

Financial Results for the Six Months Ended September 30, 2022

Asahi Mutual Life Insurance Company (the “Company”; President: Hiroki Kimura) announces financial results for the six months ended September 30, 2022.

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1. Business Highlights

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

(i) Policies in Force

	As of March 31, 2022		As of September 30, 2022			
	Number of policies (Thousands)	Amount (100 millions of Yen)	Number of policies (Thousands)	Changes (%, Pre-FYE)	Amount (100 millions of Yen)	Changes (%, Pre-FYE)
Individual insurance	7,372	123,289	7,351	99.7	118,892	96.4
Individual annuities	479	19,388	466	97.3	18,839	97.2
Group insurance	-	14,034	-	-	14,127	100.7
Group annuities	-	131	-	-	127	96.9

Notes:

1. 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.
2. Policy amount in force for group annuities is equal to the amount of outstanding policy reserves.
3. Number of policies includes number of each unit with regard to "Hoken-ou", "Hoken-ou Plus", etc.

(ii) New Policies

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

	Six months ended September 30, 2022					
	Number of policies (Thousands)	Changes (%, YoY)	Amount (100 millions of Yen)	Changes (%, YoY)	New policies	Net increase by conversion
Individual insurance	343	87.2	1,005	113.4	1,586	(581)
Individual annuities	-	-	(21)	-	-	(21)
Group insurance	-	-	181	194.6	181	-
Group annuities	-	-	-	-	-	-

Notes:

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

(2) Annualized Premiums

(i) Policies in Force

(100 millions of Yen)

	As of March 31, 2022	As of September 30, 2022	
			Changes (%, Pre-FYE)
Individual insurance	3,830	3,782	98.8
Individual annuities	1,242	1,204	97.0
Total	5,072	4,987	98.3
Third-sector products	2,240	2,236	99.8

(ii) New Policies

(100 millions of Yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022	Changes
			(%, YoY)
Individual insurance	132	103	78.3
Individual annuities	(0)	(0)	–
Total	132	103	78.3
Third-sector products	112	84	74.7

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, 2022		As of September 30, 2022	
	Amount	Percentage	Amount	Percentage
Cash, deposits, call loans	145,376	2.7	100,750	1.9
Monetary claims bought	22,534	0.4	21,281	0.4
Securities	4,539,235	82.9	4,419,166	83.4
Domestic bonds	2,621,140	47.9	2,686,496	50.7
Domestic stocks	464,670	8.5	444,815	8.4
Foreign securities	1,383,693	25.3	1,221,922	23.1
Foreign bonds	1,027,053	18.8	823,168	15.5
Foreign stocks and other foreign securities	356,640	6.5	398,753	7.5
Other securities	69,731	1.3	65,932	1.2
Loans	311,416	5.7	292,608	5.5
Policy loans	32,199	0.6	31,113	0.6
Industrial and consumer loans	279,217	5.1	261,494	4.9
Real estate	363,513	6.6	361,194	6.8
Deferred tax assets	-	-	21,109	0.4
Others	94,397	1.7	80,864	1.5
Allowance for possible loan losses	(550)	(0.0)	(712)	(0.0)
Total	5,475,924	100.0	5,296,263	100.0
Foreign currency-denominated assets	1,489,515	27.2	1,363,916	25.8

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, 2021	Six months ended September 30, 2022
	Amount	Amount
Cash, deposits, call loans	(71)	(44,625)
Monetary claims bought	(1,291)	(1,252)
Securities	(11,304)	(120,068)
Domestic bonds	(35,052)	65,356
Domestic stocks	10,093	(19,855)
Foreign securities	20,199	(161,771)
Foreign bonds	(11,583)	(203,884)
Foreign stocks and other foreign securities	31,782	42,113
Other securities	(6,545)	(3,798)
Loans	(3,203)	(18,808)
Policy loans	(1,542)	(1,085)
Industrial and consumer loans	(1,661)	(17,722)
Real estate	(2,430)	(2,319)
Deferred tax assets	-	21,109
Others	3,978	(13,532)
Allowance for possible loan losses	(35)	(162)
Total	(14,358)	(179,661)
Foreign currency-denominated assets	26,837	(125,599)

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

(3) Investment Income

(Millions of Yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Interest, dividends and other income	60,008	61,896
Interest on deposits	0	0
Interest and dividends on securities	49,363	50,996
Interest on loans	2,078	2,417
Rent revenue from real estate	8,128	8,046
Other interest and dividends	438	436
Gains on sales of securities	6,820	10,764
Gains on sales of domestic bonds	2,739	3,742
Gains on sales of domestic stocks and other securities	4,076	800
Gains on sales of foreign securities	4	6,221
Others	-	-
Gains on redemption of securities	64	98
Gains on derivative financial instruments, net	-	-
Foreign exchange gains, net	139	4,437
Reversal of allowance for possible loan losses	-	-
Other investment income	3,419	3,515
Total	70,452	80,711

(4) Investment Expenses

(Millions of Yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Interest expenses	2,586	1,834
Losses on sales of securities	916	16,913
Losses on sales of domestic bonds	17	2,628
Losses on sales of domestic stocks and other securities	346	577
Losses on sales of foreign securities	552	13,707
Others	-	-
Losses on valuation of securities	4	2
Losses on valuation of domestic bonds	-	-
Losses on valuation of domestic stocks and other securities	4	-
Losses on valuation of foreign securities	-	2
Others	-	-
Losses on redemption of securities	15	466
Losses on derivative financial instruments, net	2,068	8,156
Foreign exchange losses, net	-	-
Provision for allowance for possible loan losses	34	145
Write-offs of loans	0	0
Depreciation of rental real estate and other assets	2,804	2,779
Other investment expenses	6,000	5,578
Total	14,431	35,876

(5) Net Valuation Gains/Losses on Trading Securities

(Millions of Yen)

	As of March 31, 2022		As of September 30, 2022	
	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, 2022					As of September 30, 2022				
	Book value	Fair value	Gains/losses			Book value	Fair value	Gains/losses		
				Gains	Losses				Gains	Losses
Held-to-maturity debt securities	301,647	333,640	31,992	32,001	(8)	293,933	320,619	26,686	26,718	(31)
Policy-reserve-matching bonds	2,028,714	2,159,139	130,424	169,489	(39,065)	2,048,634	2,057,362	8,728	139,444	(130,715)
Stocks of subsidiaries	-	-	-	-	-	-	-	-	-	-
Available-for-sale securities	1,912,317	2,135,750	223,432	300,935	(77,503)	1,850,595	1,975,629	125,034	273,914	(148,880)
Domestic bonds	468,248	467,355	(893)	6,409	(7,302)	523,729	519,283	(4,446)	11,539	(15,985)
Domestic stocks	166,694	413,036	246,341	259,795	(13,453)	170,249	376,912	206,663	221,871	(15,208)
Foreign securities	1,208,339	1,184,814	(23,525)	31,335	(54,860)	1,086,830	1,013,532	(73,298)	39,148	(112,446)
Foreign bonds	904,300	872,053	(32,247)	11,095	(43,342)	747,270	668,168	(79,102)	6,112	(85,214)
Foreign stocks and other foreign securities	304,039	312,761	8,721	20,239	(11,518)	339,559	345,363	5,803	33,035	(27,232)
Other securities	68,202	69,587	1,384	3,271	(1,886)	68,973	64,974	(3,999)	1,239	(5,238)
Monetary claims bought	833	957	123	123	-	811	926	114	114	-
Negotiable certificates of deposit	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-
Total	4,242,680	4,628,529	385,849	502,426	(116,576)	4,193,162	4,353,611	160,449	440,077	(279,628)
Domestic bonds	2,622,033	2,756,333	134,299	180,668	(46,368)	2,690,942	2,699,132	8,190	154,895	(146,705)
Domestic stocks	166,694	413,036	246,341	259,795	(13,453)	170,249	376,912	206,663	221,871	(15,208)
Foreign securities	1,363,339	1,365,318	1,978	56,839	(54,860)	1,241,830	1,189,241	(52,588)	59,858	(112,446)
Foreign bonds	1,059,300	1,052,556	(6,743)	36,599	(43,342)	902,270	843,878	(58,392)	26,822	(85,214)
Foreign stocks and other foreign securities	304,039	312,761	8,721	20,239	(11,518)	339,559	345,363	5,803	33,035	(27,232)
Other securities	68,202	69,587	1,384	3,271	(1,886)	68,973	64,974	(3,999)	1,239	(5,238)
Monetary claims bought	22,410	24,255	1,844	1,852	(8)	21,166	23,350	2,183	2,211	(27)
Negotiable certificates of deposit	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-

