

May 23, 2024

Financial Results for the Fiscal Year Ended March 31, 2024

Asahi Mutual Life Insurance Company (the “Company”; President: Kenichiro Ishijima) announces financial results for the fiscal year ended March 31, 2024.

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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 March 31, 2024			
	Number of policies		Amount (100 millions of Yen)		Number of policies		Amount (100 millions of Yen)	
	(Thousands)	Changes (%, Pre-FYE)		Changes (%, Pre-FYE)	(Thousands)	Changes (%, Pre-FYE)		Changes (%, Pre-FYE)
Individual insurance	7,347	99.6	115,128	93.4	7,258	98.8	106,774	92.7
Individual annuities	452	94.4	18,199	93.9	428	94.6	17,525	96.3
Group insurance	-	-	14,103	100.5	-	-	14,684	104.1
Group annuities	-	-	124	94.8	-	-	96	77.3

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

	Year ended March 31, 2023					
	Number of policies		Amount (100 millions of Yen)			
	(Thousands)	Changes (%, YoY)		Changes (%, YoY)	New policies	Net increase by conversion
Individual insurance	668	92.3	1,909	112.8	3,055	(1,146)
Individual annuities	-	-	(41)	-	-	(41)
Group insurance	-	-	397	186.8	397	-
Group annuities	-	-	-	-	-	-

	Year ended March 31, 2024					
	Number of policies		Amount (100 millions of Yen)			
	(Thousands)	Changes (%, YoY)		Changes (%, YoY)	New policies	Net increase by conversion
Individual insurance	635	95.0	1,499	78.5	2,673	(1,174)
Individual annuities	-	-	(36)	-	-	(36)
Group insurance	-	-	1,102	277.6	1,102	-
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 March 31, 2024	
		Changes (%, Pre-FYE)		Changes (%, Pre-FYE)
Individual insurance	3,743	97.7	3,636	97.1
Individual annuities	1,173	94.5	1,124	95.8
Total	4,917	97.0	4,761	96.8
Third-sector products	2,235	99.8	2,213	99.0

(ii) New Policies

(100 millions of Yen)

	Year ended March 31, 2023		Year ended March 31, 2024	
		Changes (%, YoY)		Changes (%, YoY)
Individual insurance	203	87.3	192	94.8
Individual annuities	(0)	–	(0)	–
Total	202	87.3	192	94.8
Third-sector products	163	84.4	157	96.5

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).

(3) Selected Financial Data

(100 millions of Yen)

	Year ended March 31, 2023		Year ended March 31, 2024	
		Changes (%, YoY)		Changes (%, YoY)
Premium and other income	3,792	98.0	3,672	96.9
Investment income	1,441	99.4	1,832	127.1
Claims and other payments	4,043	106.0	3,839	94.9
Investment expenses	648	177.1	766	118.2
Ordinary profit	176	54.6	181	102.6

(4) Proposed Appropriation of Surplus

(100 millions of Yen)

	Year ended March 31, 2023		Year ended March 31, 2024	
		Changes (%, YoY)		Changes (%, YoY)
Unappropriated surplus	601	106.2	636	105.8
Reversal of voluntary surplus reserves	1	-	9	473.8
Reserve for dividends to policyholders	24	117.7	28	116.0
Net surplus	114	86.2	114	100.3
Surplus carried forward	464	112.6	502	108.2

(5) Total Assets

(100 millions of Yen)

	As of March 31, 2023		As of March 31, 2024	
		Changes (%, Pre-FYE)		Changes (%, Pre-FYE)
Total assets	52,856	96.0	54,850	103.8

2. Investment Results of General Account Assets

(1) Asset Composition

(Millions of Yen)

	As of March 31, 2023		As of March 31, 2024	
	Amount	Percentage	Amount	Percentage
Cash, deposits, call loans	207,394	3.9	112,046	2.1
Monetary claims bought	20,292	0.4	18,811	0.3
Securities	4,277,590	81.3	4,495,408	82.4
Domestic bonds	2,609,731	49.6	2,778,957	50.9
Domestic stocks	507,674	9.7	599,280	11.0
Foreign securities	1,088,201	20.7	1,027,985	18.8
Foreign bonds	705,216	13.4	593,752	10.9
Foreign stocks and other foreign securities	382,985	7.3	434,233	8.0
Other securities	71,982	1.4	89,184	1.6
Loans	303,961	5.8	321,346	5.9
Policy loans	30,254	0.6	28,399	0.5
Industrial and consumer loans	273,707	5.2	292,946	5.4
Real estate	355,384	6.8	347,173	6.4
Deferred tax assets	5,690	0.1	-	-
Others	89,543	1.7	160,285	2.9
Allowance for possible loan losses	(648)	(0.0)	(738)	(0.0)
Total	5,259,210	100.0	5,454,333	100.0
Foreign currency-denominated assets	1,140,112	21.7	1,026,047	18.8

(2) Changes (Increases/Decreases) in Assets

(Millions of Yen)

	Year ended March 31, 2023	Year ended March 31, 2024
	Amount	Amount
Cash, deposits, call loans	62,017	(95,347)
Monetary claims bought	(2,241)	(1,481)
Securities	(261,644)	217,817
Domestic bonds	(11,408)	169,226
Domestic stocks	43,004	91,605
Foreign securities	(295,491)	(60,216)
Foreign bonds	(321,836)	(111,464)
Foreign stocks and other foreign securities	26,344	51,247
Other securities	2,251	17,202
Loans	(7,454)	17,384
Policy loans	(1,944)	(1,855)
Industrial and consumer loans	(5,510)	19,239
Real estate	(8,129)	(8,211)
Deferred tax assets	5,690	(5,690)
Others	(4,854)	70,742
Allowance for possible loan losses	(98)	(90)
Total	(216,714)	195,123
Foreign currency-denominated assets	(349,403)	(114,065)

(3) Investment Income

(Millions of Yen)

	Year ended March 31, 2023	Year ended March 31, 2024
Interest, dividends and other income	118,430	120,879
Interest on deposits	0	0
Interest and dividends on securities	96,416	97,390
Interest on loans	4,964	6,068
Rent revenue from real estate	16,180	16,102
Other interest and dividends	868	1,317
Gains on sales of securities	16,115	44,086
Gains on sales of domestic bonds	6,720	3,283
Gains on sales of domestic stocks and other securities	1,490	38,913
Gains on sales of foreign securities	7,904	1,890
Others	-	-
Gains on redemption of securities	98	-
Gains on derivative financial instruments, net	-	-
Foreign exchange gains, net	1,912	4,528
Reversal of allowance for possible loan losses	-	-
Other investment income	7,167	7,159
Total	143,725	176,653

(4) Investment Expenses

(Millions of Yen)

	Year ended March 31, 2023	Year ended March 31, 2024
Interest expenses	3,986	4,392
Losses on trading securities	-	226
Losses on sales of securities	25,525	41,448
Losses on sales of domestic bonds	3,752	5,711
Losses on sales of domestic stocks and other securities	1,987	2,209
Losses on sales of foreign securities	19,785	33,527
Others	-	-
Losses on valuation of securities	114	105
Losses on valuation of domestic bonds	-	-
Losses on valuation of domestic stocks and other securities	108	104
Losses on valuation of foreign securities	5	1
Others	-	-
Losses on redemption of securities	466	275
Losses on derivative financial instruments, net	18,826	14,508
Foreign exchange losses, net	-	-
Provision for allowance for possible loan losses	99	92
Write-offs of loans	0	0
Depreciation of rental real estate and other assets	5,565	5,337
Other investment expenses	10,313	10,298
Total	64,899	76,685

(5) Investment Indicators

(i) Rates of Return

(%)

	Year ended March 31, 2023	Year ended March 31, 2024
Cash, deposits, call loans	0.00	0.00
Monetary claims bought	2.42	2.41
Securities	1.66	2.22
Domestic bonds	1.48	1.35
Domestic stocks	4.71	19.52
Foreign securities	1.52	0.16
Loans	1.39	1.24
Industrial and consumer loans	1.08	0.94
Real estate	2.39	2.52
Total	1.53	1.97
Foreign Investments	1.52	0.18

Notes:

1. Rates of return above are calculated by dividing the net investment income by the average daily book value balance.
2. Foreign investments are the sum of assets denominated in foreign currencies and yen.

(ii) Average Daily Balance

(Millions of Yen)

	Year ended March 31, 2023	Year ended March 31, 2024
Cash, deposits, call loans	120,221	134,685
Monetary claims bought	21,334	19,397
Securities	4,231,827	4,126,954
Domestic bonds	2,662,709	2,711,695
Domestic stocks	239,809	255,814
Foreign securities	1,257,834	1,082,981
Loans	294,427	300,055
Industrial and consumer loans	263,194	270,570
Real estate	365,506	357,182
Total	5,156,282	5,070,401
Foreign Investments	1,275,193	1,104,078

Note: Foreign investments are the sum of assets denominated in foreign currencies and yen.

(iii) Net Valuation Gains/Losses on Trading Securities

(Millions of Yen)

	As of March 31, 2023		As of March 31, 2024	
	Amount	Net valuation gains(losses) included in the statements of income	Amount	Net valuation gains(losses) included in the statements of income
Trading securities	-	-	-	-

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

(Millions of Yen)

	As of March 31, 2023					As of March 31, 2024				
	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)	292,796	309,158	16,361	18,278	(1,916)
Policy-reserve-matching bonds	2,093,763	2,109,209	15,445	129,585	(114,139)	2,240,383	2,116,280	(124,103)	88,556	(212,659)
Stocks of subsidiaries	-	-	-	-	-	-	-	-	-	-
Available-for-sale securities	1,626,794	1,786,581	159,786	293,373	(133,587)	1,495,663	1,840,823	345,160	411,641	(66,481)
Domestic bonds	417,814	401,531	(16,283)	2,292	(18,575)	443,916	438,333	(5,583)	4,065	(9,648)
Domestic stocks	173,309	431,919	258,609	268,691	(10,081)	162,648	518,771	356,123	357,392	(1,269)
Foreign securities	963,085	881,997	(81,087)	19,885	(100,973)	811,895	795,836	(16,059)	38,139	(54,198)
Foreign bonds	623,607	550,216	(73,390)	1,744	(75,134)	458,711	419,152	(39,559)	1,860	(41,420)
Foreign stocks and other foreign securities	339,477	331,781	(7,696)	18,141	(25,838)	353,183	376,684	23,500	36,279	(12,778)
Other securities	71,793	70,235	(1,557)	2,399	(3,956)	76,447	87,026	10,578	11,942	(1,364)
Monetary claims bought	792	897	105	105	-	754	855	100	100	-
Negotiable certificates of deposit	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-
Total	4,009,390	4,208,228	198,837	446,620	(247,782)	4,028,844	4,266,262	237,418	518,476	(281,057)
Domestic bonds	2,626,015	2,628,326	2,311	135,049	(132,738)	2,784,541	2,656,187	(128,354)	94,104	(222,458)
Domestic stocks	173,309	431,919	258,609	268,691	(10,081)	162,648	518,771	356,123	357,392	(1,269)
Foreign securities	1,118,085	1,055,559	(62,525)	38,448	(100,973)	986,495	984,524	(1,971)	53,838	(55,809)
Foreign bonds	778,607	723,778	(54,828)	20,306	(75,134)	633,311	607,839	(25,472)	17,559	(43,031)
Foreign stocks and other foreign securities	339,477	331,781	(7,696)	18,141	(25,838)	353,183	376,684	23,500	36,279	(12,778)
Other securities	71,793	70,235	(1,557)	2,399	(3,956)	76,447	87,026	10,578	11,942	(1,364)
Monetary claims bought	20,187	22,187	1,999	2,032	(33)	18,710	19,753	1,042	1,198	(156)
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 March 31, 2024
Stocks of subsidiaries	62,621	67,671
Available-for-sale securities	59,770	59,241
Domestic stocks	13,134	12,887
Foreign stocks	11	9
Others	46,625	46,344
Total	122,391	126,913

(v) Fair Value Information on Money Held in Trust

The Company does not hold money held in trust.

