risk. Loans payable are categorized as level 3.

v) Derivative financial instruments

As for derivative financial instruments, the fair values of foreign currency forward contracts are stated at theoretical prices calculated by the Company based on the TTM at the balance sheet date. The fair values of currency options, stock options and interest rate swaptions are stated at the quoted prices offered by counterparty financial institutions.

In evaluation of derivative financial instruments, the Company maximizes the use of observable inputs. In the case unobservable inputs are not used or impact of unobservable inputs are not material, derivative financial instruments are categorized as level 2. In the case significant unobservable inputs are used, derivative financial instruments are categorized as level 3.

(4) Quantitative information about financial assets and liabilities measured and stated in the consolidated balance sheet at fair value and categorized as Level 3

i) Quantitative information on significant unobservable inputs

Quoted prices obtained from third parties are used for fair values categorized as level 3 without adjustment.

ii) Reconciliation between the beginning and ending balance, and net unrealized gains (losses) recognized as gains (losses) for the fiscal year

	Millions of Yen			
	Year ended March 31, 2023			
	Monetary claims bought	Securities	Total (i) + (ii)	Derivative financial instruments
	Available-for- sale securities	Available-for- sale securities		Stock-related
Others (i)	Foreign bonds (ii)			
Beginning balance	¥ 957	¥ 29,482	¥ 30,440	¥ 270
Gains (losses) and other comprehensive income for the fiscal year:				
Gains (losses) recorded for the fiscal year *1	(39)	(1,498)	(1,538)	(1,981)
Other comprehensive income recorded for the fiscal year *2	(20)	298	278	(1,981)
Other comprehensive income recorded for the fiscal year *2	(18)	(1,797)	(1,816)	-
Net amount of purchase, sale, issue, and settlement	(20)	-	(20)	2,262
Transfer to fair values of Level 3 *3	-	41,912	41,912	-
Transfer from fair values of Level 3 *4	-	(4,997)	(4,997)	-
Ending balance	897	64,899	65,796	550
Net unrealized gains (losses) on financial assets and liabilities held at the balance sheet date among the amount recorded to gains (losses) for the fiscal year *1	(20)	298	278	(1,981)

*1 Those amounts are included in investment income and investment expenses in the consolidated statement of income.

*2 Those amounts are included in net unrealized gains (losses) on available-for-sale securities, net of tax in other comprehensive income in the consolidated statement of comprehensive income.

*3 Those amounts are transferred from level 2 to level 3 because of lack of observable data. Those transfers were made at the end of the fiscal year.

*4 Those amounts are transferred from level 3 to level 2 since it has become possible to obtain observable data. Those transfers were made at the end of the fiscal year.

iii) Description of the fair value evaluation process

The Company establishes policies and procedures for measuring the fair value in the actuarial and accounting department and the risk management department. In accordance with these policies and procedures, the risk management department measures the fair value. The validity of the evaluation methods and inputs used to measure fair value and the appropriateness of categorization of fair value are verified in the independent division in the risk management department.

In fair value measurement, valuation models in which the nature, characteristics and risks of individual assets are most appropriately reflected are used. In addition, when quoted prices obtained from third parties are used, the validity of the prices is verified by appropriate methods such as confirmation of evaluation method and used inputs and comparison with the fair values of similar financial instruments.

5. Investments and Rental Properties

The Company holds investment and rental properties such as office buildings in Tokyo and other areas. The carrying amount and the fair value of investment and rental properties were ¥237,083 million and ¥287,980 million as of March 31, 2023. The fair value is mainly based on the value (including some adjustments using the reference prices) of real estate appraisal report prepared by the external real-estate appraiser in accordance with real estate appraisal standards.

6. Securities Lent under Lending Agreements

The amount of securities lent under lending agreements was ¥199,653 million as of March 31, 2023.

7. Claims

The total amount of claims against bankrupt and quasi-bankrupt obligors, claims with collection risk, delinquent loans three or more months past due and restructured loans, which were included in claims, was ¥521 million as of March 31, 2023.

