# Annual Report 2022

Year Ended March 31, 2022

Asahi Mutual Life Insurance Company

ASAHI LIFE

# Table of Contents

# 1. Message from the President

## In this era of the 100-year lifespan, we aim to be a company that contributes to resolving social issues and continues to support customers' lives through the life insurance business

木村 博紀
Hiroki Kimura
President and
Representative Director

### Introduction

Thank you for supporting Asahi Life.

Since our founding in 1888, Asahi Life has grown alongside the growth and development of the Japanese economy with the warm support of our many customers. It is thanks to you that we welcome our 135th anniversary in March 2023. We are deeply grateful for all of your support over these many years.

The life insurance industry plays an important role in supporting Japanese society in cooperation with the social security system, and we believe that the company's business operations themselves are deeply important and constitute a social responsibility. Based on these beliefs, Asahi Life holds a basic management philosophy of "Sincere Service" that is guided by the idea that fulfilling our responsibilities to our customers, society, and our employees is fundamental to our business.

Additionally, on the basis of the following priorities, Asahi Life engages in sustainable management mindful of the sustainability of society itself.

"Engaging in business that prioritizes the improvement of customer satisfaction"

"Co-existence with society through continued engagement to create a prosperous society"

"Improvement of employee satisfaction through the creation of a comfortable workplace that fosters employees"

Through above initiatives and appropriate cooperation with various stakeholders, Asahi Life aims to contribute to the achievement of a sustainable society.

## Financial Results for the Fiscal Year Ended March 31, 2022 (FY 2021)

Financial results for the year ended March 31, 2022 were marked by strong sales in the medical insurance and nursing care insurance businesses at Asahi Life, while life insurance subsidiary Nanairo Life Insurance Co., Ltd. which began selling insurance in October 2021, saw steady growth in new policies. As a result, annualized premiums from new policies for protection-type products at Asahi Life Group beat the previous year, reaching 107.9% year-on-year.

In terms of earnings and financial soundness of Asahi Life, fundamental profit grew from the previous year to 47.7 billion yen, and the solvency margin ratio (metric for solvency with respect to claims and benefits) remained at 954.9%, the same level as the previous year and more than 200%, the level insurance companies are required to maintain.

In summary, Asahi Life had a good year in terms of insurance business performance, earnings and financial soundness.

## Mid-term Management Plan "Advance: The road to 2030"

We expect big, rapid-acting changes to affect the business environment in the years ahead as Japan's super-aged society takes root, society undergoes rapid digitalization, and initiatives are put into action to achieve a sustainable society.

In order to address these sorts of changes, the mid-term management plan launched in FY 2021 (ended March 31, 2022) focuses on three strategies: the "Third-sector (Products/Services) Strategy," the "Channel Strategy," and the "Investment Strategy."

In addition, there are two growth drivers to support these strategies: the "DX*1 Strategy" and the "Human Resources Strategy." Through these strategies, we will work to push forward our initiatives currently underway and create new areas of growth.

The quantitative metrics identified as strategic targets in the mid-term management plan are steadily increasing across the board. Of these, the FY 2023 target for number of new nursing care insurance policies for the Group has already been achieved.

*1 Digital transformation. This refers to the utilization of digital technology and data to provide new products and services, create value for customers, and gain a competitive advantage.

## Three Strategies in the Mid-term Management Plan

### Third-sector (Products/Services) Strategy

◆ Focus on Medical Insurance and Nursing Care Insurance

We pursued product development contributing to pioneering in the third-sector insurance market, especially the medical/lifestyle disease and nursing care/cognitive impairment sectors in which we excel.

In April 2021, an "insurance policyholder agency rider" was introduced that enables a representative agent of a policyholder to perform certain procedures on the policyholder's behalf in the event that the policyholder is rendered unable to perform those necessary procedures due to cognitive impairment or other issue that prevents them from communicating their intent.

In October 2021, "nursing care annuity insurance with less underwriting requirement" was introduced for sale to those who had given up the idea of enrollment in nursing care insurance due to pre-existing conditions (or past illness) or other health-related concerns.

In February 2022, Asahi Life was recognized for these efforts to address social issues such as nursing care/cognitive impairment by the Social Products Award 2022, hosted by the Association for the Promotion of Social Products, where "Asahi Life's nursing care/cognitive impairment insurance" received the Social Products Award.

We will continue focusing on the third-sector insurance market, especially the medical/lifestyle disease and nursing care/cognitive impairment sectors in which we excel. Above all, in the nursing care insurance sector, we will exert our market presence as "the go-to company for nursing care insurance."

### ◆ Providing New Value in the Healthcare Sector

In order to better fulfill Asahi Life's role complementing the social security system to tackle social issues such as promoting good health and prolonging the healthy lifespan, the "medication support policy rider" was introduced for sale in October 2021. This new insurance product for the healthcare sector begins paying benefits at the medication stage to support prolonged treatments.

Additionally, we launched the "kencom×insurance for Okusuri (medicine) support" app for "medication support policy rider" policyholders to help support those customers' health-promotion activities as well as early treatment and warding off the worsening of patients' conditions.

By continuing to provide unique products and services such as support for the early treatment of diseases and prevention of the worsening of lifestyle diseases to a state requiring nursing care, we will perform a complementary role to the social security system for Japan's super-aged society.

## Channel Strategy

### ◆ Building a Strong Sales Representative Structure

Sales representatives represent Asahi Life's primary sales channel. In addition to our traditional forte of face-to-face sales activities, we have also incorporated digital tools such as online meetings for explanations of product proposals, digital formats for proposal documents, and online applications. In this way, we have worked to bolster our consulting activities by addressing customers' needs for remote solutions and implementing COVID-19 countermeasures.

Moving forward, we will continue to push our sales activities forward by incorporating digital technology into our primary sales channel of sales representatives, i.e., our forte of "face-to-face consultation that only humans can offer."

### ◆ Promotion of a Shift to Multiple Channels

In order to accurately monitor customers' diversifying needs and flexibly provide third-sector products such as medical insurance through independent agencies and direct marketing, Nanairo Life opened business as wholly-owned subsidiary of Asahi Life in April 2021 and began selling life insurance in October 2021.

In our independent agency channels for the corporate market, primarily tax accountant agencies, Asahi Life worked to grow the number of active agencies we serve by bolstering training provided to staff responsible for such agencies and other such follow-up systems.

We also worked to set up internet marketing and digital channels by which to provide products to address rapidly growing needs for digital solutions.

Moving forward, we will work to further enhance our initiatives across all channels to expand our market share while also implementing data-driven marketing[*2] that accumulates, analyzes, and utilizes data to provide the products and services best suited to customer needs.

*2 Methodologies of implementing the marketing PDCA cycle utilizing data that has been accumulated and analyzed.

### ◆ Expansion of Overseas Business

Asahi Life partnered with a Vietnamese insurance company in 2017 to provide our expertise on telemarketing for medical insurance and other products, in addition to providing a consulting services with an online business model. In FY 2021, we worked to grow our businesses by developing income protection insurance, expanding online services to improve customer convenience, and providing expertise on expanding the number of areas targeted for telemarketing.

Anticipating a shrinking domestic market in the future, we are also working to expand our insurance business in Vietnam while also considering expansion into other Asian countries.

## Investment Strategy

In FY 2021, Asahi Life curbed investment in Japanese government bonds and similar assets due to ongoing low domestic interest rates and opted for a risk-avoidant strategy through diversified investments, securing income by actively pursuing credit investments[*3] that are efficient in terms of risk-return in preparation for the implementation of economic value-based regulations in 2025.

Moreover, as a responsible institutional investor and PRI[*4] signatory, we are promoting good stewardship[*5] and continuing to pursue investment that incorporates ESG (environment, social, and governance) factors.

Additionally, based on an agreement that Asahi Life and our subsidiary Asahi Life Asset Management have with French investment giant Natixis Investment Managers S.A., we pursued closer cooperation on businesses development and worked to create new investment opportunities.

Asahi Life will continue to aim to diversify the range of asset classes in which we invest to mitigate risk and secure profits, while also aiming, as a responsible institutional investor, to contribute to the resolution of environmental issues and other global social problems and thereby reduce investment risk and secure new income opportunities.

*3 A way of generating revenue by investing in corporate bonds, loans, and similar products.

*4 The Principles for Responsible Investment (PRI) are behavioral principles advocated by the United Nations that request institutional investors to incorporate ESG (environmental, social, and governance) issues into the decision-making process in the interest of achieving a sustainable society.

*5 Activities in which institutional investors engage in constructive, "purposeful dialogue" (engagement) that includes sustainability-related factors in order to improve the corporate value of the investee companies and promote sustainable growth, thereby growing medium- to long-term investment returns.

## Growth Drivers Underlying Three Strategies

### DX Strategy

We engaged in three reforms to sales channels, products and services, and business operations to improve the customer experience.

Specifically, we introduced online "web applications" for insurance policies in April 2021 in order to address increasingly diversifying customer needs.

In July 2021, we created the Automatic Planning System for Recommended Sales Activities*6, a system for "Smart - Ai" tablet-type sales devices in which AI analyzes and calculates activity recommendations for sales representatives to improve efficiency.

In October 2021, we launched a smartphone app to help sales representatives provide useful product information to customers in a timely manner based on their age, household makeup, and other factors.

By further promoting these sorts of initiatives and pushing ahead with the three reforms of sales channels, products and services, and business operations, we will provide customers with new additional value.

*6 System in which AI analyzes data owned by Asahi Life (customers' ages, household makeup, policy descriptions, procedural data, etc.) and suggests priority targets for sales representatives to visit.

### Human Resources Strategy

In order to achieve sustainable growth based on the core concept of "supporting the challenge of the diverse human resources who are building the future of Asahi Life," we are focused on the three major themes of "developing human resources who are committed to always striving," "restructuring our human resources portfolio," and "entrenching work style reforms" by having each and every staff member follow three behavioral guidelines: "Challenging yourself," "Career self-reliance," and "Improve productivity."

Moving forward, in order to increase value for the entire Asahi Life Group, we will further flesh out measures pertaining to these three major themes while also pushing ahead with strategies that promote success for personnel throughout the Group as a whole.

## Contributions to SDGs Achievement

Efforts to tackle the Sustainable Development Goals (SDGs), adopted by the United Nations as global goals to be achieved by 2030, are picking up steam in Japan.

At Asahi Life, our mid-term management plan "Advance: The road to 2030" lays out the following vision for what we want the company to become by 2030: "In this era of the 100-year lifespan, we aim to be a company that contributes to resolving social issues and continues to support customers' lives through the life insurance business." We work towards the achievement of the SDGs and provide value towards the goal of achieving a sustainable society.

Specifically, in the life insurance business, we provide nursing care and medical insurance products and services towards the goal of addressing the problems of a healthy and long-lived society. In our investment, as well, we take into account ESG (environment, social, and governance) factors with the aim of resolving global social issues.

As measures tackling climate change, one of our priorities for sustainable management, we resolved to aim to reduce greenhouse gas emissions to "net zero" levels by FY 2050, and in March 2022, we established interim $CO_2$ reduction targets for FY 2030.

Additionally, we also worked on CSR (Corporate

Social Responsibility) activities for local healthcare and welfare, plus diversity promotion, work style reforms, health and productivity management, and human rights promotion.

In order to steadily implement these initiatives moving forward, we established a Sustainable Management Promotion Committee in April 2022 headed by Asahi Life's company president, and we are pursuing deeper talks at the management level (Board of Directors, etc.) regarding important sustainability-related issues, including addressing the proposals of the Task Force on Climate-related Financial Disclosures (TCFD)*7.

*7 Recommendations for climate-related information disclosures by companies and institutions and proposals for a basic framework underlying such disclosures.

## COVID-19 Countermeasures

Our deepest sympathies go out to all of those affected by COVID-19.

In the interest of fulfilling the social mission of our life insurance business, Asahi Life allows for the partial omission of some documentation pertaining to the payment of claims and benefits for those who are unable to provide that required documentation due to circumstances affecting the customer or medical institution.

Due to changing lifestyles in light of COVID-19 and in the interest of customer convenience, we also offer online meetings for explanations of product proposals and enable customers to conduct paperwork for new policies online through "web applications."

Moving forward, Asahi Life will place the highest priority on the health and safety of our customers and personnel as we provide services in a flexible manner.

## Conclusion

Asahi Life will always think and act from the perspective and point-of-view of our customers on the basis of our basic management philosophy of "Sincere Service," moving forward, as in the past, we will continue to tackle challenges and grow as we "aim to be a company that contributes to resolving social issues and continues to support customers' lives through the life insurance business in this era of the 100-year lifespan."

We look forward to your continued warm support and patronage in the future.

# 2. Mid-term Management Plan "Advance: The road to 2030"

Asahi Life has established a three-year mid-term management plan for FY 2021 through FY 2023: "Advance: The road to 2030."

The achievement of a sustainable society is required on the path to 2030. Asahi Life will contribute to the achievement of such a society through our life insurance business and investment activities based on the belief that Asahi Life's business operations themselves are deeply important and constitute a social responsibility.

Above all, as people's medical expenses and the burden of nursing care become serious social problems in Japan's super-aged society, we will support the efforts of our customers to help themselves in this era of the 100-year lifespan. Further, we will contribute to addressing the problems facing a society of good health and longevity by providing the medical and nursing care insurance products and services that are Asahi Life's forte, in addition to providing value in the healthcare sector, such as for the prevention of the worsening of diseases.


## Progress Towards Strategic Targets

| | FY 2023 targets | Status at the end of FY2021 |
|---|---|---|
| Number of customers (Group*1) | 2.80 million | 2.640 million (+37 thousand YoY) |
| New policies for protection-type products*2 (Annualized prmiums, Group*1) | ¥35.0 billion | ¥26.7 billion (107.9% YoY) |
| Number of new nursing care insurance policies (Group*1) | 117 thousand | 117 thousand (118.4% YoY) |
| Policies in force for protection-type products*2 (Annualized prmiums, Group*1) | ¥330.0 billion | ¥309.9 billion (+¥4.2 billion YoY) |

*1 "Group" here refers to the total of Asahi Life and Nanairo Life.

*2 Protection-type products include death protection insurance and third sector insurance products such as medical insurance, nursing care insurance and non-participating group medical insurance sold through the agency channel, but exclude saving-type insurance products and insurance products for management personnel("Grand stage" and "Prime Stage").

## Overview

Asahi Life was established in 1888 as the second modern life insurance company in Japan under the name Teikoku Life Insurance Company (Teikoku Seimei Hoken Kabushiki Gaisha). We became a mutual company and changed our name to Asahi Mutual Life Insurance Company (Asahi Seimei Hoken Sogo Gaisha) in 1947.

Our core business is life insurance for individuals in Japan, with a specific strategic focus on offering protection-type products, including medical and nursing care products.

We have been enhancing our financial soundness and aim to further enhance it through the accumulation of surplus and recapitalization measures. As of March 31, 2022, we had a non-consolidated solvency margin ratio of 954.9 percent, and insurer financial strength ratings of BBB+ (Positive Outlook) from Fitch, BBB+ (Positive Outlook) from R&I, and BBB+ (Positive Outlook) from JCR.

## Products

Asahi Life offers a variety of individual life insurance products, with a focus on protection-type products including medical and nursing care products, aimed at serving our customers' financial needs. We continually review, update, and expand our product offerings to respond to the needs of our customers while maintaining our focus on individual life insurance.

Our main products for individual customers are flexible life insurance products named "Hokenou Plus" targeting male customers, and "Yasashisa Plus" targeting female customers. Each product allows customers to choose from a portfolio of insurance products to create a customized insurance plan.

## Insurance Group Strategy

In order to precisely respond to customers' diversifying needs, Asahi Life will partner with Group companies to implement agile product development as well as a "multi-channel" strategy that features expanded independent agency channels, such as insurance shops and telemarketing, in addition to our sales representative channel.

朝日生命

### ■ Asahi Mutual Life Insurance Company

Our roughly 14,000 sales representatives throughout Japan provide face-to-face service for customers. They provide thorough consultation services during the application process and provide extensive follow-up service to address the needs of each individual customer, such as information suited to changes in customers' life cycles.

あなた色に輝く日々を
なないろ生命
朝日生命グループ

### ■ Nanairo Life Insurance Co., Ltd.

Established in April 2021, Nanairo Life began selling life insurance in October 2021. Primarily working through channels such as independent agencies and direct marketing, Nanairo Life provides third-sector products such as medical insurance to accurately and flexibly serve customers' diversifying needs.

### ■ NHS Insurance Group Inc.

NHS Insurance Group is a holding company for four insurance agencies: NHS Inc., Sokisha Inc., FEA Inc. and Life Navi Partners Inc. In telemarketing and door-to-door sales, they select and suggest the insurance product that best suits the needs of each individual customer from a range of products offered by various insurance companies.

保険相談サロンFLP

### ■ F.L.P Co., Ltd.

F.L.P is an independent agency that runs a chain of over twenty insurance shops in the Tokyo Metropolitan Area under the brand Insurance Consultation Salon FLP. F.L.P selects and suggests the insurance product that best suits the needs of each individual customer from a range of products offered by various insurance companies.

## Business Performance (Annualized Premiums, Group*1)

### ● New Policies for Individual Insurance/Individual Annuities

Annualized premiums from new policies for the Group reached 107.2% of the previous fiscal year.
Of these, third-sector products reached 110.3% of the previous fiscal year.

(Billions of Yen)

| Years ended March 31 | 2021 | 2022 | Year-over-year |
|---|---|---|---|
| New Policies (Group) | 25.1 | 27.0 | 107.2% |
| Asahi Life | – | 23.2 | – |
| Nanairo Life | – | 3.8 | – |
| Third-sector products | 20.9 | 23.1 | 110.3% |

### ● Surrendered and Lapsed Policies for Individual Insurance/Individual Annuities*2

Annualized premiums from surrendered and lapsed policies for the Group reached 105.7% of the previous fiscal year.

(Billions of Yen)

| Years ended March 31 | 2021 | 2022 | Year-over-year |
|---|---|---|---|
| Surrendered and lapsed policies (Group) | 21.9 | 23.2 | 105.7% |
| Surrender and lapse ratio | 4.14% | 4.45% | +0.32points |

### ● Policies in Force for Individual Insurance/Individual Annuities

Annualized premiums from policies in force for the Group ended at 98.0% of the end of the previous fiscal year due primarily to declines in savings-type products.
Of these, third-sector products reached 102.8% of the end of the previous fiscal year.

(Billions of Yen)

| As of March 31 | 2021 | 2022 | Year-over-year |
|---|---|---|---|
| Policies in force (Group) | 521.2 | 510.9 | 98.0% |
| Asahi Life | – | 507.2 | – |
| Nanairo Life | – | 3.7 | – |
| Third-sector products | 221.4 | 227.7 | 102.8% |

## New Policies for Protection-type Products*3

Annualized premiums from new policies for protection-type products, a focus of Asahi Life, reached 107.9% of the previous fiscal year for the Group.

(Billions of Yen)

| Years ended March 31 | 2021 | 2022 | Year-over-year |
|---|---|---|---|
| New policies (Group) | 24.8 | 26.7 | 107.9% |
| Asahi Life | – | 22.9 | – |
| Sales representative channel | 17.8 | 18.9 | 106.4% |
| Nanairo Life | – | 3.8 | – |

## Policies in Force for Protection-type Products*3

Annualized premiums from policies in force for protection-type products gained +¥4.2 billion on the end of the previous fiscal year for the Group, exhibiting an ongoing increasing trend.

(Billions of Yen)

| As of March 31 | 2021 | 2022 | Year-over-year |
|---|---|---|---|
| Policies in force (Group) | 305.6 | 309.9 | +4.2 |
| Asahi Life | – | 306.1 | – |
| Sales representative channel | 282.8 | 283.1 | +0.3 |
| Nanairo Life | – | 3.7 | – |

Notes:

*1. "Group" here refers to the total of Asahi Life and Nanairo Life.

*2. Surrendered and lapsed policies are measured as cancellations plus expirations and reductions less revivals.

*3. Protection-type products include death protection insurance and third-sector insurance products such as medical insurance, nursing care insurance. and non-participating group medical insurance sold through agency channels, but exclude savings-type insurance products and insurance products for management personnel with surrender benefits ("Grand Stage" and "Prime Stage").

# Financial Performance (Non-consolidated)

## ● Fundamental Profit

Due to improvements in negative spread amounts caused by an increase in interest, dividends and other income, fundamental profit grew ¥1.2 billion relative to the previous fiscal year to ¥47.7 billion.

(Billions of Yen)

| Years ended March 31 | 2021 | 2022 | Year-over-year |
|---|---|---|---|
| Fundamental profit | 46.5 | 47.7 | +1.2 |
| Underwriting gains | 80.4 | 76.4 | (4.0) |
| Negative spread amount | (33.9) | (28.6) | +5.2 |

## ● Ordinary Profit, Net Surplus

Ordinary profit was ¥32.3 billion, with a net surplus of ¥22.9 billion.

