

Financial Results for the Six Months Ended September 30, 2023

Asahi Mutual Life Insurance Company (the “Company”; President: Hiroki Kimura) announces financial results for the six months ended September 30, 2023.

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1. Business Highlights

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

(i) Policies in Force

	As of March 31, 2023		As of September 30, 2023			
	Number of policies	Amount (100 millions of Yen)	Number of policies		Amount (100 millions of Yen)	
	(Thousands)		(Thousands)	Changes (%, Pre-FYE)		Changes (%, Pre-FYE)
Individual insurance	7,347	115,128	7,284	99.1	110,529	96.0
Individual annuities	452	18,199	441	97.5	17,667	97.1
Group insurance	-	14,103	-	-	14,899	105.6
Group annuities	-	124	-	-	120	96.4

Notes:

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

(ii) New Policies

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

	Six months ended September 30, 2023					
	Number of policies		Amount (100 millions of Yen)			
	(Thousands)	Changes (%, YoY)		Changes (%, YoY)	New policies	Net increase by conversion
Individual insurance	324	94.5	728	72.5	1,352	(623)
Individual annuities	-	-	(18)	-	-	(18)
Group insurance	-	-	941	520.0	941	-
Group annuities	-	-	-	-	-	-

Notes:

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

(2) Annualized Premiums

(i) Policies in Force

(100 millions of Yen)

	As of March 31, 2023	As of September 30, 2023	
			Changes (%, Pre-FYE)
Individual insurance	3,743	3,679	98.3
Individual annuities	1,173	1,150	98.0
Total	4,917	4,829	98.2
Third-sector products	2,235	2,218	99.2

(ii) New Policies

(100 millions of Yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023	
			Changes (%, YoY)
Individual insurance	103	96	92.8
Individual annuities	(0)	(0)	–
Total	103	96	92.8
Third-sector products	84	79	93.9

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, 2023		As of September 30, 2023	
	Amount	Percentage	Amount	Percentage
Cash, deposits, call loans	207,394	3.9	103,977	2.0
Monetary claims bought	20,292	0.4	19,382	0.4
Securities	4,277,590	81.3	4,364,498	83.3
Domestic bonds	2,609,731	49.6	2,705,952	51.6
Domestic stocks	507,674	9.7	570,420	10.9
Foreign securities	1,088,201	20.7	1,009,384	19.3
Foreign bonds	705,216	13.4	589,750	11.3
Foreign stocks and other foreign securities	382,985	7.3	419,634	8.0
Other securities	71,982	1.4	78,740	1.5
Loans	303,961	5.8	309,317	5.9
Policy loans	30,254	0.6	29,368	0.6
Industrial and consumer loans	273,707	5.2	279,949	5.3
Real estate	355,384	6.8	352,277	6.7
Deferred tax assets	5,690	0.1	-	-
Others	89,543	1.7	92,320	1.8
Allowance for possible loan losses	(648)	(0.0)	(663)	(0.0)
Total	5,259,210	100.0	5,241,110	100.0
Foreign currency-denominated assets	1,140,112	21.7	965,580	18.4

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, 2022	Six months ended September 30, 2023
	Amount	Amount
Cash, deposits, call loans	(44,625)	(103,417)
Monetary claims bought	(1,252)	(910)
Securities	(120,068)	86,907
Domestic bonds	65,356	96,221
Domestic stocks	(19,855)	62,745
Foreign securities	(161,771)	(78,817)
Foreign bonds	(203,884)	(115,466)
Foreign stocks and other foreign securities	42,113	36,649
Other securities	(3,798)	6,758
Loans	(18,808)	5,355
Policy loans	(1,085)	(886)
Industrial and consumer loans	(17,722)	6,241
Real estate	(2,319)	(3,107)
Deferred tax assets	21,109	(5,690)
Others	(13,532)	2,777
Allowance for possible loan losses	(162)	(15)
Total	(179,661)	(18,099)
Foreign currency-denominated assets	(125,599)	(174,531)

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

(3) Investment Income

(Millions of Yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Interest, dividends and other income	61,896	60,355
Interest on deposits	0	0
Interest and dividends on securities	50,996	48,493
Interest on loans	2,417	2,912
Rent revenue from real estate	8,046	8,039
Other interest and dividends	436	909
Gains on sales of securities	10,764	7,201
Gains on sales of domestic bonds	3,742	3,156
Gains on sales of domestic stocks and other securities	800	2,340
Gains on sales of foreign securities	6,221	1,704
Others	-	-
Gains on redemption of securities	98	-
Gains on derivative financial instruments, net	-	-
Foreign exchange gains, net	4,437	3,977
Reversal of allowance for possible loan losses	-	-
Other investment income	3,515	3,598
Total	80,711	75,131

(4) Investment Expenses

(Millions of Yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Interest expenses	1,834	2,504
Losses on trading securities	-	206
Losses on sales of securities	16,913	29,835
Losses on sales of domestic bonds	2,628	5,571
Losses on sales of domestic stocks and other securities	577	499
Losses on sales of foreign securities	13,707	23,764
Others	-	-
Losses on valuation of securities	2	1
Losses on valuation of domestic bonds	-	-
Losses on valuation of domestic stocks and other securities	-	0
Losses on valuation of foreign securities	2	0
Others	-	-
Losses on redemption of securities	466	275
Losses on derivative financial instruments, net	8,156	11,551
Foreign exchange losses, net	-	-
Provision for allowance for possible loan losses	145	13
Write-offs of loans	0	0
Depreciation of rental real estate and other assets	2,779	2,735
Other investment expenses	5,578	5,202
Total	35,876	52,326

(5) Net Valuation Gains/Losses on Trading Securities

(Millions of Yen)

	As of March 31, 2023		As of September 30, 2023	
	Amount	Net valuation gains (losses) included in the statements of income	Amount	Net valuation gains (losses) included in the statements of income
Trading securities	-	-	-	-

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

(Millions of Yen)