- i) Claims against bankrupt and quasi-bankrupt obligors were ¥386 million as of March 31, 2023.
- ii) Claims with collection risk were ¥30 million as of March 31, 2023.
- iii) Delinquent loans three or more months past due were ¥85 million as of March 31, 2023.
- iv) Restructured loans were ¥20 million as of March 31, 2023.

Claims against bankrupt and quasi-bankrupt obligors are claims to obligors who are subject to bankruptcy, corporate reorganization or rehabilitation or other similar proceedings and other obligors in serious financial difficulties.

Claims with collection risk are claims to obligors with deteriorated financial condition and results of operations from which it is unlikely that the principal and interest on the claims will be recovered, excluding those claims classified as claims against bankrupt and quasi-bankrupt obligors.

Delinquent loans three or more months past due are loans for which interest payments or repayments of principal are delinquent for three months or more from the due dates under the terms of the related loan agreements, excluding those claims classified as claims against bankrupt and quasi-bankrupt obligors and claims with collection risk.

Restructured loans are loans for which certain concessions favorable to borrowers, such as interest reduction or exemptions, rescheduling of due dates of principal or interest payments, waivers of claim or other terms, have been negotiated for the purpose of assisting and supporting the borrowers in the restructuring of their businesses. This category excludes claims classified as claims against bankrupt and quasi-bankrupt obligors, claims with collection risk and delinquent loans three or more months past due.

The direct write-offs related to claims decreased the amounts of claims against bankrupt and quasi-bankrupt obligors described above by ¥5 million as of March 31, 2023.

8. Accumulated Depreciation of Tangible Fixed Assets

Accumulated depreciation of tangible fixed assets totaled ¥282,149 million as of March 31, 2023.

9. Separate Accounts

Total assets in separate accounts provided for in Article 118 of the Insurance Business Act were ¥26,438 million as of March 31, 2023. The amounts of separate account liabilities were the same as separate account assets.

10. Reserve for Dividends to Policyholders

	<u>Millions of Yen</u>
	<u>Year ended</u>
	<u>March 31, 2023</u>
Balance at the beginning of the fiscal year	<u>¥ 28,644</u>
Transfer to reserve from surplus in the previous fiscal year	2,121
Dividends to policyholders paid out during the fiscal year	3,664
Increase in interest	3
Balance at the end of the fiscal year	<u>¥ 27,103</u>

11. Stocks of Unconsolidated Subsidiaries and affiliates

The amount of stocks of unconsolidated subsidiaries and affiliates the Company held as of March 31, 2023 was ¥8,131 million.

12. Pledged Assets

Assets pledged as collateral as of March 31, 2023 were securities in the amount of ¥3,224 million.

13. Unamortized Ceding Commissions

The amount of unamortized ceding commissions for reinsurance contracts stipulated in Article 1, Paragraph 5 of the Japanese Ministry of Finance Public Notice No. 50, 1996 for the fiscal year ended March 31, 2023 was ¥26,106 million.

14. Redemption of Foundation Funds

The Company redeemed ¥40,000 million of foundation funds, which is part of ¥80,000 million of foundation funds offered in August 2015, prior to the redemption date. Accompanying the redemption, the Company transferred the same amount from reserve for fund redemption to reserve for redemption of foundation funds in accordance with Article 56 of the Insurance Business Act.

15. Assets with Rights to Sell

The Company has the legal right to sell or collateralize securities borrowed under loan agreements. The market value of these assets that were not sold or pledged as collateral as of March 31, 2023 was ¥21,882 million. No assets were pledged as collateral as of March 31, 2023.

16. Commitment Line

As of March 31, 2023, there were unused commitment line agreements under which the Company is the lender of ¥10,086 million.

17. Subordinated Bonds Payable

As of March 31, 2023, bonds payable are subordinated bonds payable, for which the repayments are subordinated to other obligations.

18. Subordinated Loans Payable

As of March 31, 2023, other liabilities included subordinated loans payable of ¥49,000 million, for which the repayments are subordinated to other obligations.

