

February 14, 2024

Financial Results for the Nine Months Ended December 31, 2023

Asahi Mutual Life Insurance Company (the “Company”; President: Hiroki Kimura) announces financial results for the nine months ended December 31, 2023.

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1. Business Highlights

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

(i) Policies in Force

	As of March 31, 2023		As of December 31, 2023			
	Number of policies	Amount	Number of policies		Amount (100 millions of Yen)	
	(Thousands)	(100 millions of Yen)	(Thousands)	Changes (%, Pre-FYE)		Changes (%, Pre-FYE)
Individual insurance	7,347	115,128	7,270	99.0	108,560	94.3
Individual annuities	452	18,199	434	96.0	17,344	95.3
Group insurance	-	14,103	-	-	14,733	104.5
Group annuities	-	124	-	-	98	78.8

Notes:

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

(ii) New Policies

	Nine months ended December 31, 2022			
	Number of policies	Amount (100 millions of Yen)		
	(Thousands)		New policies	Net increase by conversion
Individual insurance	515	1,538	2,396	(858)
Individual annuities	-	(32)	-	(32)
Group insurance	-	223	223	-
Group annuities	-	-	-	-

	Nine months ended December 31, 2023					
	Number of policies		Amount (100 millions of Yen)			
	(Thousands)	Changes (%, YoY)		Changes (%, YoY)	New policies	Net increase by conversion
Individual insurance	490	95.1	1,190	77.4	2,085	(894)
Individual annuities	-	-	(28)	-	-	(28)
Group insurance	-	-	969	434.2	969	-
Group annuities	-	-	-	-	-	-

Notes:

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

(2) Annualized Premiums

(i) Policies in Force

(100 millions of Yen)

	As of March 31, 2023	As of December 31, 2023	
			Changes (%, Pre-FYE)
Individual insurance	3,743	3,658	97.7
Individual annuities	1,173	1,136	96.8
Total	4,917	4,795	97.5
Third-sector products	2,235	2,216	99.2

(ii) New Policies

(100 millions of Yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023	
			Changes (%, YoY)
Individual insurance	159	150	94.6
Individual annuities	(0)	(0)	-
Total	158	149	94.6
Third-sector products	128	122	95.6

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 December 31, 2023	
	Amount	Percentage	Amount	Percentage
Cash, deposits, call loans	207,394	3.9	133,375	2.5
Monetary claims bought	20,292	0.4	19,059	0.4
Securities	4,277,590	81.3	4,387,050	82.5
Domestic bonds	2,609,731	49.6	2,716,903	51.1
Domestic stocks	507,674	9.7	582,329	11.0
Foreign securities	1,088,201	20.7	1,006,885	18.9
Foreign bonds	705,216	13.4	581,236	10.9
Foreign stocks and other foreign securities	382,985	7.3	425,648	8.0
Other securities	71,982	1.4	80,931	1.5
Loans	303,961	5.8	317,898	6.0
Policy loans	30,254	0.6	28,993	0.5
Industrial and consumer loans	273,707	5.2	288,904	5.4
Real estate	355,384	6.8	352,852	6.6
Deferred tax assets	5,690	0.1	-	-
Others	89,543	1.7	105,267	2.0
Allowance for possible loan losses	(648)	(0.0)	(644)	(0.0)
Total	5,259,210	100.0	5,314,861	100.0
Foreign currency-denominated assets	1,140,112	21.7	957,582	18.0

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

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

(Millions of Yen)