	As of March 31, 2023					As of September 30, 2023				
	Book value	Fair value	Gains/losses			Book value	Fair value	Gains/losses		
				Gains	Losses				Gains	Losses
Held-to-maturity debt securities	288,832	312,438	23,605	23,661	(56)	302,474	317,956	15,481	17,630	(2,148)
Policy-reserve-matching bonds	2,093,763	2,109,209	15,445	129,585	(114,139)	2,206,701	2,103,518	(103,182)	88,721	(191,904)
Stocks of subsidiaries	-	-	-	-	-	-	-	-	-	-
Available-for-sale securities	1,626,794	1,786,581	159,786	293,373	(133,587)	1,489,466	1,733,796	244,329	354,402	(110,072)
Domestic bonds	417,814	401,531	(16,283)	2,292	(18,575)	402,220	389,912	(12,308)	1,590	(13,898)
Domestic stocks	173,309	431,919	258,609	268,691	(10,081)	174,532	489,680	315,148	318,188	(3,040)
Foreign securities	963,085	881,997	(81,087)	19,885	(100,973)	837,300	776,502	(60,797)	29,560	(90,358)
Foreign bonds	623,607	550,216	(73,390)	1,744	(75,134)	482,821	415,150	(67,671)	285	(67,956)
Foreign stocks and other foreign securities	339,477	331,781	(7,696)	18,141	(25,838)	354,479	361,352	6,873	29,275	(22,402)
Other securities	71,793	70,235	(1,557)	2,399	(3,956)	74,639	76,853	2,213	4,984	(2,770)
Monetary claims bought	792	897	105	105	-	772	846	73	77	(3)
Negotiable certificates of deposit	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-
Total	4,009,390	4,208,228	198,837	446,620	(247,782)	3,998,643	4,155,271	156,628	460,754	(304,125)
Domestic bonds	2,626,015	2,628,326	2,311	135,049	(132,738)	2,718,260	2,604,504	(113,756)	92,218	(205,975)
Domestic stocks	173,309	431,919	258,609	268,691	(10,081)	174,532	489,680	315,148	318,188	(3,040)
Foreign securities	1,118,085	1,055,559	(62,525)	38,448	(100,973)	1,011,900	963,383	(48,517)	43,733	(92,251)
Foreign bonds	778,607	723,778	(54,828)	20,306	(75,134)	657,421	602,030	(55,390)	14,458	(69,849)
Foreign stocks and other foreign securities	339,477	331,781	(7,696)	18,141	(25,838)	354,479	361,352	6,873	29,275	(22,402)
Other securities	71,793	70,235	(1,557)	2,399	(3,956)	74,639	76,853	2,213	4,984	(2,770)
Monetary claims bought	20,187	22,187	1,999	2,032	(33)	19,309	20,849	1,540	1,628	(87)
Negotiable certificates of deposit	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-

Notes:

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

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

(Millions of Yen)

	As of March 31, 2023	As of September 30, 2023
Stocks of subsidiaries	62,621	67,671
Available-for-sale securities	59,770	61,102
Domestic stocks	13,134	13,118
Foreign stocks	11	10
Others	46,625	47,974
Total	122,391	128,774

(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, 2023					As of September 30, 2023				
	Book value	Fair value	Gains/losses			Book value	Fair value	Gains/losses		
				Gains	Losses				Gains	Losses
Held-to-maturity debt securities	288,832	312,438	23,605	23,661	(56)	302,474	317,956	15,481	17,630	(2,148)
Policy-reserve-matching bonds	2,093,763	2,109,209	15,445	129,585	(114,139)	2,206,701	2,103,518	(103,182)	88,721	(191,904)
Stocks of subsidiaries	62,621	62,621	-	-	-	67,671	67,671	-	-	-
Available-for-sale securities	1,686,565	1,852,666	166,100	299,693	(133,592)	1,550,569	1,807,033	256,464	366,536	(110,072)
Domestic bonds	417,814	401,531	(16,283)	2,292	(18,575)	402,220	389,912	(12,308)	1,590	(13,898)
Domestic stocks	186,443	445,053	258,609	268,691	(10,081)	187,650	502,799	315,148	318,188	(3,040)
Foreign securities	1,007,974	933,201	(74,773)	26,205	(100,978)	883,398	834,734	(48,663)	41,694	(90,358)
Foreign bonds	623,607	550,216	(73,390)	1,744	(75,134)	482,821	415,150	(67,671)	285	(67,956)
Foreign stocks and other foreign securities	384,367	382,985	(1,382)	24,461	(25,844)	400,576	419,584	19,007	41,409	(22,402)
Other securities	73,539	71,982	(1,557)	2,399	(3,956)	76,527	78,740	2,213	4,984	(2,770)
Monetary claims bought	792	897	105	105	-	772	846	73	77	(3)
Negotiable certificates of deposit	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-
Total	4,131,782	4,336,935	205,152	452,940	(247,788)	4,127,417	4,296,180	168,762	472,888	(304,125)
Domestic bonds	2,626,015	2,628,326	2,311	135,049	(132,738)	2,718,260	2,604,504	(113,756)	92,218	(205,975)
Domestic stocks	249,065	507,674	258,609	268,691	(10,081)	255,272	570,420	315,148	318,188	(3,040)
Foreign securities	1,162,974	1,106,764	(56,210)	44,768	(100,978)	1,058,048	1,021,665	(36,383)	55,868	(92,251)
Foreign bonds	778,607	723,778	(54,828)	20,306	(75,134)	657,421	602,030	(55,390)	14,458	(69,849)
Foreign stocks and other foreign securities	384,367	382,985	(1,382)	24,461	(25,844)	400,627	419,634	19,007	41,409	(22,402)
Other securities	73,539	71,982	(1,557)	2,399	(3,956)	76,527	78,740	2,213	4,984	(2,770)
Monetary claims bought	20,187	22,187	1,999	2,032	(33)	19,309	20,849	1,540	1,628	(87)
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, 2023			As of September 30, 2023		
	Book value	Fair value	Gains/losses	Book value	Fair value	Gains/losses
Land	216,699	291,263	74,564	215,920	290,547	74,627

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, 2023	As of September 30, 2023
Assets:		
Cash and deposits	41,673	36,269
Call loans	166,000	68,000
Monetary claims bought	20,292	19,382
Securities:	4,303,789	4,392,407
National government bonds	1,693,184	1,780,843
Local government bonds	50,610	48,048
Corporate bonds	865,936	877,061
Domestic stocks	507,674	570,420
Foreign securities	1,088,201	1,009,384
Loans:	303,961	309,317
Policy loans	30,254	29,368
Industrial and consumer loans	273,707	279,949
Tangible fixed assets	359,493	356,007
Intangible fixed assets	33,497	35,365
Agency accounts receivable	6	3
Reinsurance receivables	687	134
Other assets	50,226	40,295
Prepaid pension cost	424	376
Deferred tax assets	5,690	-
Customers' liabilities under acceptances and guarantees	600	12,420
Allowance for possible loan losses	(648)	(663)
Total assets	5,285,695	5,269,317

(Millions of Yen)

	As of March 31, 2023	As of September 30, 2023
Liabilities:		
Policy reserves and other reserves:	4,331,522	4,273,222
Reserve for outstanding claims	34,513	34,206
Policy reserves	4,269,904	4,211,050
Reserve for dividends to policyholders	27,103	27,965
Reinsurance payables	700	298
Bonds payable	150,555	102,609
Other liabilities:	290,565	275,306
Income taxes payable	133	560
Lease obligations	1,360	1,158
Asset retirement obligations	967	958
Others	288,105	272,629
Reserve for employees' retirement benefits	28,727	28,761
Reserve for price fluctuation	38,210	39,290
Deferred tax liabilities	-	19,276
Deferred tax liabilities for land revaluation	15,062	14,914
Acceptances and guarantees	600	12,420
Total liabilities	4,855,944	4,766,099
Net assets:		
Foundation funds	51,000	51,000
Reserve for redemption of foundation funds	206,000	206,000
Reserve for revaluation	281	281
Surplus:	90,207	97,031
Reserve for future losses	366	381
Other surplus:	89,841	96,650
Reserve for fund redemption	22,600	31,700
Equalized reserve for dividends to policyholders	7,093	6,893
Unappropriated surplus (loss)	60,148	58,057
Total foundation funds and others	347,489	354,313
Net unrealized gains (losses) on available-for-sale securities, net of tax	130,668	196,518
Deferred gains (losses) on derivatives under hedge accounting	-	1,173
Land revaluation differences	(48,406)	(48,788)
Total valuation and translation adjustments	82,261	148,903
Total net assets	429,751	503,217
Total liabilities and net assets	5,285,695	5,269,317