Notes:

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

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

(Millions of Yen)

	As of March 31, 2022	As of September 30, 2022
Stocks of subsidiaries	37,377	54,647
Available-for-sale securities	54,874	58,384
Domestic stocks	14,257	13,254
Foreign stocks	11	11
Others	40,605	45,118
Total	92,251	113,031

(Reference)

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

(Millions of Yen)

	As of March 31, 2022					As of September 30, 2022				
	Book value	Fair value	Gains/losses			Book value	Fair value	Gains/losses		
				Gains	Losses				Gains	Losses
Held-to-maturity debt securities	301,647	333,640	31,992	32,001	(8)	293,933	320,619	26,686	26,718	(31)
Policy-reserve-matching bonds	2,028,714	2,159,139	130,424	169,489	(39,065)	2,048,634	2,057,362	8,728	139,444	(130,715)
Stocks of subsidiaries	37,377	37,377	-	-	-	54,647	54,647	-	-	-
Available-for-sale securities	1,967,191	2,194,030	226,838	304,350	(77,512)	1,908,979	2,043,233	134,254	283,145	(148,891)
Domestic bonds	468,248	467,355	(893)	6,409	(7,302)	523,729	519,283	(4,446)	11,539	(15,985)
Domestic stocks	180,951	427,293	246,341	259,795	(13,453)	183,504	390,167	206,663	221,871	(15,208)
Foreign securities	1,248,812	1,228,693	(20,118)	34,750	(54,869)	1,131,000	1,066,922	(64,078)	48,379	(112,458)
Foreign bonds	904,300	872,053	(32,247)	11,095	(43,342)	747,270	668,168	(79,102)	6,112	(85,214)
Foreign stocks and other foreign securities	344,512	356,640	12,128	23,655	(11,527)	383,730	398,753	15,023	42,266	(27,243)
Other securities	68,346	69,731	1,384	3,271	(1,886)	69,932	65,932	(3,999)	1,239	(5,238)
Monetary claims bought	833	957	123	123	-	811	926	114	114	-
Negotiable certificates of deposit	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-
Total	4,334,931	4,724,187	389,255	505,841	(116,585)	4,306,194	4,475,863	169,668	449,308	(279,639)
Domestic bonds	2,622,033	2,756,333	134,299	180,668	(46,368)	2,690,942	2,699,132	8,190	154,895	(146,705)
Domestic stocks	218,328	464,670	246,341	259,795	(13,453)	238,152	444,815	206,663	221,871	(15,208)
Foreign securities	1,403,812	1,409,197	5,384	60,254	(54,869)	1,286,000	1,242,632	(43,368)	69,089	(112,458)
Foreign bonds	1,059,300	1,052,556	(6,743)	36,599	(43,342)	902,270	843,878	(58,392)	26,822	(85,214)
Foreign stocks and other foreign securities	344,512	356,640	12,128	23,655	(11,527)	383,730	398,753	15,023	42,266	(27,243)
Other securities	68,346	69,731	1,384	3,271	(1,886)	69,932	65,932	(3,999)	1,239	(5,238)
Monetary claims bought	22,410	24,255	1,844	1,852	(8)	21,166	23,350	2,183	2,211	(27)
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, 2022			As of September 30, 2022		
	Book value	Fair value	Gains/losses	Book value	Fair value	Gains/losses
Land	220,186	285,692	65,505	219,694	285,490	65,796

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, 2022	As of September 30, 2022
Assets:		
Cash and deposits	35,852	35,318
Call loans	111,000	66,000
Monetary claims bought	22,534	21,281
Securities:	4,565,837	4,444,794
National government bonds	1,669,691	1,668,613
Local government bonds	50,540	54,148
Corporate bonds	907,641	971,331
Domestic stocks	472,584	452,282
Foreign securities	1,395,647	1,232,485
Loans:	311,416	292,608
Policy loans	32,199	31,113
Industrial and consumer loans	279,217	261,494
Tangible fixed assets	368,550	365,585
Intangible fixed assets	28,743	30,458
Agency accounts receivable	11	11
Reinsurance receivables	393	229
Other assets	60,054	45,642
Prepaid pension cost	318	282
Deferred tax assets	–	21,109
Allowance for possible loan losses	(550)	(712)
Total assets	5,504,161	5,322,608

(Millions of Yen)

	As of March 31, 2022	As of September 30, 2022
Liabilities:		
Policy reserves and other reserves:	4,425,731	4,379,859
Reserve for outstanding claims	32,018	36,590
Policy reserves	4,365,068	4,314,092
Reserve for dividends to policyholders	28,644	29,177
Reinsurance payables	752	313
Bonds payable	102,424	102,424
Other liabilities:	375,938	344,067
Income taxes payable	4,474	1,792
Lease obligations	2,194	1,705
Asset retirement obligations	914	918
Others	368,354	339,651
Reserve for employees' retirement benefits	29,847	29,544
Reserve for price fluctuation	48,210	49,470
Deferred tax liabilities	3,622	–
Deferred tax liabilities for land revaluation	15,711	15,591
Total liabilities	5,002,238	4,921,271
Net assets:		
Foundation funds	91,000	51,000
Reserve for redemption of foundation funds	166,000	206,000
Reserve for revaluation	281	281
Surplus:	117,444	85,019
Reserve for future losses	347	366
Other surplus:	117,097	84,653
Reserve for fund redemption	53,500	22,600
Equalized reserve for dividends to policyholders	6,983	7,093
Unappropriated surplus (loss)	56,614	54,960
Total foundation funds and others	374,726	342,301
Net unrealized gains (losses) on available-for-sale securities, net of tax	173,936	106,083
Land revaluation differences	(46,739)	(47,047)
Total valuation and translation adjustments	127,197	59,036
Total net assets	501,923	401,337
Total liabilities and net assets	5,504,161	5,322,608