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

(Millions of Yen)

	As of March 31, 2023			As of March 31, 2024		
	Book value	Fair value	Gains/losses	Book value	Fair value	Gains/losses
Land	216,699	291,263	74,564	211,586	289,803	78,216

Notes:

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

(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 March 31, 2024				
	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)	292,796	309,158	16,361	18,278	(1,916)
Policy-reserve-matching bonds	2,093,763	2,109,209	15,445	129,585	(114,139)	2,240,383	2,116,280	(124,103)	88,556	(212,659)
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)	1,554,905	1,913,368	358,462	424,944	(66,481)
Domestic bonds	417,814	401,531	(16,283)	2,292	(18,575)	443,916	438,333	(5,583)	4,065	(9,648)
Domestic stocks	186,443	445,053	258,609	268,691	(10,081)	175,536	531,659	356,123	357,392	(1,269)
Foreign securities	1,007,974	933,201	(74,773)	26,205	(100,978)	856,091	853,335	(2,756)	51,442	(54,198)
Foreign bonds	623,607	550,216	(73,390)	1,744	(75,134)	458,711	419,152	(39,559)	1,860	(41,420)
Foreign stocks and other foreign securities	384,367	382,985	(1,382)	24,461	(25,844)	397,379	434,182	36,803	49,581	(12,778)
Other securities	73,539	71,982	(1,557)	2,399	(3,956)	78,606	89,184	10,578	11,942	(1,364)
Monetary claims bought	792	897	105	105	-	754	855	100	100	-
Negotiable certificates of deposit	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-
Total	4,131,782	4,336,935	205,152	452,940	(247,788)	4,155,757	4,406,478	250,720	531,778	(281,057)
Domestic bonds	2,626,015	2,628,326	2,311	135,049	(132,738)	2,784,541	2,656,187	(128,354)	94,104	(222,458)
Domestic stocks	249,065	507,674	258,609	268,691	(10,081)	243,157	599,280	356,123	357,392	(1,269)
Foreign securities	1,162,974	1,106,764	(56,210)	44,768	(100,978)	1,030,741	1,042,072	11,331	67,140	(55,809)
Foreign bonds	778,607	723,778	(54,828)	20,306	(75,134)	633,311	607,839	(25,472)	17,559	(43,031)
Foreign stocks and other foreign securities	384,367	382,985	(1,382)	24,461	(25,844)	397,430	434,233	36,803	49,581	(12,778)
Other securities	73,539	71,982	(1,557)	2,399	(3,956)	78,606	89,184	10,578	11,942	(1,364)
Monetary claims bought	20,187	22,187	1,999	2,032	(33)	18,710	19,753	1,042	1,198	(156)
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. Unaudited Non-consolidated Balance Sheets

(Millions of Yen)

	As of March 31, 2023	As of March 31, 2024
Assets:		
Cash and deposits:	41,673	39,393
Cash	16	18
Deposits	41,656	39,375
Call loans	166,000	73,000
Monetary claims bought	20,292	18,811
Securities:	4,303,789	4,525,808
National government bonds	1,693,184	1,812,423
Local government bonds	50,610	48,037
Corporate bonds	865,936	918,496
Domestic stocks	507,674	599,280
Foreign securities	1,088,201	1,027,985
Other securities	98,181	119,584
Loans:	303,961	321,346
Policy loans	30,254	28,399
Industrial and consumer loans	273,707	292,946
Tangible fixed assets:	359,493	353,725
Land	212,541	207,428
Buildings	141,781	138,556
Lease assets	1,360	4,138
Construction in progress	1,062	1,188
Other tangible fixed assets	2,748	2,414
Intangible fixed assets:	33,497	35,456
Software	19,813	28,886
Other intangible fixed assets	13,683	6,569
Agency accounts receivable	6	1
Reinsurance receivables	687	394
Other assets:	50,226	90,980
Accounts receivable	14,406	60,684
Prepaid expenses	3,385	4,472
Accrued income	18,292	18,389
Money on deposit	2,791	3,006
Derivative financial instruments	5,879	896
Cash collateral paid for financial instruments	2,473	1,417
Suspense payments	1,355	756
Other assets	1,641	1,358
Prepaid pension cost	424	480
Deferred tax assets	5,690	-
Customers' liabilities under acceptances and guarantees	600	26,425
Allowance for possible loan losses	(648)	(738)
Total assets	5,285,695	5,485,084

3. Unaudited Non-consolidated Balance Sheets (Continued)

(Millions of Yen)

	As of March 31, 2023	As of March 31, 2024
Liabilities:		
Policy reserves and other reserves:	4,331,522	4,268,961
Reserve for outstanding claims	34,513	36,748
Policy reserves	4,269,904	4,206,149
Reserve for dividends to policyholders	27,103	26,064
Reinsurance payables	700	670
Bonds payable	150,555	102,609
Other liabilities:	290,565	382,052
Payables under securities borrowing transactions	182,247	248,836
Loans payable	49,000	78,000
Income taxes payable	133	3,797
Accounts payable	6,048	8,974
Accrued expenses	8,202	8,053
Deferred income	366	196
Deposits received	494	421
Guarantee deposits received	17,473	17,081
Derivative financial instruments	15,084	5,004
Cash collateral received for financial instruments	9,039	6,359
Lease obligations	1,360	4,138
Asset retirement obligations	967	1,087
Suspense receipts	148	101
Reserve for employees' retirement benefits	28,727	28,195
Reserve for price fluctuation	38,210	40,370
Deferred tax liabilities	-	41,386
Deferred tax liabilities for land revaluation	15,062	14,301
Acceptances and guarantees	600	26,425
Total liabilities	4,855,944	4,904,972
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	102,604
Reserve for future losses	366	381
Other surplus:	89,841	102,223
Reserve for fund redemption	22,600	31,700
Equalized reserve for dividends to policyholders	7,093	6,893
Unappropriated surplus (loss)	60,148	63,629
Total foundation funds and others	347,489	359,886
Net unrealized gains (losses) on available-for-sale securities, net of tax	130,668	270,597
Land revaluation differences	(48,406)	(50,371)
Total valuation and translation adjustments	82,261	220,226
Total net assets	429,751	580,112
Total liabilities and net assets	5,285,695	5,485,084

4. Unaudited Non-consolidated Statements of Income

(Millions of Yen)

	Year ended March 31, 2023	Year ended March 31, 2024
Ordinary income:	629,512	622,393
Premium and other income:	379,223	367,279
Insurance premiums	377,409	366,054
Reinsurance revenue	1,813	1,225
Investment income:	144,154	183,237
Interest, dividends and other income:	118,430	120,879
Interest and dividends on securities	96,416	97,390
Interest on loans	4,964	6,068
Rent revenue from real estate	16,180	16,102
Other interest and dividends	868	1,317
Gains on sales of securities	16,115	44,086
Gains on redemption of securities	98	-
Foreign exchange gains	1,912	4,528
Other investment income	7,167	7,159
Investment gains on separate accounts	429	6,583
Other ordinary income:	106,134	71,876
Fund receipt from deposit of claims paid	7,536	5,082
Reversal of reserve for employees' retirement benefits	1,119	532
Reversal of policy reserves	95,163	63,755
Other ordinary income	2,314	2,505
Ordinary expenses:	611,863	604,278
Claims and other payments:	404,395	383,929
Claims	110,749	105,474
Annuities	112,411	109,610
Benefits	94,530	74,480
Surrender benefits	81,755	87,320
Other payments	2,426	4,593
Reinsurance premiums	2,522	2,449
Provision for policy reserves and other reserves:	2,498	2,237
Provision for reserve for outstanding claims	2,494	2,234
Provision for interest on policyholders' dividend reserves	3	3
Investment expenses:	64,899	76,685
Interest expenses	3,986	4,392
Losses on trading securities	-	226
Losses on sales of securities	25,525	41,448
Losses on valuation of securities	114	105
Losses on redemption of securities	466	275
Losses on derivative financial instruments	18,826	14,508
Provision for allowance for possible loan losses	99	92
Depreciation of rental real estate and other assets	5,565	5,337
Other investment expenses	10,313	10,298
Operating expenses	106,088	108,533
Other ordinary expenses:	33,982	32,892
Claim deposit payments	10,019	8,961
Taxes	9,197	9,060
Depreciation	12,299	11,846
Other ordinary expenses	2,466	3,024
Ordinary profit	17,648	18,115
Extraordinary gains:	11,889	5,542
Gains on disposal of fixed assets	1,889	5,542
Reversal of reserve for price fluctuation	10,000	-
Extraordinary losses:	6,072	4,308
Losses on disposal of fixed assets	2,738	905
Impairment losses	3,289	1,141
Provision for reserve for price fluctuation	-	2,160
Losses on reduction entry of real estate	-	96
Other extraordinary losses	44	5
Surplus before income taxes	23,464	19,348
Income taxes-current	(1,300)	10,212
Income taxes-deferred	7,507	(6,115)
Total income taxes	6,207	4,097
Net surplus	17,257	15,251

I. Presentation of Unaudited Non-consolidated Financial Statements

Basis of Presentation

The accompanying non-consolidated financial statements have been prepared from the accounts maintained by Asahi Mutual Life Insurance Company (the “Company”) in accordance with the provisions set forth in the Insurance Business Act of Japan and its related rules and regulations applicable to the mutual life insurance industry and in conformity with accounting principles generally accepted in Japan, which are different in certain respects from accounting principles generally accepted in countries and jurisdictions other than Japan.

In addition, the notes to the non-consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

Amounts of less than one million yen have been eliminated. As a result, total amounts in yen shown herein do not necessarily agree with the sum of the individual amounts.

The Insurance Business Act shall prescribe the disclosure of a single fiscal year. The Company provides the disclosure of comparative financial information corresponding to each comparative fiscal year in the presented financial statements for use by readers outside Japan.

In preparing the accompanying non-consolidated financial statements, certain reclassifications have been made to the non-consolidated financial statements issued domestically in order to present them in a format which is more familiar to readers outside Japan.

