

November 24, 2021

Financial Results for the Six Months Ended September 30, 2021

Asahi Mutual Life Insurance Company (the “Company”; President: Hiroki Kimura) announces financial results for the six months ended September 30, 2021

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1. Business Highlights

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

(i) Policies in Force

| | As of March 31, 2021 | | As of September 30, 2021 | | | |
|----------------------|-----------------------------------|------------------------------|-----------------------------------|--------------|------------------------------|--------------|
| | Number of policies (Thousands) | Amount (100 millions of Yen) | Number of policies (Thousands) | Changes | Amount (100 millions of Yen) | Changes |
| | | | | (%, Pre-FYE) | | (%, Pre-FYE) |
| Individual insurance | 7,349 | 132,551 | 7,383 | 100.5 | 127,700 | 96.3 |
| Individual annuities | 506 | 20,603 | 494 | 97.6 | 20,029 | 97.2 |
| Group insurance | - | 14,475 | - | - | 14,255 | 98.5 |
| Group annuities | - | 154 | - | - | 150 | 97.6 |

Notes:

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

(ii) New Policies

| | Six months ended September 30, 2020 | | | |
|----------------------|-------------------------------------|------------------------------|----------------------------|-------|
| | Number of policies (Thousands) | Amount (100 millions of Yen) | | |
| | | New policies | Net increase by conversion | |
| Individual insurance | 338 | 709 | 1,333 | (623) |
| Individual annuities | - | (45) | - | (45) |
| Group insurance | - | 185 | 185 | - |
| Group annuities | - | - | - | - |

| | Six months ended September 30, 2021 | | | | | |
|----------------------|-------------------------------------|---------------------|------------------------------|--------------|----------------------------|-------|
| | Number of policies | | Amount (100 millions of Yen) | | | |
| | (Thousands) | Changes (%, YoY) | Changes (%, YoY) | New policies | Net increase by conversion | |
| Individual insurance | 393 | 116.4 | 886 | 124.9 | 1,578 | (691) |
| Individual annuities | - | - | (24) | - | - | (24) |
| Group insurance | - | - | 93 | 50.2 | 93 | - |
| Group annuities | - | - | - | - | - | - |

Notes:

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

(2) Annualized Premiums

(i) Policies in Force

(100 millions of Yen)

| | As of March 31, 2021 | As of September 30, 2021 | |
|-----------------------|----------------------|--------------------------|-------------------------|
| | | | Changes (%, Pre-FYE) |
| Individual insurance | 3,889 | 3,873 | 99.6 |
| Individual annuities | 1,322 | 1,287 | 97.4 |
| Total | 5,212 | 5,160 | 99.0 |
| Third-sector products | 2,214 | 2,243 | 101.3 |

(ii) New Policies

(100 millions of Yen)

| | Six months ended September 30, 2020 | Six months ended September 30, 2021 | Changes |
|-----------------------|--|--|----------|
| | | | (%, YoY) |
| Individual insurance | 111 | 132 | 119.1 |
| Individual annuities | (0) | (0) | – |
| Total | 110 | 132 | 119.6 |
| Third-sector products | 91 | 112 | 122.7 |

Notes:

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

2. Investment Results of General Account Assets

(1) Asset Composition

(Millions of Yen)

| | As of March 31, 2021 | | As of September 30, 2021 | |
|---|----------------------|------------|--------------------------|------------|
| | Amount | Percentage | Amount | Percentage |
| Cash, deposits, call loans | 146,692 | 2.7 | 146,621 | 2.7 |
| Monetary claims bought | 25,094 | 0.5 | 23,802 | 0.4 |
| Securities | 4,586,013 | 83.2 | 4,574,708 | 83.2 |
| Domestic bonds | 2,708,646 | 49.1 | 2,673,593 | 48.6 |
| Domestic stocks | 438,359 | 8.0 | 448,453 | 8.2 |
| Foreign securities | 1,357,677 | 24.6 | 1,377,876 | 25.1 |
| Foreign bonds | 1,040,834 | 18.9 | 1,029,251 | 18.7 |
| Foreign stocks and other foreign securities | 316,842 | 5.7 | 348,625 | 6.3 |
| Other securities | 81,330 | 1.5 | 74,785 | 1.4 |
| Loans | 303,451 | 5.5 | 300,247 | 5.5 |
| Policy loans | 35,182 | 0.6 | 33,640 | 0.6 |
| Industrial and consumer loans | 268,268 | 4.9 | 266,607 | 4.9 |
| Real estate | 373,204 | 6.8 | 370,773 | 6.7 |
| Deferred tax assets | - | - | - | - |
| Others | 77,225 | 1.4 | 81,203 | 1.5 |
| Allowance for possible loan losses | (406) | (0.0) | (441) | (0.0) |
| Total | 5,511,274 | 100.0 | 5,496,915 | 100.0 |
| Foreign currency-denominated assets | 1,452,046 | 26.3 | 1,478,883 | 26.9 |

Note: Real estate is the sum of land, buildings and construction in progress.

(2) Changes(Increases/Decreases) in Assets

(Millions of Yen)

| | Six months ended September 30, 2020 | Six months ended September 30, 2021 |
|---|--|--|
| | Amount | Amount |
| Cash, deposits, call loans | 20,183 | (71) |
| Monetary claims bought | (857) | (1,291) |
| Securities | 128,757 | (11,304) |
| Domestic bonds | 16,641 | (35,052) |
| Domestic stocks | 62,083 | 10,093 |
| Foreign securities | 35,842 | 20,199 |
| Foreign bonds | (23,243) | (11,583) |
| Foreign stocks and other foreign securities | 59,086 | 31,782 |
| Other securities | 14,189 | (6,545) |
| Loans | (62,039) | (3,203) |
| Policy loans | (2,399) | (1,542) |
| Industrial and consumer loans | (59,640) | (1,661) |
| Real estate | (255) | (2,430) |
| Deferred tax assets | (8,044) | - |
| Others | (24,042) | 3,978 |
| Allowance for possible loan losses | 52 | (35) |
| Total | 53,754 | (14,358) |
| Foreign currency-denominated assets | 36,070 | 26,837 |

Note: Real estate is the sum of land, buildings and construction in progress.

(3) Investment Income

(Millions of Yen)

| | Six months ended September 30, 2020 | Six months ended September 30, 2021 |
|--|--|--|
| Interest, dividends and other income | 56,980 | 60,008 |
| Interest on deposits | 0 | 0 |
| Interest and dividends on securities | 45,614 | 49,363 |
| Interest on loans | 2,535 | 2,078 |
| Rent revenue from real estate | 8,238 | 8,128 |
| Other interest and dividends | 592 | 438 |
| Gains on sales of securities | 11,466 | 6,820 |
| Gains on sales of domestic bonds | 8,399 | 2,739 |
| Gains on sales of domestic stocks and other securities | 777 | 4,076 |
| Gains on sales of foreign securities | 2,289 | 4 |
| Others | - | - |
| Gains on redemption of securities | 4 | 64 |
| Gains on derivative financial instruments, net | - | - |
| Foreign exchange gains, net | - | 139 |
| Reversal of allowance for possible loan losses | 57 | - |
| Other investment income | 3,459 | 3,419 |
| Total | 71,968 | 70,452 |

(4) Investment Expenses

(Millions of Yen)

| | Six months ended September 30, 2020 | Six months ended September 30, 2021 |
|---|--|--|
| Interest expenses | 2,210 | 2,586 |
| Losses on trading securities | 485 | - |
| Losses on sales of securities | 1,643 | 916 |
| Losses on sales of domestic bonds | 298 | 17 |
| Losses on sales of domestic stocks and other securities | 1,127 | 346 |
| Losses on sales of foreign securities | 217 | 552 |
| Others | - | - |
| Losses on valuation of securities | 125 | 4 |
| Losses on valuation of domestic bonds | - | - |
| Losses on valuation of domestic stocks and other securities | 123 | 4 |
| Losses on valuation of foreign securities | 1 | - |
| Others | - | - |
| Losses on redemption of securities | 30 | 15 |
| Losses on derivative financial instruments, net | 5,134 | 2,068 |
| Foreign exchange losses, net | 623 | - |
| Provision for allowance for possible loan losses | - | 34 |
| Write-offs of loans | 0 | 0 |
| Depreciation of rental real estate and other assets | 2,727 | 2,804 |
| Other investment expenses | 5,211 | 6,000 |
| Total | 18,193 | 14,431 |

(5) Net Valuation Gains/Losses on Trading Securities

(Millions of Yen)

| | As of March 31, 2021 | | As of September 30, 2021 | |
|--------------------|----------------------|--|--------------------------|--|
| | Amount | Net valuation gains(losses) included in the statements of income | Amount | Net valuation gains(losses) included in the statements of income |
| Trading securities | - | - | - | - |