4. Unaudited Non-consolidated Statements of Income

(Millions of Yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Ordinary income:	325,510	324,329
Premium and other income:	188,630	183,248
Insurance premiums	188,073	182,647
Investment income:	80,711	77,890
Interest, dividends and other income	61,896	60,355
Gains on sales of securities	10,764	7,201
Investment gains on separate accounts	-	2,759
Other ordinary income	56,168	63,189
Ordinary expenses:	307,429	308,266
Claims and other payments:	197,201	185,899
Claims	53,258	52,213
Annuities	52,991	51,588
Benefits	48,606	36,675
Surrender benefits	40,117	43,053
Other payments	1,237	1,332
Provision for policy reserves and other reserves:	4,573	1
Provision for reserve for outstanding claims	4,571	-
Provision for interest on policyholders' dividend reserves	1	1
Investment expenses:	36,826	52,326
Interest expenses	1,834	2,504
Losses on trading securities	-	206
Losses on sales of securities	16,913	29,835
Losses on valuation of securities	2	1
Losses on derivative financial instruments	8,156	11,551
Investment losses on separate accounts	949	-
Operating expenses	52,214	54,084
Other ordinary expenses	16,613	15,954
Ordinary profit	18,080	16,062
Extraordinary gains	242	206
Extraordinary losses	1,908	1,589
Surplus before income taxes	16,415	14,679
Income taxes including deferred taxes	2,987	3,417
Total income taxes	2,987	3,417
Net surplus	13,427	11,262

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

Six months ended September 30, 2022

(Millions of Yen)

	Foundation funds and others								Total foundation funds and others
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Reserve for future losses	Surplus			Total surplus	
					Other surplus		Unappropriated surplus (loss)		
					Reserve for fund redemption	Equalized reserve for dividends to policyholders			
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

Six months ended September 30, 2023

(Millions of Yen)

	Foundation funds and others								
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Reserve for future losses	Surplus				Total foundation funds and others
					Reserve for fund redemption	Other surplus		Total surplus	
						Equalized reserve for dividends to policyholders	Unappropriated surplus (loss)		
Beginning balance	51,000	206,000	281	366	22,600	7,093	60,148	90,207	347,489
Changes in the interim period:									
Additions to reserve for dividends to policyholders							(2,497)	(2,497)	(2,497)
Additions to reserve for future losses				15			(15)		
Payment of interest on foundation funds							(2,323)	(2,323)	(2,323)
Net surplus							11,262	11,262	11,262
Additions to reserve for fund redemption					9,100		(9,100)		
Reversal to equalized reserve for dividends to policyholders						(199)	199		
Reversal of land revaluation differences							382	382	382
Net changes, excluding foundation funds and others									
Net changes in the interim period	-	-	-	15	9,100	(199)	(2,090)	6,824	6,824
Ending balance	51,000	206,000	281	381	31,700	6,893	58,057	97,031	354,313

	Valuation and translation adjustments				Total net assets
	Net unrealized gains (losses) on available-for-sale securities, net of tax	Deferred gains (losses) on derivatives under hedge accounting	Land revaluation differences	Total valuation and translation adjustments	
Beginning balance	130,668	-	(48,406)	82,261	429,751
Changes in the interim period:					
Additions to reserve for dividends to policyholders					(2,497)
Additions to reserve for future losses					
Payment of interest on foundation funds					(2,323)
Net surplus					11,262
Additions to reserve for fund redemption					
Reversal to equalized reserve for dividends to policyholders					
Reversal of land revaluation differences					382
Net changes, excluding foundation funds and others	65,850	1,173	(382)	66,642	66,642
Net changes in the interim period	65,850	1,173	(382)	66,642	73,466
Ending balance	196,518	1,173	(48,788)	148,903	503,217

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 ¥3 million as of September 30, 2023.

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

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

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

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

(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 deferred hedge accounting using equity forward contracts for hedging activities related to price fluctuation exposures on certain domestic stocks.

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) Group tax sharing system

The Company has applied the group tax sharing system.

(13) 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.

(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.

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.

With respect to reserve for outstanding claims incurred but not reported events (referring to claims for which the occurrence of the insured events has not been reported but the Company finds that insured events have already occurred; hereinafter the same), the special treatment of the payment of hospitalization benefits with regard to people with diagnoses of COVID-19 given and under the care of a doctor and the like at an accommodation facility or at home ("deemed hospitalizations") was terminated on May 8, 2023. As a result of this change, an appropriate amount of reserves cannot be obtained with the calculation method set forth in the main rules in Article 1, Paragraph 1 of the Japanese Ministry of Finance Public Notice No.234, 1998 ("IBNR Notice"). The Company therefore records the amount that was calculated using the following method, pursuant to provisions in the proviso of Article 1, Paragraph 1 of IBNR Notice (the "Proviso").

(Overview of the calculation method)

The Company calculates the amount of reserve for outstanding claims incurred but not reported events using the same manner as that set forth in the main rules in Article 1, Paragraph 1 of IBNR Notice, excluding the amount related to deemed hospitalizations from a required amount of reserves for incurred but not reported events and the amount of claim payments for all the fiscal years, as set forth in the main rules in Article 1, Paragraph 1 of IBNR Notice.

In the fiscal year ended March 31, 2023, the Company calculates the reserve for outstanding claims incurred but not reported events for deemed hospitalizations and the others separately; however, the special treatment of the payment of hospitalization benefits with regard to deemed hospitalization was terminated for the interim period ended September 30, 2023. Therefore, the Company revised its methodology to calculate the amount of reserve for outstanding claims incurred but not reported events for deemed hospitalizations as zero.

(15) 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.

(16) Software

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

2. Financial Instruments

The balance sheet amounts, fair values and the differences between those of major financial assets and liabilities as of September 30, 2023 were as follows. The following table does not include cash and deposits, call loans and payables under securities borrowing transactions which are mostly settled in a short term and their fair values approximate their book values.

As of September 30, 2023	Millions of Yen		
	Balance Sheet Amount	Fair Value	Difference
Monetary claims bought	¥ 19,382	¥ 20,849	¥ 1,466
Held-to-maturity debt securities	18,536	20,003	1,466
Available-for-sale securities	846	846	-
Securities	4,251,498	4,162,330	(89,168)
Trading securities	27,908	27,908	-
Held-to-maturity debt securities	283,938	297,953	14,014
Policy-reserve-matching bonds	2,206,701	2,103,518	(103,182)
Available-for-sale securities	1,732,950	1,732,950	-
Loans	309,317	315,483	6,166
Policy loans	29,368	29,368	-
Industrial and consumer loans	279,949	286,115	6,166
Total assets	4,580,199	4,498,663	(81,535)
Bonds payable	102,609	102,325	(283)
Loans payable	44,000	45,037	1,037
Total liabilities	146,609	147,363	754
Derivative financial instruments	(7,392)	(7,392)	-
Hedge accounting not applied	(1,462)	(1,462)	-
Hedge accounting applied	(5,930)	(5,930)	-

* 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 ¥80,802 million as of September 30, 2023.