	As of March 31, 2023					As of December 31, 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)	296,933	314,980	18,047	19,731	(1,684)
Policy-reserve-matching bonds	2,093,763	2,109,209	15,445	129,585	(114,139)	2,210,072	2,117,002	(93,069)	98,247	(191,317)
Stocks of subsidiaries	-	-	-	-	-	-	-	-	-	-
Available-for-sale securities	1,626,794	1,786,581	159,786	293,373	(133,587)	1,481,808	1,760,700	278,892	363,473	(84,581)
Domestic bonds	417,814	401,531	(16,283)	2,292	(18,575)	411,315	402,713	(8,601)	2,269	(10,870)
Domestic stocks	173,309	431,919	258,609	268,691	(10,081)	175,632	501,614	325,982	329,747	(3,764)
Foreign securities	963,085	881,997	(81,087)	19,885	(100,973)	818,684	776,672	(42,012)	25,749	(67,761)
Foreign bonds	623,607	550,216	(73,390)	1,744	(75,134)	455,713	406,636	(49,076)	468	(49,545)
Foreign stocks and other foreign securities	339,477	331,781	(7,696)	18,141	(25,838)	362,971	370,036	7,064	25,280	(18,215)
Other securities	71,793	70,235	(1,557)	2,399	(3,956)	75,409	78,855	3,446	5,631	(2,184)
Monetary claims bought	792	897	105	105	-	767	844	77	77	-
Negotiable certificates of deposit	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-
Total	4,009,390	4,208,228	198,837	446,620	(247,782)	3,988,814	4,192,684	203,870	481,453	(277,582)
Domestic bonds	2,626,015	2,628,326	2,311	135,049	(132,738)	2,725,505	2,625,639	(99,865)	102,420	(202,286)
Domestic stocks	173,309	431,919	258,609	268,691	(10,081)	175,632	501,614	325,982	329,747	(3,764)
Foreign securities	1,118,085	1,055,559	(62,525)	38,448	(100,973)	993,284	966,002	(27,281)	42,001	(69,283)
Foreign bonds	778,607	723,778	(54,828)	20,306	(75,134)	630,313	595,966	(34,346)	16,720	(51,067)
Foreign stocks and other foreign securities	339,477	331,781	(7,696)	18,141	(25,838)	362,971	370,036	7,064	25,280	(18,215)
Other securities	71,793	70,235	(1,557)	2,399	(3,956)	75,409	78,855	3,446	5,631	(2,184)
Monetary claims bought	20,187	22,187	1,999	2,032	(33)	18,982	20,572	1,589	1,651	(62)
Negotiable certificates of deposit	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-

Notes:

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

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

(Millions of Yen)

	As of March 31, 2023	As of December 31, 2023
Stocks of subsidiaries	62,621	67,671
Available-for-sale securities	59,770	60,752
Domestic stocks	13,134	13,093
Foreign stocks	11	10
Others	46,625	47,648
Total	122,391	128,424

(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 December 31, 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)	296,933	314,980	18,047	19,731	(1,684)
Policy-reserve-matching bonds	2,093,763	2,109,209	15,445	129,585	(114,139)	2,210,072	2,117,002	(93,069)	98,247	(191,317)
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)	1,542,561	1,831,433	288,871	373,453	(84,581)
Domestic bonds	417,814	401,531	(16,283)	2,292	(18,575)	411,315	402,713	(8,601)	2,269	(10,870)
Domestic stocks	186,443	445,053	258,609	268,691	(10,081)	188,725	514,708	325,982	329,747	(3,764)
Foreign securities	1,007,974	933,201	(74,773)	26,205	(100,978)	864,267	832,234	(32,032)	35,728	(67,761)
Foreign bonds	623,607	550,216	(73,390)	1,744	(75,134)	455,713	406,636	(49,076)	468	(49,545)
Foreign stocks and other foreign securities	384,367	382,985	(1,382)	24,461	(25,844)	408,554	425,598	17,044	35,260	(18,215)
Other securities	73,539	71,982	(1,557)	2,399	(3,956)	77,485	80,931	3,446	5,631	(2,184)
Monetary claims bought	792	897	105	105	-	767	844	77	77	-
Negotiable certificates of deposit	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-
Total	4,131,782	4,336,935	205,152	452,940	(247,788)	4,117,238	4,331,088	213,849	491,432	(277,582)
Domestic bonds	2,626,015	2,628,326	2,311	135,049	(132,738)	2,725,505	2,625,639	(99,865)	102,420	(202,286)
Domestic stocks	249,065	507,674	258,609	268,691	(10,081)	256,346	582,329	325,982	329,747	(3,764)
Foreign securities	1,162,974	1,106,764	(56,210)	44,768	(100,978)	1,038,917	1,021,615	(17,302)	51,981	(69,283)
Foreign bonds	778,607	723,778	(54,828)	20,306	(75,134)	630,313	595,966	(34,346)	16,720	(51,067)
Foreign stocks and other foreign securities	384,367	382,985	(1,382)	24,461	(25,844)	408,604	425,648	17,044	35,260	(18,215)
Other securities	73,539	71,982	(1,557)	2,399	(3,956)	77,485	80,931	3,446	5,631	(2,184)
Monetary claims bought	20,187	22,187	1,999	2,032	(33)	18,982	20,572	1,589	1,651	(62)
Negotiable certificates of deposit	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-

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

(3) Fair Value Information on Money Held in Trust

The Company does not hold money held in trust.