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

(Millions of Yen)

| | As of March 31, 2021 | | | | | As of September 30, 2021 | | | | |
|---|----------------------|------------|--------------|---------|----------|--------------------------|------------|--------------|---------|----------|
| | Book value | Fair value | Gains/losses | | | Book value | Fair value | Gains/losses | | |
| | | | | Gains | Losses | | | | Gains | Losses |
| Held-to-maturity debt securities | 321,005 | 360,399 | 39,394 | 39,400 | (6) | 308,775 | 346,531 | 37,756 | 37,756 | (0) |
| Policy-reserve-matching bonds | 2,039,060 | 2,254,994 | 215,933 | 226,245 | (10,311) | 2,033,907 | 2,244,207 | 210,300 | 220,905 | (10,605) |
| Stocks of subsidiaries | - | - | - | - | - | - | - | - | - | - |
| Available-for-sale securities | 1,935,564 | 2,216,388 | 280,823 | 317,280 | (36,456) | 1,923,113 | 2,216,834 | 293,720 | 324,759 | (31,038) |
| Domestic bonds | 513,117 | 527,705 | 14,587 | 17,240 | (2,653) | 494,270 | 508,758 | 14,487 | 17,004 | (2,516) |
| Domestic stocks | 175,768 | 403,715 | 227,947 | 240,553 | (12,605) | 173,745 | 409,468 | 235,723 | 248,180 | (12,457) |
| Foreign securities | 1,170,153 | 1,202,667 | 32,513 | 52,865 | (20,351) | 1,183,027 | 1,222,866 | 39,839 | 54,960 | (15,120) |
| Foreign bonds | 853,897 | 885,834 | 31,936 | 46,194 | (14,257) | 843,970 | 874,251 | 30,280 | 40,838 | (10,558) |
| Foreign stocks and other foreign securities | 316,255 | 316,832 | 577 | 6,671 | (6,094) | 339,056 | 348,615 | 9,559 | 14,121 | (4,562) |
| Other securities | 75,642 | 81,330 | 5,687 | 6,533 | (845) | 71,216 | 74,785 | 3,569 | 4,513 | (943) |
| Monetary claims bought | 882 | 969 | 86 | 86 | - | 854 | 955 | 100 | 100 | - |
| Negotiable certificates of deposit | - | - | - | - | - | - | - | - | - | - |
| Others | - | - | - | - | - | - | - | - | - | - |
| Total | 4,295,630 | 4,831,782 | 536,151 | 582,926 | (46,774) | 4,265,795 | 4,807,573 | 541,777 | 583,421 | (41,643) |
| Domestic bonds | 2,694,058 | 2,931,420 | 237,362 | 250,333 | (12,971) | 2,659,105 | 2,890,063 | 230,957 | 244,080 | (13,122) |
| Domestic stocks | 175,768 | 403,715 | 227,947 | 240,553 | (12,605) | 173,745 | 409,468 | 235,723 | 248,180 | (12,457) |
| Foreign securities | 1,325,153 | 1,387,899 | 62,746 | 83,098 | (20,351) | 1,338,027 | 1,407,301 | 69,274 | 84,394 | (15,120) |
| Foreign bonds | 1,008,897 | 1,071,066 | 62,168 | 76,426 | (14,257) | 998,970 | 1,058,685 | 59,715 | 70,273 | (10,558) |
| Foreign stocks and other foreign securities | 316,255 | 316,832 | 577 | 6,671 | (6,094) | 339,056 | 348,615 | 9,559 | 14,121 | (4,562) |
| Other securities | 75,642 | 81,330 | 5,687 | 6,533 | (845) | 71,216 | 74,785 | 3,569 | 4,513 | (943) |
| Monetary claims bought | 25,007 | 27,415 | 2,408 | 2,408 | - | 23,701 | 25,954 | 2,252 | 2,252 | - |
| Negotiable certificates of deposit | - | - | - | - | - | - | - | - | - | - |
| Others | - | - | - | - | - | - | - | - | - | - |

Notes:

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

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

(Millions of Yen)

| | As of March 31, 2021 | As of September 30, 2021 |
|-------------------------------|----------------------|--------------------------|
| Stocks of subsidiaries | 21,367 | 24,777 |
| Available-for-sale securities | 13,286 | 14,218 |
| Domestic stocks | 13,275 | 14,207 |
| Foreign stocks | 11 | 11 |
| Others | - | - |
| Total | 34,654 | 38,995 |

(Reference)

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

(Millions of Yen)

| | As of March 31, 2021 | | | | | As of September 30, 2021 | | | | |
|---|----------------------|------------|--------------|---------|------------|--------------------------|--------------|---------|---------|----------|
| | Book value | Fair value | Gains/losses | | Book value | Fair value | Gains/losses | | | |
| | | | Gains | Losses | | | Gains | Losses | | |
| Held-to-maturity debt securities | 321,005 | 360,399 | 39,394 | 39,400 | (6) | 308,775 | 346,531 | 37,756 | 37,756 | (0) |
| Policy-reserve-matching bonds | 2,039,060 | 2,254,994 | 215,933 | 226,245 | (10,311) | 2,033,907 | 2,244,207 | 210,300 | 220,905 | (10,605) |
| Stocks of subsidiaries | 21,367 | 21,367 | - | - | - | 24,777 | 24,777 | - | - | - |
| Available-for-sale securities | 1,948,851 | 2,229,674 | 280,822 | 317,280 | (36,457) | 1,937,332 | 2,231,051 | 293,719 | 324,759 | (31,039) |
| Domestic bonds | 513,117 | 527,705 | 14,587 | 17,240 | (2,653) | 494,270 | 508,758 | 14,487 | 17,004 | (2,516) |
| Domestic stocks | 189,044 | 416,991 | 227,947 | 240,553 | (12,605) | 187,952 | 423,675 | 235,723 | 248,180 | (12,457) |
| Foreign securities | 1,170,164 | 1,202,677 | 32,512 | 52,865 | (20,352) | 1,183,038 | 1,222,876 | 39,838 | 54,960 | (15,121) |
| Foreign bonds | 853,897 | 885,834 | 31,936 | 46,194 | (14,257) | 843,970 | 874,251 | 30,280 | 40,838 | (10,558) |
| Foreign stocks and other foreign securities | 316,266 | 316,842 | 576 | 6,671 | (6,095) | 339,067 | 348,625 | 9,558 | 14,121 | (4,563) |
| Other securities | 75,642 | 81,330 | 5,687 | 6,533 | (845) | 71,216 | 74,785 | 3,569 | 4,513 | (943) |
| Monetary claims bought | 882 | 969 | 86 | 86 | - | 854 | 955 | 100 | 100 | - |
| Negotiable certificates of deposit | - | - | - | - | - | - | - | - | - | - |
| Others | - | - | - | - | - | - | - | - | - | - |
| Total | 4,330,284 | 4,866,435 | 536,150 | 582,926 | (46,775) | 4,304,791 | 4,846,568 | 541,776 | 583,421 | (41,644) |
| Domestic bonds | 2,694,058 | 2,931,420 | 237,362 | 250,333 | (12,971) | 2,659,105 | 2,890,063 | 230,957 | 244,080 | (13,122) |
| Domestic stocks | 210,411 | 438,359 | 227,947 | 240,553 | (12,605) | 212,729 | 448,453 | 235,723 | 248,180 | (12,457) |
| Foreign securities | 1,325,164 | 1,387,909 | 62,745 | 83,098 | (20,352) | 1,338,038 | 1,407,311 | 69,273 | 84,394 | (15,121) |
| Foreign bonds | 1,008,897 | 1,071,066 | 62,168 | 76,426 | (14,257) | 998,970 | 1,058,685 | 59,715 | 70,273 | (10,558) |
| Foreign stocks and other foreign securities | 316,266 | 316,842 | 576 | 6,671 | (6,095) | 339,067 | 348,625 | 9,558 | 14,121 | (4,563) |
| Other securities | 75,642 | 81,330 | 5,687 | 6,533 | (845) | 71,216 | 74,785 | 3,569 | 4,513 | (943) |
| Monetary claims bought | 25,007 | 27,415 | 2,408 | 2,408 | - | 23,701 | 25,954 | 2,252 | 2,252 | - |
| Negotiable certificates of deposit | - | - | - | - | - | - | - | - | - | - |
| Others | - | - | - | - | - | - | - | - | - | - |

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

(7) Fair Value Information on Money Held in Trust

The Company doesn't hold money held in trust.

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

(Millions of Yen)

| | As of March 31, 2021 | | | As of September 30, 2021 | | |
|------|----------------------|------------|--------------|--------------------------|------------|--------------|
| | Book value | Fair value | Gains/losses | Book value | Fair value | Gains/losses |
| Land | 225,244 | 288,073 | 62,828 | 224,716 | 287,477 | 62,760 |

Notes:

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

3. Unaudited Non-consolidated Balance Sheets

(Millions of Yen)

| | As of March 31, 2021 | As of September 30, 2021 |
|---|----------------------|--------------------------|
| Assets: | | |
| Cash and deposits | 35,368 | 32,320 |
| Call loans | 113,000 | 116,000 |
| Monetary claims bought | 25,094 | 23,802 |
| Securities: | 4,612,320 | 4,601,352 |
| National government bonds | 1,692,106 | 1,677,604 |
| Local government bonds | 49,130 | 52,446 |
| Corporate bonds | 973,538 | 950,104 |
| Domestic stocks | 447,371 | 457,069 |
| Foreign securities | 1,368,844 | 1,389,342 |
| Loans: | 303,451 | 300,247 |
| Policy loans | 35,182 | 33,640 |
| Industrial and consumer loans | 268,268 | 266,607 |
| Tangible fixed assets | 377,849 | 374,835 |
| Intangible fixed assets | 26,797 | 26,824 |
| Agency accounts receivable | 14 | 14 |
| Reinsurance receivables | 987 | 327 |
| Other assets | 44,692 | 49,908 |
| Prepaid pension cost | 233 | 198 |
| Customers' liabilities under acceptances and guarantees | 1 | 0 |
| Allowance for possible loan losses | (406) | (441) |
| Total assets | 5,539,404 | 5,525,390 |