(Billions of Yen)

| Years ended March 31 | 2021 | 2022 | Year-over-year |
|---|---|---|---|
| Ordinary Profit | 36.6 | 32.3 | (4.3) |
| Net Surplus | 23.2 | 22.9 | (0.3) |

# Financial Soundness (Non-consolidated)

## ● Solvency Margin Ratio

Solvency margin ratio decreased 17.1 points relative to the end of the previous fiscal year, dropping to 954.9%.

| As of March 31 | 2021 | 2022 | Year-over-year |
|---|---|---|---|
| Solvency margin ratio | 972.0% | 954.9% | (17.1points) |

## ● Adjusted Net Assets

Adjusted net assets ended at ¥1,054.5 billion, a decrease of ¥105.3 billion relative to the end of the previous fiscal year.

(Billions of Yen)

| As of March 31 | 2021 | 2022 | Year-over-year |
|---|---|---|---|
| Adjusted net assets | 1,159.9 | 1,054.5 | (105.3) |

● Net Unrealized Gains/Losses on Securities (general account)

(Billions of Yen)

| As of March 31 | 2021 | 2022 | Year-over-year |
|---|---|---|---|
| Securities | 535.8 | 385.8 | (150.0) |
| Domestic stocks | 227.9 | 246.3 | +18.3 |
| Domestic bonds | 237.3 | 134.2 | (103.0) |
| Foreign securities | 62.5 | 1.9 | (60.5) |
| Other securities | 5.6 | 1.3 | (4.2) |

*The above table excludes interests in investment partnerships and certain investment assets not readily affected by market valuation.

● Capital Base

Foundation funds, which are the counterparts of paid-in capital for joint stock corporations, serve as the primary source of capital for Japanese mutual companies. Unlike paid-in capital, however, foundation funds have a stated maturity and accrue interest payment obligations. If the principal amount of the foundation funds is repaid by insurance companies out of their net assets, the Insurance Business Act requires that an amount equivalent to the repayment be set aside in the net assets portion of the balance sheet as reserve for redemption of foundation funds. As of March 31, 2022, the balance of foundation funds was ¥91.0 billion and the amount of reserve for redemption of foundation funds was ¥166.0 billion, respectively.

Additionally, we have also worked on strengthening our financial soundness by accumulating internal reserves and raising funds in the form of subordinated debt which, while accounted for as a liability, functions largely like capital.

# Results of Operations (Non-consolidated)

● Selected Data of Statements of Income

(Billions of Yen)

| Years ended March 31 | 2021 | 2022 | Year-over-year |
|---|---|---|---|
| Ordinary income: | 600.7 | 597.9 | 99.5% |
| Premium and other income: | 391.4 | 387.1 | 98.9% |
| Insurance premiums from individual insurance and individual annuities | 369.8 | 366.6 | 99.1% |
| Investment income: | 146.5 | 144.9 | 98.9% |
| Interest, dividends and other income | 118.1 | 120.5 | 102.0% |
| Gains on sales of securities | 15.2 | 11.9 | 78.4% |
| Other ordinary income: | 62.7 | 65.7 | 104.8% |
| Reversal of policy reserves | 48.6 | 54.3 | 111.7% |
| Ordinary expenses: | 564.0 | 565.6 | 100.3% |
| Claims and other payments: | 385.3 | 381.4 | 99.0% |
| Claims | 112.0 | 107.5 | 96.0% |
| Annuities | 122.1 | 116.7 | 95.6% |
| Benefits | 68.2 | 72.9 | 106.9% |
| Surrender benefits | 77.5 | 79.2 | 102.2% |
| Investment expenses: | 34.5 | 36.6 | 106.1% |
| Losses on sales of securities | 5.5 | 11.1 | 202.5% |
| Losses on valuation of securities | 0.0 | 0.2 | 1,396.8% |
| Operating expenses | 110.3 | 110.3 | 100.1% |
| Other ordinary expenses | 33.8 | 33.6 | 99.5% |
| Ordinary profit | 36.6 | 32.3 | 88.2% |
| Extraordinary gains: | 0.2 | 2.9 | 1,064.1% |
| Gains on disposal of fixed assets | 0.1 | 2.9 | 2,001.5% |
| Extraordinary losses: | 8.6 | 6.5 | 76.3% |
| Losses on disposal of fixed assets | 1.4 | 2.7 | 185.8% |
| Impairment losses | 2.9 | 1.1 | 38.7% |
| Provision for reserve for price fluctuation | 2.4 | 2.5 | 103.3% |
| Surplus before income taxes | 28.3 | 28.6 | 101.3% |
| Total income taxes | 5.0 | 5.7 | 114.1% |
| Net surplus | 23.2 | 22.9 | 98.5% |

Ordinary income was ¥597.9 billion (99.5% of the previous fiscal year), of which ¥387.1 billion (98.9%) was premiums and other income. Investment income decreased to ¥144.9 billion (98.9%) mainly due to a drop in gains on sales of securities.

Ordinary expenses were ¥565.6 billion (100.3%), of which ¥381.4 billion (99.0%) increased to claims and other payments. Investment expenses were ¥36.6 billion (106.1%) due primarily to increased losses on sales of securities. Operating expenses were ¥110.3 billion (100.1%).

This resulted in an ordinary profit of ¥32.3 billion (88.2%).

Extraordinary gains were ¥2.9 billion (1,064.1%), and extraordinary losses were ¥6.5 billion (76.3%). Total income taxes reached ¥5.7 billion.

As a result of the above factors, net surplus was ¥22.9 billion (98.5%).

# Assets, Liabilities and Net Assets (Non-consolidated)

● Selected Assets Data

(Billions of Yen)

| As of March 31 | 2021 | 2022 | Year-over-year |
|---|---|---|---|
| Total assets: | 5,539.4 | 5,504.1 | (35.2) |
| Cash, deposits and call loans | 148.3 | 146.8 | (1.5) |
| Monetary claims bought | 25.0 | 22.5 | (2.5) |
| Securities: | 4,612.3 | 4,565.8 | (46.4) |
| Domestic bonds | 2,714.7 | 2,627.8 | (86.9) |
| Domestic stocks | 447.3 | 472.5 | +25.2 |
| Foreign securities | 1,368.8 | 1,395.6 | +26.8 |
| Loans | 303.4 | 311.4 | +7.9 |
| Tangible fixed assets | 377.8 | 368.5 | (9.2) |
| Others | 72.3 | 88.9 | +16.6 |

● Selected Liabilities/Net Assets Data

(Billions of Yen)

| As of March 31 | 2021 | 2022 | Year-over-year |
|---|---|---|---|
| Total liabilities: | 5,014.8 | 5,002.2 | (12.6) |
| Policy reserves and other reserves: | 4,477.9 | 4,425.7 | (52.2) |
| Policy reserves | 4,419.3 | 4,365.0 | (54.3) |
| Bonds payable | 127.7 | 102.4 | (25.3) |
| Others | 409.1 | 474.0 | +64.9 |
| Total net assets: | 524.5 | 501.9 | (22.5) |
| Total foundation funds and others: | 356.6 | 374.7 | +18.0 |
| Foundation funds | 91.0 | 91.0 | – |
| Reserve for redemption of foundation funds | 166.0 | 166.0 | – |
| Reserve for revaluation | 0.2 | 0.2 | – |
| Surplus: | 99.3 | 117.4 | +18.0 |
| Reserve for future losses | 0.3 | 0.3 | +0.0 |
| Other surplus: | 99.0 | 117.0 | +18.0 |
| Reserve for fund redemption | 44.4 | 53.5 | +9.1 |
| Equalized reserve for dividends to policyholders | 7.0 | 6.9 | (0.1) |
| Unappropriated surplus (loss) | 47.5 | 56.6 | +9.0 |
| Total valuation and translation adjustments: | 167.8 | 127.1 | (40.6) |
| Net unrealized gains (losses) on available-for-sale securities, net of tax | 213.2 | 173.9 | (39.2) |
| Land revaluation differences | (45.3) | (46.7) | (1.3) |
| Total liabilities and net assets | 5,539.4 | 5,504.1 | (35.2) |

As of March 31, 2022, total assets were ¥5,504.1 billion, with securities accounting for ¥4,565.8 billion, loans at ¥311.4 billion, and tangible fixed assets at ¥368.5 billion. For securities, we limited allocations to domestic bonds due to low domestic interest rates in Japan. Foreign securities increased as we allocated funds to relatively higher-yield foreign bonds.

Total liabilities were ¥5,002.2 billion, of which policy reserves accounted for ¥4,365.0 billion.

Total net assets were ¥501.9 billion, of which total foundation funds and others amounted to ¥374.7 billion, and total valuation and translation adjustments amounted to ¥127.1 billion.

# Non-Financial Highlights

## Number of Customers

**(End of FY 2021, Group)**

**2.64 million**

Asahi Life Group had 2.64 million customers as of the end of FY 2021, an increase of 37 thousand from the end of the previous fiscal year.

## Total Payments of Claims, Annuities and Benefits

**(FY 2021, Non-consolidated)**

**¥297.2 billion**

Claims, annuities, and benefits payments made in FY 2021 totaled ¥297.2 billion.

## Customer Satisfaction

**(End of FY 2021, Non-consolidated)**

**78.6%**

Customer satisfaction reached 78.6%, an improvement of 0.9 points from the previous fiscal year.

## Greenhouse Gas Emissions

**(End of FY 2020, Non-consolidated)**

### Life Insurance Business(1)

**Scope1 + Scope2:** **57.5** thousand tons - CO2

**Scope1:** **26.8** thousand tons - CO2

**Scope2:** **30.6** thousand tons - CO2

**Scope 3 (Categories 1 to 14):** **65.3** thousand tons - CO2

### Investment Portfolio(2)

**Scope 3 (Category 15):** **646.3** thousand tons - CO2

As measures tackling climate change, one of our priorities for sustainable management, we established FY 2030 interim reduction targets for greenhouse gas emissions and resolved to aim to reduce greenhouse gas emissions to "net zero" levels by FY 2050.

(1) Calculated based on the Ministry of the Environment and Ministry of Economy, Trade and Industry's "Basic Guidelines on Accounting for Greenhouse Gas Emissions Throughout the Supply Chain."
(2) The target assets consist of stocks, corporate bonds, and loans of publicly listed companies in Japan, and the measured emissions are Scope 1 + Scope 2 emissions of the companies in which investments were made.

## Number of Employees

**18,345**

Of which **14,241** are sales representatives

Asahi Life consists of 18,345 employees, of whom 14,241 are sales representatives and 4,104 are office staff.

## Ratio of Female Leaders

**31 %**

Over 80% of all Asahi Life employees are female. Working on initiatives such as "female career development" and "support for work-home balance" since FY 2006, we achieved a female leader ratio of 31% as of the beginning of FY 2022.

## Rate of Childcare Leave Usage by Male Employees

(FY 2021)

**100 %**

As part of our support for achieving balance between work and childcare, Asahi Life has worked to promote understanding of support for this balance since FY 2015 and strived to create an environment and company culture in which it is easy for employees to take childcare leave. Since FY 2017, we have managed to maintain a rate of 100% usage of childcare leave by male employees for five consecutive years.

## Offices

(April 1, 2022)

**58** branches

**568** sales offices

Asahi Life has 58 branches and 568 sales offices throughout Japan where sales representatives provide the right products and services for each and every customer's needs in a face-to-face context.

## Investments (General Account)

In order to properly respond to the mandate given us by our customers, Asahi Life seeks out investments that are safe and provide an advantage, and in light of the public nature of the life insurance business, we conduct investment considering public and social aspects.

Further, through investment, Asahi Life contributes to the resolution of environmental issues and other global social problems, in addition to aiming to reduce investment risk and secure new income opportunities.

### FY 2021 Investment Environment

In FY 2021, the Japanese economy continued to rally as the economic impact of the COVID-19 pandemic gradually wore off, but consumer spending seemed to be in somewhat of a standstill since the start of 2022.

Internationally, the global economy continued to make a recovery centered on the United States as the impact of the COVID-19 pandemic faded.

### FY 2021 Initiatives

In FY 2021, Asahi Life curbed investment in Japanese government bonds and similar assets due to ongoing low domestic interest rates and opted for a risk-avoidant strategy of diversified investments, improving investment income by actively pursuing credit investments*1 that are efficient in terms of risk-return in preparation for the implementation of economic value-based regulations in 2025.

Moreover, as a responsible institutional investor and signatory to the PRI, we are promoting good stewardship and pursuing investment that incorporate ESG factors (environment, social, and governance).

*1 Investments in corporate bonds, loans, and similar products.

### Overview of Investment Performance for FY 2021

In FY 2021, Asahi Life focused funding on credit investments that are highly efficient in terms of risk-return.

For domestic bonds, we purchased assets with credit spreads such as corporate bonds, while limiting purchases of government bonds.

For loans, we made aggressive investments in project finance for domestic and foreign renewable energy-related projects.

We partially restructured our domestic stock portfolio to favor companies with better profitability, dividends, and other qualities.

For foreign currency-denominated bonds, of foreign securities, we purchased corporate bonds and other securities while partially restructuring our portfolio to improve yields. For alternative investments*2, we focused primarily on funds that offer stable returns and are less susceptible to economic fluctuations.

We made an effort to improve real estate profitability by attracting new tenants and other measures.

*2 Investments in infra-funds, real estate investment trusts, hedge funds, etc., which are considered as alternative investments to traditional investment assets such as stocks and bonds.

### Future Initiatives

We will shift to an economic value-based portfolio in preparation for the implementation of economic value-based regulations in 2025.

With financial tightening worldwide and a plethora of unpredictable factors such as global inflation and the situation in Ukraine, we will aim to diversify the range of asset classes in which we invest to mitigate risk and secure profits in pursuit of sustainable investment income.

As a responsible institutional investor, we will promote good stewardship and pursue ESG (environment, social, and governance) investment in order to contribute to the resolution of environmental issues and other global social problems, and to reduce investment risk and secure new income opportunities.

# Responsible Investment Initiatives

In our investment activities, Asahi Life views investment based on our Basic Policy on ESG Investment and Basic Policy for Fulfilling Stewardship Responsibilities as "Responsible Investment."

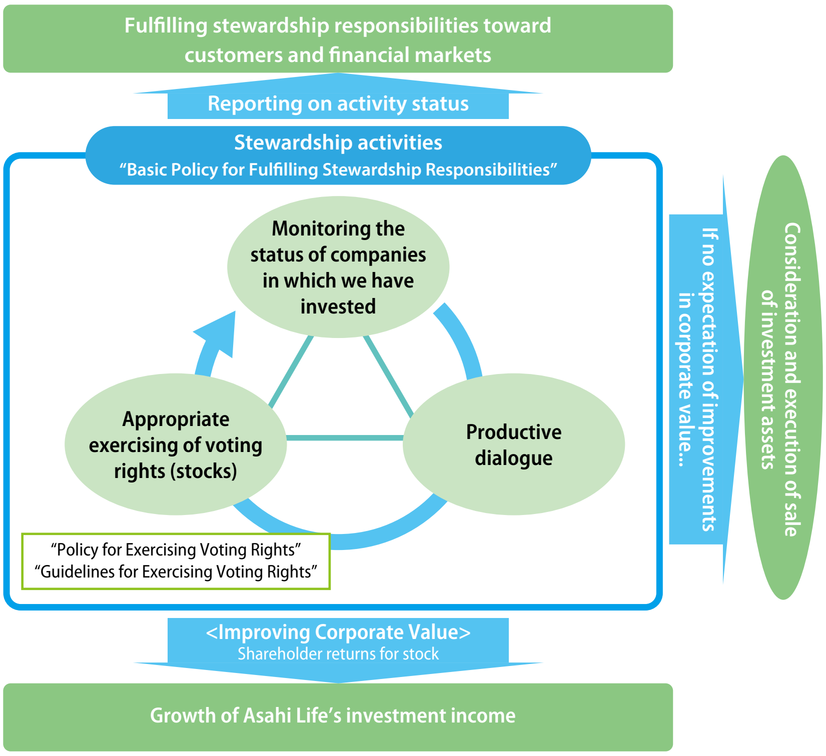
In particular, we have focused on "climate change" and "good physical health" as priority themes in our efforts to resolve social issues as we accelerate ESG investment initiatives.

## FY 2021 ESG Investment Initiatives

| | |
|---|---|
| Investment that takes non-financial information into account (Integration) | We began investment considering not only financial data but also non-financial information (sustainability-related information) of investee companies in all assets |
| Dialogue on sustainability-related issues (Engagement) | We conducted dialogues on sustainability-related issues with investee companies in not only stock investment but also bond and loan investment |
| ESG-themed Investment | We have promoted ESG-themed investment with a focus on renewable energy project finance and others |
| Negative Screening | We do not invest in projects to develop coal-fired power generation facilities, manufacturers of inhumane weapons (including nuclear weapons), and tobacco product manufacturers |

## FY 2021 Stewardship Initiatives

Asahi Life aims to make stable and efficient investment of the assets entrusted in us by our customers in the form of insurance premiums in preparation for future payments of claims, benefits and others. We view stewardship activities as extremely important work in order to improve the effectiveness of our investment activities in the medium to long term.




## Dialogue - Engagement

Asahi Life views constructive dialogue as a major pillar underlying our stewardship activities as well as important initiatives that improve corporate value and promote sustainable growth of investee companies.

When engaging in dialogue with the companies in which we invest, we first select companies on the basis of analysis and understanding of trends in company performance, financial condition, content of their business plans and progress thereof, status of initiatives on sustainability issues, and corporate governance structure, then set key issues for each matter and begin an exchange of opinions.

### Primary Stewardship Themes

**Bolstering shareholder returns**

Approach to shareholder returns

**Bolstering initiatives on sustainability-related issues**

<Priority Initiative Themes>
Climate change, good physical health

Status of initiatives to resolve or make improvements to issues

**Building corporate governance systems**

Sustainability management
Status of system-building

# 6. Multiple Channel System

## Overview of the Sales Representative Channel

As people's medical and nursing care expenses become a serious social problem in Japan's super-aged society, we will enable our customers to help themselves in this era of 100-year lifespans by providing the medical and nursing care insurance products and services in which Asahi Life specializes, as well as by providing value in the healthcare field, such as by helping to ward off a worsening of patients' conditions. Above all, in the nursing care insurance sector, we aim to exert our market presence as "the go-to company for nursing care insurance."

Additionally, we will work to bolster our personnel development initiatives with respect to sales representatives by expanding our training infrastructure at all offices to build up a sales representative channel that continues to be trusted and chosen by each and every customer.

Furthermore, we will implement digital (ICT) initiatives to handle diversifying demands of our customers and provide added value in the form of a better customer experience. We will improve customer convenience through the digitalization of various insurance procedures and enhance our sales activities by expanding the functionality of digital tools, web applications, and other solutions.

These sorts of initiatives will provide a powerful push forward, and by venturing into new sectors, we will strongly assert Asahi Life's presence in the market, boost customer satisfaction, and aim to grow our customer base.

## Overview of Other Channels

### Tax Accounting Agencies

We have signed agency agreements with tax accountants throughout Japan to offer products for management personnel via consulting services for corporate clients. We also have personnel responsible for such tax accounting agencies in place across the country to bolster our support infrastructure.

### Telemarketing

We sell easy-to-understand third sector products such as medical insurance over the phone to the members of alliance partners such as credit card companies and catalogue mail-order companies. In addition to training the operators, we also engage in activities aimed at improving the quality of calls through regular monitoring and other measures.

### Direct Sales

In collaboration with advertising management and other industries, we sell cognitive impairment insurance and other third-sector products for which administrative procedures can be conducted entirely over the internet. We also provide various forms of training for call center operators to enhance that support structure and enable them to better explain the relevant products and procedures.

### Overview of Overseas Business

In 2017, Asahi Life began partnering with a local Vietnamese insurance company to provide our expertise on selling insurance via telemarketing, in addition to providing consulting services with an online business model in cities like Ho Chi Minh City and Hanoi.

As we expand our Vietnam business moving forward, we will aim to bolster our existing business as well as diversify our sales channels through new web marketing and development of face-to-face sales channels.

Moreover, in order to further expand the business to other countries, we will continue to study and research various markets primarily in Asian countries that are expected to experience high growth.

# 7. Addressing the Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)

Asahi Life endorsed the recommendations of the TCFD, which was established by the Financial Stability Board, in June 2019.

With respect to the climate change-related thematic areas of "governance," "strategy," "risk management," and "metrics and targets" contained in the TCFD's climate recommendations, we will work to make full disclosures regarding the status of initiatives that "contribute to the achievement of a sustainable society" from both our primary business, life insurance, and from our investment business as an institutional investor.

## Governance

Asahi Life has established the Asahi Life Environmental Policy for the implementation of climate change initiatives and other initiatives to protect the Earth's environment. In our investment activities, Asahi Life views investment based on our Basic Policy on ESG Investment and Basic Policy for Fulfilling Stewardship Responsibilities as "responsible investment" which includes our initiatives to tackle climate change.