3. Unaudited Non-consolidated Balance Sheets

(Millions of Yen)

	As of March 31, 2023	As of December 31, 2023
Assets:		
Cash and deposits	41,673	34,852
Call loans	166,000	99,000
Monetary claims bought	20,292	19,059
Securities:	4,303,789	4,415,025
National government bonds	1,693,184	1,782,539
Local government bonds	50,610	48,048
Corporate bonds	865,936	886,315
Domestic stocks	507,674	582,329
Foreign securities	1,088,201	1,006,885
Loans:	303,961	317,898
Policy loans	30,254	28,993
Industrial and consumer loans	273,707	288,904
Tangible fixed assets	359,493	356,369
Intangible fixed assets	33,497	35,848
Agency accounts receivable	6	2
Reinsurance receivables	687	159
Other assets	50,226	47,987
Prepaid pension cost	424	353
Deferred tax assets	5,690	-
Customers' liabilities under acceptances and guarantees	600	17,405
Allowance for possible loan losses	(648)	(644)
Total assets	5,285,695	5,343,317

(Millions of Yen)

	As of March 31, 2023	As of December 31, 2023
Liabilities:		
Policy reserves and other reserves:	4,331,522	4,244,118
Reserve for outstanding claims	34,513	34,938
Policy reserves	4,269,904	4,181,888
Reserve for dividends to policyholders	27,103	27,291
Reinsurance payables	700	293
Bonds payable	150,555	102,609
Other liabilities:	290,565	339,192
Income taxes payable	133	747
Lease obligations	1,360	1,060
Asset retirement obligations	967	960
Others	288,105	336,424
Reserve for employees' retirement benefits	28,727	28,642
Reserve for price fluctuation	38,210	39,820
Deferred tax liabilities	-	26,960
Deferred tax liabilities for land revaluation	15,062	14,861
Acceptances and guarantees	600	17,405
Total liabilities	4,855,944	4,813,903
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	103,609
Reserve for future losses	366	381
Other surplus:	89,841	103,228
Reserve for fund redemption	22,600	31,700
Equalized reserve for dividends to policyholders	7,093	6,893
Unappropriated surplus (loss)	60,148	64,635
Total foundation funds and others	347,489	360,891
Net unrealized gains (losses) on available-for-sale securities, net of tax	130,668	219,855
Deferred gains (losses) on derivatives under hedge accounting	-	(2,409)
Land revaluation differences	(48,406)	(48,923)
Total valuation and translation adjustments	82,261	168,521
Total net assets	429,751	529,413
Total liabilities and net assets	5,285,695	5,343,317

4. Unaudited Non-consolidated Statements of Income

(Millions of Yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Ordinary income:	489,801	479,629
Premium and other income:	283,290	274,999
Insurance premiums	282,182	274,129
Investment income:	108,836	110,694
Interest, dividends and other income	88,477	88,495
Gains on sales of securities	13,213	10,875
Investment gains on separate accounts	-	3,595
Other ordinary income	97,673	93,934
Ordinary expenses:	458,304	453,804
Claims and other payments:	304,523	289,094
Claims	81,587	79,218
Annuities	85,024	82,970
Benefits	72,796	55,451
Surrender benefits	61,514	65,691
Other payments	1,857	4,033
Provision for policy reserves and other reserves:	1,989	427
Provision for reserve for outstanding claims	1,987	425
Provision for interest on policyholders' dividend reserves	2	2
Investment expenses:	47,017	59,076
Interest expenses	2,780	3,446
Losses on trading securities	-	206
Losses on sales of securities	20,251	33,094
Losses on valuation of securities	114	100
Losses on derivative financial instruments	9,755	10,108
Investment losses on separate accounts	913	-
Operating expenses	79,098	81,335
Other ordinary expenses	25,674	23,870
Ordinary profit	31,496	25,825
Extraordinary gains	244	206
Gains on disposal of fixed assets	244	206
Extraordinary losses	2,915	2,931
Losses on disposal of fixed assets	226	489
Impairment losses	824	754
Provision for reserve for price fluctuation	1,820	1,610
Losses on reduction entry of real estate	-	76
Other extraordinary losses	44	-
Surplus before income taxes	28,826	23,100
Income taxes including deferred taxes	5,682	5,395
Total income taxes	5,682	5,395
Net surplus	23,144	17,705

Notes to Unaudited Non-consolidated Financial Information

Notes to Unaudited Non-consolidated Balance Sheet

1. Reserve for Outstanding Claims Incurred but not Reported Events

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 reporting period ended December 31, 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.