(Millions of Yen)

| | As of March 31, 2021 | As of September 30, 2021 |
|--|----------------------|--------------------------|
| Liabilities: | | |
| Policy reserves and other reserves: | 4,477,995 | 4,450,551 |
| Reserve for outstanding claims | 28,572 | 28,576 |
| Policy reserves | 4,419,372 | 4,391,390 |
| Reserve for dividends to policyholders | 30,050 | 30,584 |
| Reinsurance payables | 680 | 330 |
| Bonds payable | 127,773 | 127,773 |
| Other liabilities: | 292,817 | 279,841 |
| Income taxes payable | 5,042 | 3,955 |
| Lease obligations | 1,459 | 1,083 |
| Asset retirement obligations | 851 | 854 |
| Others | 285,464 | 273,948 |
| Reserve for employees' retirement benefits | 30,856 | 30,551 |
| Reserve for price fluctuation | 45,680 | 46,910 |
| Deferred tax liabilities | 22,826 | 27,034 |
| Deferred tax liabilities for land revaluation | 16,268 | 16,168 |
| Acceptances and guarantees | 1 | 0 |
| Total liabilities | 5,014,899 | 4,979,162 |
| Net assets: | | |
| Foundation funds | 91,000 | 91,000 |
| Reserve for redemption of foundation funds | 166,000 | 166,000 |
| Reserve for revaluation | 281 | 281 |
| Surplus: | 99,378 | 112,668 |
| Reserve for future losses | 328 | 347 |
| Other surplus: | 99,050 | 112,321 |
| Reserve for fund redemption | 44,400 | 53,500 |
| Equalized reserve for dividends to policyholders | 7,091 | 6,983 |
| Unappropriated surplus (loss) | 47,558 | 51,838 |
| Total foundation funds and others | 356,660 | 369,950 |
| Net unrealized gains (losses) on available-for-sale securities, net of tax | 213,200 | 221,889 |
| Land revaluation differences | (45,354) | (45,612) |
| Total valuation and translation adjustments | 167,845 | 176,277 |
| Total net assets | 524,505 | 546,228 |
| Total liabilities and net assets | 5,539,404 | 5,525,390 |

4. Unaudited Non-consolidated Statements of Income

(Millions of Yen)

| | Six months ended September 30, 2020 | Six months ended September 30, 2021 |
|--|--|--|
| Ordinary income: | 298,190 | 297,802 |
| Premium and other income: | 193,212 | 192,500 |
| Insurance premiums | 192,284 | 191,636 |
| Investment income: | 74,158 | 71,818 |
| Interest, dividends and other income | 56,980 | 60,008 |
| Gains on sales of securities | 11,466 | 6,820 |
| Investment gains on separate accounts | 2,190 | 1,365 |
| Other ordinary income | 30,819 | 33,484 |
| Ordinary expenses: | 273,412 | 271,460 |
| Claims and other payments: | 184,573 | 183,528 |
| Claims | 53,977 | 53,257 |
| Annuities | 57,901 | 55,666 |
| Benefits | 32,921 | 33,516 |
| Surrender benefits | 37,222 | 38,700 |
| Other payments | 1,579 | 1,261 |
| Provision for policy reserves and other reserves: | 1 | 5 |
| Provision for reserve for outstanding claims | - | 4 |
| Provision for interest on policyholders' dividend reserves | 1 | 1 |
| Investment expenses: | 18,193 | 14,431 |
| Interest expenses | 2,210 | 2,586 |
| Losses on trading securities | 485 | - |
| Losses on sales of securities | 1,643 | 916 |
| Losses on valuation of securities | 125 | 4 |
| Losses on derivative financial instruments | 5,134 | 2,068 |
| Operating expenses | 53,504 | 56,901 |
| Other ordinary expenses | 17,139 | 16,592 |
| Ordinary profit | 24,777 | 26,342 |
| Extraordinary gains | 33 | 340 |
| Extraordinary losses | 2,270 | 1,916 |
| Surplus before income taxes | 22,540 | 24,767 |
| Income taxes including deferred taxes | 5,313 | 5,491 |
| Total income taxes | 5,313 | 5,491 |
| Net surplus | 17,227 | 19,276 |

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

Six months ended September 30, 2020

(Millions of Yen)

| | 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 interim period: | | | | | | | | | |
| 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 | | | | | | | 17,227 | 17,227 | 17,227 |
| 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 | | | | | | | 49 | 49 | 49 |
| Net changes, excluding foundation funds and others | | | | | | | | | |
| Net changes in the interim period | - | - | - | 18 | 9,100 | (227) | 2,510 | 11,401 | 11,401 |
| Ending balance | 91,000 | 166,000 | 281 | 328 | 44,400 | 7,091 | 41,400 | 93,220 | 350,502 |

| | 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 interim period: | | | | |
| 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 | | | | 17,227 |
| Additions to reserve for fund redemption | | | | |
| Reversal of equalized reserve for dividends to policyholders | | | | |
| Reversal of land revaluation differences | | | | 49 |
| Net changes, excluding foundation funds and others | 71,439 | (49) | 71,389 | 71,389 |
| Net changes in the interim period | 71,439 | (49) | 71,389 | 82,790 |
| Ending balance | 169,064 | (45,233) | 123,831 | 474,333 |

Six months ended September 30, 2021

(Millions of Yen)

| | Foundation funds and others | | | | | | | | |
|--|-----------------------------|--|-------------------------|---------------------------|-----------------------------|--|-------------------------------|---------------|-----------------------------------|
| | Foundation funds | Reserve for redemption of foundation funds | Reserve for revaluation | Reserve for future losses | Surplus | | | | Total foundation funds and others |
| | | | | | Reserve for fund redemption | Other surplus | | Total surplus | |
| | | | | | | 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 interim period: | | | | | | | | | |
| 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 | | | | | | | 19,276 | 19,276 | 19,276 |
| 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 | | | | | | | 257 | 257 | 257 |
| Net changes, excluding foundation funds and others | | | | | | | | | |
| Net changes in the interim period | - | - | - | 19 | 9,100 | (108) | 4,279 | 13,290 | 13,290 |
| Ending balance | 91,000 | 166,000 | 281 | 347 | 53,500 | 6,983 | 51,838 | 112,668 | 369,950 |

| | 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 interim period: | | | | |
| 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 | | | | 19,276 |
| Additions to reserve for fund redemption | | | | |
| Reversal of equalized reserve for dividends to policyholders | | | | |
| Reversal of land revaluation differences | | | | 257 |
| Net changes, excluding foundation funds and others | 8,688 | (257) | 8,431 | 8,431 |
| Net changes in the interim period | 8,688 | (257) | 8,431 | 21,722 |
| Ending balance | 221,889 | (45,612) | 176,277 | 546,228 |

I. Presentation of Unaudited Non-consolidated Financial Statements

Basis of Presentation

The accompanying interim 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 semi-annual 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 interim non-consolidated financial statements include information which is not required under semi-annual 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 interim non-consolidated financial statements, certain reclassifications have been made to the non-consolidated financial statements issued domestically in order to present them in a format which is more familiar to readers outside Japan.

II. Notes to Unaudited Non-consolidated Balance Sheet

1. Significant Accounting Policies

(1) Valuation methods of securities

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

- i) Trading securities are stated at fair market value. Costs of sales are determined by the moving average method.
- ii) Held-to-maturity debt securities are stated at amortized cost (straight-line method) determined by the moving average method.
- iii) Policy-reserve-matching bonds, which are in accordance with “Temporary Treatment of Accounting and Auditing Concerning Policy-reserve-matching Bonds in Insurance Industry” (Industry Audit Committee Report No. 21 issued by the Japanese Institute of Certified Public Accountants (“JICPA”)), are stated at amortized cost (straight-line method) determined by the moving average method.

- iv) Investments in subsidiaries and affiliates are stated at cost.
- v) Available-for-sale securities except for the following are stated at fair market value based on the market prices at the balance sheet date, of which costs of sales are determined by the moving average method. Available-for-sale securities, of which public and corporate bonds including foreign bonds with the difference between acquisition cost and face value considered as an adjustment of interest, are stated at amortized cost (straight-line method) determined by the moving average method. Stocks and others without a market price are stated at cost determined by the moving average method. Net unrealized gains or losses on these available-for-sale securities, net of tax, are recorded as a separate component of net assets.

(2) Policy-reserve-matching bonds

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

Since the interim period starting from April 1, 2021, 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 interim period ended September 30, 2021.

(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.

(For the interim reporting purposes, the amount for the semi-annual period is determined.)

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

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

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

(6) Foreign currency translation

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

(7) Allowance for possible loan losses

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

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

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

For credit to legally bankrupt borrowers and substantially bankrupt borrowers, the amounts remaining after deductions of collateral value or the amounts collectible through the execution of guarantees are written-off directly from the book value as the estimated

uncollectible amounts. The amount written-off was ¥25 million as of September 30, 2021.

(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 other assets and amortized equally over five years.

Consumption taxes other than deferred consumption taxes are recognized as an expense for the current interim period.

(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 interim period 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 interim period.

(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 interim period, in preparation for the performance of future obligations under the insurance policies.

Of policy reserves, the premium reserves at the end of the interim period 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.