Based on these policies, we established a Sustainable Management Promotion Committee headed by Asahi Life's company president and we are pursuing deeper talks in the Board of Directors regarding important sustainability-related issues.

## Strategy

### Overall

The risks posed to Asahi Life by climate change are separated into "physical risks*1" and "transition risks*2", or alternatively into "life insurance business" and "investment" risks.

In order to understand the impact on Asahi Life of the risks and opportunities accompanying climate change, we conducted scenario analysis based on forecasts of environmental change and the impact thereof.

Scenario analysis of the impact of climate change on Asahi Life based on 1.5℃ and 4℃ temperature increase scenarios leads us to believe that we should focus in the short term on transition risk, and primarily for investment. On the other hand, we also recognize that as the average temperature increases in the long term, the impact of "physical risks" will increase to primarily the life insurance business.

We will examine the impact as determined by scenario analysis from both perspectives, as an operational company and as an institutional investor, as we move ahead with business activities in the future and contribute to the achievement of a decarbonized society.

| Global Scenario | Average Temperature in 2100 |
|---|---|
| Scenario in which there is a global transition to a decarbonized society that successfully controls rising temperatures | 1.5℃ rise in temperatures compared to before the Industrial Revolution |
| Scenario in which there is not a global transition to a decarbonized society and temperature increases continue | 4℃ rise in temperatures compared to before the Industrial Revolution |

*1 Direct/indirect losses caused by climate change.

*2 Risks arising in the process of curtailing greenhouse gas emissions.

### Investment

We believe that physical and transition risks associated with climate change will have an impact on our investee companies' sustainability, and that this represents a risk of damaging asset values. Based on this belief, we will set "climate change" as a priority theme and accelerate responsible investment initiatives moving forward.

In terms of specific initiatives, our investment activities will incorporate non-financial information (sustainability-related information including climate change and other ESG factors) across all assets.

In the interest of reducing climate change risk in our investment portfolio, we will continue engaging in dialogues with publicly listed investee companies, as well as with high greenhouse gas-emitting companies that we have financed or from which we have purchased bonds, to encourage them to make improvements.

Additionally, we subject projects to develop coal-fired power generation facilities to negative screening.

Meanwhile, we also view steps to resolve climate change problems as potential opportunities to generate revenue by providing us with new investment opportunities. Moving forward, Asahi Life will actively invest in themed assets such as renewable energy project finance that contributes to the resolution of climate change issues.

We will also work to improve initiatives through quantitative analysis of climate change risk and the consideration of investment strategies based on such analysis.

## Risk Management

### Overall

In order to properly address risks that are increasingly diverse and complex, we comprehensively investigate all risks facing Asahi Life and work to monitor and evaluate them.

Specific risks are not independent but are rather linked to and affect one another, and for this reason we have established a framework for comprehensive overall risk management by which be implement initiatives.

Climate change risk is considered an important risk that will have a broad impact on various other risks, such as insurance underwriting risk and investment risk, so we work to understand anticipated risk and the impact thereof as well as regulatory trends inside and outside of Japan.

These various risks facing Asahi Life are organized into and evaluated as "risk profiles" and regularly reported at Management Meetings for proper risk management.

### Investment

In investment, climate change risk is recognized as an important risk that needs to be managed, and we are analyzing its impact on our investment portfolio. Specifically, we are working on studying and collecting data in order to quantify risks while also developing an investment screening system for investee companies that takes into account climate change risk and other ESG factors.

# Metrics and Targets

## Life Insurance Business

We are working to reduce greenhouse gas emissions.

We are also promoting the transition to renewable power sources.

| Category*1 | | FY 2020 results (Units: Thousands of tons of CO2) | FY 2030 reduction targets (compared to FY 2020) | FY 2050 reduction targets |
|---|---|---|---|---|
| Scope1+Scope2 | | 57.5 | −50% | Net zero |
| | Scope 1 | 26.8 | | |
| | Scope 2 | 30.6 | | |
| Scope 3 (Categories 1 to 14) | | 65.3 | −50% | Net zero |

*1 An overview of these categories is provided below, based on the Ministry of the Environment and Ministry of Economy, Trade and Industry's "Basic Guidelines on Accounting for Greenhouse Gas Emissions Throughout the Supply Chain."

Scope 1: Direct emissions resulting from fuel usage (e.g., gasoline, city gas) at the company itself, etc.

Scope 2: Indirect emissions resulting from the use of purchased electricity at the company itself, etc.

Scope 3: Indirect emissions not covered by Scope 1 and Scope 2 (other companies' emissions generated in connection with the company's own activities).

## Investment

In order to reduce greenhouse gas emissions, we will support initiatives to address climate change by prioritizing dialogue (engagement) with companies in which we are investing rather than by pulling out of such companies (divestment). In this way, we will promote the establishment or addition of emissions reduction targets as well as specific initiatives at those companies. We will actively conduct themed investment activities focused on assets that contribute to the resolution of the climate change problem.

| Category | FY 2020 results (Units: Thousands of tons of CO2) | FY 2030 reduction targets (compared to FY 2020) | FY 2050 reduction targets |
|---|---|---|---|
| Scope 3 (Category 15*1) | 646.3 | −39%*2 | Net zero |

*1 Target assets are stocks, corporate bonds, and loans of publicly listed companies in Japan. Measurement is focused on Scope 1 + Scope 2 emissions of companies in which investments were made

*2 −50% compared to FY 2013, which is the same as the Japanese government's reduction target (Challenging Goal). Reduction targets are based on total emissions.

# 8. Governance Structure

## Corporate Governance

### Basic Philosophy on Corporate Governance

Recognizing that the life insurance industry plays an important role in supporting Japanese society in cooperation with the social security system, and that our company's business itself constitutes an important social responsibility, Asahi Life holds a basic management philosophy of "Sincere Service." This is guided by the idea that fulfilling our responsibilities to our customers, society, and our employees is fundamental to our business.

Based on our basic management philosophy, we work to maintain strong cooperation with all of our stakeholders and promote corporate social responsibility-based management centered on the following:

- Engaging in business that prioritizes the improvement of customer satisfaction;
- Co-existence with society through continued engagement to create a prosperous society, and;
- Improvement of employee satisfaction through the creation of a comfortable workplace that fosters employees.

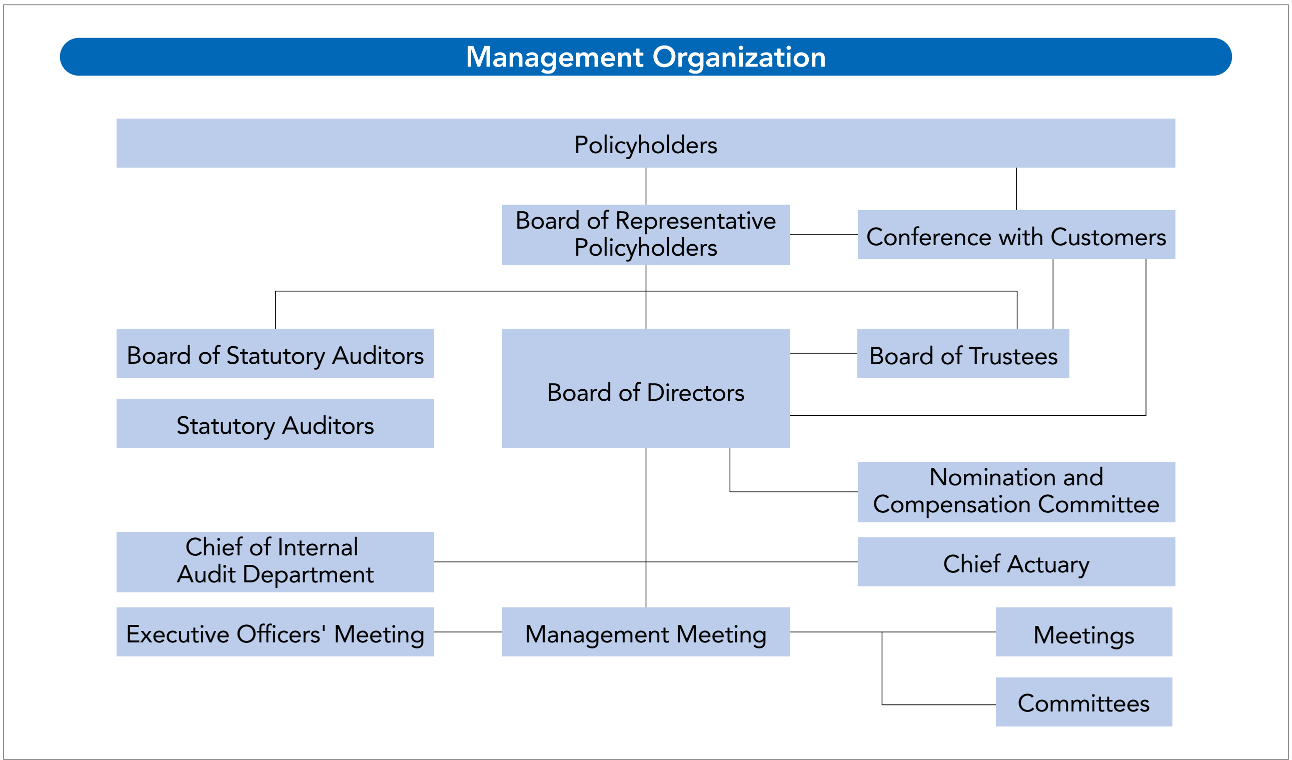
We promote sustainable management that contributes to the achievement of a sustainable society and make efforts to achieve effective corporate governance in order to both maintain our financial soundness and make decisions in a transparent, fair, quick, and decisive manner.

### Overview of the Corporate Governance Structure

Asahi Life is a mutual company. A mutual company is a corporate structure in which individual policyholders (excluding holders of non-participating policies) may directly participate in the management. Instead of holding a General Meeting of Policyholders, we have established a Board of Representative Policyholders.

This serves as the highest decision-making body which consists of representatives elected from among our policyholders.

Additionally, in accordance with the institutional design required by the Insurance Business Act, we have opted to be a company with a Board of Statutory Auditors. The Board of Directors makes decisions on basic company management issues and supervises the execution of the duties of the directors. While the Statutory Auditors also supervise the execution of the duties of the directors, they do this as an independent body entrusted by the policyholders.



# Board of Representative Policyholders

## Framework and Functions of the Board of Representative Policyholders

Asahi Life has adopted a mutual company corporate structure that is only permitted for insurance companies. Under this structure, the company is comprised of individual insurance policyholders, who are considered members of the company. Therefore, the General Meeting of Policyholders serves as the highest decision-making body at Asahi Life, but since it is difficult to realistically hold a General Meeting for all roughly 1.89 million policyholders, we have established a Board of Representative Policyholders in accordance with the Insurance Business Act to act on behalf of the General Meeting of Policyholders.

The main issues reported and resolutions made in the Board of Representative Policyholders are as follows.

Reported issues:
Business reports, balance sheets, statements of income, statements of changes in net assets, operational reports specific to the mutual company structure

Resolutions:
Appropriation of surplus, allotment of dividends to policyholders, changes in articles of incorporation, appointment of nominating committee members for representative policyholders, appointment of trustees, appointment of directors/statutory auditors, etc.

# Promoting Compliance

Asahi Life positions compliance with laws and ordinances as one of the most critical issues of management, needed to conduct sound, transparent and fair business as well as to maintain the trust of our customers. We work to foster a corporate culture that both promotes and emphasizes compliance.

All employees devote themselves to legally compliant and appropriate business. We strive to prevent any illegal or inappropriate practices and will also endeavor to make respond quickly and appropriately in the event that any illegal or inappropriate business practices are encountered.

## Basic Policy/Compliance with Standards

Asahi Life has established the Basic Policy on Compliance and Compliance Standards as the primary guidelines to be observed by all employees. These are made widely and thoroughly known among all executives and employees through our Compliance Manual and rigorous training. All employees must conduct and are conducting business strictly in accordance with these policy and standards.

Furthermore, we have also created the Compliance Program which includes a detailed action plan. By implementing this action plan and conducting reviews on a periodic basis, we are attempting to establish a more advanced compliance framework.

## Organization/System

Asahi Life holds discussions on compliance with the Compliance Committee. The Committee is composed of the Company President as chair, as well as Management Meeting members and third-party lawyers. The Committee discusses compliance issues with the expert input of the third-party lawyers. Additionally, the Compliance Control Department implements specific measures pertaining to compliance.

# Protecting Customer Information

## Management System to Appropriately Protect Information Assets

Asahi Life maintains customers' personal information related to their policies and health status insofar that the information is needed for business purposes. Therefore, recognizing that keeping such customer information secure is crucially important for management, we have established a framework to protect customer information, personal information, and personally identifiable information. We strictly implement that framework based on the relevant laws and ordinances.

Furthermore, we have also formulated a Security Policy to provide appropriate protection for our customers' information. All employees perform appropriate and strict information management based on this policy to both fulfill our responsibility towards our policyholders and society, and to further improve the credibility of our company.

# Risk Management Structure

## Overview

The environment surrounding life insurance companies is constantly changing. Against such a backdrop, Asahi Life believes it is very important to accurately ascertain various risks and to manage them appropriately and strictly. Doing this helps to stabilize profits and boost financial health, which will eventually lead to increased corporate value. In order to ensure the fulfillment of our long-term obligations with respect to our insurance policies, we value risk management as one of our most important management issues and are working to further improve and strengthen our risk management structure.

## Risk Management Structure

Asahi Life's Board of Directors has established a Basic Policy on Risk Management. This policy is established to comprehensively identify risks managed by the entire Group, and to manage such risks appropriately to achieve management targets.

Within this Basic Policy, we have identified the various types and locations of risks faced by the Group as a whole, and with respect to each risk, we set down certain risk management methods.

Each executive department in the company works to appropriately control risk in the operations under their jurisdiction as per the basic policy and rules for each risk type, while each risk management department works to properly control risks through regular monitoring and verification of the status of risks facing the Group as a whole.

Moreover, as Group businesses grow, we are putting together a risk management infrastructure for the entire Group through our Insurance Group Risk Management Committee.

Furthermore, specific risks are not necessarily independent and may be linked to and affect one another, and for this reason a single department is responsible for comprehensive quantitative and qualitative risk management for the Group as a whole.

Risk management status is periodically reported in management meetings and the Board of Directors, and the appropriateness and effectiveness of our risk management structure are audited by our Internal Audit Department.

## Risk Appetite

In order to promote the achievement of our strategic targets in the mid-term management plan and comprehensive annual business plan, we set a certain risk appetite policy to ensure appropriate risk-taking and risk control based on both quantitative and qualitative risk evaluation.

This policy sets both levels of tolerable risk for generating earnings and risks to be curbed in the interest of financial soundness.

## Enterprise Risk Management (ERM)

Asahi Life promotes Enterprise Risk Management (ERM) in order to ensure financial soundness and improve profitability through comprehensive management of risk facing the entire company.

Specifically, we establish risk management indicators based on a risk appetite policy, conduct quantitative and qualitative assessments to identify problems, and then implement countermeasures as appropriate for risk severity.

Additionally, we implement the Own Risk and Solvency Assessment (ORSA), a process to evaluate our management risks and own capital, and pursue risk management that is integrated into our business strategy.

With respect to qualitative risk evaluation, we ascertain our risk profile and specify crucial risks to management by identifying not only current but also potential risks that are discovered through our Control Self-Assessment (CSA), which we conduct in each operational division. We also strive to identify risks at an early stage and to mitigate these risks through measures such as warning analysis.

In quantitative risk evaluations, we evaluate the sufficiency of our own capital (surplus) based on both accounting standards and economic value. Specifically, in economic value-based evaluations, we monitor and manage the sufficiency of current surplus against overall risk volume (i.e., the Economic Solvency Ratio, ESR) and we work to improve that ratio by setting ESR targets.

## Asset Liability Management (ALM)

Asahi Life engages in asset liability management (ALM) that is guided by the asset and risk management policies established by liability groups. These liability groups are categorized according to the characteristics of insurance policies. Based on the asset and risk management policies, we confirm the appropriateness of our investments. We structure our asset portfolio concentrating on yen interest-bearing assets such as domestic bonds and loans, taking into consideration the adaptation of existing assets to the liability characteristics of insurance policies. The majority of domestic bonds are classified as policy-reserve-matching bonds, which are valued at their amortized cost, with the aim of reducing the impact of interest rate fluctuations.

## Stress Tests

Stress tests are a way of understanding and analyzing the impact on financial soundness of scenarios such major fluctuations in the financial markets causing losses and declining market value for Asahi Life's investment portfolio, or a major earthquake or other disaster generating large insurance claims that cause losses for Asahi Life. Stress test results are periodically reported at Management Meetings and used to consider management or financial countermeasures against such scenarios. Investment risk-related stress tests are also used to verify the validity of investment plans and develop hedging policies.

Stress tests are also conducted for extremely unlikely risk phenomena that would nonetheless cause tremendous losses in the event that they did occur, in the interest of properly understanding such phenomena. These stress tests are based on risk profiles and seek to identify scenarios that would have a substantial impact on financial soundness, and the specific financial impact thereof is reported at Management Meetings.

# Officers (as of July 5, 2022)

President and Representative Director
**Hiroki Kimura**

Representative Director and Senior Managing Executive Officer
**Yasuhiro Iguchi**

Director and Senior Managing Executive Officer
**Yukihiro Fujioka**

Director and Managing Executive Officer
**Kenichi Ikeda**

Director and Managing Executive Officer
**Kouichi Kashimada**

Director and Executive Officer
**Masahiro Shimotori**

Director
**Kenichiro Ishijima**

Director
**Kazuko Ohya**(1)

Director
**Takashi Tsukamoto**(1)

Director
**Takaaki Ishii**(1)

(1) Outside director

Standing Statutory Auditor
**Hideki Konishi**

Standing Statutory Auditor
**Kaoru Masuda**

Statutory Auditor
**Tadayuki Seki**(2)

Statutory Auditor
**Mitsuyoshi Shibata**(2)

Statutory Auditor
**Yoichi Kikuchi**(2)

(2) Outside statutory auditor

## Consolidated Balance Sheets

Asahi Mutual Life Insurance Company and its Consolidated Subsidiaries

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| **As of March 31** | **2022** | **2021** | **2022** |
| **ASSETS:** | | | |
| Cash and deposits | ¥ 47,030 | ¥ 44,149 | $ 384 |
| Call loans | 111,000 | 113,000 | 906 |
| Monetary claims bought | 22,534 | 25,094 | 184 |
| Securities | 4,536,365 | 4,598,851 | 37,064 |
| Loans | 311,416 | 303,451 | 2,544 |
| Tangible fixed assets: | | | |
| Land | 216,027 | 221,081 | 1,765 |
| Buildings | 146,679 | 150,539 | 1,198 |
| Lease assets | 2,194 | 1,459 | 17 |
| Construction in progress | 1,175 | 1,589 | 9 |
| Other tangible fixed assets | 3,065 | 3,376 | 25 |
| | 369,142 | 378,046 | 3,016 |
| Intangible fixed assets: | | | |
| Software | 23,347 | 16,935 | 190 |
| Other intangible fixed assets | 9,907 | 13,006 | 80 |
| | 33,255 | 29,941 | 271 |
| Agency accounts receivable | 11 | 14 | 0 |
| Reinsurance receivables | 6,788 | 987 | 55 |
| Other assets | 64,605 | 46,670 | 527 |
| Net defined benefit assets | 524 | 494 | 4 |
| Deferred tax assets | 168 | 152 | 1 |
| Customers' liabilities under acceptances and guarantees | – | 1 | – |
| Allowance for possible loan losses | (550) | (406) | (4) |
| **Total assets** | **¥ 5,502,292** | **¥ 5,540,449** | **$ 44,957** |
| **LIABILITIES:** | | | |
| Policy reserves and other reserves: | | | |
| Reserve for outstanding claims | ¥ 32,025 | ¥ 28,572 | $ 261 |
| Policy reserves | 4,365,560 | 4,419,372 | 35,669 |
| Reserve for dividends to policyholders | 28,644 | 30,050 | 234 |
| | 4,426,229 | 4,477,995 | 36,164 |
| Reinsurance payables | 776 | 680 | 6 |
| Bonds payable | 102,424 | 127,773 | 836 |
| Other liabilities | 378,694 | 295,766 | 3,094 |
| Net defined benefit liabilities | 32,852 | 32,914 | 268 |
| Reserve for price fluctuation | 48,210 | 45,680 | 393 |
| Deferred tax liabilities | 2,913 | 22,354 | 23 |
| Deferred tax liabilities for land revaluation | 15,711 | 16,268 | 128 |
| Acceptances and guarantees | – | 1 | – |
| **Total liabilities** | **5,007,812** | **5,019,435** | **40,916** |
| **NET ASSETS:** | | | |
| Foundation funds | 91,000 | 91,000 | 743 |
| Reserve for redemption of foundation funds | 166,000 | 166,000 | 1,356 |
| Reserve for revaluation | 281 | 281 | 2 |
| Consolidated surplus | 111,982 | 97,154 | 914 |
| Total foundation funds and others | 369,264 | 354,436 | 3,017 |
| Net unrealized gains (losses) on available-for-sale securities, net of tax | 173,938 | 213,201 | 1,421 |
| Land revaluation differences | (46,739) | (45,354) | (381) |
| Accumulated remeasurements of defined benefit plans | (2,077) | (1,349) | (16) |
| Total accumulated other comprehensive income | 125,121 | 166,497 | 1,022 |
| Non-controlling interests | 94 | 79 | 0 |
| **Total net assets** | **494,480** | **521,014** | **4,040** |
| **Total liabilities and net assets** | **¥ 5,502,292** | **¥ 5,540,449** | **$ 44,957** |

# Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Asahi Mutual Life Insurance Company and its Consolidated Subsidiaries

[Consolidated Statements of Income]

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| For the years ended March 31 | 2022 | 2021 | 2022 |
| **Ordinary income:** | | | |
| Premium and other income | ¥ 395,434 | ¥ 391,410 | $ 3,230 |
| Investment income: | | | |
| Interest, dividends and other income | 120,142 | 117,912 | 981 |
| Gains on sales of securities | 11,950 | 15,249 | 97 |
| Gains on redemption of securities | 317 | 77 | 2 |
| Foreign exchange gains | 3,067 | 387 | 25 |
| Other investment income | 6,872 | 6,941 | 56 |
| Investment gains on separate accounts | 2,199 | 5,740 | 17 |
| | 144,550 | 146,309 | 1,181 |
| Other ordinary income | 70,423 | 66,577 | 575 |
| **Total ordinary income** | **610,408** | **604,297** | **4,987** |
| **Ordinary expenses:** | | | |
| Claims and other payments: | | | |
| Claims | 107,517 | 112,015 | 878 |
| Annuities | 116,767 | 122,158 | 954 |
| Benefits | 73,011 | 68,241 | 596 |
| Surrender benefits | 79,236 | 77,538 | 647 |
| Other payments | 5,988 | 5,431 | 48 |
| | 382,521 | 385,384 | 3,125 |
| Provision for policy reserves and other reserves: | | | |
| Provision for reserve for outstanding claims | 3,453 | – | 28 |
| Provision for interest on policyholders' dividend reserves | 3 | 3 | 0 |
| | 3,456 | 3 | 28 |
| Investment expenses: | | | |
| Interest expenses | 4,876 | 4,470 | 39 |
| Losses on trading securities | 1,133 | 485 | 9 |
| Losses on sales of securities | 11,177 | 5,520 | 91 |
| Losses on valuation of securities | 273 | 19 | 2 |
| Losses on redemption of securities | 48 | 65 | 0 |
| Losses on derivative financial instruments | 2,510 | 8,898 | 20 |
| Provision for allowance for possible loan losses | 141 | 10 | 1 |
| Depreciation of rental real estate and other assets | 5,511 | 5,503 | 45 |
| Other investment expenses | 10,981 | 9,584 | 89 |
| | 36,655 | 34,559 | 299 |
| Operating expenses | 123,403 | 115,565 | 1,008 |
| Other ordinary expenses | 35,050 | 33,833 | 286 |
| **Total ordinary expenses** | **581,087** | **569,347** | **4,747** |
| **Ordinary profit** | **29,321** | **34,950** | **239** |
| **Extraordinary gains:** | | | |
| Gains on disposal of fixed assets | 2,925 | 146 | 23 |
| Other extraordinary gains | 3 | 129 | 0 |
| | 2,928 | 275 | 23 |
| **Extraordinary losses:** | | | |
| Losses on disposal of fixed assets | 2,751 | 1,484 | 22 |
| Impairment losses | 1,149 | 2,971 | 9 |
| Provision for reserve for price fluctuation | 2,530 | 2,450 | 20 |
| Losses on reduction entry of real estate | – | 5 | – |
| Other extraordinary losses | 130 | 1,694 | 1 |
| | 6,561 | 8,605 | 53 |
| **Surplus before income taxes** | **25,687** | **26,620** | **209** |

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| For the years ended March 31 | 2022 | 2021 | 2022 |
| **Income taxes:** | | | |
| Current | 10,963 | 10,226 | 89 |
| Deferred | (5,012) | (5,074) | (40) |
| **Total income taxes** | **5,950** | **5,152** | **48** |
| **Net surplus** | **19,737** | **21,467** | **161** |
| **Net surplus attributable to non-controlling interests** | **51** | **37** | **0** |
| **Net surplus attributable to the Parent Company** | **¥ 19,685** | **¥ 21,430** | **$ 160** |

[Consolidated Statements of Comprehensive Income]

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| For the years ended March 31 | 2022 | 2021 | 2022 |
| **Net surplus** | **¥ 19,737** | **¥ 21,467** | **$ 161** |
| **Other comprehensive income:** | | | |
| Net unrealized gains (losses) on available-for-sale securities, net of tax | (39,263) | 115,575 | (320) |
| Remeasurements of defined benefit plans | (728) | 465 | (5) |
| **Total other comprehensive income** | **(39,991)** | **116,040** | **(326)** |
| **Comprehensive income:** | | | |
| Comprehensive income attributable to the Parent Company | (20,305) | 137,471 | (165) |
| Comprehensive income attributable to non-controlling interests | 51 | 37 | 0 |
| **Total comprehensive income** | **¥ (20,254)** | **¥ 137,508** | **$ (165)** |

## Consolidated Statements of Changes in Net Assets

Asahi Mutual Life Insurance Company and its Consolidated Subsidiaries

Millions of Yen

| For the year ended March 31, 2022 | 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** |

Millions of Yen

| For the year ended March 31, 2022 | 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** |

Millions of Yen

| For the year ended March 31, 2021 | 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 | ¥ 81,429 | ¥ 338,711 |
| **Changes in the fiscal year:** | | | | | |
| Additions to reserve for dividends to policyholders | | | | (1,794) | (1,794) |
| Payment of interest on foundation funds | | | | (4,081) | (4,081) |
| Net surplus attributable to the Parent Company | | | | 21,430 | 21,430 |
| Reversal of land revaluation differences | | | | 171 | 171 |
| Net changes, excluding foundation funds and others | | | | | |
| **Net changes in the fiscal year** | – | – | – | 15,725 | 15,725 |
| **Ending balance** | ¥ 91,000 | ¥ 166,000 | ¥ 281 | ¥ 97,154 | ¥ 354,436 |

Millions of Yen

| For the year ended March 31, 2021 | 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** | ¥ 97,625 | ¥ (45,183) | ¥ (1,814) | ¥ 50,627 | ¥ 81 | ¥ 389,420 |
| **Changes in the fiscal year:** | | | | | | |
| Additions to reserve for dividends to policyholders | | | | | | (1,794) |
| Payment of interest on foundation funds | | | | | | (4,081) |
| Net surplus attributable to the Parent Company | | | | | | 21,430 |
| Reversal of land revaluation differences | | | | | | 171 |
| Net changes, excluding foundation funds and others | 115,575 | (171) | 465 | 115,869 | (1) | 115,868 |
| **Net changes in the fiscal year** | 115,575 | (171) | 465 | 115,869 | (1) | 131,593 |
| **Ending balance** | ¥ 213,201 | ¥ (45,354) | ¥ (1,349) | ¥ 166,497 | ¥ 79 | ¥ 521,014 |

Millions of U.S. Dollars

| For the year ended March 31, 2022 | Foundation funds and others | | | | |
|---|---|---|---|---|---|
| | Foundation funds | Reserve for redemption of foundation funds | Reserve for revaluation | Consolidated surplus | Total foundation funds and others |
| **Beginning balance** | **$ 743** | **$ 1,356** | **$ 2** | **$ 793** | **$ 2,895** |
| **Changes in the fiscal year:** | | | | | |
| Additions to reserve for dividends to policyholders | | | | (17) | (17) |
| Payment of interest on foundation funds | | | | (33) | (33) |
| Net surplus attributable to the Parent Company | | | | 160 | 160 |
| Reversal of land revaluation differences | | | | 11 | 11 |
| Net changes, excluding foundation funds and others | | | | | |
| **Net changes in the fiscal year** | **–** | **–** | **–** | **121** | **121** |
| **Ending balance** | **$ 743** | **$ 1,356** | **$ 2** | **$ 914** | **$ 3,017** |

Millions of U.S. Dollars

| For the year ended March 31, 2022 | 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** | **$ 1,741** | **$ (370)** | **$ (11)** | **$ 1,360** | **$ 0** | **$ 4,256** |
| **Changes in the fiscal year:** | | | | | | |
| Additions to reserve for dividends to policyholders | | | | | | (17) |
| Payment of interest on foundation funds | | | | | | (33) |
| Net surplus attributable to the Parent Company | | | | | | 160 |
| Reversal of land revaluation differences | | | | | | 11 |
| Net changes, excluding foundation funds and others | (320) | (11) | (5) | (338) | 0 | (337) |
| **Net changes in the fiscal year** | **(320)** | **(11)** | **(5)** | **(338)** | **0** | **(216)** |
| **Ending balance** | **$ 1,421** | **$ (381)** | **$ (16)** | **$ 1,022** | **$ 0** | **$ 4,040** |

# Consolidated Statements of Cash Flows

Asahi Mutual Life Insurance Company and its Consolidated Subsidiaries

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| For the years ended March 31 | 2022 | 2021 | 2022 |
| **I. Cash flows from operating activities** | | | |
| Surplus before income taxes | ¥ 25,687 | ¥ 26,620 | $ 209 |
| Depreciation of rental real estate and other assets | 5,511 | 5,503 | 45 |
| Depreciation | 12,811 | 11,905 | 104 |
| Impairment losses | 1,149 | 2,971 | 9 |
| Increase (decrease) in reserve for outstanding claims | 3,453 | (806) | 28 |
| Increase (decrease) in policy reserves | (53,812) | (48,624) | (439) |
| Provision for interest on policyholders' dividend reserves | 3 | 3 | 0 |
| Increase (decrease) in allowance for possible loan losses | 141 | 10 | 1 |
| Increase (decrease) in net defined benefit liabilities | (1,008) | (1,677) | (8) |
| Increase (decrease) in reserve for price fluctuation | 2,530 | 2,450 | 20 |
| Interest, dividends and other income | (120,142) | (117,912) | (981) |
| (Gains) losses on securities | (1,833) | (14,976) | (14) |
| (Gains) losses on derivative financial instruments | 2,510 | 8,898 | 20 |
| Interest expenses | 4,876 | 4,470 | 39 |
| Foreign exchange (gains) losses, net | (3,067) | (387) | (25) |
| (Gains) losses on tangible fixed assets | (636) | 952 | (5) |
| (Increase) decrease in reinsurance receivables | (5,801) | (540) | (47) |
| (Increase) decrease in other assets except from investing and financing activities | (3,396) | (2,837) | (27) |
| Increase (decrease) in reinsurance payables | 95 | 117 | 0 |
| Increase (decrease) in other liabilities except from investing and financing activities | (437) | 2,312 | (3) |
| Others, net | 4,050 | (4,344) | 33 |
| Subtotal | (127,314) | (125,891) | (1,040) |
| Interest, dividends and other income received | 121,824 | 124,006 | 995 |
| Interest paid | (5,178) | (4,343) | (42) |
| Dividends to policyholders paid | (3,562) | (3,820) | (29) |
| Income taxes (paid) refunded | (11,462) | (9,286) | (93) |
| **Net cash provided by (used in) operating activities** | **(25,694)** | **(19,335)** | **(209)** |
| **II. Cash flows from investing activities** | | | |
| Purchases of monetary claims bought | – | (93) | – |
| Proceeds from sales and redemptions of monetary claims bought | 2,573 | 1,899 | 21 |
| Purchases of securities | (438,244) | (415,682) | (3,580) |
| Proceeds from sales and redemptions of securities | 559,515 | 441,355 | 4,571 |
| Disbursements for loans | (55,639) | (41,265) | (454) |
| Proceeds from collections of loans | 50,961 | 115,364 | 416 |
| Proceeds from derivative financial instruments | (49,969) | (47,257) | (408) |
| Increase (decrease) in payables under securities borrowing transactions | 737 | (884) | 6 |
| Others, net | (1,133) | (485) | (9) |
| ①Total of investing activities | 68,801 | 52,949 | 562 |
| [ I + ① ] | 43,106 | 33,614 | 352 |
| Purchases of tangible fixed assets | (8,703) | (10,079) | (71) |
| Proceeds from sales of tangible fixed assets | 8,084 | 1,501 | 66 |
| Others, net | (11,328) | (9,608) | (92) |
| **Net cash provided by (used in) investing activities** | **56,854** | **34,763** | **464** |
| **III. Cash flows from financing activities** | | | |
| Redemption of debt borrowing | – | (10,000) | – |
| Proceeds from issuance of bonds | 15,000 | 39,477 | 122 |
| Redemption of bonds | (40,349) | – | (329) |
| Payment of interest on foundation funds | (4,089) | (4,081) | (33) |
| Dividends paid to non-controlling interests | (36) | (38) | (0) |
| Others, net | (803) | (863) | (6) |
| **Net cash provided by (used in) financing activities** | **(30,279)** | **24,494** | **(247)** |
| **IV. Net increase (decrease) in cash and cash equivalents** | **880** | **39,922** | **7** |
| **V. Cash and cash equivalents at the beginning of the year** | **157,149** | **117,227** | **1,284** |
| **VI. Cash and cash equivalents at the end of the year** | **¥ 158,030** | **¥ 157,149** | **$ 1,291** |

# Notes to Consolidated Financial Statements

Asahi Mutual Life Insurance Company and its Consolidated Subsidiaries

## I. Presentation of 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. U.S. Dollar Amounts

The translations of yen amounts into U.S. dollar amounts are included solely for the convenience of the reader and have been made, as a matter of arithmetical computation only, at the rate of ¥122.39 = US$1.00, the effective rate of exchange at the balance sheet date of March 31, 2022.

The translations should not be construed as representations that such yen amounts have been or could in the future be, converted into U.S. dollars at that or any other rate.

### 3. Principles of Consolidation

(1) Scope of consolidation

The consolidated subsidiaries as of March 31, 2022 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 consolidated subsidiaries as of March 31, 2021 are listed below:

Info Techno Asahi Co., Ltd.
Asahi Life Asset Management Co., Ltd.
Asahi Natixis Investment Managers Co., Ltd.
Asahi NewCo Preparatory Co., Ltd.

Asahi NewCo Preparatory Co., Ltd., which was newly established by the Company in the fiscal year ended March 31, 2021 and renamed as Nanairo Life Insurance Co., Ltd. on April 1, 2021, was included in the scope of consolidation for the fiscal year ended March 31, 2021.

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, 2022. 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 Consolidated Balance Sheets

### 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.

*Note for the fiscal year ended March 31, 2021*

Available-for-sale securities with fair market value except for the following are stated at fair market value based on the market prices at the end of the fiscal year. Available-for-sale securities with fair market value, of which domestic stocks, domestic stock exchange-traded funds, domestic listed real estate investment trusts, foreign stock exchange-traded funds for which hedge accounting is not applied, foreign bond exchange-traded funds for which hedge accounting is not applied and foreign currency-denominated bonds for which hedge accounting is not applied, are stated at fair market value based on the average of the market prices during the final month of the fiscal year. Costs of sales are determined by the moving average method. Available-for-sale securities with extreme difficulty of measuring fair market value, 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. The other securities 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).

Since the fiscal year ended March 31, 2022, the Company changed its liability cash flow, which is the premise of assessing the duration to outstanding insurance liabilities, from a "Term of future 30 years" to a "Whole period" for the sub-group including Individual life Insurance and Individual Annuities (excluding Whole Life Insurance with variable interest rate accumulation, Accumulation Insurance with variable interest rates and New Single Premium Individual Annuity effective on and after April 2, 2012). This change did not have any effects on the consolidated balance sheet and consolidated statement of income as of and for the fiscal year ended March 31, 2022.

(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.

*Note for the fiscal year ended March 31, 2021*

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, except for foreign stock exchange-traded funds for which hedge accounting is not applied, foreign bond exchange-traded funds for which hedge accounting is not applied and foreign currency-denominated bonds for which hedge accounting is not applied categorized as available-for-sale securities with fair market value. Such securities are translated into Japanese yen at the average of the effective exchange rate during the final month of the fiscal year.

(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 amounts written-off as of March 31, 2022 and 2021 were ¥24 million (US$0 million) and ¥28 million, respectively.

(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 seven years starting the following year.

■ Prior service cost is charged to income when incurred.

(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) are 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.

(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 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 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.

(18) Software

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

## 2. Accounting Changes

The Company has applied "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, issued on July 4, 2019) and others from the fiscal year ended March 31, 2022. In accordance with the transitional treatment set forth in Paragraph 19 of "Accounting Standard for Fair Value Measurement" and Paragraph 44-2 of "Accounting Standard for Financial Instruments" (ASBJ Statement No.10, July 4, 2019), the Company has applied new accounting policies prospectively. As a result, available-for-sale securities, of which domestic listed stocks, domestic stock exchange-traded funds, domestic listed real estate investment trusts, foreign stock exchange-traded funds for which hedge accounting is not applied, foreign bond exchange-traded funds for which hedge accounting is not applied and foreign currency-denominated bonds for which hedge accounting is not applied, are changed to be stated at fair value based on the market prices at the balance sheet date from fair value based on the average of the market prices during the final month of the fiscal year.

In determining to recognize impairment losses on available-for-sale securities, the Company has used fair value based on the average of market prices during the final month of fiscal year as before.

## 3. Accounting Standards Issued but Not Yet Effective

The Company and part of its subsidiaries made a request for approval for the application of the group tax sharing system in December 2021 and it is decided to be applied from the fiscal year ending March 31, 2023.

The accounting standard and relevant implementation guidance issued by the fiscal year-end but not yet effective is the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (ASBJ PITF No.42, issued on August 12, 2021) and its contents are as follows:

(i) Overview

The practical solution was issued to stipulate the accounting and disclosure treatment of corporate tax, local corporate tax and tax effect accounting when applying the group tax sharing system, following the "Act for Partial Amendment of the Income Tax Act, etc." (Act No.8, 2020) enacted on March 27, 2020 which requires revision of the consolidated taxation system and transition to the group tax sharing system.

(ii) Schedule date of application

The practical solution is scheduled to be applied from the beginning of the fiscal year ending March 31, 2023.

(iii) Effects of application of the practical solution

The effects of the application are under assessment at the time of preparing these consolidated financial statements.

*Note for the fiscal year ended March 31, 2021*

The accounting standards and relevant implementation guidance issued by the fiscal year-end but not yet effective are as follows:

- ■ "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, issued on July 4, 2019)
- ■ "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, issued on July 4, 2019)
- ■ "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, revised on July 4, 2019)

(i) Overview

In these accounting standards and relevant implementation guidance, the guidance on the methods for measuring fair values of financial instruments are set to enhance comparability between Japanese accounting standards and international accounting standards.

(ii) Schedule date of application

The above revisions are scheduled to be applied from the beginning of the fiscal year ending March 31, 2022.

(iii) Effects of application of the Accounting Standards and relevant implementation guidance

The effects of the application are under assessment at the time of preparing these consolidated financial statements.

## 4. Changes in Reporting Method

Following the revision of the Enforcement Regulation of the Insurance Business Act, claims to be disclosed are classified in the revised categories in the following “Note 9. Claims”.