2. Securities Lent under Lending Agreements

The amount of securities lent under lending agreements was ¥260,410 million as of December 31, 2023.

3. Reserve for Dividends to Policyholders

The change in reserve for dividends to policyholders for the reporting period ended December 31, 2023 was as follows:

	<u>Millions of Yen</u>	
	<u>Nine months ended December 31, 2023</u>	
Balance at the beginning of the reporting period	<u>¥</u>	<u>27,103</u>
Transfer to reserve from surplus in the previous fiscal year		2,497
Dividends to policyholders paid out during the reporting period		2,311
Increase in interest		2
Balance at the end of the reporting period	<u>¥</u>	<u>27,291</u>

5. Breakdown of Ordinary Profit (Fundamental Profit)

(Millions of Yen)

		Nine months ended December 31, 2022	Nine months ended December 31, 2023
Fundamental profit	A	9,752	28,462
Capital gains		23,317	21,615
Gains on money held in trust		-	-
Gains on trading securities		-	-
Gains on sales of securities		13,213	10,875
Gains on derivative financial instruments		-	-
Foreign exchange gains		1,688	2,292
Other capital gains		8,415	8,447
Capital losses		30,489	43,784
Losses on money held in trust		-	-
Losses on trading securities		-	206
Losses on sales of securities		20,251	33,094
Losses on valuation of securities		114	100
Losses on derivative financial instruments		9,755	10,108
Foreign exchange losses		-	-
Other capital losses		368	275
Net capital gains (losses)	B	(7,172)	(22,169)
Fundamental profit plus net capital gains (losses)	A+B	2,580	6,292
Other one-time gains		29,022	19,532
Reinsurance revenue		-	-
Reversal of contingency reserve		29,022	19,464
Reversal of specific allowance for possible loan losses		-	67
Others		-	-
Other one-time losses		105	0
Reinsurance premiums		-	-
Provision for contingency reserve		-	-
Provision for specific allowance for possible loan losses		105	-
Provision for allowance for specified overseas loans		-	-
Write-offs of loans		0	0
Others		-	-
Net other one-time gains (losses)	C	28,916	19,532
Ordinary profit	A+B+C	31,496	25,825

(Reference) Breakdown of "other" items

(Millions of Yen)

		Nine months ended December 31, 2022	Nine months ended December 31, 2023
Fundamental profit		(8,047)	(8,172)
Hedging costs related to foreign exchange		(6,565)	(6,990)
Gains (losses) on cancellation of investment trusts		(1,850)	(1,457)
Gains (losses) on redemption of securities caused by foreign exchange fluctuation		368	275
Other capital gains		8,415	8,447
Hedging costs related to foreign exchange		6,565	6,990
Gains on cancellation of investment trusts		1,850	1,457
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

6. Solvency Margin Ratio

(Millions of Yen)

		As of March 31, 2023	As of December 31, 2023
Total solvency margin	(A)	947,464	996,754
Foundation funds and surplus		342,668	357,253
Reserve for price fluctuation		38,210	39,820
Contingency reserve		63,109	43,644
General allowance for possible loan losses		345	407
(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	256,976
Net unrealized gains on land × 85% (in case of losses: × 100%)		35,037	34,647
Excess amount of policy reserves based on full-time Zillmer method		148,266	148,562
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	23,833
Total amount of risk	$\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$ (B)	203,084	219,457
Insurance risk	R_1	11,558	11,138
Third sector insurance risk	R_8	10,848	10,809
Risk of assumed yield	R_2	64,049	62,114
Minimum guarantee risk	R_7	1,004	987
Investment risk	R_3	132,366	150,519
Operational risk	R_4	4,396	4,711
Solvency margin ratio	$(A) / \{(1/2) \times (B)\} \times 100$	933.0%	908.3%

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.