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) 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 interim period ended September 30, 2021. 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 interim period.

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 interim period as before.

3. Financial Instruments

The balance sheet amounts, fair values and the differences between those of major financial assets and liabilities as of September 30, 2021 were as follows:

| | Millions of Yen | | |
|----------------------------------|--------------------------|------------|------------|
| | As of September 30, 2021 | | |
| | Balance Sheet Amount | Fair Value | Difference |
| Monetary claims bought | ¥ 23,802 | ¥ 25,954 | ¥ 2,152 |
| Trading securities | - | - | - |
| Held-to-maturity debt securities | 22,847 | 24,999 | 2,152 |
| Policy-reserve-matching bonds | - | - | - |
| Available-for-sale securities | 955 | 955 | - |
| Securities | 4,562,357 | 4,808,262 | 245,904 |
| Trading securities | 26,643 | 26,643 | - |
| Held-to-maturity debt securities | 285,927 | 321,531 | 35,604 |
| Policy-reserve-matching bonds | 2,033,907 | 2,244,207 | 210,300 |
| Available-for-sale securities | 2,215,879 | 2,215,879 | - |
| Loans | 300,247 | 307,859 | 7,611 |
| Policy loans | 33,640 | 33,640 | - |
| Industrial and consumer loans | 266,607 | 274,219 | 7,611 |
| Total assets | 4,886,407 | 5,142,076 | 255,668 |
| Bonds payable | 127,773 | 130,477 | 2,704 |
| Loans payable | 41,000 | 42,177 | 1,177 |
| Total liabilities | 168,773 | 172,654 | 3,881 |
| Derivative financial instruments | (6,517) | (6,517) | - |
| Hedge accounting not applied | (695) | (695) | - |
| Hedge accounting applied | (5,821) | (5,821) | - |

* 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 interim non-consolidated balance sheet was ¥38,994 million as of September 30, 2021.

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

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

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

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

Level 3: Fair values measured by significant unobservable inputs

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

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

| | Millions of Yen | | | |
|---|--------------------------|-----------|---------|-----------|
| | As of September 30, 2021 | | | |
| | Fair Value | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| Monetary claims bought | ¥ - | ¥ - | ¥ 955 | ¥ 955 |
| Available-for-sale securities | - | - | 955 | 955 |
| Securities | 608,085 | 1,184,653 | 26,390 | 1,819,128 |
| Trading securities | 24,886 | 1,757 | - | 26,643 |
| National government bonds and local government bonds | 5,850 | - | - | 5,850 |
| Corporate bonds | - | 711 | - | 711 |
| Domestic stocks | 8,616 | - | - | 8,616 |
| Foreign stocks | 7,777 | - | - | 7,777 |
| Foreign bonds | 2,641 | 1,046 | - | 3,687 |
| Available-for-sale securities | 583,198 | 1,182,895 | 26,390 | 1,792,484 |
| National government bonds and local government bonds | 42,835 | 3,077 | - | 45,913 |
| Corporate bonds | - | 462,845 | - | 462,845 |
| Domestic stocks | 409,468 | - | - | 409,468 |
| Foreign stocks | 6 | - | - | 6 |
| Foreign bonds | 130,887 | 716,972 | 26,390 | 874,251 |
| Total assets | 608,085 | 1,184,653 | 27,345 | 1,820,083 |
| Derivative financial instruments | - | (6,517) | 0 | (6,517) |
| Currency-related | - | (6,517) | - | (6,517) |
| Interest-related | - | - | 0 | 0 |

* 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 interim non-consolidated balance sheet

| | Millions of Yen | | | |
|--|--------------------------|---------|----------|-----------|
| | As of September 30, 2021 | | | |
| | Fair Value | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| Monetary claims bought | ¥ - | ¥ - | ¥ 24,999 | ¥ 24,999 |
| Held-to-maturity debt securities | - | - | 24,999 | 24,999 |
| Securities | 1,819,080 | 619,206 | 127,452 | 2,565,739 |
| Held-to-maturity debt securities | 37,380 | 156,699 | 127,452 | 321,531 |
| National government bonds and local government bonds | 37,380 | - | - | 37,380 |
| Corporate bonds | - | 99,717 | - | 99,717 |
| Foreign bonds | - | 56,981 | 127,452 | 184,434 |
| Policy-reserve-matching bonds | 1,781,700 | 462,507 | - | 2,244,207 |
| National government bonds and local government bonds | 1,781,700 | 52,659 | - | 1,834,359 |
| Corporate bonds | - | 409,847 | - | 409,847 |
| Loans | - | - | 307,859 | 307,859 |
| Policy loans | - | - | 33,640 | 33,640 |
| Industrial and consumer loans | - | - | 274,219 | 274,219 |
| Total assets | 1,819,080 | 619,206 | 460,311 | 2,898,598 |
| Bonds payable | - | 130,477 | - | 130,477 |
| Loans payable | - | - | 42,177 | 42,177 |
| Total liabilities | - | 130,477 | 42,177 | 172,654 |

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

- i) Securities including deposits and 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 are not categorized into any level, since “2021 Revised Implementation Guidance” in “Implementation Guidance on Accounting Standard for

Fair Value Measurement” (ASBJ Guidance No. 31, revised on June 17, 2021) is not applied to them.

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 not currently bankrupt borrowers is stated at the amounts by deducting estimated losses from the book value before direct write-offs.

iii) Bonds payable

As for bonds payable issued by the Company, the fair value of the bonds is stated at bonds prices added by the fair value of currency swaps, as the Company applies designated hedge accounting (“Furiate-shori”) for currency swaps. Bonds payable are categorized as level 2, since the Company adopts market prices as bond prices and prices obtained from external information vendors as the fair value of currency swaps, and inputs are primarily interest rates and foreign exchange rates which are observable.

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 interim 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 interim period

| Six months ended September 30, 2021 | Millions of Yen | | | |
|--|-----------------------------------|-----------------------------------|---------------------|--|
| | Monetary claims bought | Securities | Total (i) + (ii) | Derivative financial instruments |
| | Available-for- sale securities | Available-for- sale securities | | |
| | Others (i) | Foreign bonds (ii) | | Interest-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 interim period: | (14) | (463) | (477) | (229) |
| Gains(losses) recorded for the interim period* | (27) | (1,121) | (1,148) | (229) |
| Net unrealized gains (losses) on available-for-sale securities, net of tax recorded for the interim period | 13 | 657 | 671 | – |
| Net amount of purchase, sale, issue, and settlement | – | – | – | 229 |
| Transfer to fair values of Level 3 | – | – | – | – |
| Transfer from fair values of Level 3 | – | – | – | – |
| Ending balance | 955 | 26,390 | 27,345 | 0 |
| Net unrealized gains(losses) on financial assets and liabilities held at the balance sheet date among the amount recorded to gains (losses) for the interim period* | (27) | (1,121) | (1,148) | (229) |

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

iii) Description of the fair value evaluation process

The Company establishes policies and procedures for measuring the fair value in actuarial and accounting department and risk management department. In accordance with these policies and procedures, risk management department measure 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 risk management department.

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

5. Investments and Rental Properties

The fair value of investment and rental properties is omitted because there have been no significant changes compared with the corresponding fair value at the end of the previous fiscal year.

6. Securities Lent under Lending Agreements

The amount of securities lent under lending agreements was ¥262,685 million as of September 30, 2021.

7. 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 ¥619 million as of September 30, 2021.

- i) Loans to bankrupt borrowers were ¥0 million as of September 30, 2021.
- ii) Delinquent loans were ¥542 million as of September 30, 2021.
- iii) Delinquent loans three or more months past due were ¥55 million as of September 30, 2021.
- iv) Restructured loans were ¥20 million as of September 30, 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 September 30, 2021.

In addition, the direct write-offs related to loans decreased the amount of delinquent loans described above by ¥22 million as of September 30, 2021.

8. Separate Accounts

Total assets in separate accounts provided for in Article 118 of the Insurance Business Act were ¥28,409 million as of September 30, 2021. The amounts of separate account liabilities were the same as separate account assets.

9. Reserve for Dividends to Policyholders

The change in reserve for dividends to policyholders for the interim period ended September 30, 2021 was as follows:

| | Millions of Yen |
|---|--------------------|
| | <u> </u> |
| | Six months ended |
| | September 30, 2021 |
| | <u> </u> |
| Balance at the beginning of the interim period | ¥30,050 |
| Transfer to reserve from surplus in the previous fiscal year | 2,153 |
| Dividends to policyholders paid out during the interim period | 1,620 |
| Increase in interest | 1 |
| Balance at the end of the interim period | <u>¥30,584</u> |

10. Stocks of Subsidiaries and Affiliates

The amount of stocks of subsidiaries and affiliates the Company held was ¥24,777 million as of September 30, 2021.

The Company provided capital of ¥12,600 million to Nanairo Life Insurance Co., Ltd. on October 15, 2021.

11. Pledged Assets

Assets pledged as collateral were securities in the amount of ¥13,625 million as of September 30, 2021.

12. Policy Reserves for the Reinsurance Contracts

Reserves 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 ¥4 million as of September 30, 2021.

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 ¥292 million as of September 30, 2021.

13. Assets with Rights to Sell

The Company has the legal right to sell or collateralize securities borrowed under loan agreements. The market value of these assets that were not sold or pledged as collateral was ¥78,789 million as of September 30, 2021. No assets were pledged as collateral as of September 30, 2021.