Investment trusts which are accounted for in accordance with Paragraph 24-3 and 24-9 of “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, revised on June 17, 2021) are included in the table above.

Investments in partnerships and others which are accounted for 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 ¥60,106 million as of September 30, 2023.

3. 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

As of September 30, 2023	Millions of Yen			
	Fair Value			Total
	Level 1	Level 2	Level 3	
Monetary claims bought	¥ -	¥ -	¥ 846	¥ 846
Available-for-sale securities	-	-	846	846
Securities *1	595,071	979,024	32,110	1,606,206
Trading securities	-	27,908	-	27,908
Others	-	27,908	-	27,908
Available-for-sale securities	595,071	951,116	32,110	1,578,298
National government bonds and local government bonds	14,844	648	-	15,493
Corporate bonds	-	374,419	-	374,419
Domestic stocks	489,680	-	-	489,680
Foreign bonds	1,145	381,893	32,110	415,150
Others	89,399	194,154	-	283,554
Total assets	595,071	979,024	32,957	1,607,053
Derivative financial instruments *2	-	(9,138)	1,745	(7,392)
Currency-related	-	(9,138)	-	(9,138)
Stock-related	-	-	1,745	1,745

*1 Investment trusts which are accounted for 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 which are accounted for in accordance with Paragraph 24-3 of the implementation guidance, reported in the interim non-consolidated balance sheet was ¥149,423 million as of September 30, 2023. The amount of the investment trusts which are accounted for in accordance with Paragraph 24-9 of the implementation guidance, reported in the interim non-consolidated balance sheet was ¥5,228 million as of September 30, 2023.

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

- i) Investment trusts which are accounted for 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 which are accounted for 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, 2023</u>	
Beginning balance	¥	134,005
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 *		9,837
Net unrealized gains (losses) on available-for-sale securities, net of tax recorded for the interim period		1,144
Net amount of purchase, sale and redemption		8,692
Amount of investment trusts whose NAV is deemed as market value		5,580
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 *		149,423
		1,144

* 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</u>	
	<u>September 30, 2023</u>	
Investment trusts which need more than 1 month to cancel from the notification of cancellation	¥	42,938
Other than above		106,484

- 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 which are accounted for in accordance with Paragraph 24-9 of “Implementation Guidance on Accounting Standard for Fair Value Measurement”

	Millions of Yen	
	Six months ended September 30, 2023	
Beginning balance	¥	5,196
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 *		31
Net unrealized gains (losses) on available-for-sale securities, net of tax recorded for the interim period		-
Net amount of purchase, sale, and redemption		31
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		5,228
Net unrealized gains (losses) on investment trusts held at the balance sheet date among the amount recorded to gains (losses) for the interim period *		-

* 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

As of September 30, 2023	Millions of Yen			
	Fair Value			
	Level 1	Level 2	Level 3	Total
Monetary claims bought	¥	-	¥ 19,590	¥ 20,003
Held-to-maturity debt securities		-	19,590	412
Securities	1,720,141	494,449	186,880	2,401,471
Held-to-maturity debt securities	35,871	75,201	186,880	297,953
National government bonds and local government bonds	35,871	-	-	35,871
Corporate bonds	-	75,201	-	75,201
Foreign bonds	-	-	186,880	186,880
Policy-reserve-matching bonds	1,684,270	419,248	-	2,103,518
National government bonds and local government bonds	1,684,270	43,298	-	1,727,568
Corporate bonds	-	375,950	-	375,950
Loans	-	-	315,483	315,483
Policy loans	-	-	29,368	29,368
Industrial and consumer loans	-	-	286,115	286,115
Total assets	1,720,141	514,040	502,777	2,736,958
Bonds payable	-	102,325	-	102,325
Loans payable	-	-	45,037	45,037
Total liabilities	-	102,325	45,037	147,363

(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 is 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, equity options, interest rate swaptions and equity forward contracts 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, 2023	Millions of Yen			
	Monetary claims	Securities		Derivative financial instruments
	Available-for- sale securities	Available-for- sale securities	Total (i) + (ii)	Stock-related
	Others (i)	Foreign bonds (ii)		
Beginning balance	¥ 897	¥ 64,899	¥ 65,796	¥ 550
Gains (losses) and net unrealized gains (losses) on available-for-sale securities, net of tax recorded for the interim period:	(41)	9,108	9,066	2,989
Gains (losses) recorded for the interim period *	(10)	3,958	3,947	1,361
Net unrealized gains (losses) on available-for-sale securities, net of tax recorded for the interim period	(31)	5,150	5,119	1,628
Net amount of purchase, sale, issue and settlement	(9)	(41,897)	(41,906)	(1,794)
Transfer to fair values of Level 3	-	-	-	-
Transfer from fair values of Level 3	-	-	-	-
Ending balance	846	32,110	32,957	1,745
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 *	(10)	3,958	3,947	(565)

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

iii) Description of the fair value evaluation process

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

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

4. 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.

5. Securities Lent under Lending Agreements

The amount of securities lent under lending agreements was ¥200,607 million as of September 30, 2023.

6. 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 ¥485 million as of September 30, 2023.

- i) Claims against bankrupt and quasi-bankrupt obligors were ¥376 million as of September 30, 2023.
- ii) The Company does not have claims with collection risk as of September 30, 2023.
- iii) Delinquent loans three or more months past due were ¥88 million as of September 30, 2023.
- iv) Restructured loans were ¥20 million as of September 30, 2023.

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

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

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

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

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

The direct write-offs related to claims decreased the amount of claims against bankrupt and quasi-bankrupt obligors described above by ¥3 million as of September 30, 2023.

7. Separate Accounts

Total assets in separate accounts provided for in Article 118 of the Insurance Business Act were ¥28,152 million as of September 30, 2023. The amounts of separate account liabilities were the same as separate account assets.

8. Reserve for Dividends to Policyholders

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

	Millions of Yen	
	Six months ended September 30, 2023	
Balance at the beginning of the interim period	¥	27,103
Transfer to reserve from surplus in the previous fiscal year		2,497
Dividends to policyholders paid out during the interim period		1,637
Increase in interest		1
Balance at the end of the interim period	¥	27,965

9. Stocks of Subsidiaries and Affiliates

The amount of stocks of subsidiaries and affiliates the Company held was ¥67,671 million as of September 30, 2023.

10. Pledged Assets

Assets pledged as collateral were securities in the amount of ¥9,401 million as of September 30, 2023.