4. Unaudited Non-consolidated Statements of Income

(Millions of Yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Ordinary income:	297,802	325,510
Premium and other income:	192,500	188,630
Insurance premiums	191,636	188,073
Investment income:	71,818	80,711
Interest, dividends and other income	60,008	61,896
Gains on sales of securities	6,820	10,764
Investment gains on separate accounts	1,365	-
Other ordinary income	33,484	56,168
Ordinary expenses:	271,460	307,429
Claims and other payments:	183,528	197,201
Claims	53,257	53,258
Annuities	55,666	52,991
Benefits	33,516	48,606
Surrender benefits	38,700	40,117
Other payments	1,261	1,237
Provision for policy reserves and other reserves:	5	4,573
Provision for reserve for outstanding claims	4	4,571
Provision for interest on policyholders' dividend reserves	1	1
Investment expenses:	14,431	36,826
Interest expenses	2,586	1,834
Losses on sales of securities	916	16,913
Losses on valuation of securities	4	2
Losses on derivative financial instruments	2,068	8,156
Investment losses on separate accounts	-	949
Operating expenses	56,901	52,214
Other ordinary expenses	16,592	16,613
Ordinary profit	26,342	18,080
Extraordinary gains	340	242
Extraordinary losses	1,916	1,908
Surplus before income taxes	24,767	16,415
Income taxes including deferred taxes	5,491	2,987
Total income taxes	5,491	2,987
Net surplus	19,276	13,427

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

Six months ended September 30, 2021

(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	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

Six months ended September 30, 2022

(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
					Other surplus			Total surplus	
					Reserve for fund redemption	Equalized reserve for dividends to policyholders	Unappropriated surplus (loss)		
Beginning balance	91,000	166,000	281	347	53,500	6,983	56,614	117,444	374,726
Changes in the interim period:									
Additions to reserve for dividends to policyholders							(2,121)	(2,121)	(2,121)
Additions to reserve for future losses				19			(19)		
Additions to reserve for redemption of foundation funds		40,000			(40,000)			(40,000)	
Payment of interest on foundation funds							(4,040)	(4,040)	(4,040)
Net surplus							13,427	13,427	13,427
Redemption of foundation funds	(40,000)								(40,000)
Additions to reserve for fund redemption					9,100		(9,100)		
Additions to equalized reserve for dividends to policyholders						110	(110)		
Reversal of land revaluation differences							308	308	308
Net changes, excluding foundation funds and others									
Net changes in the interim period	(40,000)	40,000	-	19	(30,900)	110	(1,654)	(32,425)	(32,425)
Ending balance	51,000	206,000	281	366	22,600	7,093	54,960	85,019	342,301

	Valuation and translation adjustments			Total net assets
	Net unrealized gains (losses) on available-for-sale securities, net of tax	Land revaluation differences	Total valuation and translation adjustments	
Beginning balance	173,936	(46,739)	127,197	501,923
Changes in the interim period:				
Additions to reserve for dividends to policyholders				(2,121)
Additions to reserve for future losses				
Additions to reserve for redemption of foundation funds				
Payment of interest on foundation funds				(4,040)
Net surplus				13,427
Redemption of foundation funds				(40,000)
Additions to reserve for fund redemption				
Additions to equalized reserve for dividends to policyholders				
Reversal of land revaluation differences				308
Net changes, excluding foundation funds and others	(67,852)	(308)	(68,160)	(68,160)
Net changes in the interim period	(67,852)	(308)	(68,160)	(100,586)
Ending balance	106,083	(47,047)	59,036	401,337

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).

(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 "borrowers with high possibility of bankruptcy"), the Company provides the amounts deemed as necessary considering the borrowers' ability to pay, within the amounts after deductions of the amount expected to be collected through the disposal of collateral or the execution of guarantees.
- iii) For credit to borrowers other than the above, the Company provides the amounts calculated by multiplying the book value by the actual ratio of bad debt losses on defaults during a certain past period.

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

For credit to legally bankrupt borrowers and substantially bankrupt borrowers, the amounts remaining after deductions of collateral value or the amounts collectible through the execution of guarantees are written-off directly from the book value as the estimated uncollectible amounts. The amount written-off was ¥6 million as of September 30, 2022.

(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 “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, revised on June 17, 2021) from the reporting period ended September 30, 2022.

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

3. Group Tax Sharing System

The Company has applied the group tax sharing system with the Company as the parent company for group tax sharing purposes from the reporting period ended September 30, 2022. As a result, the Company has applied the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (ASBJ PITF No.42, issued on August 12, 2021) to the accounting and disclosure treatment of corporate tax, local corporate tax and tax effect accounting.

4. Financial Instruments

The balance sheet amounts, fair values and the differences between those of major financial assets and liabilities as of September 30, 2022 were as follows. The following table does not include cash and deposits, call loans and payables under securities borrowing transactions which are mostly settled in a short term and their fair values approximate their book values.

	Millions of Yen		
	As of September 30, 2022		
	Balance Sheet Amount	Fair Value	Difference
Monetary claims bought	¥ 21,281	¥ 23,350	¥ 2,069
Held-to-maturity debt securities	20,355	22,424	2,069
Available-for-sale securities	926	926	-
Securities	4,322,542	4,355,888	33,345
Trading securities	25,627	25,627	-
Held-to-maturity debt securities	273,578	298,195	24,617
Policy-reserve-matching bonds	2,048,634	2,057,362	8,728
Available-for-sale securities	1,974,702	1,974,702	-
Loans	292,608	297,621	5,013
Policy loans	31,113	31,113	-
Industrial and consumer loans	261,494	266,508	5,013
Total assets	4,636,432	4,676,860	40,427
Bonds payable	102,424	99,046	(3,377)
Loans payable	44,000	45,295	1,295
Total liabilities	146,424	144,342	(2,081)
Derivative financial instruments	(18,846)	(18,846)	-
Hedge accounting not applied	(1,805)	(1,805)	-
Hedge accounting applied	(17,040)	(17,040)	-

*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 ¥67,915 million as of September 30, 2022.

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

Investments in partnerships and others for which the treatments are applied in accordance with Paragraph 24-16 of “Implementation Guidance on Accounting Standard for Fair Value Measurement” are not included in the table above. The amount of the investments in partnerships and others, reported in the interim non-consolidated balance sheet was ¥54,336 million as of September 30, 2022.

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

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

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

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

Level 3: Fair values measured by significant unobservable inputs

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

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

	Millions of Yen			
	As of September 30, 2022			
	Fair Value			
	Level 1	Level 2	Level 3	Total
Monetary claims bought	¥ -	¥ -	¥ 926	¥ 926
Available-for-sale securities	-	-	926	926
Securities *1	585,275	1,201,905	64,211	1,851,391
Trading securities	23,538	2,089	-	25,627
National government bonds and local government bonds	6,307	-	-	6,307
Corporate bonds	-	1,289	-	1,289
Domestic stocks	7,467	-	-	7,467
Foreign stocks	6,923	-	-	6,923
Foreign bonds	2,840	799	-	3,639
Available-for-sale securities	561,737	1,199,815	64,211	1,825,764
National government bonds and local government bonds	35,761	6,207	-	41,968
Corporate bonds	-	477,314	-	477,314
Domestic stocks	376,912	-	-	376,912
Foreign bonds	64,494	539,463	64,211	668,168
Others	84,568	176,830	-	261,399
Total assets	585,275	1,201,905	65,137	1,852,318
Derivative financial instruments *2	-	(20,256)	1,409	(18,846)
Currency-related	-	(20,256)	-	(20,256)
Stock-related	-	-	1,409	1,409

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

The amount of the investment trusts for which the treatments are applied in accordance with Paragraph 24-3 of the implementation guidance, reported in the interim non-consolidated balance sheet was ¥143,760 million as of September 30, 2022. The amount of the investment trusts for which the treatments are applied in accordance with Paragraph 24-9 of the implementation guidance, reported in the interim non-consolidated balance sheet was ¥5,178 million as of September 30, 2022.