14. Commitment Line

As of September 30, 2021, there were unused commitment line agreements under which the Company is the lender of ¥10,768 million.

15. Subordinated Bonds Payable

As of September 30, 2021, bonds payable are subordinated bonds payable, for which the repayments are subordinated to other obligations.

16. Subordinated Loans Payable

As of September 30, 2021, other liabilities included subordinated loans payable of ¥41,000 million, for which the repayments are subordinated to other obligations.

17. 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 were ¥8,260 million as of September 30, 2021. These contributions are charged as operating expenses in the reporting period in which they are paid.

III. Notes to Unaudited Non-consolidated Statement of Income

1. Investment Income and Expenses

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

| | Millions of Yen |
|--------------------------------------|--------------------|
| | Six months ended |
| | September 30, 2021 |
| Domestic bonds | ¥2,739 |
| Domestic stocks and other securities | 4,076 |
| Foreign securities | 4 |

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

| | Millions of Yen |
|--------------------------------------|--------------------|
| | Six months ended |
| | September 30, 2021 |
| Domestic bonds | ¥ 17 |
| Domestic stocks and other securities | 346 |
| Foreign securities | 552 |

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

| | Millions of Yen |
|--------------------------------------|--------------------|
| | Six months ended |
| | September 30, 2021 |
| Domestic stocks and other securities | ¥4 |

2. Policy Reserves for the Reinsurance Contracts

Reversal of reserve for outstanding claims for ceded reinsurance, which was deducted in calculating provision for reserve for outstanding claims for the interim period ended September 30, 2021 was ¥2 million.

Reversal of policy reserves for ceded reinsurance, which was deducted in calculating reversal of policy reserves for the interim period ended September 30, 2021 was ¥67 million.

3. Interest and Dividend Income

The breakdown of interest, dividends and other income was as follows:

| | Millions of Yen |
|--------------------------------------|--|
| | Six months ended September 30, 2021 |
| Interest on deposits | ¥ 0 |
| Interest and dividends on securities | 49,363 |
| Interest on loans | 2,078 |
| Rent revenue from real estate | 8,128 |
| Other interest and dividends | 438 |
| Total | <u>¥60,008</u> |

4. Income Tax Expense

The simplified method is applied for tax effect accounting to calculate income tax expense for the interim period ended September 30. Therefore, deferred taxes are included in income taxes.

6. Breakdown of Ordinary Profit (Fundamental Profit)

(Millions of Yen)

| | | Six months ended September 30, 2020 | Six months ended September 30, 2021 |
|---|-----------|--|--|
| Fundamental profit | A | 21,590 | 22,649 |
| Capital gains | | 11,466 | 6,959 |
| Gains on money held in trust | | - | - |
| Gains on trading securities | | - | - |
| Gains on sales of securities | | 11,466 | 6,820 |
| Gains on derivative financial instruments | | - | - |
| Foreign exchange gains | | - | 139 |
| Other capital gains | | - | - |
| Capital losses | | 8,013 | 2,989 |
| Losses on money held in trust | | - | - |
| Losses on trading securities | | 485 | - |
| Losses on sales of securities | | 1,643 | 916 |
| Losses on valuation of securities | | 125 | 4 |
| Losses on derivative financial instruments | | 5,134 | 2,068 |
| Foreign exchange losses | | 623 | - |
| Other capital losses | | - | - |
| Net capital gains (losses) | B | 3,453 | 3,969 |
| Fundamental profit plus net capital gains (losses) | A + B | 25,043 | 26,619 |
| Other one-time gains | | 34 | 42 |
| Reinsurance revenue | | - | - |
| Reversal of contingency reserve | | - | - |
| Reversal of specific allowance for possible loan losses | | 34 | 42 |
| Others | | - | - |
| Other one-time losses | | 300 | 319 |
| Reinsurance premiums | | - | - |
| Provision for contingency reserve | | 300 | 319 |
| Provision for specific allowance for possible loan losses | | - | - |
| Provision for allowance for specified overseas loans | | - | - |
| Write-offs of loans | | 0 | 0 |
| Others | | - | - |
| Net other one-time gains (losses) | C | (266) | (276) |
| Ordinary profit | A + B + C | 24,777 | 26,342 |

7. Disclosed Claims Based on Categories of Obligors

(Millions of Yen, %)

| | As of March 31, 2021 | As of September 30, 2021 |
|---|----------------------|--------------------------|
| Claims against bankrupt and quasi-bankrupt obligors | 437 | 467 |
| Claims with collection risk | 139 | 90 |
| Claims for special attention | 118 | 78 |
| Subtotal | 694 | 635 |
| (Percentage of total) | (0.12) | (0.11) |
| Claims against normal obligors | 569,541 | 563,556 |
| Total | 570,236 | 564,192 |

Notes:

1. Claims against bankrupt and quasi-bankrupt obligors are claims to obligors who are subject to bankruptcy, corporate reorganization or rehabilitation or other similar proceedings and other obligors in serious financial difficulties.
2. Claims with collection risk are claims to obligors (other than bankrupt and quasi-bankrupt 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.
3. Claims for special attention are claims on which principal and/or interest are past due for three months or more and claims with a concessionary interest rate, as well as claims with renegotiated conditions in favor of the borrower, including renegotiated schedule and/or waivers, in each case, other than the claims described in note 1. or 2. above.
4. Claims against normal obligors are all other claims.

8. Risk-monitored Loans

(Millions of Yen, %)

| | As of March 31, 2021 | As of September 30, 2021 |
|--|----------------------|--------------------------|
| Loans to bankrupt borrowers | 0 | 0 |
| Delinquent loans | 563 | 542 |
| Delinquent loans three or more months past due | 94 | 55 |
| Restructured loans | 20 | 20 |
| Total | 677 | 619 |
| (Percentage of total loans) | (0.22) | (0.21) |

Notes:

1. For credit to legally bankrupt borrowers and substantially bankrupt borrowers, the amounts remaining after the deductions of amount expected to be collected through the disposal of collateral or the execution of guarantees are written-off directly from the book value as the estimated uncollectible amounts. The amounts written-off related to loans to bankrupt borrowers were ¥3 million as of September 30, 2021 and ¥3 million as of March 31, 2021. The amounts written-off related to delinquent loans were ¥22 million as of September 30, 2021 and ¥25 million as of March 31, 2021.
2. Loans to bankrupt borrowers represent non-accrual loans to borrowers which are subject to bankruptcy, corporate reorganization or rehabilitation or other similar, including but not limited to foreign, proceedings. Accruing interest on these loans is not recorded as income after determining that principal or interest on these loans is unlikely to be collected due to the significant delay in repayment of principal or interest repayments or for other reasons.
3. Delinquent loans are loans whose accruing interest is not recorded as income and 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 business.
4. 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 or delinquent loans.
5. 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.

9. Solvency Margin Ratio

(Millions of Yen)

| | | As of March 31, 2021 | As of September 30, 2021 |
|--|--|----------------------|--------------------------|
| Total solvency margin | (A) | 1,063,948 | 1,088,984 |
| Foundation funds and surplus | | 350,417 | 366,854 |
| Reserve for price fluctuation | | 45,680 | 46,910 |
| Contingency reserve | | 62,448 | 62,767 |
| General allowance for possible loan losses | | 100 | 176 |
| (Net unrealized gains on available-for-sale securities (before tax effect) and deferred hedge gains (before tax effect)) × 90% (in case of losses: × 100%) | | 252,740 | 264,347 |
| Net unrealized gains on land × 85% (in case of losses: × 100%) | | 28,681 | 28,319 |
| Excess amount of policy reserves based on full-time Zillmer method | | 141,363 | 143,510 |
| Qualifying subordinated debt | | 167,173 | 166,773 |
| Excess amount of policy reserves based on full-time Zillmer method and qualifying subordinated debt excluded from the calculation of solvency margin | | - | - |
| Deduction | | - | (12,400) |
| Others | | 15,343 | 21,725 |
| Total amount of risk | $\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$ (B) | 218,912 | 215,547 |
| Insurance risk | R_1 | 12,613 | 12,360 |
| Third sector insurance risk | R_8 | 10,446 | 10,663 |
| Risk of assumed yield | R_2 | 69,446 | 68,283 |
| Minimum guarantee risk | R_7 | 1,040 | 1,037 |
| Investment risk | R_3 | 142,459 | 140,312 |
| Operational risk | R_4 | 4,720 | 4,653 |
| Solvency margin ratio | $(A) / \{(1/2) \times (B)\} \times 100$ | 972.0% | 1,010.4% |

Notes:

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

10. Status of Separate Account

(1) Separate Account Assets by Products

(Millions of Yen)

| | As of March 31, 2021 | As of September 30, 2021 |
|-------------------------------|----------------------|--------------------------|
| | Amount | Amount |
| Individual variable insurance | 28,078 | 28,409 |
| Individual variable annuities | - | - |
| Group annuity products | - | - |
| Total | 28,078 | 28,409 |