11. 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 ¥7 million as of September 30, 2023. Policy reserves for the reinsurance contracts provided in accordance with Article 71, Paragraph 1 of the Enforcement Regulation of the Insurance Business Act (hereinafter “policy reserves for ceded reinsurance”) were ¥268 million as of September 30, 2023.

12. 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 ¥12,062 million as of September 30, 2023. No assets were pledged as collateral as of September 30, 2023.

13. Commitment Line

As of September 30, 2023, there were unused commitment line agreements under which the Company is the lender of ¥9,504 million.

14. Subordinated Bonds Payable

As of September 30, 2023, bonds payable are subordinated bonds payable, for which the repayments are subordinated to other obligations.

15. Subordinated Loans Payable

As of September 30, 2023, 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>	
	<u>Six months ended</u>	
	<u>September 30, 2023</u>	
Domestic bonds	¥	3,156
Domestic stocks and other securities		2,340
Foreign securities		1,704

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

	<u>Millions of Yen</u>	
	<u>Six months ended</u>	
	<u>September 30, 2023</u>	
Domestic bonds	¥	5,571
Domestic stocks and other securities		499
Foreign securities		23,764

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

	<u>Millions of Yen</u>	
	<u>Six months ended</u>	
	<u>September 30, 2023</u>	
Domestic stocks and other securities	¥	0
Foreign securities		0

2. Policy Reserves for the Reinsurance Contracts

Reversal of reserve for outstanding claims for ceded reinsurance, which was deducted in calculating reversal of reserve for outstanding claims for the interim period ended September 30, 2023 was ¥9 million.

Reversal of policy reserves for ceded reinsurance, which was deducted in calculating reversal of policy reserves for the interim period ended September 30, 2023 was ¥89 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, 2023</u>	
Interest on deposits	¥	0
Interest and dividends on securities		48,493
Interest on loans		2,912
Rent revenue from real estate		8,039
Other interest and dividends		909
<u>Total</u>		<u>60,355</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, 2022	Six months ended September 30, 2023
Fundamental profit	A	7,895	18,815
Capital gains		19,845	19,552
Gains on money held in trust		-	-
Gains on trading securities		-	-
Gains on sales of securities		10,764	7,201
Gains on derivative financial instruments		-	-
Foreign exchange gains		4,437	3,977
Other capital gains		4,644	8,374
Capital losses		25,439	41,870
Losses on money held in trust		-	-
Losses on trading securities		-	206
Losses on sales of securities		16,913	29,835
Losses on valuation of securities		2	1
Losses on derivative financial instruments		8,156	11,551
Foreign exchange losses		-	-
Other capital losses		368	275
Net capital gains (losses)	B	(5,594)	(22,317)
Fundamental profit plus net capital gains (losses)	A+B	2,301	(3,502)
Other one-time gains		15,879	19,564
Reinsurance revenue		-	-
Reversal of contingency reserve		15,879	19,498
Reversal of specific allowance for possible loan losses		-	66
Others		-	-
Other one-time losses		100	0
Reinsurance premiums		-	-
Provision for contingency reserve		-	-
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	15,779	19,564
Ordinary profit	A+B+C	18,080	16,062

(Reference) Breakdown of "other" items

(Millions of Yen)

		Six months ended September 30, 2022	Six months ended September 30, 2023
Fundamental profit		(4,276)	(8,099)
Hedging costs related to foreign exchange		(2,849)	(6,909)
Gains (losses) on cancellation of investment trusts		(1,794)	(1,465)
Gains (losses) on redemption of securities caused by foreign exchange fluctuation		368	275
Other capital gains		4,644	8,374
Hedging costs related to foreign exchange		2,849	6,909
Gains on cancellation of investment trusts		1,794	1,465
Gains on redemption of securities caused by foreign exchange fluctuation		-	-
Other capital losses		368	275
Hedging costs related to foreign exchange		-	-
Losses on cancellation of investment trusts		-	-
Losses on redemption of securities caused by foreign exchange fluctuation		368	275

7. Disclosed Claims Based on Insurance Business Act

(Millions of Yen, %)

	As of March 31, 2023	As of September 30, 2023
Claims against bankrupt and quasi-bankrupt obligors	386	376
Claims with collection risk	30	–
Delinquent loans three or more months past due	85	88
Restructured loans	20	20
Subtotal	521	485
(Percentage of total)	(0.10)	(0.09)
Claims against normal obligors	505,064	523,412
Total	505,586	523,897

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, 2023	As of September 30, 2023
Total solvency margin (A)	947,464	964,655
Foundation funds and surplus	342,668	351,888
Reserve for price fluctuation	38,210	39,290
Contingency reserve	63,109	43,611
General allowance for possible loan losses	345	425
(Net unrealized gains on available-for-sale securities (before tax effect) and deferred hedge gains (before tax effect)) × 90% (in case of losses: × 100%)	149,490	232,283
Net unrealized gains on land × 85% (in case of losses: × 100%)	35,037	34,639
Excess amount of policy reserves based on full-time Zillmer method	148,266	148,264
Qualifying subordinated debt	199,555	146,609
Excess amount of policy reserves based on full-time Zillmer method and qualifying subordinated debt excluded from the calculation of solvency margin	-	-
Deduction	(50,000)	(55,000)
Others	20,780	22,644
Total amount of risk $\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$ (B)	203,084	222,121
Insurance risk R_1	11,558	11,308
Third sector insurance risk R_8	10,848	10,800
Risk of assumed yield R_2	64,049	62,918
Minimum guarantee risk R_7	1,004	998
Investment risk R_3	132,366	152,310
Operational risk R_4	4,396	4,766
Solvency margin ratio (A) / {(1/2) × (B)} × 100	933.0%	868.5%

Notes:

1. The figures above are calculated based on Articles 86 and 87 of the Enforcement Regulation of the Insurance Business Act and Japanese Ministry of Finance Public Notice No. 50, 1996.
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, 2023	As of September 30, 2023
	Amount	Amount
Individual variable insurance	26,438	28,152
Individual variable annuities	-	-
Group annuity products	-	-
Total	26,438	28,152

(2) Sum Insured of Policies in Force

	As of March 31, 2023		As of September 30, 2023	
	Number of policies (Thousands)	Amount (Millions of Yen)	Number of policies (Thousands)	Amount (Millions of Yen)
Individual variable insurance (fixed term)	-	-	-	-
Individual variable insurance (whole life)	12	83,683	11	82,522
Total	12	83,683	11	82,522

	As of March 31, 2023		As of September 30, 2023	
	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, 2022	Six months ended September 30, 2023
Ordinary income	343,479	354,604
Ordinary profit	13,986	10,123
Net surplus attributable to the Parent Company	10,968	6,839
Comprehensive income	(56,608)	74,363

(Millions of Yen)

	As of March 31, 2023	As of September 30, 2023
Total assets	5,283,507	5,261,174
Solvency margin ratio	979.3%	911.6%

(2) Unaudited Consolidated Balance Sheets

(Millions of Yen)