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

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

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

	<u>Millions of Yen</u>	
	<u>Six months ended</u>	
	<u>September 30, 2022</u>	
Beginning balance	¥	121,141
Gains (losses) and net unrealized gains (losses) on available-for-sale securities, net of tax recorded for the interim period:		13,686
Gains (losses) recorded for the interim period *		1,027
Net unrealized gains (losses) on available-for-sale securities, net of tax recorded for the interim period		12,658
Net amount of purchase, sale, and redemption		8,932
Amount of investment trusts whose NAV is deemed as market value		-
Amount of investment trusts whose NAV is not deemed as market value		-
Ending balance		<u>143,760</u>
Net unrealized gains (losses) on investment trusts held at the balance sheet date among the amount recorded to gains (losses) for the interim period *		<u>1,027</u>

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

b) Breakdown of balance by restriction on cancellation as of the end of interim period

	<u>Millions of Yen</u>	
	<u>As of September 30,</u>	
	<u>2022</u>	
Investment trusts which need more than 1 month to cancel from the notification of cancellation	¥	50,807
Other than above		92,952

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

	<u>Millions of Yen</u>	
	<u>Six months ended</u>	
	<u>September 30, 2022</u>	
	¥	5,104
Beginning balance		
Gains (losses) and net unrealized gains (losses) on available-for-sale securities, net of tax recorded for the interim period:		74
Gains (losses) recorded for the interim period *		-
Net unrealized gains (losses) on available-for-sale securities, net of tax recorded for the interim period		74
Net amount of purchase, sale, and redemption		(0)
Amount of investment trusts whose NAV is deemed as market value		-
Amount of investment trusts whose NAV is not deemed as market value		-
Ending balance		<u>5,178</u>
Net unrealized gains (losses) on investment trusts held at the balance sheet date among the amount recorded to gains (losses) for the interim period *		<u>-</u>

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

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

		Millions of Yen			
		As of September 30, 2022			
		Fair Value			
		Level 1	Level 2	Level 3	Total
Monetary claims bought	¥	-	¥ 21,945	¥ 478	¥ 22,424
Held-to-maturity debt securities		-	21,945	478	22,424
Securities		1,667,307	512,540	175,709	2,355,558
Held-to-maturity debt securities		36,592	85,893	175,709	298,195
National government bonds and local government bonds		36,592	-	-	36,592
Corporate bonds		-	85,893	-	85,893
Foreign bonds		-	-	175,709	175,709
Policy-reserve-matching bonds		1,630,715	426,647	-	2,057,362
National government bonds and local government bonds		1,630,715	46,261	-	1,676,976
Corporate bonds		-	380,386	-	380,386
Loans		-	-	297,621	297,621
Policy loans		-	-	31,113	31,113
Industrial and consumer loans		-	-	266,508	266,508
Total assets		1,667,307	534,486	473,809	2,675,603
Bonds payable		-	99,046	-	99,046
Loans payable		-	-	45,295	45,295
Total liabilities		-	99,046	45,295	144,342

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

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

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

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

ii) Loans

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

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

iii) Bonds payable

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

iv) Loans payable

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

v) Derivative financial instruments

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

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

(4) Quantitative information about financial assets and liabilities measured and stated in the 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, 2022	Millions of Yen			
	Monetary claims bought	Securities		Derivative financial instruments
	Available-for- sale securities	Available-for- sale securities	Total (i) + (ii)	
	Others (i)	Foreign bonds (ii)		Stock-related
Beginning balance	¥ 957	¥ 29,482	¥ 30,440	¥ 270
Gains (losses) and net unrealized gains (losses) on available-for-sale securities, net of tax recorded for the interim period:				
Gains (losses) recorded for the interim period *1	(19)	(1,816)	(1,835)	(329)
Net unrealized gains (losses) on available-for-sale securities, net of tax recorded for the interim period	(9)	(2,364)	(2,373)	-
Net amount of purchase, sale, issue, and settlement	(11)	-	(11)	1,469
Transfer to fair values of Level 3 *2	-	41,541	41,541	-
Transfer from fair values of Level 3 *3	-	(4,997)	(4,997)	-
Ending balance	926	64,211	65,137	1,409
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	-	548	548	(329)

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

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

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

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.

6. Investments and Rental Properties

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

7. Securities Lent under Lending Agreements

The amount of securities lent under lending agreements was ¥247,832 million as of September 30, 2022.

8. Claims

The total amount of claims against bankrupt and quasi-bankrupt obligors, claims with collection risk, delinquent loans three or more months past due and restructured loans, which were included in claims, was ¥581 million as of September 30, 2022.

- i) Claims against bankrupt and quasi-bankrupt obligors were ¥431 million as of September 30, 2022.
- ii) Claims with collection risk were ¥50 million as of September 30, 2022.
- iii) Delinquent loans three or more months past due were ¥80 million as of September 30, 2022.
- iv) Restructured loans were ¥20 million as of September 30, 2022.

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

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

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

Restructured loans are loans for which certain concessions favorable to borrowers, such as

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

The direct write-offs related to claims decreased the amount of claims against bankrupt and quasi-bankrupt obligors described above by ¥6 million as of September 30, 2022.

9. Separate Accounts

Total assets in separate accounts provided for in Article 118 of the Insurance Business Act were ¥26,286 million as of September 30, 2022. The amounts of separate account liabilities were the same as separate account assets.

10. Reserve for Dividends to Policyholders

The change in reserve for dividends to policyholders for the interim period ended September 30, 2022 was as follows:

	Millions of Yen
	Six months ended September 30, 2022
Balance at the beginning of the interim period	¥ 28,644
Transfer to reserve from surplus in the previous fiscal year	2,121
Dividends to policyholders paid out during the interim period	1,590
Increase in interest	1
Balance at the end of the interim period	¥ 29,177

11. Stocks of Subsidiaries and Affiliates

The amount of stocks of subsidiaries and affiliates the Company held was ¥54,647 million as of September 30, 2022.

The Company provided capital of ¥8,000 million to Nanairo Life Insurance Co., Ltd. on November 11, 2022.

12. Pledged Assets

Assets pledged as collateral were securities in the amount of ¥16,137 million as of September 30, 2022.

13. Policy Reserves for the Reinsurance Contracts

Reserve for outstanding claims for the reinsurance contracts provided in accordance with Article 73, Paragraph 3 of the Enforcement Regulation of the Insurance Business Act which applies mutatis mutandis to Article 71, Paragraph 1 of the Enforcement Regulation of the

Insurance Business Act (hereinafter “reserve for outstanding claims for ceded reinsurance”) was ¥12 million as of September 30, 2022.

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 ¥281 million as of September 30, 2022.

14. Redemption of Foundation funds

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

15. Assets with Rights to Sell

The Company has the legal right to sell or collateralize securities borrowed under loan agreements. The market value of these assets that were not sold or pledged as collateral was ¥16,935 million as of September 30, 2022. No assets were pledged as collateral as of September 30, 2022.

16. Commitment Line

As of September 30, 2022, there were unused commitment line agreements under which the Company is the lender of ¥12,466 million.

17. Subordinated Bonds Payable

As of September 30, 2022, bonds payable are subordinated bonds payable, for which the repayments are subordinated to other obligations.