II. Notes to Non-consolidated Balance Sheets

1. Significant Accounting Policies

(1) Valuation methods of securities

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

- i) Trading securities are stated at fair market value. Costs of sales are determined by the moving average method.
- ii) Held-to-maturity debt securities are stated at amortized cost (straight-line method) determined by the moving average method.
- iii) Policy-reserve-matching bonds, which are in accordance with “Temporary Treatment of Accounting and Auditing Concerning Policy-reserve-matching Bonds in Insurance Industry” (Industry Audit Committee Report No. 21 issued by the Japanese Institute of Certified Public Accountants (“JICPA”)), are stated at amortized cost (straight-line method) determined by the moving average method.
- iv) Investments in subsidiaries and affiliates are stated at cost.
- v) Available-for-sale securities except for the following are stated at fair market value based on the market prices at the balance sheet date, of which costs of sales are determined by the moving average method. Available-for-sale securities, of which public and corporate bonds including foreign bonds with the difference between acquisition cost and face value considered as an

adjustment of interest, are stated at amortized cost (straight-line method) determined by the moving average method. Stocks and others without a market price are stated at cost determined by the moving average method. Net unrealized gains or losses on these available-for-sale securities, net of tax, are recorded as a separate component of net assets.

(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.

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

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

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

(6) Foreign currency translation

Foreign currency-denominated assets and liabilities (excluding the shares of subsidiaries and affiliates) are translated into Japanese yen at the effective exchange rate prevailing at the balance sheet date. The shares of subsidiaries and affiliates are translated into Japanese yen at the exchange rate at the acquisition 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 amounts written-off was ¥3 million as of March 31, 2024.

(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 accounting:

The Company applies deferred hedge accounting and the exceptional accounting treatment (“Tokurei-shori”) for interest rate swaps used to hedge the cash flow volatility of certain loans.

The Company also applies fair value hedge accounting for hedging activities related to foreign exchange rate fluctuation exposures on certain bonds, investment trusts and others denominated in foreign currencies.

The Company also applies designated hedge accounting (“Furiate-shori”) for currency swaps used to hedge foreign exchange rate fluctuation exposures on the foreign currency-denominated bonds issued by the Company.

The Company also applies designated hedge accounting (“Furiate-shori”) for the foreign currency-denominated transactions other than the above.

The effectiveness of a hedge is mostly assessed by a ratio analysis, comparing the fluctuations in the fair value or cash flows of hedged items and hedging instruments.

(11) Accounting for consumption taxes

The Company accounts for consumption tax and local consumption tax by the tax-exclusion method. The consumption taxes on certain assets, which are not deductible from consumption taxes withheld and that are stipulated to be deferred under the Corporation Tax Act of Japan, are deferred as prepaid expenses and amortized equally over five years.

Consumption taxes other than deferred consumption taxes are recognized as an expense when incurred.

(12) Premium and other income (excluding reinsurance revenue)

Premium and other income (excluding reinsurance revenue) are recorded in principle for insurance policies for which insurance premium has been received and the insurer’s liability under the insurance policies or insurance coverage period has commenced by the relevant amounts received.

Of insurance premiums, the portion corresponding to the period that has yet to pass as of the end of the fiscal year is set aside as policy reserves in accordance with Article 116 of the Insurance Business Act and Article 69, Paragraph 1, Item 2 of the Enforcement Regulation of the Insurance Business Act.

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

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

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

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 year, 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 calculated 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 fiscal year ended March 31, 2024. 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.

(14) Policy reserves

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

Of policy reserves, the premium reserves at the end of the fiscal year are calculated by the following method:

In regard to the policies subject to the standard policy reserves, the method as prescribed by the Commissioner of Financial Services Agency (Japanese Ministry of Finance Public Notice No. 48, 1996) is applied.

In regard to the policies not subject to the standard policy reserves, the net level premium method is applied.

As of March 31, 2024, the Company accumulated additional policy reserves for individual annuity insurance policies with an assumed rate of 3.75% or higher for which annuity payment commenced on or before March 31, 2024 in accordance with the provision of Article 69, Paragraph 5 of the Enforcement Regulation of the Insurance Business Act.

As a result, policy reserves increased by ¥46,388 million and ordinary profits and surplus before income taxes decreased by ¥46,388 million compared with if the additional reserves had not been accumulated.

Regarding policy reserves, the chief actuary checks that policy reserves are appropriately accumulated in each fiscal year, pursuant to Article 121, Paragraph 1 of the Insurance Business Act and Article 80 of the Enforcement Regulation of the Insurance Business Act.

Contingency reserves included in policy reserves are set aside in accordance with Article 116 of the Insurance Business Act and Article 69, Paragraph 1, Item 3 of the Enforcement Regulation of the Insurance Business Act to cover risks that may accrue in the future in order to ensure the performance of future obligations under insurance policies.

(15) Impairment losses of tangible fixed assets

Impairment losses of the Company's tangible fixed assets are calculated by the following method.

i) Calculation method

Real estate and other assets used for insurance business operations are classified as one asset group as a whole. Other assets such as real estate for rent, real estate not in use and real estate scheduled to be sold are classified as one group individually. As for real estate used for multiple purposes, the asset group to which the real estate belongs is decided depending on usage rate and others.

The Company identifies indications of impairment on each asset group when earnings from business operations using the asset group continuously become negative.

As for asset groups for which indications of impairment are identified, when total amounts of undiscounted net future cash flows from the asset groups are less than their book values, the Company recognizes impairment losses and reduces the book values to their recoverable amounts.

The recoverable amounts of real estate and other assets for insurance business operation and real estate for rent are determined at value in use or net realizable value. The recoverable amounts of real estate not in use and real estate scheduled to be sold are determined at net realizable value. Value in use is determined as the discounted present value of estimated net future cash flows and discount rate used in the calculation is based on the cost of capital of the Company.

Net realizable value is calculated based on the appraisal value in accordance with "Real Estate Appraisal Standards" or the publicly announced appraisal value after deducting expected disposal costs.

ii) Key assumptions

Key assumptions for the estimated net future cash flows which are used in recognizing impairment losses and calculating value in use are usage plans considering current status of use of asset groups,

including tenancy rates, rents and others. These assumptions may be affected by economic condition and changes specific to asset groups.

iii) Effects on non-consolidated financial statements for the following fiscal year

While the Company considers key assumptions for the estimated net future cash flows which are used in recognizing impairment losses and calculating value in use are best estimate based on available information including external information, impairment losses may occur in the following fiscal year due to future uncertainties.

Furthermore, the appraisal value in accordance with “Real Estate Appraisal Standards” may be affected by future real estate market trends. In case that net realizable value decreases as a result, impairment losses may occur in the following fiscal year.

(16) Software

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

2. Financial Instruments

Asset management of the general accounts other than the separate accounts stipulated in Article 118, Paragraph 1 of the Insurance Business Act is conducted based on the following principles.

- For accumulation whole life with variable interest rates, accumulation insurance with variable interest rates and new single premium individual annuities which have an effective date on or after April 2, 2012, the Company mainly invests in domestic bonds, engaging in matching asset liability management, or Matching ALM, which aims at matching the duration to outstanding insurance liabilities to avoid interest rate fluctuation risks.
- For individual life insurance and individual annuities other than above, the Company holds yen-denominated fixed income investments, including bonds and loans, as the core of its asset portfolio. The Company also holds domestic stocks, foreign securities and real estate assets to enhance its profitability.

Derivatives are mainly used to hedge market price fluctuation risk and exchange rate fluctuation risk regarding securities and exchange rate fluctuation risk related to the foreign currency-denominated bonds issued by the Company. As the major financial instruments, securities are exposed to market risk and credit risk, loans are exposed to credit risk and exchange rate fluctuation risk, and derivatives are exposed to market risk and credit risk.

In managing market risks, the following two methods are used. One is the quantitative risk management of securities etc. using the Value at Risk (“VaR”) method and the other is the risk management by stress test and sensitivity analysis which analyze the effect on the Company’s whole portfolio, simulating scenarios of deteriorating market environments. This is for the purpose of managing an appropriate asset allocation within the ranges of acceptable risks.

In managing credit risks, the Company quantifies the credit risks of entire portfolio through VaR method and controls the amount of risks within an acceptable range. Furthermore, the Company assigns in-house credit ratings to our borrowers in accordance with the creditworthiness of each borrower. Strict credit research of each borrower before lending as well as following up on any changes of creditworthiness of each borrower after lending are implemented by Risk Management Department, which is independent of the departments executing investments and lending. Maximum limits of credit are set up for each borrower in accordance with its credit risks to avoid the concentration of credit risks on specific corporations and specific corporation groups. Through all these measures, the Company endeavors to develop high quality portfolio.

The balance sheet amounts, fair values and the differences between those of major financial assets and liabilities as of March 31, 2024 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 March 31, 2024	Millions of Yen		
	Balance Sheet Amount	Fair Value	Difference
Monetary claims bought	¥ 18,811	¥ 19,753	¥ 941
Held-to-maturity debt securities	17,956	18,897	941
Available-for-sale securities	855	855	-
Securities	4,385,592	4,276,909	(108,683)
Trading securities	30,399	30,399	-
Held-to-maturity debt securities	274,840	290,260	15,419
Policy-reserve-matching bonds	2,240,383	2,116,280	(124,103)
Available-for-sale securities	1,839,968	1,839,968	-
Loans	321,346	329,278	7,932
Policy loans	28,399	28,399	-
Industrial and consumer loans	292,946	300,879	7,932
Total assets	4,725,650	4,625,940	(99,809)
Bonds payable	102,609	103,456	847
Loans payable	78,000	82,387	4,387
Total liabilities	180,609	185,843	5,234
Derivative financial instruments	(4,107)	(4,107)	-
Hedge accounting not applied	(876)	(876)	-
Hedge accounting applied	(3,231)	(3,231)	-

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

Unlisted stocks and others, including investments in subsidiaries and affiliates, without market prices are not included in the table above. The amount of the unlisted stocks and others, including investments in subsidiaries and affiliates, reported in the non-consolidated balance sheet was ¥80,570 million as of March 31, 2024.

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 non-consolidated balance

sheet was ¥59,645 million as of March 31, 2024.

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 non-consolidated balance sheet

As of March 31, 2024	Millions of Yen				
	Fair Value			Total	
	Level 1	Level 2	Level 3		
Monetary claims bought	¥	–	¥	855	¥ 855
Available-for-sale securities		–	–	855	855
Securities *1	621,493	1,050,162	32,062		1,703,718
Trading securities	–	30,399	–		30,399
Others	–	30,399	–		30,399
Available-for-sale securities	621,493	1,019,762	32,062		1,673,319
National government bonds and local government bonds	13,196	650	–		13,847
Corporate bonds	–	424,486	–		424,486
Domestic stocks	518,771	–	–		518,771
Foreign bonds	–	387,089	32,062		419,152
Others	89,525	207,536	–		297,061
Total assets	621,493	1,050,162	32,918		1,704,574
Derivative financial instruments *2	–	(4,109)	1		(4,107)
Currency-related	–	(4,109)	–		(4,109)
Stock-related	–	–	1		1

*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 balance sheet amount of the investment trusts which are accounted for in accordance with paragraph 24-3 of the implementation guidance, was ¥161,421 million as of March 31, 2024. The balance sheet amount of the investment trusts which are accounted for in accordance with Paragraph 24-9 of the implementation guidance, was ¥5,227 million as of March 31, 2024.