(2) Sum Insured of Policies in Force

| | As of March 31, 2021 | | As of September 30, 2021 | |
|---|-----------------------------------|-----------------------------|-----------------------------------|-----------------------------|
| | Number of policies (Thousands) | Amount (Millions of Yen) | Number of policies (Thousands) | Amount (Millions of Yen) |
| Individual variable insurance (fixed term) | - | - | - | - |
| Individual variable insurance (whole life) | 12 | 89,766 | 12 | 88,468 |
| Total | 12 | 89,766 | 12 | 88,468 |

| | As of March 31, 2021 | | As of September 30, 2021 | |
|-------------------------------|-----------------------------------|-----------------------------|-----------------------------------|-----------------------------|
| | Number of policies (Thousands) | Amount (Millions of Yen) | Number of policies (Thousands) | Amount (Millions of Yen) |
| Individual variable annuities | - | - | - | - |
| Total | - | - | - | - |

11. Status of the Company, Subsidiaries and Affiliates

(1) Selected Financial Data

(Millions of Yen)

| | Six months ended September 30, 2020 | Six months ended September 30, 2021 |
|--|--|--|
| Ordinary income | 300,033 | 299,953 |
| Ordinary profit | 24,600 | 24,643 |
| Net surplus attributable to the Parent Company | 17,114 | 17,581 |
| Comprehensive income | 88,626 | 26,460 |

(Millions of Yen)

| | As of March 31, 2021 | As of September 30, 2021 |
|-----------------------|----------------------|--------------------------|
| Total assets | 5,540,449 | 5,523,306 |
| Solvency margin ratio | 992.4% | 1,029.4% |

(2) Unaudited Consolidated Balance Sheets

(Millions of Yen)

| | As of March 31, 2021 | As of September 30, 2021 |
|--|----------------------|--------------------------|
| Assets: | | |
| Cash and deposits | 44,149 | 40,347 |
| Call loans | 113,000 | 116,000 |
| Monetary claims bought | 25,094 | 23,802 |
| Securities | 4,598,851 | 4,584,484 |
| Loans | 303,451 | 300,247 |
| Tangible fixed assets | 378,046 | 375,147 |
| Intangible fixed assets | 29,941 | 30,750 |
| Agency accounts receivable | 14 | 14 |
| Reinsurance receivables | 987 | 327 |
| Other assets | 46,670 | 51,974 |
| Net defined benefit assets | 494 | 440 |
| Deferred tax assets | 152 | 209 |
| Customers' liabilities under acceptances and guarantees | 1 | 0 |
| Allowance for possible loan losses | (406) | (441) |
| Total assets | 5,540,449 | 5,523,306 |
| Liabilities: | | |
| Policy reserves and other reserves: | 4,477,995 | 4,450,551 |
| Reserve for outstanding claims | 28,572 | 28,576 |
| Policy reserves | 4,419,372 | 4,391,390 |
| Reserve for dividends to policyholders | 30,050 | 30,584 |
| Reinsurance payables | 680 | 330 |
| Bonds payable | 127,773 | 127,773 |
| Other liabilities | 295,766 | 281,416 |
| Net defined benefit liabilities | 32,914 | 32,422 |
| Reserve for price fluctuation | 45,680 | 46,910 |
| Deferred tax liabilities | 22,354 | 26,538 |
| Deferred tax liabilities for land revaluation | 16,268 | 16,168 |
| Acceptances and guarantees | 1 | 0 |
| Total liabilities | 5,019,435 | 4,982,110 |
| Net assets: | | |
| Foundation funds | 91,000 | 91,000 |
| Reserve for redemption of foundation funds | 166,000 | 166,000 |
| Reserve for revaluation | 281 | 281 |
| Consolidated surplus | 97,154 | 108,751 |
| Total foundation funds and others | 354,436 | 366,033 |
| Net unrealized gains (losses) on available-for-sale securities, net of tax | 213,201 | 221,891 |
| Land revaluation differences | (45,354) | (45,612) |
| Accumulated remeasurements of defined benefit plans | (1,349) | (1,184) |
| Total accumulated other comprehensive income | 166,497 | 175,094 |
| Non-controlling interests | 79 | 68 |
| Total net assets | 521,014 | 541,195 |
| Total liabilities and net assets | 5,540,449 | 5,523,306 |

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

(Unaudited Consolidated Statements of Income)

(Millions of Yen)

| | Six months ended September 30, 2020 | Six months ended September 30, 2021 |
|--|--|--|
| Ordinary income: | 300,033 | 299,953 |
| Premium and other income | 193,212 | 192,500 |
| Investment income: | 74,017 | 71,587 |
| Interest, dividends and other income | 56,850 | 59,793 |
| Gains on sales of securities | 11,467 | 6,820 |
| Investment gains on separate accounts | 2,190 | 1,365 |
| Other ordinary income | 32,803 | 35,864 |
| Ordinary expenses: | 275,433 | 275,309 |
| Claims and other payments: | 184,573 | 183,528 |
| Claims | 53,977 | 53,257 |
| Annuities | 57,901 | 55,666 |
| Benefits | 32,921 | 33,516 |
| Surrender benefits | 37,222 | 38,700 |
| Other payments | 1,579 | 1,261 |
| Provision for policy reserves and other reserves: | 1 | 5 |
| Provision for reserve for outstanding claims | - | 4 |
| Provision for interest on policyholders' dividend reserves | 1 | 1 |
| Investment expenses: | 18,193 | 14,431 |
| Interest expenses | 2,210 | 2,586 |
| Losses on trading securities | 485 | - |
| Losses on sales of securities | 1,643 | 916 |
| Losses on valuation of securities | 125 | 4 |
| Losses on derivative financial instruments | 5,134 | 2,068 |
| Operating expenses | 55,621 | 60,589 |
| Other ordinary expenses | 17,042 | 16,754 |
| Ordinary profit | 24,600 | 24,643 |
| Extraordinary gains | 33 | 340 |
| Extraordinary losses | 2,270 | 1,916 |
| Surplus before income taxes | 22,363 | 23,067 |
| Income taxes including deferred taxes | 5,232 | 5,461 |
| Total income taxes | 5,232 | 5,461 |
| Net surplus | 17,131 | 17,606 |
| Net surplus attributable to non-controlling interests | 16 | 24 |
| Net surplus attributable to the Parent Company | 17,114 | 17,581 |

(Unaudited Consolidated Statements of Comprehensive Income)

(Millions of Yen)

| | Six months ended September 30, 2020 | Six months ended September 30, 2021 |
|--|--|--|
| Net surplus | 17,131 | 17,606 |
| Other comprehensive income: | 71,495 | 8,854 |
| Net unrealized gains (losses) on available-for-sale securities, net of tax | 71,439 | 8,689 |
| Remeasurements of defined benefit plans | 55 | 164 |
| Comprehensive income: | 88,626 | 26,460 |
| Comprehensive income attributable to the Parent Company | 88,609 | 26,435 |
| Comprehensive income attributable to non-controlling interests | 16 | 24 |

(4) Unaudited Consolidated Statements of Cash Flows

(Millions of Yen)

| | Six months ended September 30, 2020 | Six months ended September 30, 2021 |
|--|--|--|
| I. Cash flows from operating activities | | |
| Surplus before income taxes | 22,363 | 23,067 |
| Depreciation of rental real estate and other assets | 2,727 | 2,804 |
| Depreciation | 6,061 | 5,921 |
| Impairment losses | 118 | 273 |
| Increase (decrease) in reserve for outstanding claims | (1,048) | 4 |
| Increase (decrease) in policy reserves | (23,660) | (27,982) |
| Provision for interest on policyholders' dividend reserves | 1 | 1 |
| Increase (decrease) in allowance for possible loan losses | (57) | 34 |
| Increase (decrease) in net defined benefit liabilities | (624) | (304) |
| Increase (decrease) in reserve for price fluctuation | 1,180 | 1,230 |
| Interest, dividends and other income | (56,850) | (59,793) |
| (Gains) losses on securities | (11,376) | (7,313) |
| (Gains) losses on derivative financial instruments | 5,134 | 2,068 |
| Interest expenses | 2,210 | 2,586 |
| Foreign exchange (gains) losses, net | 623 | (139) |
| (Gains) losses on tangible fixed assets | (10) | (302) |
| Others, net | (6,805) | 4,056 |
| Subtotal | (60,010) | (53,786) |
| Interest, dividends and other income received | 62,669 | 63,294 |
| Interest paid | (2,431) | (2,766) |
| Dividends to policyholders paid | (1,752) | (1,620) |
| Income taxes (paid) refunded | (5,876) | (6,738) |
| Net cash provided by (used in) operating activities | (7,402) | (1,618) |
| II. Cash flows from investing activities | | |
| Purchases of monetary claims bought | (93) | - |
| Proceeds from sales and redemptions of monetary claims bought | 937 | 1,293 |
| Purchases of securities | (249,815) | (156,314) |
| Proceeds from sales and redemptions of securities | 244,961 | 186,079 |
| Disbursements for loans | (16,377) | (28,249) |
| Proceeds from collections of loans | 77,392 | 31,453 |
| Proceeds from derivative financial instruments | (8,134) | (22,187) |
| Increase (decrease) in payables under securities borrowing transactions | (438) | 317 |
| Others, net | (485) | - |
| ① Total of investing activities | 47,947 | 12,391 |
| [I + ①] | 40,545 | 10,773 |
| Purchases of tangible fixed assets | (2,911) | (4,029) |
| Proceeds from sales of tangible fixed assets | 29 | 1,679 |
| Others, net | (3,681) | (4,724) |
| Net cash provided by (used in) investing activities | 41,383 | 5,317 |
| III. Cash flows from financing activities | | |
| Redemption of debt borrowing | (10,000) | - |
| Payment of interest on foundation funds | (4,081) | (4,089) |
| Dividends paid to non-controlling interests | (38) | (36) |
| Others, net | (477) | (376) |
| Net cash provided by (used in) financing activities | (14,598) | (4,501) |
| IV. Net increase (decrease) in cash and cash equivalents | 19,383 | (802) |
| V. Cash and cash equivalents at the beginning of the interim period | 117,227 | 157,149 |
| VI. Cash and cash equivalents at the end of the interim period | 136,610 | 156,347 |

Note: Cash and cash equivalents in consolidated cash flow statements includes cash in hand, cash at bank and short-term investments with redemption period of three months and less than three months, which can be withdrawn anytime and can be converted to cash with ease.