19. Deferred Taxes

(1) Deferred tax assets/liabilities were recognized as follows:

	<u>Millions of Yen</u>
	As of
	<u>March 31, 2023</u>
Deferred tax assets	¥ 65,621
Valuation allowance for deferred tax assets	14,960
Subtotal	<u>50,660</u>
Deferred tax liabilities	<u>41,915</u>
Net deferred tax assets (liabilities)	<u>¥ 8,745</u>

Major components of deferred tax assets/liabilities were as follows:

	<u>Millions of Yen</u>
	As of
	<u>March 31, 2023</u>
Deferred tax assets	
Contingency reserve	¥ 17,930
Reserve for price fluctuation	10,660
Net defined benefit liabilities	8,802
Impairment losses	7,356
IBNR reserves	4,770
Tax loss carried forward	<u>3,526</u>
Deferred tax liabilities	
Net unrealized gains on available-for-sale securities	<u>¥ 37,793</u>

Tax loss carried forward and the deferred tax assets by carry forward period were as follows:

	<u>Millions of Yen</u>			
	<u>As of March 31, 2023</u>			
	1 year or less	Over 1 to 5 years	Over 5 years	Total
Tax loss carried forward	-	-	¥ 3,526	¥ 3,526
Valuation allowance	-	-	(1,258)	(1,258)
Deferred tax assets	-	-	2,268	2,268*

* The Company considers tax loss carried forward recorded for deferred tax assets to be recoverable as it is expected that there will be taxable income in the future.

- (2) The statutory tax rate was 27.9% for the fiscal year ended March 31, 2023. The main factor causing the difference between the statutory tax rate and the actual effective tax rate after considering deferred taxes was as follows:

	<u>Year ended</u>
	<u>March 31, 2023</u>
Interest on foundation funds	(5.2)%

- (3) The Company and part of its subsidiaries have applied the group tax sharing system from the reporting period ended March 31, 2023. As a result, the Company has applied the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (ASBJ PITF No.42, issued on August 12, 2021) to the accounting and disclosure treatment of corporate tax, local corporate tax and tax effect accounting.

20. Accrued Retirement Benefits and Net Defined Benefit Liabilities

- (1) Summary of retirement benefit plans

As defined benefit plan, the Company and its consolidated subsidiaries have defined benefit corporate pension plans, which are funded-type, and lump-sum retirement allowance plans which are non-funded type but resulted in funded type due to setting of employee pension trust.

- (2) Defined benefit plan

- i) Reconciliation of beginning and ending balance of retirement benefit obligations

	<u>Millions of Yen</u>
	<u>Year ended</u>
	<u>March 31, 2023</u>
Retirement benefit obligations at the beginning of the fiscal year	¥ 40,397
Service cost	1,864
Interest cost	398
Actuarial difference occurred during the fiscal year	597
Retirement benefit payments	(3,720)
Retirement benefit obligations at the end of the fiscal year	<u>¥ 39,538</u>

- ii) Reconciliation of beginning and ending balance of pension plan assets

	<u>Millions of Yen</u>
	<u>Year ended</u>
	<u>March 31, 2023</u>
Pension plan assets at the beginning of the fiscal year	¥ 8,069
Expected return on pension plan assets	79
Actuarial difference occurred during the fiscal year	149
Contributions by the employer	243
Retirement benefit payments	(131)
Pension plan assets at the end of the fiscal year	<u>¥ 8,411</u>

iii) Reconciliation of retirement benefit obligation and pension plan assets with net defined benefit liabilities and assets presented on the consolidated balance sheet