*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 fiscal year, 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>	
	Year ended	
	<u>March 31, 2024</u>	
Beginning balance	¥	134,005
Gains (losses) and net unrealized gains (losses) on available-for-sale securities, net of tax recorded for the fiscal year:		
Gains (losses) recorded for the fiscal year *		11,912
Net unrealized gains (losses) on available-for-sale securities, net of tax recorded for the fiscal year		1,040
Net amount of purchase, sale, and redemption		10,871
Amount of investment trusts whose NAV is deemed as market value		15,504
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 fiscal year *		161,421
		<u>1,040</u>

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

- b) Breakdown of balance by restriction on cancellation as of the end of fiscal year

	<u>Millions of Yen</u>	
	As of	
	<u>March 31, 2024</u>	
Investment trusts which need more than 1 month to cancel from the notification of cancellation	¥	41,015
Other than above		120,406

- c) Reconciliation between the beginning and ending balance, and net unrealized gains (losses) recognized as gains (losses) for the fiscal year, 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	
	As of	
	March 31, 2024	
Beginning balance	¥	5,196
Gains (losses) and net unrealized gains (losses) on available-for-sale securities, net of tax recorded for the fiscal year:		26
Gains (losses) recorded for the fiscal year *		-
Net unrealized gains (losses) on available-for-sale securities, net of tax recorded for the fiscal year		26
Net amount of purchase, sale, and redemption		4
Amount of investment trusts whose NAV is deemed as market value		-
Amount of investment trusts whose NAV is not deemed as market value		-
<u>Ending balance</u>		<u>5,227</u>
Net unrealized gains (losses) on investment trusts held at the balance sheet date among the amount recorded to gains (losses) for the fiscal year *		-

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

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

As of March 31, 2024	Millions of Yen			
	Fair Value			
	Level 1	Level 2	Level 3	Total
Monetary claims bought	¥ -	¥ 18,517	¥ 379	¥ 18,897
Held-to-maturity debt securities	-	18,517	379	18,897
Securities	1,737,193	480,660	188,687	2,406,541
Held-to-maturity debt securities	35,500	66,072	188,687	290,260
National government bonds and local government bonds	35,500	-	-	35,500
Corporate bonds	-	66,072	-	66,072
Foreign bonds	-	-	188,687	188,687
Policy-reserve-matching bonds	1,701,692	414,587	-	2,116,280
National government bonds and local government bonds	1,701,692	43,183	-	1,744,876
Corporate bonds	-	371,404	-	371,404
Loans	-	-	329,278	329,278
Policy loans	-	-	28,399	28,399
Industrial and consumer loans	-	-	300,879	300,879
<u>Total assets</u>	<u>1,737,193</u>	<u>499,177</u>	<u>518,346</u>	<u>2,754,717</u>
Bonds payable	-	103,456	-	103,456
Loans payable	-	-	82,387	82,387
<u>Total liabilities</u>	<u>-</u>	<u>103,456</u>	<u>82,387</u>	<u>185,843</u>

(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 and others 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 and interest rate swaptions are stated at the quoted prices offered by counterparty financial institutions.

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

(4) Quantitative information about financial assets and liabilities measured and stated in the non-consolidated balance sheet at fair value and categorized as Level 3

i) Quantitative information on significant unobservable inputs

Quoted prices obtained from third parties are used for fair values categorized as level 3 without adjustment.

ii) Reconciliation between the beginning and ending balance, and net unrealized gains (losses) recognized as gains (losses) for the fiscal year

Year ended March 31, 2024	Millions of Yen			
	Monetary	Securities	Total (i) + (ii)	Derivative
	<u>claims bought</u>	<u>Available-for-</u>		<u>financial</u>
	<u>Available-for-</u>	<u>sale securities</u>	<u>instruments</u>	
	Others	Foreign bonds	Stock-related	
	(i)	(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 fiscal year:				
Gains (losses) recorded for the fiscal year *	(20)	4,535	4,515	1,245
Net unrealized gains (losses) on available-for-sale securities, net of tax recorded for the fiscal year	(4)	7,860	7,856	-
Net amount of purchase, sale, issue, and settlement	(16)	(45,233)	(45,249)	(1,794)
Transfer to fair values of Level 3	-	-	-	-
Transfer from fair values of Level 3	-	-	-	-
Ending balance	855	32,062	32,918	1
Net unrealized gains (losses) on financial assets and liabilities held at the balance sheet date among the amount recorded to gains (losses) for the fiscal year *	(20)	4,535	4,515	(681)

* Those amounts are included in investment income and investment expenses in the 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 the actuarial and accounting department and the risk management department. In accordance with these policies and procedures, the risk management department measures the fair value. The validity of the evaluation methods and inputs used to measure fair value and the appropriateness of categorization of fair value are verified in the independent division in the risk management department.

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

4. Investments and Rental Properties

The Company holds investment and rental properties such as office buildings in Tokyo and other areas. The carrying amounts and the fair values of investment and rental properties were ¥235,406 million and ¥289,417 million as of March 31, 2024. The fair value is mainly based on the value (including some adjustments using the reference prices) of real estate appraisal report prepared by the external real-estate appraiser in accordance with real estate appraisal standards.

5. Securities Lent under Lending Agreements

The amounts of securities lent under lending agreements was ¥292,339 million as of March 31, 2024.

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 ¥501 million as of March 31, 2024.

- i) Claims against bankrupt and quasi-bankrupt obligors were ¥401 million as of March 31, 2024.
- ii) The Company does not have claims with collection risk as of March 31, 2024.
- iii) Delinquent loans three or more months past due were ¥80 million as of March 31, 2024.
- iv) Restructured loans were ¥20 million as of March 31, 2024.

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 amounts of claims against bankrupt and quasi-bankrupt obligors described above by ¥3 million as of March 31, 2024.

7. Accumulated Depreciation of Tangible Fixed Assets

Accumulated depreciation of tangible fixed assets totaled ¥277,659 million as of March 31, 2024.

8. Separate Accounts

Total assets in separate accounts provided for in Article 118 of the Insurance Business Act were ¥30,689 million as of March 31, 2024. The amounts of separate account liabilities were the same as separate account assets.

9. Receivables from/Payables to Subsidiaries

The total amounts of receivables from/payables to subsidiaries were ¥523 million and ¥5,487 million as of March 31, 2024.

10. Deferred Taxes

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

	<u>Millions of Yen</u>	
	As of	
	<u>March 31, 2024</u>	
Deferred tax assets	¥	65,384
Valuation allowance for deferred tax assets		12,382
Subtotal		53,001
Deferred tax liabilities		94,388
Net deferred tax assets (liabilities)	¥	(41,386)

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

	<u>Millions of Yen</u>	
	As of	
	<u>March 31, 2024</u>	
Deferred tax assets		
Additional policy reserve	¥	12,942
Contingency reserve		12,047
Reserve for price fluctuation		11,263
Reserve for employees' retirement benefits		7,866
Impairment losses		6,884
IBNR reserves		4,570
Deferred tax liabilities		
Net unrealized gains on available-for-sale securities	¥	89,235

- (2) The statutory tax rate was 27.9% for the fiscal year ended March 31, 2024. The main factors causing the differences between the statutory tax rates and the actual effective tax rates after considering deferred taxes were as follows:

	<u>Year ended</u>
	<u>March 31, 2024</u>
Reserve for dividends to policyholders	(3.4)%
Interest on foundation funds	(3.4)%

- (3) The Company has applied the group tax sharing system. As a result, the Company has applied the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (ASBJ PITF No.42, issued on August 12, 2021) to the accounting and disclosure treatment of corporate tax, local corporate tax and tax effect accounting.

11. Reserve for Dividends to Policyholders

	<u>Millions of Yen</u>	
	Year ended	
	<u>March 31, 2024</u>	
Balance at the beginning of the fiscal year	¥	27,103
Transfer to reserve from surplus in the previous fiscal year		2,497
Dividends to policyholders paid out during the fiscal year		3,540
Increase in interest		3
Balance at the end of the fiscal year	¥	26,064

12. Stocks of Subsidiaries and Affiliates

The amount of stocks of subsidiaries and affiliates the Company held was ¥67,671 million as of March 31, 2024.

13. Pledged Assets

Assets pledged as collateral were securities in the amount of ¥315,013 million as of March 31, 2024.

14. 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 ¥5 million as of March 31, 2024.

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 ¥335 million as of March 31, 2024.

15. Adjustment to Redemption of Foundation Funds and Appropriation of Net Surplus

The total amount of adjustment to redemption of foundation funds and appropriation of net surplus defined in Article 30, Paragraph 2 of the Enforcement Regulation of the Insurance Business Act was ¥270,879 million as of March 31, 2024.

16. 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 as of March 31, 2024 was ¥37,590 million. No assets were pledged as collateral as of March 31, 2024.

17. Commitment Line

As of March 31, 2024, there were unused commitment line agreements under which the Company is the lender of ¥9,372 million.

18. Subordinated Bonds Payable

As of March 31, 2024, bonds payable are subordinated bonds payable, for which the repayments are subordinated to other obligations.

19. Subordinated Loans Payable

As of March 31, 2024, loans payable are subordinated loans payable, for which the repayments are subordinated to other obligations.

20. Reserve for Employees' Retirement Benefits

(1) Summary of retirement benefit plans

As defined benefit plan, the Company has defined benefit corporate pension plans, which are funded-type, and lump-sum retirement allowance plans which are non-funded type but resulted in funded type due to setting of employee pension trust.

(2) Defined benefit plan

i) Reconciliation of beginning and ending balance of retirement benefit obligations

	Millions of Yen	
	Year ended	
	March 31, 2024	
Retirement benefit obligations at the beginning of the fiscal year	¥	38,558
Service cost		1,718
Interest cost		385
Actuarial difference occurred during the fiscal year		85
Retirement benefit payments		(3,624)
Retirement benefit obligations at the end of the fiscal year	¥	37,123

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

	Millions of Yen	
	Year ended	
	March 31, 2024	
Pension plan assets at the beginning of the fiscal year	¥	7,399
Expected return on pension plan assets		60
Actuarial difference occurred during the fiscal year		1,117
Contributions by the employer		150
Retirement benefit payments		(206)
Pension plan assets at the end of the fiscal year	¥	8,521

iii) Reconciliation of retirement benefit obligation and pension plan assets with reserve for employees' retirement benefits and prepaid pension cost presented on the non-consolidated balance sheet

	Millions of Yen	
	As of	
	March 31, 2024	
a. Funded plan retirement benefit obligation	¥	37,123
b. Pension plan assets		(8,521)
c. (a + b)		28,602
d. Unrecognized actuarial differences		(886)
e. Net amount of liabilities and assets presented on the non-consolidated balance sheet		27,715
f. Reserve for employees' retirement benefits		28,195
g. Prepaid pension cost		(480)
h. Net amount of liabilities and assets presented on the non-consolidated balance sheet	¥	27,715

iv) Breakdown of retirement benefit expenses

	Millions of Yen	
	Year ended	
	March 31, 2024	
Service cost	¥	1,718
Interest cost		385
Expected return on pension plan assets		(60)
Amortization of actuarial differences		936
Retirement benefit expenses related to defined benefit plan	¥	2,980

v) Breakdown of main pension plan assets

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

	As of March 31, 2024
Stocks	46%
Bonds	9%
Others	45%
Total	100%

vi) Method for determining the expected long-term rate of return

To determine the expected long-term rate of return on pension plan assets, the Company takes into account the present and future allocation of pension plan assets, and the present and expected future long-term rate of return on the diverse range of assets that makes up the pension assets.

vii) Underlying actuarial assumptions

The main underlying actuarial assumptions were as follows:

	As of March 31, 2024
Discount rate	1.0%
Expected long-term rate of return on pension plan assets	0.8%
Defined benefit corporate pension plans	1.6%

III. Notes to Unaudited Non-consolidated Statement of Income

1. Transactions with Subsidiaries and Affiliates

The total amounts of revenues and expenditures in connection with subsidiaries and affiliates were ¥705 million and ¥10,075 million for the fiscal year ended March 31, 2024.