(5) Unaudited Consolidated Statements of Changes in Net Assets

Six months ended September 30, 2020

(Millions of Yen)

| | Foundation funds and others | | | | |
|---|-----------------------------|--|-------------------------|----------------------|-----------------------------------|
| | Foundation funds | Reserve for redemption of foundation funds | Reserve for revaluation | Consolidated surplus | Total foundation funds and others |
| Beginning balance | 91,000 | 166,000 | 281 | 81,429 | 338,711 |
| Changes in the interim period: | | | | | |
| 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 | | | | 17,114 | 17,114 |
| Reversal of land revaluation differences | | | | 49 | 49 |
| Net changes, excluding foundation funds and others | | | | | |
| Net changes in the interim period | - | - | - | 11,287 | 11,287 |
| Ending balance | 91,000 | 166,000 | 281 | 92,717 | 349,999 |

| | 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 interim period: | | | | | | |
| Additions to reserve for dividends to policyholders | | | | | | (1,794) |
| Payment of interest on foundation funds | | | | | | (4,081) |
| Net surplus attributable to the Parent Company | | | | | | 17,114 |
| Reversal of land revaluation differences | | | | | | 49 |
| Net changes, excluding foundation funds and others | 71,439 | (49) | 55 | 71,445 | (22) | 71,423 |
| Net changes in the interim period | 71,439 | (49) | 55 | 71,445 | (22) | 82,711 |
| Ending balance | 169,065 | (45,233) | (1,759) | 122,073 | 59 | 472,131 |

Six months ended September 30, 2021

(Millions of Yen)

| | Foundation funds and others | | | | |
|---|-----------------------------|--|-------------------------|----------------------|-----------------------------------|
| | Foundation funds | Reserve for redemption of foundation funds | Reserve for revaluation | Consolidated surplus | Total foundation funds and others |
| Beginning balance | 91,000 | 166,000 | 281 | 97,154 | 354,436 |
| Changes in the interim period: | | | | | |
| 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 | | | | 17,581 | 17,581 |
| Reversal of land revaluation differences | | | | 257 | 257 |
| Net changes, excluding foundation funds and others | | | | | |
| Net changes in the interim period | - | - | - | 11,596 | 11,596 |
| Ending balance | 91,000 | 166,000 | 281 | 108,751 | 366,033 |

| | 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 interim period: | | | | | | |
| Additions to reserve for dividends to policyholders | | | | | | (2,153) |
| Payment of interest on foundation funds | | | | | | (4,089) |
| Net surplus attributable to the Parent Company | | | | | | 17,581 |
| Reversal of land revaluation differences | | | | | | 257 |
| Net changes, excluding foundation funds and others | 8,689 | (257) | 164 | 8,596 | (11) | 8,585 |
| Net changes in the interim period | 8,689 | (257) | 164 | 8,596 | (11) | 20,181 |
| Ending balance | 221,891 | (45,612) | (1,184) | 175,094 | 68 | 541,195 |

I. Presentation of Unaudited Consolidated Financial Statements

1. Basis of Presentation

The accompanying interim 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 semi-annual 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 interim consolidated financial statements include information which is not required under semi-annual 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 interim consolidated financial statements, certain reclassifications have been made to the consolidated financial statements issued domestically in order to present them in a format which is more familiar to readers outside Japan.

2. Principles of Consolidation

(1) Scope of consolidation

The consolidated subsidiaries as of September 30, 2021 are listed below:

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

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

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

(2) Application of equity method

Unconsolidated subsidiaries and affiliates (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) Interim period-end of consolidated subsidiaries

The interim period-end of the consolidated subsidiaries is September 30.

II. Notes to Unaudited Consolidated Balance Sheet

1. Significant Accounting Policies

(1) Valuation methods of securities

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

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

(2) Policy-reserve-matching bonds

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

Since the interim period starting from April 1, 2021, 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 interim period ended September 30, 2021.

(3) 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.

(4) Depreciation of tangible fixed assets

Depreciation of the Company’s tangible fixed assets is calculated by the following methods. (For the interim reporting purposes, the amount for the semi-annual period is determined.)

- 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

(5) 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.

(6) 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 "not currently bankrupt borrowers"), the Company provides the amounts deemed as necessary considering the borrowers' ability to pay, within the amounts after deductions of the amount expected to be collected through the disposal of collateral or the execution of guarantees.
- iii) For credit to borrowers other than the above, the Company provides the amounts calculated by multiplying the book value by the actual ratio of bad debt losses on defaults during a certain past period.

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

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

For credit to legally bankrupt borrowers and substantially bankrupt borrowers, the amounts remaining after deductions of collateral value or the amounts collectible through the execution of guarantees are written-off directly from the book value as the estimated uncollectible amounts. The amount written-off was ¥25 million as of September 30, 2021.

(7) 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.

(8) 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.

(9) Valuation methods of derivative financial instruments

Derivative financial instruments are stated at fair market value.

(10) Reserve for price fluctuation

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

(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 other assets and amortized equally over five years.

Consumption taxes other than deferred consumption taxes are recognized as an expense for the current interim period.

(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 interim period 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 interim period.

(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 interim period, in preparation for the performance of future obligations under the insurance policies.

Of policy reserves, the premium reserves at the end of the interim period 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.

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) Software

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

2. Accounting Changes

The Company has applied “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, issued on July 4, 2019) and others from the interim period ended September 30, 2021. 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 interim period.

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 interim period as before.

3. Financial Instruments

The balance sheet amounts, fair values and the differences between those of major financial assets and liabilities as of September 30, 2021 were as follows:

| | Millions of Yen | | |
|----------------------------------|--------------------------|------------|------------|
| | As of September 30, 2021 | | |
| | Balance Sheet Amount | Fair Value | Difference |
| Monetary claims bought | ¥ 23,802 | ¥ 25,954 | ¥ 2,152 |
| Trading securities | - | - | - |
| Held-to-maturity debt securities | 22,847 | 24,999 | 2,152 |
| Policy-reserve-matching bonds | - | - | - |
| Available-for-sale securities | 955 | 955 | - |
| Securities | 4,562,379 | 4,808,283 | 245,904 |
| Trading securities | 26,643 | 26,643 | - |
| Held-to-maturity debt securities | 285,927 | 321,531 | 35,604 |
| Policy-reserve-matching bonds | 2,033,907 | 2,244,207 | 210,300 |
| Available-for-sale securities | 2,215,900 | 2,215,900 | - |
| Loans | 300,247 | 307,859 | 7,611 |
| Policy loans | 33,640 | 33,640 | - |
| Industrial and consumer loans | 266,607 | 274,219 | 7,611 |
| Total assets | 4,886,428 | 5,142,097 | 255,668 |
| Bonds payable | 127,773 | 130,477 | 2,704 |
| Loans payable | 41,000 | 42,177 | 1,177 |
| Total liabilities | 168,773 | 172,654 | 3,881 |
| Derivative financial instruments | (6,517) | (6,517) | - |
| Hedge accounting not applied | (695) | (695) | - |
| Hedge accounting applied | (5,821) | (5,821) | - |

* 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 interim consolidated balance sheet was ¥22,105 million as of September 30, 2021.

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

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

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

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

Level 3: Fair values measured by significant unobservable inputs

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

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

| | Millions of Yen | | | |
|--|--------------------------|-----------|---------|-----------|
| | As of September 30, 2021 | | | |
| | Fair Value | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| Monetary claims bought | ¥ - | ¥ - | ¥ 955 | ¥ 955 |
| Available-for-sale securities | - | - | 955 | 955 |
| Securities | 608,085 | 1,184,653 | 26,390 | 1,819,128 |
| Trading securities | 24,886 | 1,757 | - | 26,643 |
| National government bonds and local government bonds | 5,850 | - | - | 5,850 |
| Corporate bonds | - | 711 | - | 711 |
| Domestic stocks | 8,616 | - | - | 8,616 |
| Foreign stocks | 7,777 | - | - | 7,777 |
| Foreign bonds | 2,641 | 1,046 | - | 3,687 |
| Available-for-sale securities | 583,198 | 1,182,895 | 26,390 | 1,792,484 |
| National government bonds and local government bonds | 42,835 | 3,077 | - | 45,913 |
| Corporate bonds | - | 462,845 | - | 462,845 |
| Domestic stocks | 409,468 | - | - | 409,468 |
| Foreign stocks | 6 | - | - | 6 |
| Foreign bonds | 130,887 | 716,972 | 26,390 | 874,251 |
| Total assets | 608,085 | 1,184,653 | 27,345 | 1,820,083 |
| Derivative financial instruments | - | (6,517) | 0 | (6,517) |
| Currency-related | - | (6,517) | - | (6,517) |
| Interest-related | - | - | 0 | 0 |