	<u>Millions of Yen</u>
	<u>As of</u>
	<u>March 31, 2023</u>
a. Funded plan retirement benefit obligation	¥ 39,538
b. Pension plan assets	<u>(8,411)</u>
c. Net amount of liabilities and assets presented on the consolidated balance sheet	31,127
d. Net defined benefit liabilities	31,548
e. Net defined benefit assets	<u>(421)</u>
f. Net amount of liabilities and assets presented on the consolidated balance sheet	<u>¥ 31,127</u>

iv) Breakdown of retirement benefit expenses

	<u>Millions of Yen</u>
	<u>Year ended</u>
	<u>March 31, 2023</u>
Service cost	¥ 1,864
Interest cost	398
Expected return on pension plan assets	(79)
Amortization of actuarial differences	409
Retirement benefit expenses related to defined benefit plan	<u>¥ 2,593</u>

v) Breakdown of items included in other comprehensive income

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

	<u>Millions of Yen</u>
	<u>Year ended</u>
	<u>March 31, 2023</u>
Amortization of actuarial differences	¥ (38)
Total	<u>¥ (38)</u>

vi) Breakdown of items included in accumulated other comprehensive income

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

	<u>Millions of Yen</u>
	<u>Year ended</u>
	<u>March 31, 2023</u>
Unrecognized actuarial differences	¥ 2,924
Total	<u>¥ 2,924</u>

vii) Breakdown of main pension plan assets

The breakdown of main asset categories as a percentage of pension plan assets was as follows:

	<u>As of</u> <u>March 31, 2023</u>
Stocks	38%
Bonds	19%
Others	43%
Total	<u>100%</u>

viii) Method for determining the expected long-term rate of return

To determine the expected long-term rate of return on pension plan assets, the Company takes into account the present and future allocation of pension plan assets, and the present and expected future long-term rate of return on the diverse range of assets that makes up the pension assets.

ix) Underlying actuarial assumptions

The main underlying actuarial assumptions were as follows:

	<u>As of</u> <u>March 31, 2023</u>
Discount rate	1.0%
Expected long-term rate of return on pension plan assets	0.8%
Defined benefit corporate pension plans	1.6%

III. Notes to Unaudited Consolidated Statement of Income

1. Investment Income and Expenses

The major components of gains on sales of securities were as follows:

	<u>Millions of Yen</u> <u>Year ended</u> <u>March 31, 2023</u>
Domestic bonds	¥ 6,720
Domestic stocks and other securities	1,492
Foreign securities	7,904

The major components of losses on sales of securities were as follows:

	<u>Millions of Yen</u> <u>Year ended</u> <u>March 31, 2023</u>
Domestic bonds	¥ 3,752
Domestic stocks and other securities	1,987
Foreign securities	19,785

The major components of losses on valuation of securities were as follows:

	<u>Millions of Yen</u>	
	<u>Year ended</u>	
	<u>March 31, 2023</u>	
Domestic stocks and other securities	¥	108
Foreign securities		5

Losses on derivative financial instruments included net valuation losses of ¥4,761 million for the fiscal year ended March 31, 2023.

2. Reinsurance Revenue and Reinsurance Premiums

The increased amount of unamortized ceding commissions for reinsurance contracts stipulated in Article 1, Paragraph 5 of the Japanese Ministry of Finance Public Notice No. 50, 1996 for the fiscal year ended March 31, 2023 was ¥25,849 million, which was included in reinsurance revenue among premium and other income.

The decreased amount of unamortized ceding commissions for reinsurance contracts stipulated in Article 1, Paragraph 5 of the Japanese Ministry of Finance Public Notice No. 50, 1996 for the fiscal year ended March 31, 2023 was ¥6,135 million, which was included in reinsurance premiums among claims and other payments.

3. Impairment Losses of Fixed Assets

For the fiscal year ended March 31, 2023, impairment losses of fixed assets by the Company were as follows:

(1) Method of grouping

The method of grouping is described in “Note 1. (17) Impairment losses of tangible fixed assets” of the consolidated balance sheet.

(2) Background information on recognizing the impairment losses

As the profitability of certain real estate for rent dropped down significantly due to a decrease in the level of rental income and a declining trend in the market prices of land, the Company reduced the book values of such real estate for rent, real estate not in use and real estate scheduled to be sold to their recoverable amounts. The write-downs were recognized as impairment losses and included in the extraordinary losses.