2. Investment Income and Expenses

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

	Millions of Yen	
	Year ended	
	March 31, 2024	
Domestic bonds	¥	3,283
Domestic stocks and other securities		38,913
Foreign securities		1,890

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

	<u>Millions of Yen</u>	
	Year ended	
	<u>March 31, 2024</u>	
Domestic bonds	¥	5,711
Domestic stocks and other securities		2,209
Foreign securities		33,527

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

	<u>Millions of Yen</u>	
	Year ended	
	<u>March 31, 2024</u>	
Domestic stocks and other securities	¥	104
Foreign securities		1

Losses on trading securities were losses on sales of ¥226 million for the fiscal year ended March 31, 2024.

Losses on derivative financial instruments included net valuation losses of ¥1,824 million for the fiscal year ended March 31, 2024.

3. Policy Reserves for the Reinsurance Contracts

Reversal of reserve for outstanding claims for ceded reinsurance, which was deducted in calculating provision for reserve for outstanding claims for the fiscal year ended March 31, 2024 was ¥11 million.

Reversal of policy reserves for ceded reinsurance, which was deducted in calculating reversal of policy reserves for the fiscal year ended March 31, 2024 was ¥22 million.

4. Impairment Losses of Fixed Assets

For the fiscal year ended March 31, 2024, impairment losses of fixed assets by the Company were as follows:

(1) Method of grouping

The method of grouping is described in “Note 1. (15) Impairment losses of tangible fixed assets” of the non-consolidated balance sheet.

(2) Background information on recognizing the impairment losses

As the profitability of certain real estate for rent dropped down significantly due to a decrease in the level of rental income and a declining trend in the market prices of land, the Company reduced the book values of such real estate for rent, real estate not in use and real estate scheduled to be sold to their recoverable amounts. The write-downs were recognized as impairment losses and included in the extraordinary losses.

(3) Asset groups for which impairment losses were recognized and losses by classification of fixed assets

	<u>Millions of Yen</u>	
	<u>Year ended</u>	
	<u>March 31, 2024</u>	
Real estate for rent:		
Land	¥	-
Building		-
Total real estate for rent (i)		-
Real estate not in use:		
Land		562
Building		579
Total real estate not in use (ii)		1,141
Real estate scheduled to be sold:		
Land		-
Building		-
Total real estate scheduled to be sold (iii)		-
Total:		
Land		562
Building		579
Total (i) + (ii) + (iii)	¥	1,141

(4) Calculation method of recoverable amounts

The recoverable amounts of real estate for rent are determined at net realizable value or value in use. The recoverable amounts for real estate not in use and real estate scheduled to be sold are net realizable value. Value in use is determined as the estimated net future cash flows, reflecting the volatility risk, discounted at 3.2% for the fiscal year ended March 31, 2024. Net realizable value is calculated based on the appraisal value in accordance with “Real Estate Appraisal Standards” or the publicly announced appraisal value after deducting expected disposal costs.

5. Breakdown of Ordinary Profit (Fundamental Profit)

(Millions of Yen)

		Year ended March 31, 2023	Year ended March 31, 2024
Fundamental profit	A	13,357	42,301
Capital gains		34,386	58,768
Gains on money held in trust		-	-
Gains on trading securities		-	-
Gains on sales of securities		16,115	44,086
Gains on derivative financial instruments		-	-
Foreign exchange gains		1,912	4,528
Other capital gains		16,358	10,153
Capital losses		44,834	56,563
Losses on money held in trust		-	-
Losses on trading securities		-	226
Losses on sales of securities		25,525	41,448
Losses on valuation of securities		114	105
Losses on derivative financial instruments		18,826	14,508
Foreign exchange losses		-	-
Other capital losses		368	275
Net capital gains (losses)	B	(10,448)	2,204
Fundamental profit plus net capital gains (losses)	A+B	2,909	44,506
Other one-time gains		14,779	19,997
Reinsurance revenue		-	-
Reversal of contingency reserve		14,779	19,927
Reversal of specific allowance for possible loan losses		-	69
Others		-	-
Other one-time losses		40	46,388
Reinsurance premiums		-	-
Provision for contingency reserve		-	-
Provision for specific allowance for possible loan losses		40	-
Provision for allowance for specified overseas loans		-	-
Write-offs of loans		0	0
Others		-	46,388
Net other one-time gains (losses)	C	14,738	(26,391)
Ordinary profit	A+B+C	17,648	18,115

(Reference) Breakdown of "other" items

(Millions of Yen)

	Year ended March 31, 2023	Year ended March 31, 2024
Fundamental profit	(15,990)	(9,878)
Hedging costs related to foreign exchange	(14,443)	(9,203)
Gains (losses) on cancellation of investment trusts	(1,915)	(950)
Gains (losses) on redemption of securities caused by foreign exchange fluctuation	368	275
Other capital gains	16,358	10,153
Hedging costs related to foreign exchange	14,443	9,203
Gains on cancellation of investment trusts	1,915	950
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
Others in "Other one-time losses"	-	46,388
Provision for policy reserves in accordance with Article 69, Paragraph 5 of the Enforcement Regulation of the Insurance Business Act	-	46,388

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

Year ended March 31, 2023

(Millions of Yen)

	Foundation funds and others								Total foundation funds and others
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Surplus				Total surplus	
				Reserve for future losses	Other surplus				
					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 fiscal year:									
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							17,257	17,257	17,257
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							1,666	1,666	1,666
Net changes, excluding foundation funds and others									
Net changes in the fiscal year	(40,000)	40,000	-	19	(30,900)	110	3,533	(27,237)	(27,237)
Ending balance	51,000	206,000	281	366	22,600	7,093	60,148	90,207	347,489

	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 fiscal year:				
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				17,257
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				1,666
Net changes, excluding foundation funds and others	(43,268)	(1,666)	(44,935)	(44,935)
Net changes in the fiscal year	(43,268)	(1,666)	(44,935)	(72,172)
Ending balance	130,668	(48,406)	82,261	429,751

Year ended March 31, 2024

(Millions of Yen)

	Foundation funds and others								Total foundation funds and others
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Surplus				Total surplus	
				Reserve for future losses	Other surplus				
					Reserve for fund redemption	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 fiscal year:									
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							15,251	15,251	15,251
Additions to reserve for fund redemption					9,100		(9,100)		
Reversal of equalized reserve for dividends to policyholders						(199)	199		
Reversal of land revaluation differences							1,965	1,965	1,965
Net changes, excluding foundation funds and others									
Net changes in the fiscal year	-	-	-	15	9,100	(199)	3,481	12,396	12,396
Ending balance	51,000	206,000	281	381	31,700	6,893	63,629	102,604	359,886

	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	130,668	(48,406)	82,261	429,751
Changes in the fiscal year:				
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				15,251
Additions to reserve for fund redemption				
Reversal of equalized reserve for dividends to policyholders				
Reversal of land revaluation differences				1,965
Net changes, excluding foundation funds and others	139,929	(1,965)	137,964	137,964
Net changes in the fiscal year	139,929	(1,965)	137,964	150,361
Ending balance	270,597	(50,371)	220,226	580,112

7. Unaudited Non-consolidated Statements of Proposed Appropriation of Surplus

(Millions of Yen)

	Year ended March 31, 2023	Year ended March 31, 2024
Unappropriated surplus (loss)	60,148	63,629
Reversal of voluntary surplus reserves	199	947
Reversal of equalized reserve for dividends to policyholders	199	947
Total	60,348	64,577
Appropriation of surplus (loss)	13,935	14,367
Reserve for dividends to policyholders	2,497	2,896
Net surplus (loss)	11,438	11,470
Reserve for future losses	15	16
Interest on foundation funds	2,323	2,354
Voluntary surplus reserves	9,100	9,100
Reserve for fund redemption	9,100	9,100
Surplus (loss) carried forward	46,412	50,210

8. Disclosed Claims Based on Insurance Business Act

(Millions of Yen, %)

	As of March 31, 2023	As of March 31, 2024
Claims against bankrupt and quasi-bankrupt obligors	386	401
Claims with collection risk	30	–
Delinquent loans three or more months past due	85	80
Restructured loans	20	20
Subtotal	521	501
(Percentage of total)	(0.10)	(0.08)
Claims against normal obligors	505,064	640,854
Total	505,586	641,356

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.

9. Solvency Margin Ratio

(Millions of Yen)

		As of March 31, 2023	As of March 31, 2024
Total solvency margin	(A)	947,464	1,140,199
Foundation funds and surplus		342,668	354,635
Reserve for price fluctuation		38,210	40,370
Contingency reserve		63,109	43,181
General allowance for possible loan losses		345	507
(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	322,616
Net unrealized gains on land × 85% (in case of losses: × 100%)		35,037	35,824
Excess amount of policy reserves based on full-time Zillmer method		148,266	195,542
Qualifying subordinated debt		199,555	180,609
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	21,912
Total amount of risk	$\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$ (B)	203,084	229,298
Insurance risk	R_1	11,558	11,229
Third sector insurance risk	R_8	10,848	10,821
Risk of assumed yield	R_2	64,049	52,370
Minimum guarantee risk	R_7	1,004	977
Investment risk	R_3	132,366	169,956
Operational risk	R_4	4,396	4,907
Solvency margin ratio	$(A) / \{(1/2) \times (B)\} \times 100$	933.0%	994.5%

Notes:

- 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.
- "Excess amount of policy reserves based on full-time Zillmer method", "Qualifying subordinated debt" and "Excess amount of policy reserves based on full-time Zillmer method and qualifying subordinated debt excluded from the calculation of solvency margin" are calculated based on the Public Notice No.25 of the Financial Services Agency of 2011.
- "Minimum guarantee risk" is calculated by standard method.