7. Status of Separate Account

(1) Separate Account Assets by Products

(Millions of Yen)

	As of March 31, 2023	As of December 31, 2023
	Amount	Amount
Individual variable insurance	26,438	28,389
Individual variable annuities	-	-
Group annuity products	-	-
Total	26,438	28,389

(2) Sum Insured of Policies in Force

(i) Individual Variable Insurance

	As of March 31, 2023		As of December 31, 2023	
	Number of policies (Thousands)	Amount (Millions of Yen)	Number of policies (Thousands)	Amount (Millions of Yen)
Individual variable insurance (fixed term)	-	-	-	-
Individual variable insurance (whole life)	12	83,683	11	81,439
Total	12	83,683	11	81,439

(ii) Individual Variable Annuities

	As of March 31, 2023		As of December 31, 2023	
	Number of policies (Thousands)	Amount (Millions of Yen)	Number of policies (Thousands)	Amount (Millions of Yen)
Individual variable annuities	-	-	-	-
Total	-	-	-	-

8. Status of the Company, Subsidiaries and Affiliates

(1) Selected Financial Data

(Millions of Yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Ordinary income	519,325	527,677
Ordinary profit	25,711	16,605
Net surplus attributable to the Parent Company	19,126	10,890
Comprehensive income	(51,517)	98,416

(Millions of Yen)

	As of March 31, 2023	As of December 31, 2023
Total assets	5,283,507	5,333,256
Solvency margin ratio	979.3%	951.1%

(2) Scope of Consolidation and Application of Equity Method

Number of consolidated subsidiaries: 4

Unconsolidated subsidiaries 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) Unaudited Consolidated Balance Sheets

(Millions of Yen)

	As of March 31, 2023	As of December 31, 2023
Assets:		
Cash and deposits	50,601	43,992
Call loans	166,000	99,000
Monetary claims bought	20,292	19,059
Securities	4,249,612	4,355,836
Loans	303,961	317,898
Tangible fixed assets	360,023	356,877
Intangible fixed assets	38,053	40,576
Agency accounts receivable	6	3
Reinsurance receivables	26,871	39,204
Other assets	58,965	60,197
Net defined benefit assets	421	367
Deferred tax assets	8,745	80
Customers' liabilities under acceptances and guarantees	600	805
Allowance for possible loan losses	(648)	(644)
Total assets	5,283,507	5,333,256

(Millions of Yen)

	As of March 31, 2023	As of December 31, 2023
Liabilities:		
Policy reserves and other reserves:	4,335,719	4,252,274
Reserve for outstanding claims	36,411	38,511
Policy reserves	4,272,203	4,186,470
Reserve for dividends to policyholders	27,103	27,291
Reinsurance payables	826	511
Bonds payable	150,555	102,609
Other liabilities	294,447	357,673
Net defined benefit liabilities	31,548	30,762
Reserve for price fluctuation	38,210	39,820
Deferred tax liabilities	0	23,856
Deferred tax liabilities for land revaluation	15,062	14,861
Acceptances and guarantees	600	805
Total liabilities	4,866,969	4,823,176
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	85,588
Total foundation funds and others	336,283	342,870
Net unrealized gains (losses) on available-for-sale securities, net of tax	130,668	219,855
Deferred gains (losses) on derivatives under hedge accounting	-	(2,409)
Land revaluation differences	(48,406)	(48,923)
Accumulated remeasurements of defined benefit plans	(2,104)	(1,397)
Total accumulated other comprehensive income	80,157	167,124
Non-controlling interests	96	85
Total net assets	416,537	510,080
Total liabilities and net assets	5,283,507	5,333,256

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

(Unaudited Consolidated Statements of Income)