(3) Asset groups for which impairment losses were recognized and losses by classification of fixed assets

	<u>Millions of Yen</u>
	Year ended
	<u>March 31, 2023</u>
Real estate for rent:	
Land	¥ -
Building	-
Total real estate for rent (i)	<u>-</u>
Real estate not in use:	
Land	552
Building	1,683
Total real estate not in use (ii)	<u>2,235</u>
Real estate scheduled to be sold:	
Land	701
Building	351
Total real estate scheduled to be sold (iii)	<u>1,053</u>
Total:	
Land	1,254
Building	2,035
Total (i) + (ii) + (iii)	<u>¥ 3,289</u>

(4) Calculation method of recoverable amounts

The recoverable amounts of real estate for rent are determined at net realizable value or value in use. The recoverable amounts for real estate not in use and real estate scheduled to be sold are net realizable value. Value in use is determined as the estimated net future cash flows, reflecting the volatility risk, discounted at 3.3% for the fiscal year ended March 31, 2023. Net realizable value is calculated based on the appraisal value in accordance with “Real Estate Appraisal Standards” or the publicly announced appraisal value after deducting expected disposal costs.

IV. Note to Unaudited Consolidated Statement of Comprehensive Income

Other Comprehensive Income

The reclassification adjustments and tax effect amounts related to other comprehensive income were as follows:

	<u>Millions of Yen</u>
	<u>Year ended</u>
	<u>March 31, 2023</u>
Net unrealized gains (losses) on available-for-sale securities, net of tax	
Amount incurred during the fiscal year	¥ (69,449)
Reclassification adjustments	8,708
Before tax adjustment	<u>(60,740)</u>
Tax effects	17,470
Net unrealized gains (losses) on available-for-sale securities, net of tax	<u>(43,270)</u>
Accumulated remeasurements of defined benefit plans	
Amount incurred during the fiscal year	(447)
Reclassification adjustments	409
Before tax adjustment	<u>(38)</u>
Tax effects	12
Accumulated remeasurements of defined benefit plans	<u>(26)</u>
Total other comprehensive income	<u>¥ (43,296)</u>

V. Note to Unaudited Consolidated Statement of Cash Flows

Scope of Cash and Cash Equivalents

For the purpose of presenting the consolidated statements of cash flows, cash and cash equivalents are comprised of cash on hand, demand deposits 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 an insignificant risk of changes in value.

(6) Disclosed Claims Based on Insurance Business Act

(Millions of Yen, %)

	As of March 31, 2022	As of March 31, 2023
Claims against bankrupt and quasi-bankrupt obligors	453	386
Claims with collection risk	70	30
Delinquent loans three or more months past due	66	85
Restructured loans	20	20
Subtotal	609	521
(Percentage of total)	(0.11)	(0.10)
Claims against normal obligors	530,361	505,064
Total	530,971	505,586

Notes:

1. Claims against bankrupt and quasi-bankrupt obligors are claims to obligors who are subject to bankruptcy, corporate reorganization or rehabilitation or other similar proceedings and other obligors in serious financial difficulties.
2. Claims with collection risk are claims to obligors with deteriorated financial condition and results of operations from which it is unlikely that the principal and interest on the claims will be recovered, other than the claims described in note 1. above.
3. Delinquent loans three or more months past due are loans for which interest payments or repayments of principal are delinquent for three months or more from the due dates under the terms of the related loan agreements, other than the claims described in note 1. or 2. above.
4. Restructured loans are loans for which certain concessions favorable to borrowers, such as interest reduction or exemptions, rescheduling of due dates of principal or interest payments, waivers of claim or other terms, have been negotiated for the purpose of assisting and supporting the borrowers in the restructuring of their businesses, other than the claims described in note 1., 2. or 3. above.
5. Claims against normal obligors are all other claims.