10. Status of Separate Account

(1) Separate Account Assets by Products

(Millions of Yen)

	As of March 31, 2023	As of March 31, 2024
	Amount	Amount
Individual variable insurance	26,438	30,689
Individual variable annuities	-	-
Group annuity products	-	-
Total	26,438	30,689

(2) Individual Variable Insurance (Separate Account)

(i)Sum Insured of Policies in Force

	As of March 31, 2023		As of March 31, 2024	
	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	80,819
Total	12	83,683	11	80,819

(ii) Breakdown of Separate Account Assets for Individual Variable Insurance

(Millions of Yen)

	As of March 31, 2023		As of March 31, 2024	
	Amount	Percentage	Amount	Percentage
Cash, deposits, call loans	279	1.1	347	1.1
Securities	26,198	99.1	30,399	99.1
Domestic bonds	-	-	-	-
Domestic stocks	-	-	-	-
Foreign securities	-	-	-	-
Foreign bonds	-	-	-	-
Foreign stocks and other foreign securities	-	-	-	-
Other securities	26,198	99.1	30,399	99.1
Loans	-	-	-	-
Others	(39)	(0.2)	(57)	(0.2)
Allowance for possible loan losses	-	-	-	-
Total	26,438	100.0	30,689	100.0

(iii) Investment Income and Expenses of Separate Account for Individual Variable Insurance

(Millions of Yen)

	Year ended March 31, 2023	Year ended March 31, 2024
	Amount	Amount
Interest, dividends and other income	337	305
Gains on sales of securities	3,773	-
Gains on redemptions of securities	-	-
Gains on valuation of securities	1,274	6,865
Foreign exchange gains	76	1
Gains on derivative financial instruments	-	-
Other investment income	0	0
Losses on sales of securities	2,100	-
Losses on redemptions of securities	0	-
Losses on valuation of securities	2,836	587
Foreign exchange losses	95	0
Losses on derivative financial instruments	-	-
Other investment expenses	0	-
Net Investment Income	429	6,584

(3) Individual Variable Annuities (Separate Account)

The Company does not have individual variable annuity contracts in force.

11. Status of the Company, Subsidiaries and Affiliates

(1) Selected Financial Data

(Millions of Yen)

	Year ended March 31, 2023	Year ended March 31, 2024
Ordinary income	671,638	688,735
Ordinary profit	9,791	5,447
Net surplus attributable to the Parent Company	11,513	5,788
Comprehensive income	(31,730)	147,232

(Millions of Yen)

	As of March 31, 2023	As of March 31, 2024
Total assets	5,283,507	5,473,252
Solvency margin ratio	979.3%	1,036.2%

(2) Unaudited Consolidated Balance Sheets

(Millions of Yen)

	As of March 31, 2023	As of March 31, 2024
Assets:		
Cash and deposits	50,601	53,705
Call loans	166,000	73,000
Monetary claims bought	20,292	18,811
Securities	4,249,612	4,466,669
Loans	303,961	321,346
Tangible fixed assets:	360,023	354,240
Land	212,541	207,428
Buildings	142,153	138,917
Lease assets	1,360	4,138
Construction in progress	1,062	1,188
Other tangible fixed assets	2,906	2,568
Intangible fixed assets:	38,053	40,331
Software	24,380	33,074
Other intangible fixed assets	13,672	7,257
Agency accounts receivable	6	2
Reinsurance receivables	26,871	42,415
Other assets	58,965	101,567
Net defined benefit assets	421	799
Deferred tax assets	8,745	74
Customers' liabilities under acceptances and guarantees	600	1,025
Allowance for possible loan losses	(648)	(738)
Total assets	5,283,507	5,473,252
Liabilities:		
Policy reserves and other reserves:	4,335,719	4,278,959
Reserve for outstanding claims	36,411	41,060
Policy reserves	4,272,203	4,211,835
Reserve for dividends to policyholders	27,103	26,064
Reinsurance payables	826	915
Bonds payable	150,555	102,609
Other liabilities	294,447	407,649
Net defined benefit liabilities	31,548	29,297
Reserve for price fluctuation	38,210	40,370
Deferred tax liabilities	0	39,226
Deferred tax liabilities for land revaluation	15,062	14,301
Acceptances and guarantees	600	1,025
Total liabilities	4,866,969	4,914,355
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	81,934
Total foundation funds and others	336,283	339,216
Net unrealized gains (losses) on available-for-sale securities, net of tax	130,668	270,597
Land revaluation differences	(48,406)	(50,371)
Accumulated remeasurements of defined benefit plans	(2,104)	(646)
Total accumulated other comprehensive income	80,157	219,580
Non-controlling interests	96	100
Total net assets	416,537	558,896
Total liabilities and net assets	5,283,507	5,473,252

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

(Unaudited Consolidated Statements of Income)

(Millions of Yen)

	Year ended March 31, 2023	Year ended March 31, 2024
Ordinary income:	671,638	688,735
Premium and other income	418,799	432,218
Investment income:	143,540	182,739
Interest, dividends and other income	117,878	120,438
Gains on sales of securities	16,117	44,088
Gains on redemption of securities	98	-
Foreign exchange gains	1,913	4,537
Other investment income	7,102	7,091
Investment gains on separate accounts	429	6,583
Other ordinary income	109,299	73,777
Ordinary expenses:	661,847	683,288
Claims and other payments:	417,238	414,335
Claims	110,749	105,475
Annuities	112,411	109,610
Benefits	97,218	79,766
Surrender benefits	81,755	87,320
Other payments	15,104	32,161
Provision for policy reserves and other reserves:	4,389	4,651
Provision for reserve for outstanding claims	4,386	4,648
Provision for interest on policyholders' dividend reserves	3	3
Investment expenses:	64,899	76,750
Interest expenses	3,986	4,456
Losses on trading securities	-	226
Losses on sales of securities	25,525	41,449
Losses on valuation of securities	114	105
Losses on redemption of securities	466	275
Losses on derivative financial instruments	18,826	14,508
Provision for allowance for possible loan losses	99	91
Depreciation of rental real estate and other assets	5,565	5,337
Other investment expenses	10,313	10,298
Operating expenses	137,405	149,557
Other ordinary expenses	37,914	37,994
Ordinary profit	9,791	5,447
Extraordinary gains:	11,888	5,542
Gains on disposal of fixed assets	1,889	5,542
Reversal of reserve for price fluctuation	9,999	-
Extraordinary losses:	6,054	4,310
Losses on disposal of fixed assets	2,720	906
Impairment losses	3,289	1,141
Provision for reserve for price fluctuation	-	2,160
Losses on reduction entry of real estate	-	96
Other extraordinary losses	44	5
Surplus before income taxes	15,625	6,679
Income taxes-current	(1,284)	6,698
Income taxes-deferred	5,343	(5,864)
Total income taxes	4,058	834
Net surplus	11,566	5,845
Net surplus attributable to non-controlling interests	53	57
Net surplus attributable to the Parent Company	11,513	5,788

(Unaudited Consolidated Statements of Comprehensive Income)

(Millions of Yen)

	Year ended March 31, 2023	Year ended March 31, 2024
Net surplus	11,566	5,845
Other comprehensive income:	(43,296)	141,387
Net unrealized gains (losses) on available-for-sale securities, net of tax	(43,270)	139,929
Remeasurements of defined benefit plans	(26)	1,458
Comprehensive income:	(31,730)	147,232
Comprehensive income attributable to the Parent Company	(31,783)	147,175
Comprehensive income attributable to non-controlling interests	53	57

(4) Unaudited Consolidated Statements of Cash Flows

(Millions of Yen)

	Year ended March 31, 2023	Year ended March 31, 2024
I. Cash flows from operating activities		
Surplus before income taxes	15,625	6,679
Depreciation of rental real estate and other assets	5,565	5,337
Depreciation	13,439	13,247
Impairment losses	3,289	1,141
Increase (decrease) in reserve for outstanding claims	4,386	4,648
Increase (decrease) in policy reserves	(93,356)	(60,368)
Provision for interest on policyholders' dividend reserves	3	3
Increase (decrease) in allowance for possible loan losses	99	91
Increase (decrease) in net defined benefit liabilities	(1,119)	(532)
Increase (decrease) in reserve for price fluctuation	(9,999)	2,160
Interest, dividends and other income	(117,878)	(120,438)
(Gains) losses on securities	9,461	(8,615)
(Gains) losses on derivative financial instruments	18,826	14,508
Interest expenses	3,986	4,456
Foreign exchange (gains) losses, net	(1,913)	(4,537)
(Gains) losses on tangible fixed assets	(468)	(5,066)
(Increase) decrease in reinsurance receivables	(20,082)	(15,544)
(Increase) decrease in other assets except from investing and financing activities	(3,867)	(3,093)
Increase (decrease) in reinsurance payables	50	89
Increase (decrease) in other liabilities except from investing and financing activities	1,680	(701)
Others, net	12,250	(476)
Subtotal	(160,021)	(167,010)
Interest, dividends and other income received	120,844	117,240
Interest paid	(3,693)	(4,572)
Dividends to policyholders paid	(3,664)	(3,540)
Income taxes (paid) refunded	(10,344)	4,115
Net cash provided by (used in) operating activities	(56,880)	(53,766)
II. Cash flows from investing activities		
Proceeds from sales and redemptions of monetary claims bought	2,199	1,453
Purchases of securities	(563,641)	(603,314)
Proceeds from sales and redemptions of securities	801,416	597,414
Disbursements for loans	(65,193)	(69,782)
Proceeds from collections of loans	74,249	57,176
Proceeds from derivative financial instruments	(129,065)	(80,705)
Increase (decrease) in payables under securities borrowing transactions	2,698	66,588
Others, net	-	(226)
①Total of investing activities	122,663	(31,395)
[I + ①]	65,782	(85,162)
Purchases of tangible fixed assets	(8,232)	(9,894)
Proceeds from sales of tangible fixed assets	4,147	13,497
Others, net	(14,332)	(11,847)
Net cash provided by (used in) investing activities	104,245	(39,641)
III. Cash flows from financing activities		
Proceeds from debt borrowing	10,000	59,400
Redemption of debt borrowing	(2,000)	(5,000)
Proceeds from issuance of bonds	48,131	-
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	(834)	(565)
Net cash provided by (used in) financing activities	11,205	3,512
IV. Net increase (decrease) in cash and cash equivalents	58,570	(89,895)
V. Cash and cash equivalents at the beginning of the year	158,030	216,601
VI. Cash and cash equivalents at the end of the year	216,601	126,705

(5) Unaudited Consolidated Statements of Changes in Net Assets

Year ended March 31, 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	91,000	166,000	281	111,982	369,264
Changes in the fiscal year:					
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				11,513	11,513
Redemption of foundation funds	(40,000)				(40,000)
Reversal of land revaluation differences				1,666	1,666
Net changes, excluding foundation funds and others					
Net changes in the fiscal year	(40,000)	40,000	-	(32,981)	(32,981)
Ending balance	51,000	206,000	281	79,001	336,283

	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 fiscal year:						
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						11,513
Redemption of foundation funds						(40,000)
Reversal of land revaluation differences						1,666
Net changes, excluding foundation funds and others	(43,270)	(1,666)	(26)	(44,963)	1	(44,962)
Net changes in the fiscal year	(43,270)	(1,666)	(26)	(44,963)	1	(77,943)
Ending balance	130,668	(48,406)	(2,104)	80,157	96	416,537

Year ended March 31, 2024

(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 fiscal year:					
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				5,788	5,788
Reversal of land revaluation differences				1,965	1,965
Net changes, excluding foundation funds and others					
Net changes in the fiscal year	-	-	-	2,933	2,933
Ending balance	51,000	206,000	281	81,934	339,216

	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	130,668	(48,406)	(2,104)	80,157	96	416,537
Changes in the fiscal year:						
Additions to reserve for dividends to policyholders						(2,497)
Payment of interest on foundation funds						(2,323)
Net surplus attributable to the Parent Company						5,788
Reversal of land revaluation differences						1,965
Net changes, excluding foundation funds and others	139,929	(1,965)	1,458	139,422	4	139,426
Net changes in the fiscal year	139,929	(1,965)	1,458	139,422	4	142,359
Ending balance	270,597	(50,371)	(646)	219,580	100	558,896

I. Presentation of Unaudited Consolidated Financial Statements

1. Basis of Presentation

The accompanying consolidated financial statements have been prepared from the accounts maintained by Asahi Mutual Life Insurance Company (the “Company”) and its consolidated subsidiaries in accordance with the provisions set forth in the Insurance Business Act of Japan and its related rules and regulations applicable to the mutual life insurance industry and in conformity with accounting principles generally accepted in Japan, which are different in certain respects from accounting principles generally accepted in countries and jurisdictions other than Japan.