18. Subordinated Loans Payable

As of September 30, 2022, other liabilities included subordinated loans payable of ¥44,000 million, for which the repayments are subordinated to other obligations.

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:

	<u>Millions of Yen</u>	
	Six months ended	
	September 30,	
	<u>2022</u>	
Domestic bonds	¥	3,742
Domestic stocks and other securities		800
Foreign securities		6,221

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

	<u>Millions of Yen</u>	
	Six months ended	
	September 30,	
	<u>2022</u>	
Domestic bonds	¥	2,628
Domestic stocks and other securities		577
Foreign securities		13,707

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

	<u>Millions of Yen</u>	
	Six months ended	
	September 30,	
	<u>2022</u>	
Foreign securities	¥	2

2. Policy Reserves for the Reinsurance Contracts

Provision for reserve for outstanding claims for ceded reinsurance, which was deducted in calculating provision for reserve for outstanding claims for the interim period ended September 30, 2022 was ¥3 million.

Reversal of policy reserves for ceded reinsurance, which was deducted in calculating reversal of policy reserves for the interim period ended September 30, 2022 was ¥92 million.

3. Interest and Dividend Income

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

	<u>Millions of Yen</u>
	<u>Six months ended</u>
	<u>September 30, 2022</u>
Interest on deposits	¥ 0
Interest and dividends on securities	50,996
Interest on loans	2,417
Rent revenue from real estate	8,046
Other interest and dividends	<u>436</u>
Total	<u><u>61,896</u></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, 2021	Six months ended September 30, 2022
Fundamental profit	A	18,147	7,895
Capital gains		11,477	19,944
Gains on money held in trust		-	-
Gains on trading securities		-	-
Gains on sales of securities		6,820	10,764
Gains on derivative financial instruments		-	-
Foreign exchange gains		139	4,437
Other capital gains		4,517	4,743
Capital losses		3,005	25,538
Losses on money held in trust		-	-
Losses on trading securities		-	-
Losses on sales of securities		916	16,913
Losses on valuation of securities		4	2
Losses on derivative financial instruments		2,068	8,156
Foreign exchange losses		-	-
Other capital losses		15	466
Net capital gains (losses)	B	8,471	(5,594)
Fundamental profit plus net capital gains (losses)	A+B	26,619	2,301
Other one-time gains		42	15,879
Reinsurance revenue		-	-
Reversal of contingency reserve		-	15,879
Reversal of specific allowance for possible loan losses		42	-
Others		-	-
Other one-time losses		319	100
Reinsurance premiums		-	-
Provision for contingency reserve		319	-
Provision for specific allowance for possible loan losses		-	100
Provision for allowance for specified overseas loans		-	-
Write-offs of loans		0	0
Others		-	-
Net other one-time gains (losses)	C	(276)	15,779
Ordinary profit	A+B+C	26,342	18,080

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

(Reference) Breakdown of "other" items

(Millions of Yen)

		Six months ended September 30, 2021	Six months ended September 30, 2022
Fundamental profit		(4,501)	(4,276)
Hedging costs related to foreign exchange		(1,748)	(2,849)
Gains (losses) on cancellation of investment trusts		(2,704)	(1,794)
Gains (losses) on redemption of securities caused by foreign exchange fluctuation		(48)	368
Other capital gains		4,517	4,743
Hedging costs related to foreign exchange		1,748	2,849
Gains on cancellation of investment trusts		2,704	1,794
Gains on redemption of securities caused by foreign exchange fluctuation		64	98
Other capital losses		15	466
Hedging costs related to foreign exchange		-	-
Losses on cancellation of investment trusts		-	-
Losses on redemption of securities caused by foreign exchange fluctuation		15	466

7. Disclosed Claims Based on Insurance Business Act

(Millions of Yen, %)

	As of March 31, 2022	As of September 30, 2022
Claims against bankrupt and quasi-bankrupt obligors	453	431
Claims with collection risk	70	50
Delinquent loans three or more months past due	66	80
Restructured loans	20	20
Subtotal	609	581
(Percentage of total)	(0.11)	(0.11)
Claims against normal obligors	530,361	541,228
Total	530,971	541,809

Notes:

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

8. Solvency Margin Ratio

(Millions of Yen)

		As of March 31, 2022	As of September 30, 2022
Total solvency margin	(A)	1,009,231	874,557
Foundation funds and surplus		368,564	340,078
Reserve for price fluctuation		48,210	49,470
Contingency reserve		77,889	62,009
General allowance for possible loan losses		286	331
(Net unrealized gains on available-for-sale securities (before tax effect) and deferred hedge gains (before tax effect)) × 90% (in case of losses: × 100%)		204,154	120,828
Net unrealized gains on land × 85% (in case of losses: × 100%)		29,306	29,189
Excess amount of policy reserves based on full-time Zillmer method		145,556	146,684
Qualifying subordinated debt		141,424	146,424
Excess amount of policy reserves based on full-time Zillmer method and qualifying subordinated debt excluded from the calculation of solvency margin		-	-
Deduction		(25,000)	(42,000)
Others		18,839	21,540
Total amount of risk	$\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$ (B)	211,372	209,058
Insurance risk	R_1	12,078	11,835
Third sector insurance risk	R_8	10,727	10,798
Risk of assumed yield	R_2	66,749	65,587
Minimum guarantee risk	R_7	1,027	1,021
Investment risk	R_3	137,767	136,675
Operational risk	R_4	4,567	4,518
Solvency margin ratio	$(A) / \{(1/2) \times (B)\} \times 100$	954.9%	836.6%

Notes:

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

9. Status of Separate Account

(1) Separate Account Assets by Products

(Millions of Yen)

	As of March 31, 2022	As of September 30, 2022
	Amount	Amount
Individual variable insurance	28,175	26,286
Individual variable annuities	-	-
Group annuity products	-	-
Total	28,175	26,286

(2) Sum Insured of Policies in Force

	As of March 31, 2022		As of September 30, 2022	
	Number of policies (Thousands)	Amount (Millions of Yen)	Number of policies (Thousands)	Amount (Millions of Yen)
Individual variable insurance (fixed term)	-	-	-	-
Individual variable insurance (whole life)	12	86,879	12	85,472
Total	12	86,879	12	85,472

	As of March 31, 2022		As of September 30, 2022	
	Number of policies (Thousands)	Amount (Millions of Yen)	Number of policies (Thousands)	Amount (Millions of Yen)
Individual variable annuities	-	-	-	-
Total	-	-	-	-

10. Status of the Company, Subsidiaries and Affiliates

(1) Selected Financial Data

(Millions of Yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Ordinary income	299,953	343,479
Ordinary profit	24,643	13,986
Net surplus attributable to the Parent Company	17,581	10,968
Comprehensive income	26,460	(56,608)

(Millions of Yen)

	As of March 31, 2022	As of September 30, 2022
Total assets	5,502,292	5,321,803
Solvency margin ratio	982.2%	876.3%

(2) Unaudited Consolidated Balance Sheets

(Millions of Yen)