	As of March 31, 2023	As of September 30, 2023
Assets:		
Cash and deposits	50,601	47,698
Call loans	166,000	68,000
Monetary claims bought	20,292	19,382
Securities	4,249,612	4,333,218
Loans	303,961	309,317
Tangible fixed assets	360,023	356,537
Intangible fixed assets	38,053	40,301
Agency accounts receivable	6	3
Reinsurance receivables	26,871	35,403
Other assets	58,965	50,698
Net defined benefit assets	421	385
Deferred tax assets	8,745	70
Customers' liabilities under acceptances and guarantees	600	820
Allowance for possible loan losses	(648)	(663)
Total assets	5,283,507	5,261,174

(Millions of Yen)

	As of March 31, 2023	As of September 30, 2023
Liabilities:		
Policy reserves and other reserves:	4,335,719	4,279,741
Reserve for outstanding claims	36,411	36,982
Policy reserves	4,272,203	4,214,793
Reserve for dividends to policyholders	27,103	27,965
Reinsurance payables	826	486
Bonds payable	150,555	102,609
Other liabilities	294,447	289,984
Net defined benefit liabilities	31,548	31,116
Reserve for price fluctuation	38,210	39,290
Deferred tax liabilities	0	16,184
Deferred tax liabilities for land revaluation	15,062	14,914
Acceptances and guarantees	600	820
Total liabilities	4,866,969	4,775,147
Net assets:		
Foundation funds	51,000	51,000
Reserve for redemption of foundation funds	206,000	206,000
Reserve for revaluation	281	281
Consolidated surplus	79,001	81,402
Total foundation funds and others	336,283	338,684
Net unrealized gains (losses) on available-for-sale securities, net of tax	130,668	196,518
Deferred gains (losses) on derivatives under hedge accounting	-	1,173
Land revaluation differences	(48,406)	(48,788)
Accumulated remeasurements of defined benefit plans	(2,104)	(1,632)
Total accumulated other comprehensive income	80,157	147,271
Non-controlling interests	96	71
Total net assets	416,537	486,027
Total liabilities and net assets	5,283,507	5,261,174

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

(Unaudited Consolidated Statements of Income)

(Millions of Yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Ordinary income:	343,479	354,604
Premium and other income	205,245	213,016
Investment income:	80,307	77,604
Interest, dividends and other income	61,521	60,095
Gains on sales of securities	10,764	7,202
Investment gains on separate accounts	–	2,759
Other ordinary income	57,925	63,983
Ordinary expenses:	329,492	344,481
Claims and other payments:	201,627	198,649
Claims	53,258	52,213
Annuities	52,991	51,588
Benefits	49,680	38,844
Surrender benefits	40,117	43,053
Other payments	1,250	1,353
Provision for policy reserves and other reserves:	6,391	572
Provision for reserve for outstanding claims	6,389	571
Provision for interest on policyholders' dividend reserves	1	1
Investment expenses:	36,826	52,341
Interest expenses	1,834	2,518
Losses on trading securities	–	206
Losses on sales of securities	16,913	29,836
Losses on valuation of securities	2	1
Losses on derivative financial instruments	8,156	11,551
Investment losses on separate accounts	949	–
Operating expenses	66,250	74,428
Other ordinary expenses	18,396	18,489
Ordinary profit	13,986	10,123
Extraordinary gains	242	206
Extraordinary losses	1,908	1,590
Surplus before income taxes	12,320	8,739
Income taxes including deferred taxes	1,325	1,871
Total income taxes	1,325	1,871
Net surplus	10,994	6,867
Net surplus attributable to non-controlling interests	26	28
Net surplus attributable to the Parent Company	10,968	6,839

(Unaudited Consolidated Statements of Comprehensive Income)

(Millions of Yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Net surplus	10,994	6,867
Other comprehensive income:	(67,602)	67,495
Net unrealized gains (losses) on available-for-sale securities, net of tax	(67,853)	65,850
Deferred gains (losses) on derivatives under hedge accounting	–	1,173
Remeasurements of defined benefit plans	250	471
Comprehensive income:	(56,608)	74,363
Comprehensive income attributable to the Parent Company	(56,634)	74,335
Comprehensive income attributable to non-controlling interests	26	28

(4) Unaudited Consolidated Statements of Cash Flows

(Millions of Yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
I. Cash flows from operating activities		
Surplus before income taxes	12,320	8,739
Depreciation of rental real estate and other assets	2,779	2,735
Depreciation	6,889	6,241
Impairment losses	464	280
Increase (decrease) in reserve for outstanding claims	6,389	571
Increase (decrease) in policy reserves	(50,223)	(57,410)
Provision for interest on policyholders' dividend reserves	1	1
Increase (decrease) in allowance for possible loan losses	145	13
Increase (decrease) in net defined benefit liabilities	(302)	34
Increase (decrease) in reserve for price fluctuation	1,260	1,080
Interest, dividends and other income	(61,521)	(60,095)
(Gains) losses on securities	7,469	20,357
(Gains) losses on derivative financial instruments	8,156	11,551
Interest expenses	1,834	2,518
Foreign exchange (gains) losses, net	(4,439)	(3,983)
(Gains) losses on tangible fixed assets	(226)	(107)
Others, net	(1,114)	(16,577)
Subtotal	(70,118)	(84,048)
Interest, dividends and other income received	63,996	60,543
Interest paid	(1,987)	(2,839)
Dividends to policyholders paid	(1,590)	(1,637)
Income taxes (paid) refunded	(5,632)	5,207
Net cash provided by (used in) operating activities	(15,331)	(22,773)
II. Cash flows from investing activities		
Proceeds from sales and redemptions of monetary claims bought	1,232	867
Purchases of securities	(396,440)	(380,134)
Proceeds from sales and redemptions of securities	490,938	419,743
Disbursements for loans	(20,239)	(29,661)
Proceeds from collections of loans	43,270	28,320
Proceeds from derivative financial instruments	(135,022)	(62,178)
Increase (decrease) in payables under securities borrowing transactions	40,024	(2,690)
Others, net	-	(206)
①Total of investing activities	23,762	(25,938)
[I + ①]	8,430	(48,712)
Purchases of tangible fixed assets	(3,048)	(2,673)
Proceeds from sales of tangible fixed assets	507	1,169
Others, net	(6,541)	(6,760)
Net cash provided by (used in) investing activities	14,680	(34,204)
III. Cash flows from financing activities		
Proceeds from debt borrowing	5,000	11,600
Redemption of debt borrowing	(2,000)	(5,000)
Redemption of bonds	-	(47,946)
Redemption of foundation funds	(40,000)	-
Payment of interest on foundation funds	(4,040)	(2,323)
Dividends paid to non-controlling interests	(51)	(52)
Others, net	(489)	(202)
Net cash provided by (used in) financing activities	(41,580)	(43,924)
IV. Net increase (decrease) in cash and cash equivalents	(42,231)	(100,902)
V. Cash and cash equivalents at the beginning of the interim period	158,030	216,601
VI. Cash and cash equivalents at the end of the interim period	115,798	115,698

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, 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 remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Beginning balance	173,938	(46,739)	(2,077)	125,121	94	494,480
Changes in the 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