## 5. 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, 2022 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 | ¥ 22,534 | ¥ 24,255 | ¥ 1,720 |
| Held-to-maturity debt securities | 21,577 | 23,297 | 1,720 |
| Available-for-sale securities | 957 | 957 | – |
| Securities | 4,470,196 | 4,630,893 | 160,696 |
| Trading securities | 26,601 | 26,601 | – |
| Held-to-maturity debt securities | 280,070 | 310,342 | 30,272 |
| Policy-reserve-matching bonds | 2,028,714 | 2,159,139 | 130,424 |
| Available-for-sale securities | 2,134,809 | 2,134,809 | – |
| Loans | 311,416 | 317,500 | 6,083 |
| Policy loans | 32,199 | 32,199 | – |
| Industrial and consumer loans | 279,217 | 285,301 | 6,083 |
| Total assets | 4,804,147 | 4,972,648 | 168,501 |
| Bonds payable | 102,424 | 103,200 | 776 |
| Loans payable | 41,000 | 42,260 | 1,260 |
| Total liabilities | 143,424 | 145,460 | 2,036 |
| Derivative financial instruments | (89,485) | (89,485) | – |
| Hedge accounting not applied | (2,555) | (2,555) | – |
| Hedge accounting applied | (86,930) | (86,930) | – |

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

Millions of U.S. Dollars

| As of March 31 | 2022 | | |
|---|---|---|---|
| | Balance Sheet Amount | Fair Value | Difference |
| Monetary claims bought | $ 184 | $ 198 | $ 14 |
| Held-to-maturity debt securities | 176 | 190 | 14 |
| Available-for-sale securities | 7 | 7 | – |
| Securities | 36,524 | 37,837 | 1,312 |
| Trading securities | 217 | 217 | – |
| Held-to-maturity debt securities | 2,288 | 2,535 | 247 |
| Policy-reserve-matching bonds | 16,575 | 17,641 | 1,065 |
| Available-for-sale securities | 17,442 | 17,442 | – |
| Loans | 2,544 | 2,594 | 49 |
| Policy loans | 263 | 263 | – |
| Industrial and consumer loans | 2,281 | 2,331 | 49 |
| Total assets | 39,252 | 40,629 | 1,376 |
| Bonds payable | 836 | 843 | 6 |
| Loans payable | 334 | 345 | 10 |
| Total liabilities | 1,171 | 1,188 | 16 |
| Derivative financial instruments | (731) | (731) | – |
| Hedge accounting not applied | (20) | (20) | – |
| Hedge accounting applied | (710) | (710) | – |

* 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 amount of the unlisted stocks and others, including investments in subsidiaries and affiliates, reported in the consolidated balance sheet was ¥22,156 million (US$181 million) as of March 31, 2022.

Investments in partnerships and others for which transitional measures are applied in accordance with Paragraph 27 of “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, issued on July 4, 2019) are not included in the table above. The amount of the investments in partnerships and others, reported in the consolidated balance sheet was ¥44,012 million (US$359 million) as of March 31, 2022.

*Notes for the fiscal year ended March 31, 2021*

The balance sheet amounts, fair values and the differences between those of major financial assets and liabilities as of March 31, 2021 were as follows:

Millions of Yen

| As of March 31 | 2021 | | |
|---|---|---|---|
| | Balance Sheet Amount | Fair Value | Difference |
| Cash and deposits | ¥ 44,149 | ¥ 44,149 | ¥ – |
| Call loans | 113,000 | 113,000 | – |
| Monetary claims bought | 25,094 | 27,415 | 2,321 |
| Trading securities | – | – | – |
| Held-to-maturity debt securities | 24,125 | 26,446 | 2,321 |
| Policy-reserve-matching bonds | – | – | – |
| Available-for-sale securities | 969 | 969 | – |
| Securities | 4,577,687 | 4,830,694 | 253,006 |
| Trading securities | 26,307 | 26,307 | – |
| Held-to-maturity debt securities | 296,880 | 333,953 | 37,073 |
| Policy-reserve-matching bonds | 2,039,060 | 2,254,994 | 215,933 |
| Available-for-sale securities | 2,215,438 | 2,215,438 | – |
| Loans | 303,451 | 311,163 | 7,712 |
| Policy loans | 35,182 | 35,182 | – |
| Industrial and consumer loans | 268,268 | 275,980 | 7,712 |
| Total assets | 5,063,382 | 5,326,422 | 263,040 |
| Bonds payable | 127,773 | 130,313 | 2,540 |
| Payables under securities borrowing transactions | 178,810 | 178,810 | – |
| Loans payable | 41,000 | 42,548 | 1,548 |
| Total liabilities | 347,584 | 351,673 | 4,088 |
| Derivative financial instruments | (31,522) | (31,522) | – |
| Hedge accounting not applied | (1,875) | (1,875) | – |
| Hedge accounting applied | (29,646) | (29,646) | – |

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

(1) Securities including deposits and monetary claims bought which are treated as securities based on "Accounting Standards for Financial Instruments" (ASBJ Statement No. 10)

As for available-for-sale securities of which market value is readily available, domestic stocks, domestic stock exchange-traded funds, domestic listed real estate investment trusts, foreign stock exchange-traded funds for which hedge accounting is not applied, foreign bond exchange-traded funds for which hedge accounting is not applied and foreign currency-denominated bonds for which hedge accounting is not applied are stated at the average of the market value during the final month of the fiscal year. Available-for-sale securities of which market value is readily available excluding the securities mentioned above are stated at the market value at the balance sheet date.

Other securities of which market value is readily available are stated at market value at the balance sheet date.

Unlisted stocks and others, including investments in subsidiaries and affiliates, of which market value is not readily available are not subject to fair value disclosure and are therefore not included in the table above because it is regarded as extremely difficult to determine their fair value.

The amount of the unlisted stocks and others, including investments in subsidiaries and affiliates, reported in the consolidated balance sheet was ¥21,164 million as of March 31, 2021.

(2) Loans and loans payable

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

As for industrial and consumer loans and loans payable, the fair value of loans is primarily stated at theoretical prices calculated by discounting the future cash flows to the present value. 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.

(3) Bonds payable

The fair value of bonds payable is based on the market value, etc. as of March 31, 2021.

(4) Payables under securities borrowing transactions

The Company considers book value as fair value with the assumption that fair value approximates book value.

(5) Derivative financial instruments

The fair values of stock options and currency options traded over the counter are based on the quoted prices offered by counterparty financial institutions.

The fair values of foreign currency forward contracts are stated at theoretical prices based on the TTM at the balance sheet date.

Regarding the derivative transactions for which designated hedge accounting ("Furiate-shori") of currency swaps is applied, these fair values are included in bonds payable since they are treated together with hedged bonds payable.

## 6. 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 consolidated balance sheet

Millions of Yen

| As of March 31 | 2022 Fair Value | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Monetary claims bought | ¥ – | ¥ – | ¥ 957 | ¥ 957 |
| Available-for-sale securities | – | – | 957 | 957 |
| Securities[*1] | 580,435 | 1,169,127 | 29,482 | 1,779,045 |
| Trading securities | 24,719 | 1,882 | – | 26,601 |
| National government bonds and local government bonds | 5,830 | – | – | 5,830 |
| Corporate bonds | – | 902 | – | 902 |
| Domestic stocks | 7,914 | – | – | 7,914 |
| Foreign stocks | 8,269 | – | – | 8,269 |
| Foreign bonds | 2,705 | 979 | – | 3,684 |
| Available-for-sale securities | 555,716 | 1,167,245 | 29,482 | 1,752,444 |
| National government bonds and local government bonds | 39,829 | 685 | – | 40,514 |
| Corporate bonds | – | 426,840 | – | 426,840 |
| Domestic stocks | 413,036 | – | – | 413,036 |
| Foreign bonds | 102,850 | 739,719 | 29,482 | 872,053 |
| Total assets | 580,435 | 1,169,127 | 30,440 | 1,780,003 |
| Derivative financial instruments[*2] | – | (89,755) | 270 | (89,485) |
| Currency-related | – | (89,755) | – | (89,755) |
| Stock-related | – | – | 270 | 270 |

*1 Investment trusts for which transitional measures are applied in accordance with Paragraph 26 of "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, issued on July 4, 2019) are not included in the table above. The balance sheet amount of the investment trusts was ¥382,365 million (US$3,124 million) as of March 31, 2022.

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

Millions of U.S. Dollars

| As of March 31 | 2022 Fair Value | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Monetary claims bought | $ – | $ – | $ 7 | $ 7 |
| Available-for-sale securities | – | – | 7 | 7 |
| Securities[*1] | 4,742 | 9,552 | 240 | 14,535 |
| Trading securities | 201 | 15 | – | 217 |
| National government bonds and local government bonds | 47 | – | – | 47 |
| Corporate bonds | – | 7 | – | 7 |
| Domestic stocks | 64 | – | – | 64 |
| Foreign stocks | 67 | – | – | 67 |
| Foreign bonds | 22 | 8 | – | 30 |
| Available-for-sale securities | 4,540 | 9,537 | 240 | 14,318 |
| National government bonds and local government bonds | 325 | 5 | – | 331 |
| Corporate bonds | – | 3,487 | – | 3,487 |
| Domestic stocks | 3,374 | – | – | 3,374 |
| Foreign bonds | 840 | 6,043 | 240 | 7,125 |
| Total assets | 4,742 | 9,552 | 248 | 14,543 |
| Derivative financial instruments[*2] | – | (733) | 2 | (731) |
| Currency-related | – | (733) | – | (733) |
| Stock-related | – | – | 2 | 2 |

*1 Investment trusts for which transitional measures are applied in accordance with Paragraph 26 of "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, issued on July 4, 2019) are not included in the table above. The balance sheet amount of the investment trusts was ¥382,365 million (US$3,124 million) as of March 31, 2022.

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

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

Millions of Yen

| As of March 31 | 2022 Fair Value Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Monetary claims bought | ¥ – | ¥ – | ¥ 23,297 | ¥ 23,297 |
| Held-to-maturity debt securities | – | – | 23,297 | 23,297 |
| Securities | 1,752,190 | 592,381 | 124,909 | 2,469,481 |
| Held-to-maturity debt securities | 36,939 | 148,494 | 124,909 | 310,342 |
| National government bonds and local government bonds | 36,939 | – | – | 36,939 |
| Corporate bonds | – | 92,900 | – | 92,900 |
| Foreign bonds | – | 55,594 | 124,909 | 180,503 |
| Policy-reserve-matching bonds | 1,715,251 | 443,887 | – | 2,159,139 |
| National government bonds and local government bonds | 1,715,251 | 51,082 | – | 1,766,334 |
| Corporate bonds | – | 392,804 | – | 392,804 |
| Loans | – | – | 317,500 | 317,500 |
| Policy loans | – | – | 32,199 | 32,199 |
| Industrial and consumer loans | – | – | 285,301 | 285,301 |
| Total assets | 1,752,190 | 592,381 | 465,707 | 2,810,279 |
| Bonds payable | – | 103,200 | – | 103,200 |
| Loans payable | – | – | 42,260 | 42,260 |
| Total liabilities | – | 103,200 | 42,260 | 145,460 |

Millions of U.S. Dollars

| As of March 31 | 2022 Fair Value Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Monetary claims bought | $ – | $ – | $ 190 | $ 190 |
| Held-to-maturity debt securities | – | – | 190 | 190 |
| Securities | 14,316 | 4,840 | 1,020 | 20,177 |
| Held-to-maturity debt securities | 301 | 1,213 | 1,020 | 2,535 |
| National government bonds and local government bonds | 301 | – | – | 301 |
| Corporate bonds | – | 759 | – | 759 |
| Foreign bonds | – | 454 | 1,020 | 1,474 |
| Policy-reserve-matching bonds | 14,014 | 3,626 | – | 17,641 |
| National government bonds and local government bonds | 14,014 | 417 | – | 14,432 |
| Corporate bonds | – | 3,209 | – | 3,209 |
| Loans | – | – | 2,594 | 2,594 |
| Policy loans | – | – | 263 | 263 |
| Industrial and consumer loans | – | – | 2,331 | 2,331 |
| Total assets | 14,316 | 4,840 | 3,805 | 22,961 |
| Bonds payable | – | 843 | – | 843 |
| Loans payable | – | – | 345 | 345 |
| Total liabilities | – | 843 | 345 | 1,188 |

(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 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.

Fair values of investment trusts are measured at the disclosed net asset value and others. Investment trusts for which transitional measures are applied in accordance with Paragraph 26 of "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, issued on July 4, 2019) are not categorized into any level.

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 venders 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

| For the year ended March 31, 2022 | Monetary claims bought | Securities | Total (i) + (ii) | Derivative financial instruments |
|---|---|---|---|---|
| | Available-for-sale securities | Available-for-sale securities | | |
| | Others (i) | Foreign bonds (ii) | | Stock-related |
| Beginning balance | ¥ 969 | ¥ 26,853 | ¥ 27,822 | ¥ – |
| Gains (losses) and other comprehensive income for the fiscal year: | 16 | 75 | 91 | (24) |
| Gains (losses) recorded for the fiscal year*1 | (20) | 2,406 | 2,385 | (24) |
| Other comprehensive income recorded for the fiscal year*2 | 36 | (2,330) | (2,293) | – |
| Net amount of purchase, sale, issue, and settlement | (28) | 10,711 | 10,682 | 294 |
| Transfer to fair values of Level 3 | – | – | – | – |
| Transfer from fair values of Level 3*3 | – | (8,157) | (8,157) | – |
| Ending balance | 957 | 29,482 | 30,440 | 270 |
| 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 | – | 2,406 | 2,406 | (24) |

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

Millions of U.S. Dollars

| For the year ended March 31, 2022 | Monetary claims bought | Securities | Total (i) + (ii) | Derivative financial instruments |
|---|---|---|---|---|
| | Available-for-sale securities | Available-for-sale securities | | |
| | Others (i) | Foreign bonds (ii) | | Stock-related |
| Beginning balance | $ 7 | $ 219 | $ 227 | $ – |
| Gains (losses) and other comprehensive income for the fiscal year: | 0 | 0 | 0 | (0) |
| Gains (losses) recorded for the fiscal year*1 | (0) | 19 | 19 | (0) |
| Other comprehensive income recorded for the fiscal year*2 | 0 | (19) | (18) | – |
| Net amount of purchase, sale, issue, and settlement | (0) | 87 | 87 | 2 |
| Transfer to fair values of Level 3 | – | – | – | – |
| Transfer from fair values of Level 3*3 | – | (66) | (66) | – |
| Ending balance | 7 | 240 | 248 | 2 |
| 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 | – | 19 | 19 | (0) |

*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 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.

## 7. Investments and Rental Properties

The Company holds investment and rental properties such as office buildings in Tokyo and other areas. The carrying amounts and the fair values of investment and rental properties were ¥239,331 million (US$1,955 million) and ¥283,478 million (US$2,316 million) as of March 31, 2022 and ¥246,901 million and ¥288,948 million as of March 31, 2021, respectively. 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.

## 8. Securities Lent under Lending Agreements

The amounts of securities lent under lending agreements were ¥218,367 million (US$1,784 million) and ¥265,606 million as of March 31, 2022 and 2021, respectively.

## 9. 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 ¥609 million (US$4 million) as of March 31, 2022.

i) Claims against bankrupt and quasi-bankrupt obligors were ¥453 million (US$3 million) as of March 31, 2022.

ii) Claims with collection risk were ¥70 million (US$0 million) as of March 31, 2022.

iii) Delinquent loans three or more months past due were ¥66 million (US$0 million) as of March 31, 2022.

iv) Restructured loans were ¥20 million (US$0 million) as of March 31, 2022.

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 amount of claims against bankrupt and quasi-bankrupt obligors described above by ¥24 million (US$0 million) as of March 31, 2022.

*Note for the fiscal year ended March 31, 2021*

### Loans

The total amount of loans to bankrupt borrowers, delinquent loans, delinquent loans three or more months past due and restructured loans, which were included in loans, was ¥677 million as of March 31, 2021.

i) Loans to bankrupt borrowers were ¥0 million as of March 31, 2021.

ii) Delinquent loans were ¥563 million as of March 31, 2021.

iii) Delinquent loans three or more months past due were ¥94 million as of March 31, 2021.

iv) Restructured loans were ¥20 million as of March 31, 2021.

Loans to bankrupt borrowers represent loans, excluding the balances already written-off, which meet the conditions prescribed in Article 96, Paragraph 1, Items 3 and 4 of the Enforcement Regulations of the Corporate Tax Act. Moreover, accruing interest on these loans is not recorded as income after determining that principal of or interest on these loans is unlikely to be collected due to the significant delay in repayment of principal or interest payments or for other reasons.

Accruing interest on delinquent loans is not recorded as income due to the same reasons as described above, and delinquent loans exclude loans to bankrupt borrowers and loans for which interest payments have been suspended and rescheduled to assist and support the borrowers in the restructuring of their businesses.

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 loans classified as loans to bankrupt borrowers and delinquent loans.

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 loans classified as loans to bankrupt borrowers, delinquent loans and delinquent loans three or more months past due.

The direct write-offs related to loans decreased the amount of loans to bankrupt borrowers described above by ¥3 million as of March 31, 2021.

In addition, the direct write-offs related to loans decreased the amount of delinquent loans described above by ¥25 million as of March 31, 2021.

## 10. Accumulated Depreciation of Tangible Fixed Assets

Accumulated depreciation of tangible fixed assets totaled ¥286,793 million (US$2,343 million) and ¥285,628 million as of March 31, 2022 and 2021, respectively.

## 11. Separate Accounts

Total assets in separate accounts provided for in Article 118 of the Insurance Business Act were ¥28,175 million (US$230 million) and ¥28,078 million as of March 31, 2022 and 2021, respectively. The amounts of separate account liabilities were the same as separate account assets.

## 12. Reserve for Dividends to Policyholders

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| For the years ended March 31 | 2022 | 2021 | 2022 |
| Balance at the beginning of the fiscal year | ¥ 30,050 | ¥ 32,073 | $ 245 |
| Transfer to reserve from surplus in the previous fiscal year | 2,153 | 1,794 | 17 |
| Dividends to policyholders paid out during the fiscal year | 3,562 | 3,820 | 29 |
| Increase in interest | 3 | 3 | 0 |
| Balance at the end of the fiscal year | ¥ 28,644 | ¥ 30,050 | $ 234 |

## 13. Stocks of Unconsolidated Subsidiaries and affiliates

The amounts of stocks of unconsolidated subsidiaries and affiliates the Company held as of March 31, 2022 and 2021 were ¥7,888 million (US$64 million) and ¥7,878 million, respectively.

## 14. Pledged Assets

Assets pledged as collateral as of March 31, 2022 and 2021 were securities in the amount of ¥80,591 million (US$658 million) and ¥32,653 million, respectively.

## 15. 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, 2022 was ¥6,391 million (US$52 million).

## 16. Assets with Rights to Sell

The Company has the legal right to sell or collateralize securities borrowed under loan agreements.

The market values of these assets that were not sold or pledged as collateral as of March 31, 2022 and 2021 were ¥25,709 million (US$210 million) and ¥72,634 million, respectively. No assets were pledged as collateral as of March 31, 2022 and 2021.

## 17. Commitment Line

As of March 31, 2022 and 2021, there were unused commitment line agreements under which the Company is the lender of ¥13,947 million (US$113 million) and ¥10,240 million, respectively.

## 18. Subordinated Bonds Payable

As of March 31, 2022 and 2021, bonds payable are subordinated bonds payable, for which the repayments are subordinated to other obligations.

## 19. Subordinated Loans Payable

As of March 31, 2022 and 2021, other liabilities included subordinated loans payable of ¥41,000 million (US$334 million) and ¥41,000 million, respectively, for which the repayments are subordinated to other obligations.

## 20. Contributions to Policyholders Protection Corporation

The estimated future contributions to the Life Insurance Policyholders Protection Corporation of Japan under Article 259 of the Insurance Business Act as of March 31, 2022 and 2021 were ¥8,260 million (US$67 million) and ¥8,016 million, respectively. These contributions are charged as operating expenses in the fiscal years in which they are paid.