	As of March 31, 2022	As of September 30, 2022
Assets:		
Cash and deposits	47,030	49,798
Call loans	111,000	66,000
Monetary claims bought	22,534	21,281
Securities	4,536,365	4,398,619
Loans	311,416	292,608
Tangible fixed assets	369,142	366,133
Intangible fixed assets	33,255	35,062
Agency accounts receivable	11	11
Reinsurance receivables	6,788	16,727
Other assets	64,605	52,383
Net defined benefit assets	524	484
Deferred tax assets	168	23,406
Allowance for possible loan losses	(550)	(712)
Total assets	5,502,292	5,321,803
Liabilities:		
Policy reserves and other reserves:	4,426,229	4,382,928
Reserve for outstanding claims	32,025	38,414
Policy reserves	4,365,560	4,315,336
Reserve for dividends to policyholders	28,644	29,177
Reinsurance payables	776	382
Bonds payable	102,424	102,424
Other liabilities	378,694	347,057
Net defined benefit liabilities	32,852	32,288
Reserve for price fluctuation	48,210	49,470
Deferred tax liabilities	2,913	-
Deferred tax liabilities for land revaluation	15,711	15,591
Total liabilities	5,007,812	4,930,144
Net assets:		
Foundation funds	91,000	51,000
Reserve for redemption of foundation funds	166,000	206,000
Reserve for revaluation	281	281
Consolidated surplus	111,982	77,097
Total foundation funds and others	369,264	334,379
Net unrealized gains (losses) on available-for-sale securities, net of tax	173,938	106,085
Land revaluation differences	(46,739)	(47,047)
Accumulated remeasurements of defined benefit plans	(2,077)	(1,826)
Total accumulated other comprehensive income	125,121	57,210
Non-controlling interests	94	69
Total net assets	494,480	391,659
Total liabilities and net assets	5,502,292	5,321,803

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

(Unaudited Consolidated Statements of Income)

(Millions of Yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Ordinary income:	299,953	343,479
Premium and other income	192,500	205,245
Investment income:	71,587	80,307
Interest, dividends and other income	59,793	61,521
Gains on sales of securities	6,820	10,764
Investment gains on separate accounts	1,365	-
Other ordinary income	35,864	57,925
Ordinary expenses:	275,309	329,492
Claims and other payments:	183,528	201,627
Claims	53,257	53,258
Annuities	55,666	52,991
Benefits	33,516	49,680
Surrender benefits	38,700	40,117
Other payments	1,261	1,250
Provision for policy reserves and other reserves:	5	6,391
Provision for reserve for outstanding claims	4	6,389
Provision for interest on policyholders' dividend reserves	1	1
Investment expenses:	14,431	36,826
Interest expenses	2,586	1,834
Losses on sales of securities	916	16,913
Losses on valuation of securities	4	2
Losses on derivative financial instruments	2,068	8,156
Investment losses on separate accounts	-	949
Operating expenses	60,589	66,250
Other ordinary expenses	16,754	18,396
Ordinary profit	24,643	13,986
Extraordinary gains	340	242
Extraordinary losses	1,916	1,908
Surplus before income taxes	23,067	12,320
Income taxes including deferred taxes	5,461	1,325
Total income taxes	5,461	1,325
Net surplus	17,606	10,994
Net surplus attributable to non-controlling interests	24	26
Net surplus attributable to the Parent Company	17,581	10,968

(Unaudited Consolidated Statements of Comprehensive Income)

(Millions of Yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Net surplus	17,606	10,994
Other comprehensive income:	8,854	(67,602)
Net unrealized gains (losses) on available-for-sale securities, net of tax	8,689	(67,853)
Remeasurements of defined benefit plans	164	250
Comprehensive income:	26,460	(56,608)
Comprehensive income attributable to the Parent Company	26,435	(56,634)
Comprehensive income attributable to non-controlling interests	24	26

(4) Unaudited Consolidated Statements of Cash Flows

(Millions of Yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
I. Cash flows from operating activities		
Surplus before income taxes	23,067	12,320
Depreciation of rental real estate and other assets	2,804	2,779
Depreciation	5,921	6,889
Impairment losses	273	464
Increase (decrease) in reserve for outstanding claims	4	6,389
Increase (decrease) in policy reserves	(27,982)	(50,223)
Provision for interest on policyholders' dividend reserves	1	1
Increase (decrease) in allowance for possible loan losses	34	145
Increase (decrease) in net defined benefit liabilities	(304)	(302)
Increase (decrease) in reserve for price fluctuation	1,230	1,260
Interest, dividends and other income	(59,793)	(61,521)
(Gains) losses on securities	(7,313)	7,469
(Gains) losses on derivative financial instruments	2,068	8,156
Interest expenses	2,586	1,834
Foreign exchange (gains) losses, net	(139)	(4,439)
(Gains) losses on tangible fixed assets	(302)	(226)
Others, net	4,056	(1,114)
Subtotal	(53,786)	(70,118)
Interest, dividends and other income received	63,294	63,996
Interest paid	(2,766)	(1,987)
Dividends to policyholders paid	(1,620)	(1,590)
Income taxes (paid) refunded	(6,738)	(5,632)
Net cash provided by (used in) operating activities	(1,618)	(15,331)
II. Cash flows from investing activities		
Proceeds from sales and redemptions of monetary claims bought	1,293	1,232
Purchases of securities	(156,314)	(396,440)
Proceeds from sales and redemptions of securities	186,079	490,938
Disbursements for loans	(28,249)	(20,239)
Proceeds from collections of loans	31,453	43,270
Proceeds from derivative financial instruments	(22,187)	(135,022)
Increase (decrease) in payables under securities borrowing transactions	317	40,024
① Total of investing activities	12,391	23,762
[I + ①]	10,773	8,430
Purchases of tangible fixed assets	(4,029)	(3,048)
Proceeds from sales of tangible fixed assets	1,679	507
Others, net	(4,724)	(6,541)
Net cash provided by (used in) investing activities	5,317	14,680
III. Cash flows from financing activities		
Proceeds from debt borrowing	-	5,000
Redemption of debt borrowing	-	(2,000)
Redemption of foundation funds	-	(40,000)
Payment of interest on foundation funds	(4,089)	(4,040)
Dividends paid to non-controlling interests	(36)	(51)
Others, net	(376)	(489)
Net cash provided by (used in) financing activities	(4,501)	(41,580)
IV. Net increase (decrease) in cash and cash equivalents	(802)	(42,231)
V. Cash and cash equivalents at the beginning of the interim period	157,149	158,030
VI. Cash and cash equivalents at the end of the interim period	156,347	115,798

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, 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

Six months ended September 30, 2022

(Millions of Yen)

	Foundation funds and others				
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Consolidated surplus	Total foundation funds and others
Beginning balance	91,000	166,000	281	111,982	369,264
Changes in the interim period:					
Additions to reserve for dividends to policyholders				(2,121)	(2,121)
Additions to reserve for redemption of foundation funds		40,000		(40,000)	
Payment of interest on foundation funds				(4,040)	(4,040)
Net surplus attributable to the Parent Company				10,968	10,968
Redemption of foundation funds	(40,000)				(40,000)
Reversal of land revaluation differences				308	308
Net changes, excluding foundation funds and others					
Net changes in the interim period	(40,000)	40,000	-	(34,884)	(34,884)
Ending balance	51,000	206,000	281	77,097	334,379

	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 rereasurements of defined benefit plans	Total accumulated other comprehensive income		
Beginning balance	173,938	(46,739)	(2,077)	125,121	94	494,480
Changes in the interim period:						
Additions to reserve for dividends to policyholders						(2,121)
Additions to reserve for redemption of foundation funds						
Payment of interest on foundation funds						(4,040)
Net surplus attributable to the Parent Company						10,968
Redemption of foundation funds						(40,000)
Reversal of land revaluation differences						308
Net changes, excluding foundation funds and others	(67,853)	(308)	250	(67,911)	(25)	(67,936)
Net changes in the interim period	(67,853)	(308)	250	(67,911)	(25)	(102,821)
Ending balance	106,085	(47,047)	(1,826)	57,210	69	391,659

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, 2022 are listed below:

Info Techno Asahi Co., Ltd.