Six months ended September 30, 2023

(Millions of Yen)

	Foundation funds and others				
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Consolidated surplus	Total foundation funds and others
Beginning balance	51,000	206,000	281	79,001	336,283
Changes in the interim period:					
Additions to reserve for dividends to policyholders				(2,497)	(2,497)
Payment of interest on foundation funds				(2,323)	(2,323)
Net surplus attributable to the Parent Company				6,839	6,839
Reversal of land revaluation differences				382	382
Net changes, excluding foundation funds and others					
Net changes in the interim period	-	-	-	2,401	2,401
Ending balance	51,000	206,000	281	81,402	338,684

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Net unrealized gains (losses) on available-for-sale securities, net of tax	Deferred gains (losses) on derivatives under hedge accounting	Land revaluation differences	Accumulated remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Beginning balance	130,668	-	(48,406)	(2,104)	80,157	96	46,537
Changes in the interim period:							
Additions to reserve for dividends to policyholders							(2,497)
Payment of interest on foundation funds							(2,323)
Net surplus attributable to the Parent Company							6,839
Reversal of land revaluation differences							382
Net changes, excluding foundation funds and others	65,850	1,173	(382)	471	67,113	(24)	67,088
Net changes in the interim period	65,850	1,173	(382)	471	67,113	(24)	69,489
Ending balance	196,518	1,173	(48,788)	(1,632)	147,271	71	486,027

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, 2023 are listed below:

Info Techno Asahi Co., Ltd.

Asahi Life Asset Management Co., Ltd.

Asahi Natixis Investment Managers Co., Ltd.

Nanairo Life Insurance Co., Ltd.

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

Each non-consolidated subsidiary is small in scale in terms of total assets, amount of sales, net income and surplus for the 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 ¥3 million as of September 30, 2023.

(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 six 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 deferred hedge accounting using equity forward contracts for hedging activities related to price fluctuation exposures on certain domestic stocks.

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) Group tax sharing system

The Company and part of its subsidiaries have applied the group tax sharing system.

(13) 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.

(14) 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.

(15) 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.

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.

With respect to reserve for outstanding claims incurred but not reported events (referring to claims for which the occurrence of the insured events has not been reported but the Company finds that insured events have already occurred; hereinafter the same), the special treatment of the payment of hospitalization benefits with regard to people with diagnoses of COVID-19 given and under the care of a doctor and the like at an accommodation facility or at home (“deemed hospitalizations”) was terminated on May 8, 2023. As a result of this change, an appropriate amount of reserves cannot be obtained with the calculation method set forth in the main rules in Article 1, Paragraph 1 of the Japanese Ministry of Finance Public Notice No.234, 1998 (“IBNR Notice”). The Company therefore records the amount that was calculated using the following method, pursuant to provisions in the proviso of Article 1, Paragraph 1 of IBNR Notice (the “Proviso”).

(Overview of the calculation method)

The Company calculates the amount of reserve for outstanding claims incurred but not reported events using the same manner as that set forth in the main rules in Article 1, Paragraph 1 of IBNR Notice, excluding the amount related to deemed hospitalizations from a required amount of reserves for incurred but not reported events and the amount of claim payments for all the fiscal years, as set forth in the main rules in Article 1, Paragraph 1 of IBNR Notice.

In the fiscal year ended March 31, 2023, the Company calculates the reserve for outstanding claims incurred but not reported events for deemed hospitalizations and the others separately; however, the special treatment of the payment of hospitalization benefits with regard to deemed hospitalization was terminated for the interim period ended September 30, 2023. Therefore, the Company revised its methodology to calculate the amount of reserve for outstanding claims incurred but not reported events for deemed hospitalizations as zero.

(16) 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.

(17) 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.

(18) Software

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

2. Financial Instruments

The balance sheet amounts, fair values and the differences between those of major financial assets and liabilities as of September 30, 2023 were as follows. The following table does not include cash and deposits, call loans and payables under securities borrowing transactions which are mostly settled in a short term and their fair values approximate their book values.

As of September 30, 2023	Millions of Yen		
	Balance Sheet Amount	Fair Value	Difference
Monetary claims bought	¥ 19,382	¥ 20,849	¥ 1,466
Held-to-maturity debt securities	18,536	20,003	1,466
Available-for-sale securities	846	846	-
Securities	4,251,499	4,162,330	(89,168)
Trading securities	27,908	27,908	-
Held-to-maturity debt securities	283,938	297,953	14,014
Policy-reserve-matching bonds	2,206,701	2,103,518	(103,182)
Available-for-sale securities	1,732,950	1,732,950	-
Loans	309,317	315,483	6,166
Policy loans	29,368	29,368	-
Industrial and consumer loans	279,949	286,115	6,166
Total assets	4,580,199	4,498,664	(81,535)
Bonds payable	102,609	102,325	(283)
Loans payable	55,600	56,638	1,038
Total liabilities	158,209	158,963	754
Derivative financial instruments	(7,392)	(7,392)	-
Hedge accounting not applied	(1,462)	(1,462)	-
Hedge accounting applied	(5,930)	(5,930)	-

* 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 ¥21,612 million as of September 30, 2023.

Investment trusts which are accounted for in accordance with Paragraph 24-3 and 24-9 of “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, revised on June 17, 2021) are included in the table above.

Investments in partnerships and others which are accounted for 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 ¥60,106 million as of September 30, 2023.

3. 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

As of September 30, 2023	Millions of Yen			
	Fair Value			Total
	Level 1	Level 2	Level 3	
Monetary claims bought	¥ -	¥ -	¥ 846	¥ 846
Available-for-sale securities	-	-	846	846
Securities *1	595,071	979,025	32,110	1,606,207
Trading securities	-	27,908	-	27,908
Others	-	27,908	-	27,908
Available-for-sale securities	595,071	951,116	32,110	1,578,298
National government bonds and local government bonds	14,844	648	-	15,493
Corporate bonds	-	374,419	-	374,419
Domestic stocks	489,680	-	-	489,680
Foreign bonds	1,145	381,893	32,110	415,150
Others	89,399	194,155	-	283,554
Total assets	595,071	979,025	32,957	1,607,053
Derivative financial instruments *2	-	(9,138)	1,745	(7,392)
Currency-related	-	(9,138)	-	(9,138)
Stock-related	-	-	1,745	1,745

*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 which are accounted for in accordance with Paragraph 24-3 of the implementation guidance, reported in the interim non-consolidated balance sheet was ¥149,423 million as of September 30, 2023. The amount of the investment trusts which are accounted for in accordance with Paragraph 24-9 of the implementation guidance, reported in the interim non-consolidated balance sheet was ¥5,228 million as of September 30, 2023.