(Millions of Yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Ordinary income:	519,325	527,677
Premium and other income	310,856	321,857
Investment income:	108,324	110,297
Interest, dividends and other income	88,014	88,145
Gains on sales of securities	13,213	10,876
Investment gains on separate accounts	-	3,595
Other ordinary income	100,144	95,522
Ordinary expenses:	493,613	511,072
Claims and other payments:	312,821	310,148
Claims	81,587	79,218
Annuities	85,024	82,970
Benefits	74,755	59,110
Surrender benefits	61,514	65,691
Other payments	1,891	4,068
Provision for policy reserves and other reserves:	3,734	2,102
Provision for reserve for outstanding claims	3,732	2,100
Provision for interest on policyholders' dividend reserves	2	2
Investment expenses:	47,017	59,112
Interest expenses	2,780	3,480
Losses on trading securities	-	206
Losses on sales of securities	20,251	33,095
Losses on valuation of securities	114	100
Losses on derivative financial instruments	9,755	10,108
Investment losses on separate accounts	913	-
Operating expenses	101,527	112,021
Other ordinary expenses	28,512	27,687
Ordinary profit	25,711	16,605
Extraordinary gains	244	206
Gains on disposal of fixed assets	244	206
Extraordinary losses	2,915	2,932
Losses on disposal of fixed assets	226	490
Impairment losses	824	754
Provision for reserve for price fluctuation	1,820	1,610
Losses on reduction entry of real estate	-	76
Other extraordinary losses	44	-
Surplus before income taxes	23,040	13,879
Income taxes including deferred taxes	3,874	2,947
Total income taxes	3,874	2,947
Net surplus	19,165	10,932
Net surplus attributable to non-controlling interests	39	42
Net surplus attributable to the Parent Company	19,126	10,890

(Unaudited Consolidated Statements of Comprehensive Income)

(Millions of Yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Net surplus	19,165	10,932
Other comprehensive income:	(70,683)	87,484
Net unrealized gains (losses) on available-for-sale securities, net of tax	(71,059)	89,187
Deferred gains (losses) on derivatives under hedge accounting	–	(2,409)
Remeasurements of defined benefit plans	375	707
Comprehensive income:	(51,517)	98,416
Comprehensive income attributable to the Parent Company	(51,557)	98,374
Comprehensive income attributable to non-controlling interests	39	42

Notes to Unaudited Consolidated Financial Information

I. Notes to Unaudited Consolidated Balance Sheet

1. Reserve for Outstanding Claims Incurred but not Reported Events

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 reporting period ended December 31, 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.

2. Securities Lent under Lending Agreements

The amount of securities lent under lending agreements was ¥260,410 million as of December 31, 2023.

3. Reserve for Dividends to Policyholders

The change in reserve for dividends to policyholders for the reporting period ended December 31, 2023 was as follows:

	<u>Millions of Yen</u>	
	<u>Nine months ended December 31, 2023</u>	
Balance at the beginning of the reporting period	¥	<u>27,103</u>
Transfer to reserve from surplus in the previous fiscal year		2,497
Dividends to policyholders paid out during the reporting period		2,311
Increase in interest		2
Balance at the end of the reporting period	¥	<u><u>27,291</u></u>

II. Note to Unaudited Consolidated Statement of Income

Depreciation

For the reporting period ended December 31, 2023, the total amount of depreciation and depreciation of rental real estate and other assets was ¥13,557 million.

(5) Consolidated Solvency Margin Ratio

(Millions of Yen)

	As of March 31, 2023	As of December 31, 2023
Total solvency margin (A)	979,054	1,028,354
Foundation funds and surplus	326,009	333,981
Reserve for price fluctuation	38,210	39,820
Contingency reserve	64,263	45,568
Catastrophe loss reserve	-	-
General allowance for possible loan losses	347	409
(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	256,976
Net unrealized gains on land × 85% (in case of losses: × 100%)	35,037	34,647
Sum of unrealized actuarial differences and unrealized past service cost	(2,924)	(2,217)
Excess amount of policy reserves based on full-time Zillmer method	148,282	148,726
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	23,833
Total amount of risk $\sqrt{(\sqrt{R_1^2 + R_5^2 + R_6^2 + R_8^2 + R_9^2} + (R_2 + R_3 + R_7)^2 + R_4 + R_6}$ (B)	199,938	216,225
Insurance risk R_1	11,558	11,139
Ordinary insurance risk R_5	-	-
Disaster insurance risk R_6	-	-
Third sector insurance risk R_8	12,002	12,730
Small amount short-term insurance provider insurance risk R_9	-	-
Risk of assumed yield R_2	64,049	62,114
Minimum guarantee risk R_7	1,004	987
Investment risk R_3	129,105	147,091
Operational risk R_4	4,354	4,681
Solvency margin ratio (A) / {(1/2) × (B)} × 100	979.3%	951.1%

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.

(6) 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 is omitted because they represent such a minor proportion of total segments.