Asahi Life Asset Management Co., Ltd.

Asahi Natixis Investment Managers Co., Ltd.

Nanairo Life Insurance Co., Ltd.

The 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).

(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 “borrowers with high possibility of bankruptcy”), the Company provides the amounts deemed as necessary considering the borrowers’ ability to pay, within the amounts after deductions of the amount expected to be collected through the disposal of collateral or the execution of guarantees.
- iii) For credit to borrowers other than the above, the Company provides the amounts calculated by multiplying the book value by the actual ratio of bad debt losses on defaults during a certain past period.

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

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

For credit to legally bankrupt borrowers and substantially bankrupt borrowers, the amounts remaining after deductions of collateral value or the amounts collectible through the execution of guarantees are written-off directly from the book value as the estimated uncollectible amounts. The amount written-off was ¥6 million as of September 30, 2022.

(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) Reinsurance revenue

Reinsurance revenue is recorded as reinsurance claims and others received based on the proportion ceded in reinsurance and others stipulated in the reinsurance contracts in the reporting period when the income and expenditure for ceded insurance policies (hereinafter "reinsurance ceded") are recorded.

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

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

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

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

(15) Reinsurance premiums

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

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

(16) Policy reserves

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

(17) 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 "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, revised on June 17, 2021) from the reporting period ended September 30, 2022.

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

3. Group Tax Sharing System

The Company and part of its subsidiaries have applied the group tax sharing system with the Company as the parent company for group tax sharing purposes from the reporting period ended September 30, 2022. As a result, the Company has applied the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (ASBJ PITF No.42, issued

on August 12, 2021) to the accounting and disclosure treatment of corporate tax, local corporate tax and tax effect accounting.

4. Financial Instruments

The balance sheet amounts, fair values and the differences between those of major financial assets and liabilities as of September 30, 2022 were as follows. The following table does not include cash and deposits, call loans and payables under securities borrowing transactions which are mostly settled in a short term and their fair values approximate their book values.

	Millions of Yen		
	As of September 30, 2022		
	Balance Sheet Amount	Fair Value	Difference
Monetary claims bought	¥ 21,281	¥ 23,350	¥ 2,069
Held-to-maturity debt securities	20,355	22,424	2,069
Available-for-sale securities	926	926	-
Securities	4,322,557	4,355,903	33,345
Trading securities	25,627	25,627	-
Held-to-maturity debt securities	273,578	298,195	24,617
Policy-reserve-matching bonds	2,048,634	2,057,362	8,728
Available-for-sale securities	1,974,717	1,974,717	-
Loans	292,608	297,621	5,013
Policy loans	31,113	31,113	-
Industrial and consumer loans	261,494	266,508	5,013
Total assets	4,636,447	4,676,875	40,427
Bonds payable	102,424	99,046	(3,377)
Loans payable	44,000	45,295	1,295
Total liabilities	146,424	144,342	(2,081)
Derivative financial instruments	(18,846)	(18,846)	-
Hedge accounting not applied	(1,805)	(1,805)	-
Hedge accounting applied	(17,040)	(17,040)	-

* 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 ¥21,725 million as of September 30, 2022.

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

Investments in partnerships and others for which the treatments are applied in accordance with Paragraph 24-16 of “Implementation Guidance on Accounting Standard for Fair Value Measurement” are not included in the table above. The amount of the investments in partnerships and others, reported in the interim consolidated balance sheet was ¥54,336 million as of September 30, 2022.

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

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

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

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

Level 3: Fair values measured by significant unobservable inputs

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

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

	Millions of Yen							
	As of September 30, 2022							
	Fair Value							
	Level 1	Level 2	Level 3	Total				
Monetary claims bought	¥	–	¥	–	¥	926	¥	926
Available-for-sale securities		–	–	926		926		926
Securities *1		585,275	1,201,919	64,211		1,851,406		
Trading securities		23,538	2,089	–		25,627		
National government bonds and local government bonds		6,307	–	–		6,307		
Corporate bonds		–	1,289	–		1,289		
Domestic stocks		7,467	–	–		7,467		
Foreign stocks		6,923	–	–		6,923		
Foreign bonds		2,840	799	–		3,639		
Available-for-sale securities		561,737	1,199,830	64,211		1,825,778		
National government bonds and local government bonds		35,761	6,207	–		41,968		
Corporate bonds		–	477,314	–		477,314		
Domestic stocks		376,912	–	–		376,912		
Foreign bonds		64,494	539,463	64,211		668,168		
Others		84,568	176,844	–		261,413		
Total assets		585,275	1,201,919	65,137		1,852,332		
Derivative financial instruments *2		–	(20,256)	1,409		(18,846)		
Currency-related		–	(20,256)	–		(20,256)		
Stock-related		–	–	1,409		1,409		

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

The amount of the investment trusts for which the treatments are applied in accordance with Paragraph 24-3 of the implementation guidance, reported in the interim consolidated balance sheet was ¥143,760 million as of September 30, 2022. The amount of the investment trusts for which the treatments are applied in accordance with Paragraph 24-9 of the implementation guidance, reported in the interim consolidated balance sheet was ¥5,178 million as of September 30, 2022.

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

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

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

	<u>Millions of Yen</u>	
	<u>Six months ended</u>	
	<u>September 30, 2022</u>	
Beginning balance	¥	121,141
Gains (losses) and other comprehensive income for the interim period:		13,686
Gains (losses) recorded for the interim period *1		1,027
Other comprehensive income recorded for the interim period *2		12,658
Net amount of purchase, sale, and redemption		8,932
Amount of investment trusts whose NAV is deemed as market value		-
Amount of investment trusts whose NAV is not deemed as market value		-
Ending balance		<u>143,760</u>
Net unrealized gains (losses) on investment trusts held at the balance sheet date among the amount recorded to gains (losses) for the interim period *1		<u><u>1,027</u></u>

- *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.

- b) Breakdown of balance by restriction on cancellation as of the end of interim period

	<u>Millions of Yen</u>	
	<u>As of September 30,</u>	
	<u>2022</u>	
Investment trusts which need more than 1 month to cancel from the notification of cancellation	¥	50,807
Other than above		92,952

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

	<u>Millions of Yen</u>	
	<u>Six months ended</u>	
	<u>September 30, 2022</u>	
Beginning balance	¥	5,104
Gains (losses) and other comprehensive income for the interim period:		
Gains (losses) recorded for the interim period *1		74
Other comprehensive income recorded for the interim period *2		-
Net amount of purchase, sale, and redemption		74
Amount of investment trusts whose NAV is deemed as market value		(0)
Amount of investment trusts whose NAV is not deemed as market value		-
Ending balance		-
Net unrealized gains (losses) on investment trusts held at the balance sheet date among the amount recorded to gains (losses) for the interim period *1		5,178
		-

*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.