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

- i) Investment trusts which are accounted for 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 which are accounted for 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, 2023</u>	
Beginning balance	¥	134,005
Gains (losses) and other comprehensive income for the interim period:		9,837
Gains (losses) recorded for the interim period *1		1,144
Other comprehensive income recorded for the interim period *2		8,692
Net amount of purchase, sale and redemption		5,580
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>149,423</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>1,144</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</u>	
	<u>September 30, 2023</u>	
Investment trusts which need more than 1 month to cancel from the notification of cancellation	¥	42,938
Other than above		106,484

- 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 which are accounted for 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, 2023</u>	
Beginning balance	¥	5,196
Gains (losses) and other comprehensive income for the interim period:		31
Gains (losses) recorded for the interim period *1		-
Other comprehensive income recorded for the interim period *2		31
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		5,228
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		-

*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

As of September 30, 2023	Millions of Yen			
	Fair Value			Total
	Level 1	Level 2	Level 3	
Monetary claims bought	¥ -	¥ 19,590	¥ 412	¥ 20,003
Held-to-maturity debt securities	-	19,590	412	20,003
Securities	1,720,141	494,449	186,880	2,401,471
Held-to-maturity debt securities	35,871	75,201	186,880	297,953
National government bonds and local government bonds	35,871	-	-	35,871
Corporate bonds	-	75,201	-	75,201
Foreign bonds	-	-	186,880	186,880
Policy-reserve-matching bonds	1,684,270	419,248	-	2,103,518
National government bonds and local government bonds	1,684,270	43,298	-	1,727,568
Corporate bonds	-	375,950	-	375,950
Loans	-	-	315,483	315,483
Policy loans	-	-	29,368	29,368
Industrial and consumer loans	-	-	286,115	286,115
Total assets	1,720,141	514,040	502,777	2,736,958
Bonds payable	-	102,325	-	102,325
Loans payable	-	-	56,638	56,638
Total liabilities	-	102,325	56,638	158,963

(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 is 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 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, equity options, interest rate swaptions and equity forward contracts 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, 2023	Millions of Yen			
	Monetary claims	Securities	Total (i) + (ii)	Derivative financial instruments
	Available-for- sale securities	Available-for- sale securities		Stock-related
	Others (i)	Foreign bonds (ii)		
Beginning balance	¥ 897	¥ 64,899	¥ 65,796	¥ 550
Gains (losses) and other comprehensive income for the interim period:				
Gains (losses) recorded for the interim period *1	(41)	9,108	9,066	2,989
Other comprehensive income recorded for the interim period *2	(10)	3,958	3,947	1,361
Net amount of purchase, sale, issue and settlement	(9)	(41,897)	(41,906)	(1,794)
Transfer to fair values of Level 3	-	-	-	-
Transfer from fair values of Level 3	-	-	-	-
Ending balance	846	32,110	32,957	1,745
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	(10)	3,958	3,947	(565)

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

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

iii) Description of the fair value evaluation process

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

4. 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.

5. 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 ¥485 million as of September 30, 2023.

- i) Claims against bankrupt and quasi-bankrupt obligors were ¥376 million as of September 30, 2023.
- ii) The Company does not have claims with collection risk as of September 30, 2023.
- iii) Delinquent loans three or more months past due were ¥88 million as of September 30, 2023.
- iv) Restructured loans were ¥20 million as of September 30, 2023.

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

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

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

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

The direct write-offs related to claims decreased the amount of claims against bankrupt and quasi-bankrupt obligors described above by ¥3 million as of September 30, 2023.

6. Separate Accounts

Total assets in separate accounts provided for in Article 118 of the Insurance Business Act were ¥28,152 million as of September 30, 2023. The amounts of separate account liabilities were the same as separate account assets.

7. Reserve for Dividends to Policyholders

The change in reserve for dividends to policyholders for the interim period ended September 30, 2023 was as follows:

	Millions of Yen	
	Six months ended	
	September 30, 2023	
Balance at the beginning of the interim period	¥	27,103
Transfer to reserve from surplus in the previous fiscal year		2,497
Dividends to policyholders paid out during the interim period		1,637
Increase in interest		1
Balance at the end of the interim period	¥	27,965

8. Pledged Assets

Assets pledged as collateral were securities in the amount of ¥9,401 million as of September 30, 2023.

9. 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 ¥35,184 million as of September 30, 2023.

10. Securities Lent under Lending Agreements

The amount of securities lent under lending agreements was ¥200,607 million as of September 30, 2023.

11. Assets with Rights to Sell

The Company has the legal right to sell or collateralize securities borrowed under loan agreements. The market value of these assets that were not sold or pledged as collateral was ¥12,062 million as of September 30, 2023. No assets were pledged as collateral as of September 30, 2023.

12. Commitment Line

As of September 30, 2023, there were unused commitment line agreements under which the Company is the lender of ¥9,504 million.

13. Subordinated Bonds Payable

As of September 30, 2023, bonds payable are subordinated bonds payable, for which the repayments are subordinated to other obligations.

14. Subordinated Loans Payable

As of September 30, 2023, 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:

	Millions of Yen	
	Six months ended	
	September 30, 2023	
Domestic bonds	¥	3,156
Domestic stocks and other securities		2,341
Foreign securities		1,704

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

	Millions of Yen	
	Six months ended	
	September 30, 2023	
Domestic bonds	¥	5,571
Domestic stocks and other securities		500
Foreign securities		23,764

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

	Millions of Yen	
	Six months ended	
	September 30, 2023	
Domestic stocks and other securities	¥	0
Foreign securities		0

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, 2023 was ¥16,105 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, 2023 was ¥7,027 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 of the Company and part of its subsidiaries 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, 2023	As of September 30, 2023
Total solvency margin (A)	979,054	998,010
Foundation funds and surplus	326,009	330,940
Reserve for price fluctuation	38,210	39,290
Contingency reserve	64,263	45,286
Catastrophe loss reserve	-	-
General allowance for possible loan losses	347	427
(Net unrealized gains on available-for-sale securities (before tax effect) and deferred hedge gains (before tax effect)) × 90% (in case of losses: × 100%)	149,491	232,283
Net unrealized gains on land × 85% (in case of losses: × 100%)	35,037	34,639
Sum of unrealized actuarial differences and unrealized past service cost	(2,924)	(2,452)
Excess amount of policy reserves based on full-time Zillmer method	148,282	148,342
Qualifying subordinated debt	199,555	146,609
Excess amount of policy reserves based on full-time Zillmer method and qualifying subordinated debt excluded from the calculation of solvency margin	-	-
Deduction	-	-
Others	20,780	22,644
Total amount of risk $\sqrt{(\sqrt{R_1^2 + R_5^2 + R_8 + R_6})^2 + (R_2 + R_3 + R_7)^2} + R_4 + R_6$ (B)	199,938	218,935
Insurance risk R_1	11,558	11,308
Ordinary insurance risk R_5	-	-
Disaster insurance risk R_6	-	-
Third sector insurance risk R_8	12,002	12,474
Small amount short-term insurance provider insurance risk R_9	-	-
Risk of assumed yield R_2	64,049	62,918
Minimum guarantee risk R_7	1,004	998
Investment risk R_3	129,105	148,960
Operational risk R_4	4,354	4,733
Solvency margin ratio (A) / {(1/2) × (B)} × 100	979.3%	911.6%

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.