(7) Consolidated Solvency Margin Ratio

(Millions of Yen)

	As of March 31, 2022	As of March 31, 2023
Total solvency margin (A)	1,021,040	979,054
Foundation funds and surplus	358,018	326,009
Reserve for price fluctuation	48,210	38,210
Contingency reserve	78,125	64,263
Catastrophe loss reserve	-	-
General allowance for possible loan losses	288	347
(Net unrealized gains on available-for-sale securities (before tax effect) and deferred hedge gains (before tax effect)) × 90% (in case of losses: × 100%)	204,157	149,491
Net unrealized gains on land × 85% (in case of losses: × 100%)	29,306	35,037
Sum of unrealized actuarial differences and unrealized past service cost	(2,885)	(2,924)
Excess amount of policy reserves based on full-time Zillmer method	145,556	148,282
Qualifying subordinated debt	141,424	199,555
Excess amount of policy reserves based on full-time Zillmer method and qualifying subordinated debt excluded from the calculation of solvency margin	-	-
Deduction	-	-
Others	18,839	20,780
Total amount of risk $\sqrt{(\sqrt{R_1^2 + R_5^2 + R_6^2 + R_8^2 + R_9^2} + (R_2 + R_3 + R_7)^2 + R_4 + R_6}$ (B)	207,900	199,938
Insurance risk R_1	12,078	11,558
Ordinary insurance risk R_5	-	-
Disaster insurance risk R_6	-	-
Third sector insurance risk R_8	10,963	12,002
Small amount short-term insurance provider insurance risk R_9	-	-
Risk of assumed yield R_2	66,749	64,049
Minimum guarantee risk R_7	1,027	1,004
Investment risk R_3	134,312	129,105
Operational risk R_4	4,502	4,354
Solvency margin ratio (A) / {(1/2) × (B)} × 100	982.2%	979.3%

Notes:

1. The figures above are calculated based on Articles 86-2 and 88 of the Enforcement Regulation of the Insurance Business Act and the Public Notice No.23 of the Financial Services Agency of 2011.
2. "Excess amount of policy reserves based on full-time Zillmer method", "Qualifying subordinated debt" and "Excess amount of policy reserves based on full-time Zillmer method and qualifying subordinated debt excluded from the calculation of solvency margin" are calculated based on the Public Notice No.25 of the Financial Services Agency of 2011.
3. "Minimum guarantee risk" is calculated by standard method.

(8) Status of Insurance Claims Paying Ability of Insurance Subsidiaries
(Solvency Margin Ratio)

(Millions of Yen)

	As of March 31, 2022	As of March 31, 2023
Total solvency margin (A)	20,251	40,471
Capital and others	20,015	39,301
Reserve for price fluctuation	-	0
Contingency reserve	236	1,153
General allowance for possible loan losses	-	-
(Net unrealized gains on available-for-sale securities (before tax effect) and deferred hedge gains (before tax effect)) × 90% (in case of losses: × 100%)	-	-
Net unrealized gains on land × 85% (in case of losses: × 100%)	-	-
Excess amount of policy reserves based on full-time Zillmer method	-	15
Qualifying subordinated debt	-	-
Excess amount of policy reserves based on full-time Zillmer method and qualifying subordinated debt excluded from the calculation of solvency margin	-	-
Deduction	-	-
Others	-	-
Total amount of risk $\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$ (B)	278	1,256
Insurance risk R_1	-	-
Third sector insurance risk R_8	236	1,153
Risk of assumed yield R_2	0	0
Minimum guarantee risk R_7	-	-
Investment risk R_3	125	365
Operational risk R_4	10	45
Solvency margin ratio (A) / {(1/2) × (B)} × 100	14,552.5%	6,444.0%

Note:

The figures above are calculated based on Articles 86 and 87 of the Enforcement Regulation of the Insurance Business Act and Japanese Ministry of Finance Public Notice No. 50, 1996.

(9) Segment information

The Company and its consolidated subsidiaries operate investment advisory business, etc., in addition to life insurance business in Japan. However, information on these segments and related information are omitted because they represent such a minor proportion of total segments.