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

		Millions of Yen			
		As of September 30, 2022			
		Fair Value			
		Level 1	Level 2	Level 3	Total
Monetary claims bought	¥	–	¥ 21,945	¥ 478	¥ 22,424
Held-to-maturity debt securities		–	21,945	478	22,424
Securities		1,667,307	512,540	175,709	2,355,558
Held-to-maturity debt securities		36,592	85,893	175,709	298,195
National government bonds and local government bonds		36,592	–	–	36,592
Corporate bonds		–	85,893	–	85,893
Foreign bonds		–	–	175,709	175,709
Policy-reserve-matching bonds		1,630,715	426,647	–	2,057,362
National government bonds and local government bonds		1,630,715	46,261	–	1,676,976
Corporate bonds		–	380,386	–	380,386
Loans		–	–	297,621	297,621
Policy loans		–	–	31,113	31,113
Industrial and consumer loans		–	–	266,508	266,508
Total assets		1,667,307	534,486	473,809	2,675,603
Bonds payable		–	99,046	–	99,046
Loans payable		–	–	45,295	45,295
Total liabilities		–	99,046	45,295	144,342

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

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

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

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

ii) Loans

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

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

iii) Bonds payable

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

iv) Loans payable

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

v) Derivative financial instruments

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

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

(4) Quantitative information about financial assets and liabilities measured and stated in the 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, 2022	Millions of Yen			
	Monetary claims bought	Securities		Derivative financial instruments
	Available-for- sale securities	Available-for- sale securities	Total (i) + (ii)	
	Others (i)	Foreign bonds (ii)		Stock-related
Beginning balance	¥ 957	¥ 29,482	¥ 30,440	¥ 270
Gains (losses) and other comprehensive income for the interim period:	(19)	(1,816)	(1,835)	(329)
Gains (losses) recorded for the interim period *1	(10)	548	538	(329)
Other comprehensive income recorded for the interim period *2	(9)	(2,364)	(2,373)	-
Net amount of purchase, sale, issue, and settlement	(11)	-	(11)	1,469
Transfer to fair values of Level 3 *3	-	41,541	41,541	-
Transfer from fair values of Level 3 *4	-	(4,997)	(4,997)	-
Ending balance	926	64,211	65,137	1,409
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	-	548	548	(329)

*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.

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

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

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 the risk management department.

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

6. Investments and Rental Properties

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

7. Claims

The total amount of claims against bankrupt and quasi-bankrupt obligors, claims with collection risk, delinquent loans three or more months past due and restructured loans, which were included in claims, was ¥581 million as of September 30, 2022.

- i) Claims against bankrupt and quasi-bankrupt obligors were ¥431 million as of September 30, 2022.
- ii) Claims with collection risk were ¥50 million as of September 30, 2022.
- iii) Delinquent loans three or more months past due were ¥80 million as of September 30, 2022.
- iv) Restructured loans were ¥20 million as of September 30, 2022.

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

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

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

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

and delinquent loans three or more months past due.

The direct write-offs related to claims decreased the amount of claims against bankrupt and quasi-bankrupt obligors described above by ¥6 million as of September 30, 2022.

8. Separate Accounts

Total assets in separate accounts provided for in Article 118 of the Insurance Business Act were ¥26,286 million as of September 30, 2022. 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, 2022 was as follows:

	<u>Millions of Yen</u>
	Six months ended
	September 30,
	<u>2022</u>
Balance at the beginning of the interim period	¥ 28,644
Transfer to reserve from surplus in the previous fiscal year	2,121
Dividends to policyholders paid out during the interim period	1,590
Increase in interest	<u>1</u>
Balance at the end of the interim period	<u>¥ 29,177</u>

10. Pledged Assets

Assets pledged as collateral were securities in the amount of ¥16,137 million as of September 30, 2022.

11. Unamortized Ceding Commissions

The amount of unamortized ceding commissions for reinsurance contracts stipulated in Article 1, Paragraph 5 of the Japanese Ministry of Finance Public Notice No. 50, 1996 was ¥16,452 million as of September 30, 2022.

12. Securities Lent under Lending Agreements

The amount of securities lent under lending agreements was ¥247,832 million as of September 30, 2022.

13. Redemption of Foundation Funds

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

reserve for redemption of foundation funds in accordance with Article 56 of the Insurance Business Act.

14. 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 ¥16,935 million as of September 30, 2022. No assets were pledged as collateral as of September 30, 2022.

15. Commitment Line

As of September 30, 2022, there were unused commitment line agreements under which the Company is the lender of ¥12,466 million.

16. Subordinated Bonds Payable

As of September 30, 2022, bonds payable are subordinated bonds payable, for which the repayments are subordinated to other obligations.

17. Subordinated Loans Payable

As of September 30, 2022, other liabilities included subordinated loans payable of ¥44,000 million, for which the repayments are subordinated to other obligations.

III. Notes to Unaudited Consolidated Statement of Income

1. Investment Income and Expenses

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

	<u>Millions of Yen</u>
	Six months ended September 30, 2022
Domestic bonds	¥ 3,742
Domestic stocks and other securities	801
Foreign securities	6,221

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

	<u>Millions of Yen</u>
	Six months ended
	September 30,
	<u>2022</u>
Domestic bonds	¥ 2,628
Domestic stocks and other securities	577
Foreign securities	13,707

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

	<u>Millions of Yen</u>
	Six months ended
	September 30,
	<u>2022</u>
Foreign securities	2

2. Reinsurance Revenue and Reinsurance Premiums

The increased amount of unamortized ceding commissions for reinsurance contracts stipulated in Article 1, Paragraph 5 of the Japanese Ministry of Finance Public Notice No. 50, 1996 for the interim period ended September 30, 2022 was ¥11,872 million, which was included in reinsurance revenue among premium and other income.

The decreased amount of unamortized ceding commissions for reinsurance contracts stipulated in Article 1, Paragraph 5 of the Japanese Ministry of Finance Public Notice No. 50, 1996 for the interim period ended September 30, 2022 was ¥1,812 million, which was included in reinsurance premiums among claims and other payments.

3. 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, 2022	As of September 30, 2022
Total solvency margin (A)	1,021,040	901,552
Foundation funds and surplus	358,018	327,033
Reserve for price fluctuation	48,210	49,470
Contingency reserve	78,125	62,679
Catastrophe loss reserve	-	-
General allowance for possible loan losses	288	333
(Net unrealized gains on available-for-sale securities (before tax effect) and deferred hedge gains (before tax effect)) × 90% (in case of losses: × 100%)	204,157	120,830
Net unrealized gains on land × 85% (in case of losses: × 100%)	29,306	29,189
Sum of unrealized actuarial differences and unrealized past service cost	(2,885)	(2,634)
Excess amount of policy reserves based on full-time Zillmer method	145,556	146,685
Qualifying subordinated debt	141,424	146,424
Excess amount of policy reserves based on full-time Zillmer method and qualifying subordinated debt excluded from the calculation of solvency margin	-	-
Deduction	-	-
Others	18,839	21,540
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)	207,900	205,754
Insurance risk R_1	12,078	11,835
Ordinary insurance risk R_5	-	-
Disaster insurance risk R_6	-	-
Third sector insurance risk R_8	10,963	11,467
Small amount short-term insurance provider insurance risk R_9	-	-
Risk of assumed yield R_2	66,749	65,587
Minimum guarantee risk R_7	1,027	1,021
Investment risk R_3	134,312	133,327
Operational risk R_4	4,502	4,464
Solvency margin ratio (A) / {(1/2) × (B)} × 100	982.2%	876.3%

Notes:

- The figures above are calculated based on Articles 86-2 and 88 of the Enforcement Regulation of the Insurance Business Act and the Public Notice No.23 of the Financial Services Agency of 2011.
- "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.

(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.