* 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 interim consolidated balance sheet

| Millions of Yen | | | | |
|--|-----------|---------|----------|-----------|
| As of September 30, 2021 | | | | |
| Fair Value | | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| Monetary claims bought | ¥ - | ¥ - | ¥ 24,999 | ¥ 24,999 |
| Held-to-maturity debt securities | - | - | 24,999 | 24,999 |
| Securities | 1,819,080 | 619,206 | 127,452 | 2,565,739 |
| Held-to-maturity debt securities | 37,380 | 156,699 | 127,452 | 321,531 |
| National government bonds and local government bonds | 37,380 | - | - | 37,380 |
| Corporate bonds | - | 99,717 | - | 99,717 |
| Foreign bonds | - | 56,981 | 127,452 | 184,434 |
| Policy-reserve-matching bonds | 1,781,700 | 462,507 | - | 2,244,207 |
| National government bonds and local government bonds | 1,781,700 | 52,659 | - | 1,834,359 |
| Corporate bonds | - | 409,847 | - | 409,847 |
| Loans | - | - | 307,859 | 307,859 |
| Policy loans | - | - | 33,640 | 33,640 |
| Industrial and consumer loans | - | - | 274,219 | 274,219 |
| Total assets | 1,819,080 | 619,206 | 460,311 | 2,898,598 |
| Bonds payable | - | 130,477 | - | 130,477 |
| Loans payable | - | - | 42,177 | 42,177 |
| Total liabilities | - | 130,477 | 42,177 | 172,654 |

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

- i) Securities including deposits and 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 are not categorized into any level, since “2021 Revised Implementation Guidance” in “Implementation Guidance on Accounting Standard for

Fair Value Measurement” (ASBJ Guidance No. 31, revised on June 17, 2021) is not applied to them.

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 not currently bankrupt borrowers is stated at the amounts by deducting estimated losses from the book value before direct write-offs.

iii) Bonds payable

As for bonds payable issued by the Company, the fair value of the bonds is stated at bonds prices added by the fair value of currency swaps, as the Company applies designated hedge accounting (“Furiate-shori”) for currency swaps. Bonds payable are categorized as level 2, since the Company adopts market prices as bond prices and prices obtained from external information vendors as the fair value of currency swaps, and inputs are primarily interest rates and foreign exchange rates which are observable.

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 interim 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 interim period

| Six months ended September 30, 2021 | Millions of Yen | | | |
|---|-----------------------------------|-----------------------------------|---------------------|--|
| | Monetary claims bought | Securities | Total (i) + (ii) | Derivative financial instruments |
| | Available-for- sale securities | Available-for- sale securities | | |
| | Others (i) | Foreign bonds (ii) | | Interest-related |
| Beginning balance | ¥ 969 | ¥26,853 | ¥27,822 | ¥ - |
| Gains (losses) and other comprehensive income for the interim period: | (14) | (463) | (477) | (229) |
| Gains(losses) recorded for the interim period *1 | (27) | (1,121) | (1,148) | (229) |
| Other comprehensive income recorded for the interim period *2 | 13 | 657 | 671 | - |
| Net amount of purchase, sale, issue, and settlement | - | - | - | 229 |
| Transfer to fair values of Level 3 | - | - | - | - |
| Transfer from fair values of Level 3 | - | - | - | - |
| Ending balance | 955 | 26,390 | 27,345 | 0 |
| Net unrealized gains(losses) on financial assets and liabilities held at the balance sheet date among the amount recorded to gains (losses) for the interim period *1 | (27) | (1,121) | (1,148) | (229) |

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

iii) Description of the fair value evaluation process

The Company establishes policies and procedures for measuring the fair value in actuarial and accounting department and risk management department. In accordance with these policies and procedures, risk management department measure 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 risk management department.

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

5. Investments and Rental Properties

The fair value of investment and rental properties is omitted because there have been no significant changes compared with the corresponding fair value at the end of the previous fiscal year.

6. 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 ¥619 million as of September 30, 2021.

- i) Loans to bankrupt borrowers were ¥0 million as of September 30, 2021.
- ii) Delinquent loans were ¥542 million as of September 30, 2021.
- iii) Delinquent loans three or more months past due were ¥55 million as of September 30, 2021.
- iv) Restructured loans were ¥20 million as of September 30, 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 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 September 30, 2021.

In addition, the direct write-offs related to loans decreased the amount of delinquent loans described above by ¥22million as of September 30, 2021.

7. Separate Accounts

Total assets in separate accounts provided for in Article 118 of the Insurance Business Act were ¥28,409 million as of September 30, 2021. The amounts of separate account liabilities were the same as separate account assets.

8. Reserve for Dividends to Policyholders

The change in reserve for dividends to policyholders for the interim period ended September 30, 2021 was as follows:

| | Millions of Yen |
|---|---------------------------|
| | <u>Six months ended</u> |
| | <u>September 30, 2021</u> |
| Balance at the beginning of the interim period | ¥30,050 |
| Transfer to reserve from surplus in the previous fiscal year | 2,153 |
| Dividends to policyholders paid out during the interim period | 1,620 |
| Increase in interest | 1 |
| Balance at the end of the interim period | <u>¥30,584</u> |

9. Pledged Assets

Assets pledged as collateral were securities in the amount of ¥13,625 million as of September 30, 2021.

10. Securities Lent under Lending Agreements

The amount of securities lent under lending agreements was ¥262,685 million as of September 30, 2021.

11. Assets with Rights to Sell

The Company has the legal right to sell or collateralize securities borrowed under loan agreements. The market value of these assets that were not sold or pledged as collateral was ¥78,789 million as of September 30, 2021. No assets were pledged as collateral as of September 30, 2021.

12. Commitment Line

As of September 30, 2021, there were unused commitment line agreements under which the Company is the lender of ¥10,768 million.

13. Subordinated Bonds Payable

As of September 30, 2021, bonds payable are subordinated bonds payable, for which the repayments are subordinated to other obligations.

14. Subordinated Loans Payable

As of September 30, 2021, other liabilities included subordinated loans payable of ¥41,000 million, for which the repayments are subordinated to other obligations.

15. 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 were ¥8,260 million as of September 30, 2021. These contributions are charged as operating expenses in the reporting period in which they are paid.

III. Notes to Unaudited Consolidated Statement of Income

1. Investment Income and Expenses

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

| | Millions of Yen |
|--------------------------------------|---------------------------|
| | <u>Six months ended</u> |
| | <u>September 30, 2021</u> |
| Domestic bonds | ¥2,739 |
| Domestic stocks and other securities | 4,076 |
| Foreign securities | 4 |

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

| | Millions of Yen |
|--------------------------------------|---------------------------|
| | <u>Six months ended</u> |
| | <u>September 30, 2021</u> |
| Domestic bonds | ¥ 17 |
| Domestic stocks and other securities | 346 |
| Foreign securities | 552 |

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

| | Millions of Yen |
|--------------------------------------|---------------------------|
| | <u>Six months ended</u> |
| | <u>September 30, 2021</u> |
| Domestic stocks and other securities | ¥4 |

2. Income Tax Expense

The simplified method is applied for tax effect accounting to calculate income tax expense for the interim period ended September 30. Therefore, deferred taxes are included in income taxes.

(6) Consolidated Solvency Margin Ratio

(Millions of Yen)

| | As of March 31, 2021 | As of September 30, 2021 |
|--|----------------------|--------------------------|
| Total solvency margin (A) | 1,054,961 | 1,090,959 |
| Foundation funds and surplus | 343,302 | 358,136 |
| Reserve for price fluctuation | 45,680 | 46,910 |
| Contingency reserve | 62,448 | 62,767 |
| Catastrophe loss reserve | - | - |
| General allowance for possible loan losses | 101 | 178 |
| (Net unrealized gains on available-for-sale securities (before tax effect) and deferred hedge gains (before tax effect)) × 90% (in case of losses: × 100%) | 252,742 | 264,349 |
| Net unrealized gains on land × 85% (in case of losses: × 100%) | 28,681 | 28,319 |
| Sum of unrealized actuarial differences and unrealized past service cost | (1,875) | (1,710) |
| Excess amount of policy reserves based on full-time Zillmer method | 141,363 | 143,510 |
| Qualifying subordinated debt | 167,173 | 166,773 |
| Excess amount of policy reserves based on full-time Zillmer method and qualifying subordinated debt excluded from the calculation of solvency margin | - | - |
| Deduction | - | - |
| Others | 15,343 | 21,725 |
| Total amount of risk $\sqrt{(\sqrt{R_1^2 + R_5^2 + R_8 + R_9})^2 + (R_2 + R_3 + R_7)^2} + R_4 + R_6$ (B) | 212,597 | 211,958 |
| Insurance risk R_1 | 12,613 | 12,360 |
| Ordinary insurance risk R_5 | - | - |
| Disaster insurance risk R_6 | - | - |
| Third sector insurance risk R_8 | 10,446 | 10,663 |
| Small amount short-term insurance provider insurance risk R_9 | - | - |
| Risk of assumed yield R_2 | 69,446 | 68,283 |
| Minimum guarantee risk R_7 | 1,040 | 1,037 |
| Investment risk R_3 | 136,232 | 136,772 |
| Operational risk R_4 | 4,595 | 4,582 |
| Solvency margin ratio (A) / {(1/2) × (B)} × 100 | 992.4% | 1,029.4% |

Notes:

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

(7) Segment information

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