## 21. Deferred Taxes

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

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| As of March 31 | 2022 | 2021 | 2022 |
| Deferred tax assets | ¥ 70,651 | ¥ 66,824 | $ 577 |
| Valuation allowance for deferred tax assets | 15,332 | 14,980 | 125 |
| Subtotal | 55,319 | 51,843 | 451 |
| Deferred tax liabilities | 58,064 | 74,045 | 474 |
| Net deferred tax assets (liabilities) | ¥ (2,745) | ¥ (22,202) | $ (22) |

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

| As of March 31 | 2022 (Millions of Yen) |
|---|---|
| Deferred tax assets | |
| Contingency reserve | ¥ 21,797 |
| Reserve for price fluctuation | 13,450 |
| Net defined benefit liabilities | 9,165 |
| Impairment losses | 7,223 |
| Net unrealized losses on available-for-sale securities | 4,394 |
| IBNR reserves | 3,944 |
| Deferred tax liabilities | |
| Net unrealized gains on available-for-sale securities | 56,417 |

| As of March 31 | 2021 (Millions of Yen) |
|---|---|
| Deferred tax assets | |
| Contingency reserve | ¥ 17,422 |
| Reserve for price fluctuation | 12,744 |
| Net defined benefit liabilities | 9,183 |
| Impairment losses | 7,930 |
| Net unrealized losses on available-for-sale securities | 5,406 |
| Losses on valuation of securities | 4,110 |
| Deferred tax liabilities | |
| Net unrealized gains on available-for-sale securities | 72,520 |

| As of March 31 | 2022 (Millions of U.S. Dollars) |
|---|---|
| Deferred tax assets | |
| Contingency reserve | $ 178 |
| Reserve for price fluctuation | 109 |
| Net defined benefit liabilities | 74 |
| Impairment losses | 59 |
| Net unrealized losses on available-for-sale securities | 35 |
| IBNR reserves | 32 |
| Deferred tax liabilities | |
| Net unrealized gains on available-for-sale securities | 460 |

(2) The statutory tax rates were 27.9% and 27.9% for the fiscal years ended March 31, 2022 and 2021, respectively. The main factors causing the differences between the statutory tax rates and the actual effective tax rates after considering deferred taxes were as follows:

| For the year ended March 31 | 2022 |
|---|---|
| Interest on foundation funds | (4.4)% |

| For the year ended March 31 | 2021 |
|---|---|
| Interest on foundation funds | (4.3)% |
| Change of valuation allowance for deferred tax assets | (2.9)% |
| Reserve for dividends to policyholders | (2.0)% |

## 22. 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

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| For the years ended March 31 | 2022 | 2021 | 2022 |
| Retirement benefit obligations at the beginning of the fiscal year | ¥ 41,202 | ¥ 42,065 | $ 336 |
| Service cost | 1,889 | 1,905 | 15 |
| Interest cost | 407 | 416 | 3 |
| Actuarial difference occurred during the fiscal year | 520 | 866 | 4 |
| Retirement benefit payments | (3,622) | (4,051) | (29) |
| Retirement benefit obligations at the end of the fiscal year | ¥ 40,397 | ¥ 41,202 | $ 330 |

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

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| For the years ended March 31 | 2022 | 2021 | 2022 |
| Pension plan assets at the beginning of the fiscal year | ¥ 8,782 | ¥ 7,258 | $ 71 |
| Expected return on pension plan assets | 80 | 70 | 0 |
| Actuarial difference occurred during the fiscal year | (818) | 1,405 | (6) |
| Contributions by the employer | 242 | 239 | 1 |
| Retirement benefit payments | (217) | (191) | (1) |
| Pension plan assets at the end of the fiscal year | ¥ 8,069 | ¥ 8,782 | $ 65 |

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

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| As of March 31 | 2022 | 2021 | 2022 |
| a. Funded plan retirement benefit obligation | ¥ 40,397 | ¥ 41,202 | $ 330 |
| b. Pension plan assets | (8,069) | (8,782) | (65) |
| c. Net amount of liabilities and assets presented on the consolidated balance sheet | 32,327 | 32,420 | 264 |
| d. Net defined benefit liabilities | 32,852 | 32,914 | 268 |
| e. Net defined benefit assets | (524) | (494) | (4) |
| f. Net amount of liabilities and assets presented on the consolidated balance sheet | ¥ 32,327 | ¥ 32,420 | $ 264 |

iv) Breakdown of retirement benefit expenses

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| For the years ended March 31 | 2022 | 2021 | 2022 |
| Service cost | ¥ 1,889 | ¥ 1,905 | $ 15 |
| Interest cost | 407 | 416 | 3 |
| Expected return on pension plan assets | (80) | (70) | (0) |
| Amortization of actuarial differences | 329 | 111 | 2 |
| Retirement benefit expenses related to defined benefit plan | ¥ 2,545 | ¥ 2,362 | $ 20 |

v) Breakdown of items included in other comprehensive income

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

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| For the years ended March 31 | 2022 | 2021 | 2022 |
| Amortization of actuarial differences | ¥ (1,010) | ¥ 649 | $ (8) |
| Total | ¥ (1,010) | ¥ 649 | $ (8) |

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:

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| For the years ended March 31 | 2022 | 2021 | 2022 |
| Unrecognized actuarial differences | ¥ 2,885 | ¥ 1,875 | $ 23 |
| Total | ¥ 2,885 | ¥ 1,875 | $ 23 |

vii) Breakdown of main pension plan assets

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

| As of March 31 | 2022 | 2021 |
|---|---|---|
| Stocks | 36% | 43% |
| Bonds | 18% | 15% |
| Others | 46% | 42% |
| Total | 100% | 100% |

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:

| As of March 31 | 2022 | 2021 |
|---|---|---|
| Discount rate | 1.0% | 1.0% |
| Expected long-term rate of return on pension plan assets | 0.8% | 0.9% |
| Defined benefit corporate pension plans | 1.6% | 1.6% |

## 23. Subsequent Events

The Company resolved to redeem ¥40,000 million (US$326 million) of foundation funds, which is part of ¥80,000 million of foundation funds offered in August 2015, on August 1, 2022, prior to the redemption date, at the meeting of Board of Directors on May 19, 2022. Accompanying the redemption, the same amount is scheduled to be transferred from reserve for fund redemption to reserve for redemption of foundation funds in accordance with Article 56 of the Insurance Business Act.

## III. Notes to Consolidated Statements of Income

### 1. Investment Income and Expenses

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

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| For the years ended March 31 | 2022 | 2021 | 2022 |
| Domestic bonds | ¥ 4,943 | ¥ 9,357 | $ 40 |
| Domestic stocks and other securities | 6,239 | 3,332 | 50 |
| Foreign securities | 767 | 2,559 | 6 |

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

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| For the years ended March 31 | 2022 | 2021 | 2022 |
| Domestic bonds | ¥ 1,073 | ¥ 892 | $ 8 |
| Domestic stocks and other securities | 1,448 | 1,893 | 11 |
| Foreign securities | 8,655 | 2,733 | 70 |

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

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| For the years ended March 31 | 2022 | 2021 | 2022 |
| Domestic stocks and other securities | ¥ 272 | ¥ 17 | $ 2 |
| Foreign securities | 1 | 1 | 0 |

Losses on trading securities were losses on sales of ¥1,133 million (US$9 million) and losses on sales of ¥485 million for the fiscal years ended March 31, 2022 and 2021, respectively.

Losses on derivative financial instruments included net valuation gains of ¥641 million (US$5 million) and losses of ¥2,667 million for the fiscal years ended March 31, 2022 and 2021, respectively.

### 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, 2022 was ¥6,989 million (US$57 million), which was included in reinsurance revenue.

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, 2022 was ¥597 million (US$4 million), which was included in reinsurance premiums.

### 3. Impairment Losses of Fixed Assets

For the fiscal years ended March 31, 2022 and 2021, 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 sheets.

*Note for the fiscal year ended March 31, 2021*

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.

(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

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| For the years ended March 31 | 2022 | 2021 | 2022 |
| Real estate for rent: | | | |
| Land | ¥ – | ¥ 721 | $ – |
| Building | – | 156 | – |
| Total real estate for rent (i) | – | 877 | – |
| Real estate not in use: | | | |
| Land | 622 | 457 | 5 |
| Building | 526 | 141 | 4 |
| Total real estate not in use (ii) | 1,149 | 598 | 9 |
| Real estate scheduled to be sold: | | | |
| Land | – | 1,309 | – |
| Building | – | 185 | – |
| Total real estate scheduled to be sold (iii) | – | 1,494 | – |
| Total: | | | |
| Land | 622 | 2,488 | 5 |
| Building | 526 | 483 | 4 |
| Total (i) + (ii) + (iii) | ¥ 1,149 | ¥ 2,971 | $ 9 |

(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% and 3.4% for the fiscal years ended March 31, 2022 and 2021, respectively. 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.

## 4. Extraordinary Losses

*Note for the fiscal year ended March 31, 2021*

The expenses related to salary guarantees for sales representatives and others as countermeasures to prevent the spread of COVID-19 for the fiscal year ended March 31, 2021 were ¥1,572 million, which were included in other extraordinary losses.

## IV. Notes to Consolidated Statements of Comprehensive Income

### Other Comprehensive Income

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

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| For the years ended March 31 | 2022 | 2021 | 2022 |
| Net unrealized gains on available-for-sale securities, net of tax | | | |
| Amount incurred during the fiscal year | ¥ (53,451) | ¥ 153,034 | $ (436) |
| Reclassification adjustments | (530) | (2,072) | (4) |
| Before tax adjustment | (53,982) | 150,961 | (441) |
| Tax effects | 14,719 | (35,385) | 120 |
| Net unrealized gains on available-for-sale securities, net of tax | (39,263) | 115,575 | (320) |
| Accumulated remeasurements of defined benefit plans | | | |
| Amount incurred during the fiscal year | (1,339) | 538 | (10) |
| Reclassification adjustments | 329 | 111 | 2 |
| Before tax adjustment | (1,010) | 649 | (8) |
| Tax effects | 282 | (184) | 2 |
| Accumulated remeasurements of defined benefit plans | (728) | 465 | (5) |
| Total other comprehensive income | ¥ (39,991) | ¥ 116,040 | $ (326) |

## V. Notes to Consolidated Statements 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.

The consolidated financial statements in this annual report have been audited by Ernst & Young ShinNihon LLC, an independent certified public accountant.

## Non-consolidated Balance Sheets

Asahi Mutual Life Insurance Company

| As of March 31 | Millions of Yen 2022 | Millions of Yen 2021 | Millions of U.S. Dollars 2022 |
|---|---|---|---|
| **ASSETS:** | | | |
| Cash and deposits: | | | |
| Cash | ¥ 20 | ¥ 15 | $ 0 |
| Deposits | 35,832 | 35,352 | 292 |
| | 35,852 | 35,368 | 292 |
| Call loans | 111,000 | 113,000 | 906 |
| Monetary claims bought | 22,534 | 25,094 | 184 |
| Securities: | | | |
| National government bonds | 1,669,691 | 1,692,106 | 13,642 |
| Local government bonds | 50,540 | 49,130 | 412 |
| Corporate bonds | 907,641 | 973,538 | 7,415 |
| Domestic stocks | 472,584 | 447,371 | 3,861 |
| Foreign securities | 1,395,647 | 1,368,844 | 11,403 |
| Other securities | 69,731 | 81,330 | 569 |
| | 4,565,837 | 4,612,320 | 37,305 |
| Loans: | | | |
| Policy loans | 32,199 | 35,182 | 263 |
| Industrial and consumer loans | 279,217 | 268,268 | 2,281 |
| | 311,416 | 303,451 | 2,544 |
| Tangible fixed assets: | | | |
| Land | 216,027 | 221,081 | 1,765 |
| Buildings | 146,310 | 150,533 | 1,195 |
| Lease assets | 2,194 | 1,459 | 17 |
| Construction in progress | 1,175 | 1,589 | 9 |
| Other tangible fixed assets | 2,841 | 3,186 | 23 |
| | 368,550 | 377,849 | 3,011 |
| Intangible fixed assets: | | | |
| Software | 18,928 | 17,722 | 154 |
| Other intangible fixed assets | 9,815 | 9,075 | 80 |
| | 28,743 | 26,797 | 234 |
| Agency accounts receivable | 11 | 14 | 0 |
| Reinsurance receivables | 393 | 987 | 3 |
| Other assets: | | | |
| Accounts receivable | 22,778 | 7,278 | 186 |
| Prepaid expenses | 3,517 | 4,027 | 28 |
| Accrued income | 20,077 | 20,230 | 164 |
| Money on deposit | 3,044 | 2,898 | 24 |
| Derivative financial instruments | 960 | 1,949 | 7 |
| Cash collateral paid for financial instruments | 7,513 | 6,202 | 61 |
| Suspense payments | 861 | 677 | 7 |
| Other assets | 1,300 | 1,427 | 10 |
| | 60,054 | 44,692 | 490 |
| Prepaid pension cost | 318 | 233 | 2 |
| Customers' liabilities under acceptances and guarantees | – | 1 | – |
| Allowance for possible loan losses | (550) | (406) | (4) |
| **Total assets** | **¥ 5,504,161** | **¥ 5,539,404** | **$ 44,972** |

| As of March 31 | Millions of Yen 2022 | Millions of Yen 2021 | Millions of U.S. Dollars 2022 |
|---|---|---|---|
| **LIABILITIES:** | | | |
| Policy reserves and other reserves: | | | |
| Reserve for outstanding claims | ¥ 32,018 | ¥ 28,572 | $ 261 |
| Policy reserves | 4,365,068 | 4,419,372 | 35,665 |
| Reserve for dividends to policyholders | 28,644 | 30,050 | 234 |
| | 4,425,731 | 4,477,995 | 36,160 |
| Reinsurance payables | 752 | 680 | 6 |
| Bonds payable | 102,424 | 127,773 | 836 |
| Other liabilities: | | | |
| Payables under securities borrowing transactions | 179,548 | 178,810 | 1,467 |
| Loans payable | 41,000 | 41,000 | 334 |
| Income taxes payable | 4,474 | 5,042 | 36 |
| Accounts payable | 27,340 | 4,422 | 223 |
| Accrued expenses | 7,639 | 8,424 | 62 |
| Deferred income | 202 | 186 | 1 |
| Deposits received | 415 | 631 | 3 |
| Guarantee deposits received | 17,831 | 17,533 | 145 |
| Derivative financial instruments | 90,445 | 33,471 | 738 |
| Cash collateral received for financial instruments | 3,791 | 896 | 30 |
| Lease obligations | 2,194 | 1,459 | 17 |
| Asset retirement obligations | 914 | 851 | 7 |
| Suspense receipts | 140 | 87 | 1 |
| | 375,938 | 292,817 | 3,071 |
| Reserve for employees' retirement benefits | 29,847 | 30,856 | 243 |
| Reserve for price fluctuation | 48,210 | 45,680 | 393 |
| Deferred tax liabilities | 3,622 | 22,826 | 29 |
| Deferred tax liabilities for land revaluation | 15,711 | 16,268 | 128 |
| Acceptances and guarantees | – | 1 | – |
| **Total liabilities** | **5,002,238** | **5,014,899** | **40,871** |
| **NET ASSETS:** | | | |
| Foundation funds | 91,000 | 91,000 | 743 |
| Reserve for redemption of foundation funds | 166,000 | 166,000 | 1,356 |
| Reserve for revaluation | 281 | 281 | 2 |
| Surplus: | | | |
| Reserve for future losses | 347 | 328 | 2 |
| Other surplus: | | | |
| Reserve for fund redemption | 53,500 | 44,400 | 437 |
| Equalized reserve for dividends to policyholders | 6,983 | 7,091 | 57 |
| Unappropriated surplus (loss) | 56,614 | 47,558 | 462 |
| Subtotal | 117,097 | 99,050 | 956 |
| | 117,444 | 99,378 | 959 |
| Total foundation funds and others | 374,726 | 356,660 | 3,061 |
| Net unrealized gains (losses) on available-for-sale securities, net of tax | 173,936 | 213,200 | 1,421 |
| Land revaluation differences | (46,739) | (45,354) | (381) |
| Total valuation and translation adjustments | 127,197 | 167,845 | 1,039 |
| **Total net assets** | **501,923** | **524,505** | **4,101** |
| **Total liabilities and net assets** | **¥ 5,504,161** | **¥ 5,539,404** | **$ 44,972** |

## Non-consolidated Statements of Income

Asahi Mutual Life Insurance Company

| For the years ended March 31 | Millions of Yen 2022 | Millions of Yen 2021 | Millions of U.S. Dollars 2022 |
|---|---|---|---|
| **Ordinary income:** | | | |
| Premium and other income: | | | |
| Insurance premiums | ¥ 385,691 | ¥ 388,896 | $ 3,151 |
| Reinsurance revenue | 1,443 | 2,514 | 11 |
| | 387,134 | 391,410 | 3,163 |
| Investment income: | | | |
| Interest, dividends and other income: | | | |
| Interest and dividends on securities | 99,054 | 95,849 | 809 |
| Interest on loans | 4,241 | 4,639 | 34 |
| Rent revenue from real estate | 16,339 | 16,543 | 133 |
| Other interest and dividends | 895 | 1,078 | 7 |
| | 120,531 | 118,111 | 984 |
| Gains on sales of securities | 11,949 | 15,249 | 97 |
| Gains on redemption of securities | 317 | 77 | 2 |
| Foreign exchange gains | 3,065 | 387 | 25 |
| Other investment income | 6,919 | 6,968 | 56 |
| Investment gains on separate accounts | 2,199 | 5,740 | 17 |
| | 144,983 | 146,534 | 1,184 |
| Other ordinary income: | | | |
| Fund receipt from deposit of claims paid | 8,135 | 8,927 | 66 |
| Reversal of reserve for employees' retirement benefits | 1,008 | 1,677 | 8 |
| Reversal of reserve for outstanding claims | – | 806 | – |
| Reversal of policy reserves | 54,304 | 48,624 | 443 |
| Other ordinary income | 2,343 | 2,732 | 19 |
| | 65,792 | 62,767 | 537 |
| **Total ordinary income** | **597,910** | **600,713** | **4,885** |
| **Ordinary expenses:** | | | |
| Claims and other payments: | | | |
| Claims | 107,517 | 112,015 | 878 |
| Annuities | 116,767 | 122,158 | 954 |
| Benefits | 72,938 | 68,241 | 595 |
| Surrender benefits | 79,236 | 77,538 | 647 |
| Other payments | 2,403 | 3,158 | 19 |
| Reinsurance premiums | 2,602 | 2,272 | 21 |
| | 381,466 | 385,384 | 3,116 |
| Provision for policy reserves and other reserves: | | | |
| Provision for reserve for outstanding claims | 3,446 | – | 28 |
| Provision for interest on policyholders' dividend reserves | 3 | 3 | 0 |
| | 3,449 | 3 | 28 |
| Investment expenses: | | | |
| Interest expenses | 4,876 | 4,470 | 39 |
| Losses on trading securities | 1,133 | 485 | 9 |
| Losses on sales of securities | 11,177 | 5,520 | 91 |
| Losses on valuation of securities | 273 | 19 | 2 |
| Losses on redemption of securities | 48 | 65 | 0 |
| Losses on derivative financial instruments | 2,510 | 8,898 | 20 |
| Provision for allowance for possible loan losses | 141 | 10 | 1 |
| Depreciation of rental real estate and other assets | 5,511 | 5,503 | 45 |
| Other investment expenses | 10,981 | 9,584 | 89 |
| | 36,655 | 34,559 | 299 |
| Operating expenses | 110,388 | 110,323 | 901 |
| Other ordinary expenses: | | | |
| Claim deposit payments | 9,859 | 10,491 | 80 |
| Taxes | 9,345 | 9,126 | 76 |
| Depreciation | 12,354 | 12,181 | 100 |
| Other ordinary expenses | 2,086 | 2,013 | 17 |
| | 33,646 | 33,812 | 274 |
| **Total ordinary expenses** | **565,605** | **564,083** | **4,621** |
| **Ordinary profit** | **32,305** | **36,629** | **263** |

| For the years ended March 31 | Millions of Yen 2022 | Millions of Yen 2021 | Millions of U.S. Dollars 2022 |
|---|---|---|---|
| **Extraordinary gains:** | | | |
| Gains on disposal of fixed assets | 2,925 | 146 | 23 |
| Other extraordinary gains | 3 | 129 | 0 |
| | 2,928 | 275 | 23 |
| **Extraordinary losses:** | | | |
| Losses on disposal of fixed assets | 2,751 | 1,481 | 22 |
| Impairment losses | 1,149 | 2,971 | 9 |
| Provision for reserve for price fluctuation | 2,530 | 2,450 | 20 |
| Losses on reduction entry of real estate | – | 5 | – |
| Other extraordinary losses | 130 | 1,694 | 1 |
| | 6,561 | 8,602 | 53 |
| **Surplus before income taxes** | **28,671** | **28,302** | **234** |
| **Income taxes:** | | | |
| Current | 10,788 | 10,122 | 88 |
| Deferred | (5,041) | (5,084) | (41) |
| **Total income taxes** | **5,747** | **5,038** | **46** |
| **Net surplus** | **¥ 22,924** | **¥ 23,263** | **$ 187** |

# Non-consolidated Statements of Changes in Net Assets

Asahi Mutual Life Insurance Company

Millions of Yen

| For the year ended March 31, 2022 | Foundation funds and others | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Surplus | | | | | Total foundation funds and others |
| | | | | | Other surplus | | | Total surplus | |
| | Foundation funds | Reserve for redemption of foundation funds | Reserve for revaluation | Reserve for future losses | 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** |

Millions of Yen

| For the year ended March 31, 2022 | 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** |

Millions of Yen

| For the year ended March 31, 2021 | Foundation funds and others | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Foundation funds | Reserve for redemption of foundation funds | Reserve for revaluation | Surplus | | | | | Total foundation funds and others |
| | | | | Reserve for future losses | Other surplus | | | Total surplus | |
| | | | | | Reserve for fund redemption | Equalized reserve for dividends to policyholders | Unappropriated surplus (loss) | | |
| **Beginning balance** | **¥ 91,000** | **¥ 166,000** | **¥ 281** | **¥ 310** | **¥ 35,300** | **¥ 7,318** | **¥ 38,890** | **¥ 81,819** | **¥339,100** |
| **Changes in the fiscal year:** | | | | | | | | | |
| Additions to reserve for dividends to policyholders | | | | | | | (1,794) | (1,794) | (1,794) |
| Additions to reserve for future losses | | | | 18 | | | (18) | | |
| Payment of interest on foundation funds | | | | | | | (4,081) | (4,081) | (4,081) |
| Net surplus | | | | | | | 23,263 | 23,263 | 23,263 |
| Additions to reserve for fund redemption | | | | | 9,100 | | (9,100) | | |
| Reversal of equalized reserve for dividends to policyholders | | | | | | (227) | 227 | | |
| Reversal of land revaluation differences | | | | | | | 171 | 171 | 171 |
| Net changes, excluding foundation funds and others | | | | | | | | | |
| **Net changes in the fiscal year** | **–** | **–** | **–** | **18** | **9,100** | **(227)** | **8,668** | **17,559** | **17,559** |
| **Ending balance** | **¥ 91,000** | **¥166,000** | **¥ 281** | **¥ 328** | **¥ 44,400** | **¥ 7,091** | **¥ 47,558** | **¥ 99,378** | **¥356,660** |