In addition, the notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

Amounts of less than one million yen have been eliminated. As a result, total amounts in yen shown herein do not necessarily agree with the sum of the individual amounts.

The Insurance Business Act shall prescribe the disclosure of a single fiscal year. The Company provides the disclosure of comparative financial information corresponding to each comparative fiscal year in the presented financial statements for use by readers outside Japan.

In preparing the accompanying consolidated financial statements, certain reclassifications have been made to the consolidated financial statements issued domestically in order to present them in a format which is more familiar to readers outside Japan.

2. Principles of Consolidation

(1) Scope of consolidation

The consolidated subsidiaries as of March 31, 2024 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 fiscal year ended March 31, 2024. As such non-consolidated subsidiaries are not considered to materially affect any reasonable determination as to the financial position and result of operation of the Company’s group, these companies are excluded from the consolidation.

(2) Application of equity method

Unconsolidated subsidiaries (such as Asahi Real Estate Management Co., Ltd., etc.) are immaterial in terms of their impact on consolidated net income and surplus, and also immaterial as a whole, therefore, the equity method is not applied.

(3) Fiscal year-end of consolidated subsidiaries

The fiscal year-end of the consolidated subsidiaries is March 31.

(4) Amortization of goodwill

Goodwill is fully expensed as incurred.

II. Notes to 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) Valuation methods of derivative financial instruments

Derivative financial instruments are stated at fair market value.

(4) Revaluation of land

The Company revalued the land for business purposes based on the Act on Revaluation of Land (Act No. 34 promulgated on March 31, 1998). The difference between fair value and book value resulting from the revaluation, net of related taxes, is recorded as land revaluation differences as a separate component of net assets and the related tax is recorded as deferred tax liabilities for revaluation.

- Date of revaluation: March 31, 2001
- Method of revaluation as prescribed for in Article 3, Paragraph 3 of the said Act:

The calculation is based on the publicly announced appraisal value with certain adjustments set forth in Article 2, Item 1 of the Enforcement Ordinance of the Act on Revaluation of Land (Government Ordinance No. 119 promulgated on March 31, 1998) or the appraisal value determined by the real-estate appraiser set forth in Article 2, Item 5 of the said Ordinance with certain reasonable adjustments.

(5) Depreciation of tangible fixed assets

Depreciation of the Company’s tangible fixed assets is calculated by the following methods.

- Tangible fixed assets (excluding lease assets): Declining-balance method
However, buildings are depreciated using the straight-line method.
- Lease assets related to finance lease transactions that do not transfer ownership: Straight-line method over the lease term with no residual value

(6) Foreign currency translation

Foreign currency-denominated assets and liabilities (excluding the shares of unconsolidated subsidiaries and affiliates) are translated into Japanese yen at the effective exchange rate prevailing at the balance sheet date. The shares of unconsolidated subsidiaries and affiliates are translated into Japanese yen at the exchange rate at the acquisition 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 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 March 31, 2024.

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

Net defined benefit liabilities and assets are presented for the employees’ retirement benefits after deducting pension plan assets from retirement benefit obligations, based on estimated amounts as of the balance sheet date.

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

- The retirement benefit obligation is attributed to each period by the benefit formula method.
- Actuarial differences are amortized under the straight-line method over a period of 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 accounting:

The Company applies deferred hedge accounting and the exceptional accounting treatment (“Tokurei-shori”) for interest rate swaps used to hedge the cash flow volatility of certain loans.

The Company also applies fair value hedge accounting for hedging activities related to foreign exchange rate fluctuation exposures on certain bonds, investment trusts and others denominated in foreign currencies.

The Company also applies designated hedge accounting (“Furiate-shori”) for currency swaps used to hedge foreign exchange rate fluctuation exposures on the foreign currency-denominated bonds issued by the Company.

The Company also applies designated hedge accounting (“Furiate-shori”) for the foreign currency-denominated transactions other than the above.

The effectiveness of a hedge is mostly assessed by a ratio analysis, comparing the fluctuations in the fair value or cash flows of hedged items and hedging instruments.

(11) Accounting for consumption taxes

The Company and its subsidiaries account for consumption tax and local consumption tax by the tax-exclusion method. The consumption taxes on certain assets, which are not deductible from consumption taxes withheld and that are stipulated to be deferred under the Corporation Tax Act of Japan, are deferred as prepaid expenses and amortized equally over five years.

Consumption taxes other than deferred consumption taxes are recognized as an expense when incurred.

(12) Premium and other income (excluding reinsurance revenue)

Premium and other income (excluding reinsurance revenue) are recorded in principle for insurance policies for which insurance premium has been received and the insurer’s liability under the insurance policies or insurance coverage period has commenced by the relevant amounts received.

Of insurance premiums, the portion corresponding to the period that has yet to pass as of the end of the fiscal year is set aside as policy reserves in accordance with Article 116 of the Insurance Business Act and Article 69, Paragraph 1, Item 2 of the Enforcement Regulation of the Insurance Business Act.

(13) Reinsurance revenue

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

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

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

Claims and other payments (excluding reinsurance premiums) are recorded for insurance policies for

which amounts calculated under policy conditions have been paid in the occurrence of insured events under the policy conditions.

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

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 year, 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 calculated 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 fiscal year ended March 31, 2024. 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) Reinsurance premiums

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

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

(16) Policy reserves

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

the performance of future obligations under the insurance policies.

Of policy reserves, the premium reserves at the end of the fiscal year are calculated by the following method:

In regard to the policies subject to the standard policy reserves, the method as prescribed by the Commissioner of Financial Services Agency (Japanese Ministry of Finance Public Notice No. 48, 1996) is applied.

In regard to the policies not subject to the standard policy reserves, the net level premium method is applied.

As of March 31, 2024, the Company accumulated additional policy reserves for individual annuity insurance policies with an assumed rate of 3.75% or higher for which annuity payment commenced on or before March 31, 2024 in accordance with the provision of Article 69, Paragraph 5 of the Enforcement Regulation of the Insurance Business Act.

As a result, policy reserves increased by ¥46,388 million and ordinary profits and surplus before income taxes decreased by ¥46,388 million compared with if the additional reserves had not been accumulated.

Regarding policy reserves, the chief actuary checks that policy reserves are appropriately accumulated in each fiscal year, pursuant to Article 121, Paragraph 1 of the Insurance Business Act and Article 80 of the Enforcement Regulation of the Insurance Business Act.

Contingency reserves included in policy reserves are set aside in accordance with Article 116 of the Insurance Business Act and Article 69, Paragraph 1, Item 3 of the Enforcement Regulation of the Insurance Business Act to cover risks that may accrue in the future in order to ensure the performance of future obligations under insurance policies.

(17) Impairment losses of tangible fixed assets

Impairment losses of the Company's tangible fixed assets are calculated by the following method.

i) Calculation method

Real estate and other assets used for insurance business operations are classified as one asset group as a whole. Other assets such as real estate for rent, real estate not in use and real estate scheduled to be sold are classified as one group individually. As for real estate used for multiple purposes, the asset group to which the real estate belongs is decided depending on usage rate and others.

The Company identifies indications of impairment on each asset group when earnings from business operations using the asset group continuously become negative.

As for asset groups for which indications of impairment are identified, when total amounts of undiscounted net future cash flows from the asset groups are less than their book values, the Company recognizes impairment losses and reduces the book values to their recoverable amounts.

The recoverable amounts of real estate and other assets for insurance business operation and real estate for rent are determined at value in use or net realizable value. The recoverable amounts of real estate not in use and real estate scheduled to be sold are determined at net realizable value. Value in use is determined as the discounted present value of estimated net future cash flows and discount rate used in the calculation is based on the cost of capital of the Company.

Net realizable value is calculated based on the appraisal value in accordance with “Real Estate Appraisal Standards” or the publicly announced appraisal value after deducting expected disposal costs.

ii) Key assumptions

Key assumptions for the estimated net future cash flows which are used in recognizing impairment losses and calculating value in use are usage plans considering current status of use of asset groups, including tenancy rates, rents and others. These assumptions may be affected by economic condition and changes specific to asset groups.

iii) Effects on financial statements for the following fiscal year

While the Company considers key assumptions for the estimated net future cash flows which are used in recognizing impairment losses and calculating value in use are best estimate based on available information including external information, impairment losses may occur in the following fiscal year due to future uncertainties.

Furthermore, the appraisal value in accordance with “Real Estate Appraisal Standards” may be affected by future real estate market trends. In case that net realizable value decreases as a result, impairment losses may occur in the following fiscal year.

(18) Software

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

2. Financial Instruments

Asset management of the general accounts other than the separate accounts stipulated in Article 118, Paragraph 1 of the Insurance Business Act is conducted based on the following principles.

- For accumulation whole life with variable interest rates, accumulation insurance with variable interest rates and new single premium individual annuities which have an effective date on or after April 2, 2012, the Company mainly invests in domestic bonds, engaging in matching asset liability management, or Matching ALM, which aims at matching the duration to outstanding insurance liabilities to avoid interest rate fluctuation risks.
- For individual life insurance and individual annuities other than above, the Company holds yen-denominated fixed income investments, including bonds and loans, as the core of its asset portfolio. The Company also holds domestic stocks, foreign securities and real estate assets to enhance its profitability.

Derivatives are mainly used to hedge market price fluctuation risk and exchange rate fluctuation risk regarding securities and exchange rate fluctuation risk related to the foreign currency-denominated bonds issued by the Company. As the major financial instruments, securities are exposed to market risk and credit risk, loans are exposed to credit risk and exchange rate fluctuation risk, and derivatives are exposed to market risk and credit risk.

In managing market risks, the following two methods are used. One is the quantitative risk management of securities etc. using the Value at Risk (“VaR”) method and the other is the risk management by stress test and sensitivity analysis which analyze the effect on the Company’s whole portfolio, simulating scenarios of deteriorating market environments. This is for the purpose of managing an appropriate asset allocation within the ranges of acceptable risks.

In managing credit risks, the Company quantifies the credit risks of entire portfolio through VaR method and controls the amount of risks within an acceptable range. Furthermore, the Company assigns in-house credit ratings to our borrowers in accordance with the creditworthiness of each borrower. Strict credit research of each borrower before lending as well as following up on any changes of creditworthiness of each borrower after lending are implemented by Risk Management Department, which is independent of the departments executing investments and lending. Maximum limits of credit are set up for each borrower in accordance with its credit risks to avoid the concentration of credit risks on specific corporations and specific corporation groups. Through all these measures, the Company endeavors to develop high quality portfolio.