Millions of Yen

| For the year ended March 31, 2021 | 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** | **¥ 97,625** | **¥ (45,183)** | **¥ 52,442** | **¥ 391,543** |
| **Changes in the fiscal year:** | | | | |
| Additions to reserve for dividends to policyholders | | | | (1,794) |
| Additions to reserve for future losses | | | | |
| Payment of interest on foundation funds | | | | (4,081) |
| Net surplus | | | | 23,263 |
| Additions to reserve for fund redemption | | | | |
| Reversal of equalized reserve for dividends to policyholders | | | | |
| Reversal of land revaluation differences | | | | 171 |
| Net changes, excluding foundation funds and others | 115,574 | (171) | 115,403 | 115,403 |
| **Net changes in the fiscal year** | **115,574** | **(171)** | **115,403** | **132,962** |
| **Ending balance** | **¥ 213,200** | **¥ (45,354)** | **¥ 167,845** | **¥ 524,505** |

Millions of U.S. Dollars

| For the year ended March 31, 2022 | Foundation funds and others | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Surplus | | | | | |
| | | | | | Other surplus | | | | |
| | Foundation funds | Reserve for redemption of foundation funds | Reserve for revaluation | Reserve for future losses | Reserve for fund redemption | Equalized reserve for dividends to policyholders | Unappropriated surplus (loss) | Total surplus | Total foundation funds and others |
| **Beginning balance** | $ 743 | $ 1,356 | $ 2 | $ 2 | $ 362 | $ 57 | $ 388 | $ 811 | $ 2,914 |
| **Changes in the fiscal year:** | | | | | | | | | |
| Additions to reserve for dividends to policyholders | | | | | | | (17) | (17) | (17) |
| Additions to reserve for future losses | | | | 0 | | | (0) | | |
| Payment of interest on foundation funds | | | | | | | (33) | (33) | (33) |
| Net surplus | | | | | | | 187 | 187 | 187 |
| Additions to reserve for fund redemption | | | | | 74 | | (74) | | |
| Reversal of equalized reserve for dividends to policyholders | | | | | | (0) | 0 | | |
| Reversal of land revaluation differences | | | | | | | 11 | 11 | 11 |
| Net changes, excluding foundation funds and others | | | | | | | | | |
| **Net changes in the fiscal year** | – | – | – | 0 | 74 | (0) | 73 | 147 | 147 |
| **Ending balance** | $ 743 | $ 1,356 | $ 2 | $ 2 | $ 437 | $ 57 | $ 462 | $ 959 | $ 3,061 |

Millions of U.S. Dollars

| For the year ended March 31, 2022 | 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** | $ 1,741 | $ (370) | $ 1,371 | $ 4,285 |
| **Changes in the fiscal year:** | | | | |
| Additions to reserve for dividends to policyholders | | | | (17) |
| Additions to reserve for future losses | | | | |
| Payment of interest on foundation funds | | | | (33) |
| Net surplus | | | | 187 |
| Additions to reserve for fund redemption | | | | |
| Reversal of equalized reserve for dividends to policyholders | | | | |
| Reversal of land revaluation differences | | | | 11 |
| Net changes, excluding foundation funds and others | (320) | (11) | (332) | (332) |
| **Net changes in the fiscal year** | (320) | (11) | (332) | (184) |
| **Ending balance** | $ 1,421 | $ (381) | $ 1,039 | $ 4,101 |

# Non-consolidated Statements of Proposed Appropriation of Surplus (Loss)

Asahi Mutual Life Insurance Company

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| **For the years ended March 31** | **2022** | **2021** | **2022** |
| **Unappropriated surplus (loss)** | **¥ 56,614** | **¥ 47,558** | **$ 462** |
| **Reversal of Voluntary surplus reserves:** | **–** | **108** | **–** |
| Reversal of equalized reserve for dividends to policyholders | – | 108 | – |
| **Total** | **56,614** | **47,667** | **462** |
| **Appropriation of surplus (loss):** | **15,390** | **15,361** | **125** |
| Reserve for dividends to policyholders | 2,121 | 2,153 | 17 |
| Net surplus (loss): | 13,269 | 13,208 | 108 |
| Reserve for future losses | 19 | 19 | 0 |
| Interest on foundation funds | 4,040 | 4,089 | 33 |
| Voluntary surplus reserves: | 9,210 | 9,100 | 75 |
| Reserve for fund redemption | 9,100 | 9,100 | 74 |
| Equalized reserve for dividends to policyholders | 110 | – | 0 |
| **Surplus (loss) carried forward** | **¥ 41,223** | **¥ 32,305** | **$ 336** |

# Notes to Non-consolidated Financial Statements

Asahi Mutual Life Insurance Company

## I. Presentation of Non-consolidated Financial Statements

### 1. 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.

### 2. U.S. Dollar Amounts

The translations of yen amounts into U.S. dollar amounts are included solely for the convenience of the reader and have been made, as a matter of arithmetical computation only, at the rate of ¥122.39 = US$1.00, the effective rate of exchange at the balance sheet date of March 31, 2022.

The translations should not be construed as representations that such yen amounts have been or could in the future be, converted into U.S. dollars at that or any other rate.

## II. Notes to Non-consolidated Balance Sheets

### 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.

*Note for the fiscal year ended March 31, 2021*

Available-for-sale securities with fair market value except for the following are stated at fair market value based on the market prices at the end of the fiscal year. Available-for-sale securities with fair market value, of which domestic stocks, domestic stock exchange-traded funds, domestic listed real estate investment trusts, foreign stock exchange-traded funds for which hedge accounting is not applied, foreign bond exchange-traded funds for which hedge accounting is not applied and foreign currency-denominated bonds for which hedge accounting is not applied, are stated at fair market value based on the average of the market prices during the final month of the fiscal year. Costs of sales are determined by the moving average method. Available-for-sale securities with extreme difficulty of measuring fair market value, 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. The other securities 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).

Since the fiscal year ended March 31, 2022, the Company changed its liability cash flow, which is the premise of assessing the duration to outstanding insurance liabilities, from a "Term of future 30 years" to a "Whole period" for the sub-group including Individual life Insurance and Individual Annuities (excluding Whole Life Insurance with variable interest rate accumulation, Accumulation Insurance with variable interest rates and New Single Premium Individual Annuity effective on and after April 2, 2012). This change did not have any effects on the non-consolidated balance sheet and non-consolidated statement of income as of and for the fiscal year ended March 31, 2022.

(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.

*Note for the fiscal year ended March 31, 2021*

Foreign currency-denominated assets and liabilities are translated into Japanese yen at the effective exchange rate prevailing at the balance sheet date, except for foreign stock exchange-traded funds for which hedge accounting is not applied, foreign bond exchange-traded funds for which hedge accounting is not applied and foreign currency-denominated bonds for which hedge accounting is not applied categorized as available-for-sale securities with fair market value. Such securities are translated into Japanese yen at the average of the effective exchange rate during the final month of the fiscal year.

(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 amounts written-off as of March 31, 2022 and 2021 were ¥24 million (US$0 million) and ¥28 million, respectively.

(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 seven years starting the following year.
- Prior service cost is charged to income when incurred.

(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) are 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.

(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 “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, issued on July 4, 2019) and others from the fiscal year ended March 31, 2022. In accordance with the transitional treatment set forth in Paragraph 19 of "Accounting Standard for Fair Value Measurement" and Paragraph 44-2 of "Accounting Standard for Financial Instruments" (ASBJ Statement No.10, July 4, 2019), the Company has applied new accounting policies prospectively. As a result, available-for-sale securities, of which domestic listed stocks, domestic stock exchange-traded funds, domestic listed real estate investment trusts, foreign stock exchange-traded funds for which hedge accounting is not applied, foreign bond exchange-traded funds for which hedge accounting is not applied and foreign currency-denominated bonds for which hedge accounting is not applied, are changed to be stated at fair value based on the market prices at the balance sheet date from fair value based on the average of the market prices during the final month of the fiscal year.

In determining to recognize impairment losses on available-for-sale securities, the Company has used fair value based on the average of market prices during the final month of fiscal year as before.

## 3. Accounting Standards Issued but Not Yet Effective

The Company and part of its subsidiaries made a request for approval for the application of the group tax sharing system in December 2021 and it is decided to be applied from the fiscal year ending March 31, 2023.

The accounting standard and relevant implementation guidance issued by the fiscal year-end but not yet effective is the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (ASBJ PITF No.42, issued on August 12, 2021) and its contents are as follows:

i) Overview

The practical solution was issued to stipulate the accounting and disclosure treatment of corporate tax, local corporate tax and tax effect accounting when applying the group tax sharing system, following the “Act for Partial Amendment of the Income Tax Act, etc.” (Act No.8, 2020) enacted on March 27, 2020 which requires revision of the consolidated taxation system and transition to the group tax sharing system.

ii) Schedule date of application

The practical solution is scheduled to be applied from the beginning of the fiscal year ending March 31, 2023.

iii) Effects of application of the practical solution

The effects of the application are under assessment at the time of preparing these non-consolidated financial statements.

*Note for the fiscal year ended March 31, 2021*

The accounting standards and relevant implementation guidance issued by the fiscal year-end but not yet effective are as follows:

- “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, issued on July 4, 2019)
- “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, issued on July 4, 2019)
- “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, revised on July 4, 2019)

i) Overview

In these accounting standards and relevant implementation guidance, the guidance on the methods for measuring fair values of financial instruments are set to enhance comparability between Japanese accounting standards and international accounting standards.

ii) Schedule date of application

The above revisions are scheduled to be applied from the beginning of the fiscal year ending March 31, 2022.

iii) Effects of application of the Accounting Standards and relevant implementation guidance

The effects of the application are under assessment at the time of preparing these non-consolidated financial statements.

## 4. Changes in Reporting Method

Following the revision of the Enforcement Regulation of the Insurance Business Act, claims to be disclosed are classified in the revised categories in the following "Note 9. Claims".

## 5. 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, 2022 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 | ¥ 22,534 | ¥ 24,255 | ¥ 1,720 |
| Held-to-maturity debt securities | 21,577 | 23,297 | 1,720 |
| Available-for-sale securities | 957 | 957 | – |
| Securities | 4,470,179 | 4,630,876 | 160,696 |
| Trading securities | 26,601 | 26,601 | – |
| Held-to-maturity debt securities | 280,070 | 310,342 | 30,272 |
| Policy-reserve-matching bonds | 2,028,714 | 2,159,139 | 130,424 |
| Available-for-sale securities | 2,134,792 | 2,134,792 | – |
| Loans | 311,416 | 317,500 | 6,083 |
| Policy loans | 32,199 | 32,199 | – |
| Industrial and consumer loans | 279,217 | 285,301 | 6,083 |
| Total assets | 4,804,130 | 4,972,631 | 168,501 |
| Bonds payable | 102,424 | 103,200 | 776 |
| Loans payable | 41,000 | 42,260 | 1,260 |
| Total liabilities | 143,424 | 145,460 | 2,036 |
| Derivative financial instruments | (89,485) | (89,485) | – |
| Hedge accounting not applied | (2,555) | (2,555) | – |
| Hedge accounting applied | (86,930) | (86,930) | – |

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

Millions of U.S. Dollars

| As of March 31 | 2022 | | |
|---|---|---|---|
| | Balance Sheet Amount | Fair Value | Difference |
| Monetary claims bought | $ 184 | $ 198 | $ 14 |
| Held-to-maturity debt securities | 176 | 190 | 14 |
| Available-for-sale securities | 7 | 7 | – |
| Securities | 36,524 | 37,837 | 1,312 |
| Trading securities | 217 | 217 | – |
| Held-to-maturity debt securities | 2,288 | 2,535 | 247 |
| Policy-reserve-matching bonds | 16,575 | 17,641 | 1,065 |
| Available-for-sale securities | 17,442 | 17,442 | – |
| Loans | 2,544 | 2,594 | 49 |
| Policy loans | 263 | 263 | – |
| Industrial and consumer loans | 2,281 | 2,331 | 49 |
| Total assets | 39,252 | 40,629 | 1,376 |
| Bonds payable | 836 | 843 | 6 |
| Loans payable | 334 | 345 | 10 |
| Total liabilities | 1,171 | 1,188 | 16 |
| Derivative financial instruments | (731) | (731) | – |
| Hedge accounting not applied | (20) | (20) | – |
| Hedge accounting applied | (710) | (710) | – |

* 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 amount of the unlisted stocks and others, including investments in subsidiaries and affiliates, reported in the non-consolidated balance sheet was ¥51,645 million (US$421 million) as of March 31, 2022.

Investments in partnerships and others for which transitional measures are applied in accordance with Paragraph 27 of "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, issued on July 4, 2019) are not included in the table above. The amount of the investments in partnerships and others, reported in the non-consolidated balance sheet was ¥44,012 million (US$359 million) as of March 31, 2022.

*Notes for the fiscal year ended March 31, 2021*

The balance sheet amounts, fair values and the differences between those of major financial assets and liabilities as of March 31, 2021 were as follows:

Millions of Yen

| As of March 31 | 2021 | | |
|---|---|---|---|
| | Balance Sheet Amount | Fair Value | Difference |
| Cash and deposits | ¥ 35,368 | ¥ 35,368 | ¥ – |
| Call loans | 113,000 | 113,000 | – |
| Monetary claims bought | 25,094 | 27,415 | 2,321 |
| Trading securities | – | – | – |
| Held-to-maturity debt securities | 24,125 | 26,446 | 2,321 |
| Policy-reserve-matching bonds | – | – | – |
| Available-for-sale securities | 969 | 969 | – |
| Securities | 4,577,667 | 4,830,674 | 253,006 |
| Trading securities | 26,307 | 26,307 | – |
| Held-to-maturity debt securities | 296,880 | 333,953 | 37,073 |
| Policy-reserve-matching bonds | 2,039,060 | 2,254,994 | 215,933 |
| Available-for-sale securities | 2,215,419 | 2,215,419 | – |
| Loans | 303,451 | 311,163 | 7,712 |
| Policy loans | 35,182 | 35,182 | – |
| Industrial and consumer loans | 268,268 | 275,980 | 7,712 |
| Total assets | 5,054,581 | 5,317,621 | 263,040 |
| Bonds payable | 127,773 | 130,313 | 2,540 |
| Payables under securities borrowing transactions | 178,810 | 178,810 | – |
| Loans payable | 41,000 | 42,548 | 1,548 |
| Total liabilities | 347,584 | 351,673 | 4,088 |
| Derivative financial instruments | (31,522) | (31,522) | – |
| Hedge accounting not applied | (1,875) | (1,875) | – |
| Hedge accounting applied | (29,646) | (29,646) | – |

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

(1) Securities including deposits and monetary claims bought which are treated as securities based on "Accounting Standards for Financial Instruments" (ASBJ Statement No. 10)

As for available-for-sale securities of which market value is readily available, domestic stocks, domestic stock exchange-traded funds, domestic listed real estate investment trusts, foreign stock exchange-traded funds for which hedge accounting is not applied, foreign bond exchange-traded funds for which hedge accounting is not applied and foreign currency-denominated bonds for which hedge accounting is not applied are stated at the average of the market value during the final month of the fiscal year. Available-for-sale securities of which market value is readily available excluding the securities mentioned above are stated at the market value at the balance sheet date.

Other securities of which market value is readily available are stated at market value at the balance sheet date.

Unlisted stocks and others, including investments in subsidiaries and affiliates, of which market value is not readily available are not subject to fair value disclosure and are therefore not included in the table above because it is regarded as extremely difficult to determine their fair value.

The amount of the unlisted stocks and others, including investments in subsidiaries and affiliates, reported in the non-consolidated balance sheet was ¥34,653 million as of March 31, 2021.

(2) Loans and loans payable

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 the assumption that fair value approximates book value in light of factors such as projected repayment period and interest terms.

As for industrial and consumer loans and loans payable, the fair value of loans is primarily stated at theoretical prices calculated by discounting the future cash flows to the present value. 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.

(3) Bonds payable

The fair value of bonds payable is based on the market value, etc. as of March 31, 2021.

(4) Payables under securities borrowing transactions

The Company considers book value as fair value with the assumption that fair value approximates book value.

(5) Derivative financial instruments

The fair values of stock options and currency options traded over the counter are based on the quoted prices offered by counterparty financial institutions.

The fair values of foreign currency forward contracts are stated at theoretical prices based on the TTM at the balance sheet date.

Regarding the derivative transactions for which designated hedge accounting ("Furiate-shori") of currency swaps is applied, these fair values are included in bonds payable since they are treated together with hedged bonds payable.

## 6. 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 | 2022 Fair Value Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Monetary claims bought | ¥ – | ¥ – | ¥ 957 | ¥ 957 |
| Available-for-sale securities | – | – | 957 | 957 |
| Securities*1 | 580,435 | 1,169,127 | 29,482 | 1,779,045 |
| Trading securities | 24,719 | 1,882 | – | 26,601 |
| National government bonds and local government bonds | 5,830 | – | – | 5,830 |
| Corporate bonds | – | 902 | – | 902 |
| Domestic stocks | 7,914 | – | – | 7,914 |
| Foreign stocks | 8,269 | – | – | 8,269 |
| Foreign bonds | 2,705 | 979 | – | 3,684 |
| Available-for-sale securities | 555,716 | 1,167,245 | 29,482 | 1,752,444 |
| National government bonds and local government bonds | 39,829 | 685 | – | 40,514 |
| Corporate bonds | – | 426,840 | – | 426,840 |
| Domestic stocks | 413,036 | – | – | 413,036 |
| Foreign bonds | 102,850 | 739,719 | 29,482 | 872,053 |
| Total assets | 580,435 | 1,169,127 | 30,440 | 1,780,003 |
| Derivative financial instruments*2 | – | (89,755) | 270 | (89,485) |
| Currency-related | – | (89,755) | – | (89,755) |
| Stock-related | – | – | 270 | 270 |

*1 Investment trusts for which transitional measures are applied in accordance with Paragraph 26 of "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, issued on July 4, 2019) are not included in the table above. The balance sheet amount of the investment trusts was ¥382,348 million (US$3,124 million) as of March 31, 2022.
*2 Assets and liabilities generated by derivative financial instruments are offset and presented net. Net liabilities in total are presented in parentheses.

Millions of U.S. Dollars

| As of March 31 | 2022 Fair Value Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Monetary claims bought | $ – | $ – | $ 7 | $ 7 |
| Available-for-sale securities | – | – | 7 | 7 |
| Securities*1 | 4,742 | 9,552 | 240 | 14,535 |
| Trading securities | 201 | 15 | – | 217 |
| National government bonds and local government bonds | 47 | – | – | 47 |
| Corporate bonds | – | 7 | – | 7 |
| Domestic stocks | 64 | – | – | 64 |
| Foreign stocks | 67 | – | – | 67 |
| Foreign bonds | 22 | 8 | – | 30 |
| Available-for-sale securities | 4,540 | 9,537 | 240 | 14,318 |
| National government bonds and local government bonds | 325 | 5 | – | 331 |
| Corporate bonds | – | 3,487 | – | 3,487 |
| Domestic stocks | 3,374 | – | – | 3,374 |
| Foreign bonds | 840 | 6,043 | 240 | 7,125 |
| Total assets | 4,742 | 9,552 | 248 | 14,543 |
| Derivative financial instruments*2 | – | (733) | 2 | (731) |
| Currency-related | – | (733) | – | (733) |
| Stock-related | – | – | 2 | 2 |

*1 Investment trusts for which transitional measures are applied in accordance with Paragraph 26 of "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, issued on July 4, 2019) are not included in the table above. The balance sheet amount of the investment trusts was ¥382,348 million (US$3,124 million) as of March 31, 2022.
*2 Assets and liabilities generated by derivative financial instruments are offset and presented net. Net liabilities in total are presented in parentheses.

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

Millions of Yen

| As of March 31 | 2022 | | | |
|---|---|---|---|---|
| | Fair Value | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| Monetary claims bought | ¥ – | ¥ – | ¥ 23,297 | ¥ 23,297 |
| Held-to-maturity debt securities | – | – | 23,297 | 23,297 |
| Securities | 1,752,190 | 592,381 | 124,909 | 2,469,481 |
| Held-to-maturity debt securities | 36,939 | 148,494 | 124,909 | 310,342 |
| National government bonds and local government bonds | 36,939 | – | – | 36,939 |
| Corporate bonds | – | 92,900 | – | 92,900 |
| Foreign bonds | – | 55,594 | 124,909 | 180,503 |
| Policy-reserve-matching bonds | 1,715,251 | 443,887 | – | 2,159,139 |
| National government bonds and local government bonds | 1,715,251 | 51,082 | – | 1,766,334 |
| Corporate bonds | – | 392,804 | – | 392,804 |
| Loans | – | – | 317,500 | 317,500 |
| Policy loans | – | – | 32,199 | 32,199 |
| Industrial and consumer loans | – | – | 285,301 | 285,301 |
| Total assets | 1,752,190 | 592,381 | 465,707 | 2,810,279 |
| Bonds payable | – | 103,200 | – | 103,200 |
| Loans payable | – | – | 42,260 | 42,260 |
| Total liabilities | – | 103,200 | 42,260 | 145,460 |

Millions of U.S. Dollars

| As of March 31 | 2022 | | | |
|---|---|---|---|---|
| | Fair Value | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| Monetary claims bought | $ – | $ – | $ 190 | $ 190 |
| Held-to-maturity debt securities | – | – | 190 | 190 |
| Securities | 14,316 | 4,840 | 1,020 | 20,177 |
| Held-to-maturity debt securities | 301 | 1,213 | 1,020 | 2,535 |
| National government bonds and local government bonds | 301 | – | – | 301 |
| Corporate bonds | – | 759 | – | 759 |
| Foreign bonds | – | 454 | 1,020 | 1,474 |
| Policy-reserve-matching bonds | 14,014 | 3,626 | – | 17,641 |
| National government bonds and local government bonds | 14,014 | 417 | – | 14,432 |
| Corporate bonds | – | 3,209 | – | 3,209 |
| Loans | – | – | 2,594 | 2,594 |
| Policy loans | – | – | 263 | 263 |
| Industrial and consumer loans | – | – | 2,331 | 2,331 |
| Total assets | 14,316 | 4,840 | 3,805 | 22,961 |
| Bonds payable | – | 843 | – | 843 |
| Loans payable | – | – | 345 | 345 |
| Total liabilities | – | 843 | 345 | 1,188 |

(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 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.

Fair values of investment trusts are measured at the disclosed net asset value and others. Investment trusts for which transitional measures are applied in accordance with Paragraph 26 of “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, issued on July 4, 2019) are not categorized into any level.

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 venders 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

| For the year ended March 31, 2022 | Monetary claims bought | Securities | Total | Derivative financial instruments |
|---|---|---|---|---|
| | Available-for-sale securities | Available-for-sale securities | (i) + (ii) | |
| | Others (i) | Foreign bonds (ii) | | Stock-related |
| Beginning balance | ¥ 969 | ¥ 26,853 | ¥ 27,822 | ¥ – |
| Gains (losses) and net unrealized gains (losses) on available-for-sale securities, net of tax recorded for the fiscal year: | 16 | 75 | 91 | (24) |
| Gains (losses) recorded for the fiscal year *1 | (20) | 2,406 | 2,385 | (24) |
| Net unrealized gains (losses) on available-for-sale securities, net of tax recorded for the fiscal year | 36 | (2,330) | (2,293) | – |
| Net amount of purchase, sale, issue, and settlement | (28) | 10,711 | 10,682 | 294 |
| Transfer to fair values of Level 3 | – | – | – | – |
| Transfer from fair values of Level 3 *2 | – | (8,157) | (8,157) | – |
| Ending balance | 957 | 29,482 | 30,440 | 270 |
| 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 | – | 2,406 | 2,406 | (24) |

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

Millions of U.S. Dollars

| For the year ended March 31, 2022 | Monetary claims bought | Securities | Total | Derivative financial instruments |
|---|---|---|---|---|
| | Available-for-sale securities | Available-for-sale securities | (i) + (ii) | |
| | Others (i) | Foreign bonds (ii) | | Stock-related |
| Beginning balance | $ 7 | $ 219 | $ 227 | $ – |
| Gains (losses) and net unrealized gains (losses) on available-for-sale securities, net of tax recorded for the fiscal year: | 0 | 0 | 0 | (0) |
| Gains (losses) recorded for the fiscal year *1 | (0) | 19 | 19 | (0) |
| Net unrealized gains (losses) on available-for-sale securities, net of tax recorded for the fiscal year | 0 | (19) | (18) | – |
| Net amount of purchase, sale, issue, and settlement | (0) | 87 | 87 | 2 |
| Transfer to fair values of Level 3 | – | – | – | – |
| Transfer from fair values of Level 3 *2 | – | (66) | (66) | – |
| Ending balance | 7 | 240 | 248 | 2 |
| 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 | – | 19 | 19 | (0) |

*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 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.

## 7. Investments and Rental Properties

The Company holds investment and rental properties such as office buildings in Tokyo and other areas. The carrying amounts and the fair values of investment and rental properties were ¥242,418million (US$1,980 million) and ¥285,844 million (US$2,335 million) as of March 31, 2022 and ¥247,811 million and ¥289,679 million as of March 31, 2021, respectively. 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.

## 8. Securities Lent under Lending Agreements

The amounts of securities lent under lending agreements were ¥218,367 million (US$1,784 million) and ¥265,606 million as of March 31, 2022 and 2021, respectively.

## 9. 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 ¥609 million (US$4 million) as of March 31, 2022.

i) Claims against bankrupt and quasi-bankrupt obligors were ¥453 million (US$3 million) as of March 31, 2022.

ii) Claims with collection risk were ¥70 million (US$0 million) as of March 31, 2022.

iii) Delinquent loans three or more months past due were ¥66 million (US$0 million) as of March 31, 2022.

iv) Restructured loans were ¥20 million (US$0 million) as of March 31, 2022.

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 amount of claims against bankrupt and quasi-bankrupt obligors described above by ¥24 million (US$0 million) as of March 31, 2022.

*Note for the fiscal year ended March 31, 2021*

### Loans

The total amount of loans to bankrupt borrowers, delinquent loans, delinquent loans three or more months past due and restructured loans, which were included in loans, was ¥677 million as of March 31, 2021.

i) Loans to bankrupt borrowers were ¥0 million as of March 31, 2021.

ii) Delinquent loans were ¥563 million as of March 31, 2021.

iii) Delinquent loans three or more months past due were ¥94 million as of March 31, 2021.

iv) Restructured loans were ¥20 million as of March 31, 2021.

Loans to bankrupt borrowers represent loans, excluding the balances already written-off, which meet the conditions prescribed in Article 96, Paragraph 1, Items 3 and 4 of the Enforcement Regulations of the Corporate Tax Act. Moreover, accruing interest on these loans is not recorded as income after determining that principal of or interest on these loans is unlikely to be collected due to the significant delay in repayment of principal or interest payments or for other reasons.

Accruing interest on delinquent loans is not recorded as income due to the same reasons as described above, and delinquent loans exclude loans to bankrupt borrowers and loans for which interest payments have been suspended and rescheduled to assist and support the borrowers in the restructuring of their businesses.

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 loans classified as loans to bankrupt borrowers and delinquent loans.

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 loans classified as loans to bankrupt borrowers, delinquent loans and delinquent loans three or more months past due.

The direct write-offs related to loans decreased the amount of loans to bankrupt borrowers described above by ¥3 million as of March 31, 2021.

In addition, the direct write-offs related to loans decreased the amount of delinquent loans described above by ¥25 million as of March 31, 2021.

## 10. Accumulated Depreciation of Tangible Fixed Assets

Accumulated depreciation of tangible fixed assets totaled ¥286,537 million (US$2,341 million) and ¥285,435 million as of March 31, 2022 and 2021, respectively.

## 11. Separate Accounts

Total assets in separate accounts provided for in Article 118 of the Insurance Business Act were ¥28,175 million (US$230 million) and ¥28,078 million as of March 31, 2022 and 2021, respectively. The amounts of separate account liabilities were the same as separate account assets.

## 12. Receivables from/Payables to Subsidiaries

The total amounts of receivables from/payables to subsidiaries were ¥386 million (US$3 million) and ¥2,158 million (US$17 million) as of March 31, 2022 and ¥430 million and ¥2,104 million as of March 31, 2021, respectively.

## 13. Deferred Taxes

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

| As of March 31 | Millions of Yen 2022 | Millions of Yen 2021 | Millions of U.S. Dollars 2022 |
|---|---|---|---|
| Deferred tax assets | ¥ 68,186 | ¥ 65,571 | $ 557 |
| Valuation allowance for deferred tax assets | 13,897 | 14,467 | 113 |
| Subtotal | 54,288 | 51,104 | 443 |
| Deferred tax liabilities | 57,911 | 73,930 | 473 |
| Net deferred tax assets (liabilities) | ¥ (3,622) | ¥ (22,826) | $ (29) |

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

| As of March 31 | Millions of Yen 2022 |
|---|---|
| Deferred tax assets | |
| Contingency reserve | ¥ 21,731 |
| Reserve for price fluctuation | 13,450 |
| Reserve for employees' retirement benefits | 8,327 |
| Impairment losses | 7,223 |
| Net unrealized losses on available-for-sale securities | 4,394 |
| Deferred tax liabilities | |
| Net unrealized gains on available-for-sale securities | 56,416 |

| As of March 31 | Millions of Yen 2021 |
|---|---|
| Deferred tax assets | |
| Contingency reserve | ¥ 17,422 |
| Reserve for price fluctuation | 12,744 |
| Reserve for employees' retirement benefits | 8,608 |
| Impairment losses | 7,930 |
| Net unrealized losses on available-for-sale securities | 5,406 |
| Losses on valuation of securities | 4,106 |
| Deferred tax liabilities | |
| Net unrealized gains on available-for-sale securities | 72,520 |

| As of March 31 | Millions of U.S. Dollars 2022 |
|---|---|
| Deferred tax assets | |
| Contingency reserve | $ 177 |
| Reserve for price fluctuation | 109 |
| Reserve for employees' retirement benefits | 68 |
| Impairment losses | 59 |
| Net unrealized losses on available-for-sale securities | 35 |
| Deferred tax liabilities | |
| Net unrealized gains on available-for-sale securities | 460 |

(2) The statutory tax rates were 27.9% and 27.9% for the fiscal years ended March 31, 2022 and 2021, respectively. The main factors causing the differences between the statutory tax rates and the actual effective tax rates after considering deferred taxes were as follows:

| For the year ended March 31 | 2022 |
|---|---|
| Interest on foundation funds | (4.0)% |
| Change of valuation allowance for deferred tax assets | (3.2)% |

| For the year ended March 31 | 2021 |
|---|---|
| Change of valuation allowance for deferred tax assets | (4.5)% |
| Interest on foundation funds | (4.0)% |
| Reserve for dividends to policyholders | (1.9)% |

## 14. Reserve for Dividends to Policyholders

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| For the years ended March 31 | 2022 | 2021 | 2022 |
| Balance at the beginning of the fiscal year | ¥ 30,050 | ¥ 32,073 | $ 245 |
| Transfer to reserve from surplus in the previous fiscal year | 2,153 | 1,794 | 17 |
| Dividends to policyholders paid out during the fiscal year | 3,562 | 3,820 | 29 |
| Increase in interest | 3 | 3 | 0 |
| Balance at the end of the fiscal year | ¥ 28,644 | ¥ 30,050 | $ 234 |

## 15. Stocks of Subsidiaries and Affiliates

The amounts of stocks of subsidiaries and affiliates the Company held as of March 31, 2022 and 2021 were ¥37,377 million (US$305 million) and ¥21,367 million, respectively.

The Company provided capital of ¥17,000 million (US$138 million) to Nanairo Life Insurance Co., Ltd. on April 15, 2022.

## 16. Pledged Assets

Assets pledged as collateral as of March 31, 2022 and 2021 were securities in the amount of ¥80,591 million (US$658 million) and ¥32,653 million, respectively.

## 17. 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") were ¥9 million (US$0 million) and ¥6 million as of March 31, 2022 and 2021, respectively.

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 ¥373 million (US$3 million) and ¥359 million as of March 31, 2022 and 2021, respectively.

## 18. Adjustment to Redemption of Foundation Funds and Appropriation of Net Surplus

The total amounts 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 were ¥174,218 million (US$1,423 million) and ¥213,482 million as of March 31, 2022 and 2021, respectively.

## 19. Assets with Rights to Sell

The Company has the legal right to sell or collateralize securities borrowed under loan agreements.

The market values of these assets that were not sold or pledged as collateral as of March 31, 2022 and 2021 were ¥25,709 million (US$210 million) and ¥72,634 million, respectively. No assets were pledged as collateral as of March 31, 2022 and 2021.

## 20. Commitment Line

As of March 31, 2022 and 2021, there were unused commitment line agreements under which the Company is the lender of ¥13,947 million (US$113 million) and ¥10,240 million, respectively.

## 21. Subordinated Bonds Payable

As of March 31, 2022 and 2021, bonds payable are subordinated bonds payable, for which the repayments are subordinated to other obligations.

## 22. Subordinated Loans Payable

As of March 31, 2022 and 2021, loans payable are subordinated loans payable, for which the repayments are subordinated to other obligations.

## 23. Contributions to Policyholders Protection Corporation

The estimated future contributions to the Life Insurance Policyholders Protection Corporation of Japan under Article 259 of the Insurance Business Act as of March 31, 2022 and 2021 were ¥8,260 million (US$67 million) and ¥8,016 million, respectively. These contributions are charged as operating expenses in the fiscal years in which they are paid.

## 24. 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

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| For the years ended March 31 | 2022 | 2021 | 2022 |
| Retirement benefit obligations at the beginning of the fiscal year | ¥ 40,365 | ¥ 41,291 | $ 329 |
| Service cost | 1,808 | 1,829 | 14 |
| Interest cost | 403 | 412 | 3 |
| Actuarial difference occurred during the fiscal year | 514 | 866 | 4 |
| Retirement benefit payments | (3,602) | (4,035) | (29) |
| Retirement benefit obligations at the end of the fiscal year | ¥ 39,489 | ¥ 40,365 | $ 322 |

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

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| For the years ended March 31 | 2022 | 2021 | 2022 |
| Pension plan assets at the beginning of the fiscal year | ¥ 7,912 | ¥ 6,507 | $ 64 |
| Expected return on pension plan assets | 62 | 55 | 0 |
| Actuarial difference occurred during the fiscal year | (809) | 1,371 | (6) |
| Contributions by the employer | 155 | 151 | 1 |
| Retirement benefit payments | (197) | (174) | (1) |
| Pension plan assets at the end of the fiscal year | ¥ 7,123 | ¥ 7,912 | $ 58 |

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 sheets

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| As of March 31 | 2022 | 2021 | 2022 |
| a. Funded plan retirement benefit obligation | ¥ 39,489 | ¥ 40,365 | $ 322 |
| b. Pension plan assets | (7,123) | (7,912) | (58) |
| c. a + b | 32,365 | 32,452 | 264 |
| d. Unrecognized actuarial differences | (2,836) | (1,829) | (23) |
| e. Net amount of liabilities and assets presented on the non-consolidated balance sheet | 29,529 | 30,623 | 241 |
| f. Reserve for employees' retirement benefits | 29,847 | 30,856 | 243 |
| g. Prepaid pension cost | (318) | (233) | (2) |
| h. Net amount of liabilities and assets presented on the non-consolidated balance sheet | ¥ 29,529 | ¥ 30,623 | $ 241 |

iv) Breakdown of retirement benefit expenses

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| For the years ended March 31 | 2022 | 2021 | 2022 |
| Service cost | ¥ 1,808 | ¥ 1,829 | $ 14 |
| Interest cost | 403 | 412 | 3 |
| Expected return on pension plan assets | (62) | (55) | (0) |
| Amortization of actuarial differences | 317 | 95 | 2 |
| Retirement benefit expenses related to defined benefit plan | ¥ 2,466 | ¥ 2,281 | $ 20 |

v) Breakdown of main pension plan assets

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

| As of March 31 | 2022 | 2021 |
|---|---|---|
| Stocks | 38% | 45% |
| Bonds | 10% | 9% |
| Others | 52% | 46% |
| Total | 100% | 100% |

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:

| As of March 31 | 2022 | 2021 |
|---|---|---|
| Discount rate | 1.0% | 1.0% |
| Expected long-term rate of return on pension plan assets | 0.8% | 0.9% |
| Defined benefit corporate pension plans | 1.6% | 1.6% |

## 25. Subsequent Events

The Company resolved to redeem ¥40,000 million (US$326 million) of foundation funds, which is part of ¥80,000 million of foundation funds offered in August 2015, on August 1, 2022, prior to the redemption date, at the meeting of Board of Directors on May 19, 2022. Accompanying the redemption, the same amount is scheduled to be transferred from reserve for fund redemption to reserve for redemption of foundation funds in accordance with Article 56 of the Insurance Business Act.

## III. Notes to Non-consolidated Statements of Income

### 1. Transactions with Subsidiaries and Affiliates

The total amounts of revenues and expenditures in connection with subsidiaries and affiliates were ¥623 million (US$5 million) and ¥9,338 million (US$76 million) for the fiscal year ended March 31, 2022 and ¥1,067 million and ¥9,020 million for the fiscal year ended March 31, 2021, respectively.

### 2. Investment Income and Expenses

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

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| For the years ended March 31 | 2022 | 2021 | 2022 |
| Domestic bonds | ¥ 4,943 | ¥ 9,357 | $ 40 |
| Domestic stocks and other securities | 6,238 | 3,331 | 50 |
| Foreign securities | 767 | 2,559 | 6 |

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

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| For the years ended March 31 | 2022 | 2021 | 2022 |
| Domestic bonds | ¥ 1,073 | ¥ 892 | $ 8 |
| Domestic stocks and other securities | 1,448 | 1,893 | 11 |
| Foreign securities | 8,655 | 2,733 | 70 |

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

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| For the years ended March 31 | 2022 | 2021 | 2022 |
| Domestic stocks and other securities | ¥ 272 | ¥ 17 | $ 2 |
| Foreign securities | 1 | 1 | 0 |

Losses on trading securities were losses on sales of ¥1,133 million (US$9 million) and losses on sales of ¥485 million for the fiscal years ended March 31, 2022 and 2021, respectively.

Losses on derivative financial instruments included net valuation gains of ¥641 million (US$5 million) and losses of ¥2,667 million for the fiscal years ended March 31, 2022 and 2021, respectively.

### 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, 2022 was ¥2 million (US$0 million).

Provision for reserve for outstanding claims for ceded reinsurance, which was added in calculating reversal of reserve for outstanding claims for the fiscal year ended March 31, 2021 was ¥0 million.

Provision for policy reserves for ceded reinsurance, which was added in calculating reversal of policy reserves for the fiscal year ended March 31, 2022 was ¥13 million (US$0 million).

Reversal of policy reserves for ceded reinsurance, which was deducted in calculating reversal of policy reserves for the fiscal year ended March 31, 2021 was ¥6 million.

### 4. Impairment Losses of Fixed Assets

For the fiscal years ended March 31, 2022 and 2021, 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 sheets.

*Note for the fiscal year ended March 31, 2021*

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.

(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

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| **For the years ended March 31** | **2022** | **2021** | **2022** |
| Real estate for rent: | | | |
| Land | ¥ – | ¥ 721 | $ – |
| Building | – | 156 | – |
| Total real estate for rent (i) | – | 877 | – |
| Real estate not in use: | | | |
| Land | 622 | 457 | 5 |
| Building | 526 | 141 | 4 |
| Total real estate not in use (ii) | 1,149 | 598 | 9 |
| Real estate scheduled to be sold: | | | |
| Land | – | 1,309 | – |
| Building | – | 185 | – |
| Total real estate scheduled to be sold (iii) | – | 1,494 | – |
| Total: | | | |
| Land | 622 | 2,488 | 5 |
| Building | 526 | 483 | 4 |
| Total (i) + (ii) + (iii) | ¥ 1,149 | ¥ 2,971 | $ 9 |

(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% and 3.4% for the fiscal years ended March 31, 2022 and 2021, respectively. 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. Extraordinary Losses

*Note for the fiscal year ended March 31, 2021*

The expenses related to salary guarantees for sales representatives and others as countermeasures to prevent the spread of COVID-19 for the fiscal year ended March 31, 2021 were ¥1,572 million, which were included in other extraordinary losses.

The non-consolidated financial statements in this annual report have been audited by Ernst & Young ShinNihon LLC, an independent certified public accountant.

# 11. Company Overview (as of March 31, 2022)

Tokyo Head Office

Tama Head Office

| | |
|---|---|
| Company Name: | Asahi Mutual Life Insurance Company |
| Founded: | March 1, 1888 |
| Total Assets: | 5.5041 trillion yen |
| Number of Offices: | 58 branches; 568 sales offices (as of April 1, 2022) |
| Number of Employees: | 18,345 (office staff: 4,104; sales representatives: 14,241) |
| Location of Tokyo Head Office: | 6-1, Yotsuya 1-chome, Shinjuku-ku, Tokyo 160-8570, Japan<br>Tel: 81-3-4214-3111 |