The balance sheet amounts, fair values and the differences between those of major financial assets and liabilities as of March 31, 2024 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 March 31, 2024	Millions of Yen		
	Balance Sheet Amount	Fair Value	Difference
Monetary claims bought	¥ 18,811	¥ 19,753	¥ 941
Held-to-maturity debt securities	17,956	18,897	941
Available-for-sale securities	855	855	-
Securities	4,385,592	4,276,909	(108,683)
Trading securities	30,399	30,399	-
Held-to-maturity debt securities	274,840	290,260	15,419
Policy-reserve-matching bonds	2,240,383	2,116,280	(124,103)
Available-for-sale securities	1,839,968	1,839,968	-
Loans	321,346	329,278	7,932
Policy loans	28,399	28,399	-
Industrial and consumer loans	292,946	300,879	7,932
Total assets	4,725,750	4,625,941	(99,809)
Bonds payable	102,609	103,456	847
Loans payable	103,400	108,167	4,767
Total liabilities	206,009	211,624	5,615
Derivative financial instruments	(4,107)	(4,107)	-
Hedge accounting not applied	(876)	(876)	-
Hedge accounting applied	(3,231)	(3,231)	-

* 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 amounts of the unlisted stocks and others, including investments in subsidiaries and affiliates, reported in the consolidated balance sheet was ¥21,431 million as of March 31, 2024.

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 consolidated balance sheet was ¥59,645 million as of March 31, 2024.

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 in which each of the inputs belongs.

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

As of March 31, 2024	Millions of Yen			
	Fair Value			
	Level 1	Level 2	Level 3	Total
Monetary claims bought	¥ -	¥ -	¥ 855	¥ 855
Available-for-sale securities	-	-	855	855
Securities *1	621,493	1,050,162	32,062	1,703,718
Trading securities	-	30,399	-	30,399
Others	-	30,399	-	30,399
Available-for-sale securities	621,493	1,019,763	32,062	1,673,319
National government bonds and local government bonds	13,196	650	-	13,847
Corporate bonds	-	424,486	-	424,486
Domestic stocks	518,771	-	-	518,771
Foreign bonds	-	387,089	32,062	419,152
Others	89,525	207,536	-	297,061
Total assets	621,493	1,050,162	32,918	1,704,574
Derivative financial instruments *2	-	(4,109)	1	(4,107)
Currency-related	-	(4,109)	-	(4,109)
Stock-related	-	-	1	1

*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 consolidated balance sheet was ¥161,421 million as of March 31, 2024. The amount of the investment trusts which are accounted for in accordance with Paragraph 24-9 of the implementation guidance, reported in the consolidated balance sheet was ¥5,227 million as of March 31, 2024.

*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 fiscal year, 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>
	Year ended
	<u>March 31, 2024</u>
Beginning balance	¥ 134,005
Gains (losses) and other comprehensive income for the fiscal year:	
Gains (losses) recorded for the fiscal year *1	11,912
Other comprehensive income recorded for the fiscal year *2	1,040
Net amount of purchase, sale, and redemption	10,871
Amount of investment trusts whose NAV is deemed as market value	15,504
Amount of investment trusts whose NAV is not deemed as market value	-
Ending balance	-
	<u>161,421</u>
Net unrealized gains (losses) on investment trusts held at the balance sheet date among the amount recorded to gains (losses) for the fiscal year *1	1,040

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

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

- b) Breakdown of balance by restriction on cancellation as of the end of the fiscal year

	<u>Millions of Yen</u>
	As of
	<u>March 31, 2024</u>
Investment trusts which need more than 1 month to cancel from the notification of cancellation	¥ 41,015
Other than above	120,406

- c) Reconciliation between the beginning and ending balance, and net unrealized gains (losses) recognized as gains (losses) for the fiscal year, 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>	
	Year ended	
	<u>March 31, 2024</u>	
Beginning balance	¥	5,196
Gains (losses) and other comprehensive income for the fiscal year:		
Gains (losses) recorded for the fiscal year *1		26
Other comprehensive income recorded for the fiscal year *2		-
Net amount of purchase, sale, and redemption		26
Amount of investment trusts whose NAV is deemed as market value		4
Amount of investment trusts whose NAV is not deemed as market value		-
<u>Ending balance</u>		<u>5,227</u>
Net unrealized gains (losses) on investment trusts held at the balance sheet date among the amount recorded to gains (losses) for the fiscal year *1		-

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

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

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

As of March 31, 2024	<u>Millions of Yen</u>			
	<u>Fair Value</u>			
	Level 1	Level 2	Level 3	Total
Monetary claims bought	¥ -	¥ 18,517	¥ 379	¥ 18,897
Held-to-maturity debt securities	-	18,517	379	18,897
Securities	1,737,193	480,660	188,687	2,406,541
Held-to-maturity debt securities	35,500	66,072	188,687	290,260
National government bonds and local government bonds	35,500	-	-	35,500
Corporate bonds	-	66,072	-	66,072
Foreign bonds	-	-	188,687	188,687
Policy-reserve-matching bonds	1,701,692	414,587	-	2,116,280
National government bonds and local government bonds	1,701,692	43,183	-	1,744,876
Corporate bonds	-	371,404	-	371,404
Loans	-	-	329,278	329,278
Policy loans	-	-	28,399	28,399
Industrial and consumer loans	-	-	300,879	300,879
<u>Total assets</u>	<u>1,737,193</u>	<u>499,177</u>	<u>518,346</u>	<u>2,754,717</u>
<u>Bonds payable</u>	<u>-</u>	<u>103,456</u>	<u>-</u>	<u>103,456</u>
<u>Loans payable</u>	<u>-</u>	<u>-</u>	<u>108,167</u>	<u>108,167</u>
<u>Total liabilities</u>	<u>-</u>	<u>103,456</u>	<u>108,167</u>	<u>211,624</u>

(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 and others offered by counterparty financial institutions and categorized as level 2.

- ii) Loans

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

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

- iii) Bonds payable

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

- iv) Loans payable

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

- v) Derivative financial instruments

As for derivative financial instruments, the fair values of foreign currency forward contracts are

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

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

(4) Quantitative information about financial assets and liabilities measured and stated in the consolidated balance sheet at fair value and categorized as Level 3

i) Quantitative information on significant unobservable inputs

Quoted prices obtained from third parties are used for fair values categorized as level 3 without adjustment.

ii) Reconciliation between the beginning and ending balance, and net unrealized gains (losses) recognized as gains (losses) for the fiscal year

Year ended March 31, 2024	Millions of Yen			
	Monetary claims bought	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 fiscal year:				
Gains (losses) recorded for the fiscal year *1	(24)	12,396	12,371	1,245
Other comprehensive income recorded for the fiscal year *2	(20)	4,535	4,515	1,245
Net amount of purchase, sale, issue, and settlement	(4)	7,860	7,856	-
Transfer to fair values of Level 3	(16)	(45,233)	(45,249)	(1,794)
Transfer from fair values of Level 3	-	-	-	-
<u>Ending balance</u>	<u>855</u>	<u>32,062</u>	<u>32,198</u>	<u>1</u>
Net unrealized gains (losses) on financial assets and liabilities held at the balance sheet date among the amount recorded to gains (losses) for the fiscal year *1	(20)	4,535	4,515	(681)

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

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

iii) Description of the fair value evaluation process

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

procedures, the risk management department measures the fair value. The validity of the evaluation methods and inputs used to measure fair value and the appropriateness of categorization of fair value are verified in the independent division in the risk management department.

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

4. Investments and Rental Properties

The Company holds investment and rental properties such as office buildings in Tokyo and other areas. The carrying amount and the fair value of investment and rental properties were ¥232,502 million and ¥286,956 million as of March 31, 2024. The fair value is mainly based on the value (including some adjustments using the reference prices) of real estate appraisal report prepared by the external real-estate appraiser in accordance with real estate appraisal standards.

5. Securities Lent under Lending Agreements

The amount of securities lent under lending agreements was ¥292,339 million as of March 31, 2024.

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 ¥501 million as of March 31, 2024.

- i) Claims against bankrupt and quasi-bankrupt obligors were ¥401 million as of March 31, 2024.
- ii) The Company does not have claims with collection risk as of March 31, 2024.
- iii) Delinquent loans three or more months past due were ¥80 million as of March 31, 2024.
- iv) Restructured loans were ¥20 million as of March 31, 2024.

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 amounts of claims against bankrupt and quasi-bankrupt obligors described above by ¥5 million as of March 31, 2024.

7. Accumulated Depreciation of Tangible Fixed Assets

Accumulated depreciation of tangible fixed assets totaled ¥278,094 million as of March 31, 2024.

8. Separate Accounts

Total assets in separate accounts provided for in Article 118 of the Insurance Business Act were ¥30,689 million as of March 31, 2024. The amounts of separate account liabilities were the same as separate account assets.

9. Reserve for Dividends to Policyholders

	Millions of Yen	
	Year ended	
	March 31, 2024	
Balance at the beginning of the fiscal year	¥	27,103
Transfer to reserve from surplus in the previous fiscal year		2,497
Dividends to policyholders paid out during the fiscal year		3,540
Increase in interest		3
Balance at the end of the fiscal year	¥	26,064

10. Stocks of Unconsolidated Subsidiaries and affiliates

The amount of stocks of unconsolidated subsidiaries and affiliates the Company held was ¥8,232 million as of March 31, 2024.

11. Pledged Assets

Assets pledged as collateral were securities in the amount of ¥315,013 million as of March 31, 2024.

12. 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 ¥41,821 million for the fiscal year ended March 31, 2024.

13. Assets with Rights to Sell

The Company has the legal right to sell or collateralize securities borrowed under loan agreements. The market value of these assets that were not sold or pledged as collateral was ¥37,590 million as of March 31, 2024. No assets were pledged as collateral as of March 31, 2024.

14. Commitment Line

As of March 31, 2024, there were unused commitment line agreements under which the Company is the lender of ¥9,372 million.

15. Subordinated Bonds Payable

As of March 31, 2024, bonds payable are subordinated bonds payable, for which the repayments are subordinated to other obligations.

16. Subordinated Loans Payable

As of March 31, 2024, other liabilities included subordinated loans payable of ¥78,000 million, for which the repayments are subordinated to other obligations.

17. Deferred Taxes

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

	<u>Millions of Yen</u>	
	As of	
	<u>March 31, 2024</u>	
Deferred tax assets	¥	69,326
Valuation allowance for deferred tax assets		13,961
Subtotal		55,364
Deferred tax liabilities		94,516
Net deferred tax assets (liabilities)	¥	(39,151)

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

	<u>Millions of Yen</u>	
	As of	
	<u>March 31, 2024</u>	
Deferred tax assets		
Additional policy reserve	¥	12,942
Contingency reserve		12,702
Reserve for price fluctuation		11,263
Net defined benefit liabilities		8,173
Impairment losses		6,884
IBNR reserves		5,741
Deferred tax liabilities		
Net unrealized gains on available-for-sale securities	¥	89,235

(2) The statutory tax rate was 27.9% for the fiscal year ended March 31, 2024. The main factors causing the differences between the statutory tax rates and the actual effective tax rates after considering deferred taxes were as follows:

	<u>Year ended</u>
	<u>March 31, 2024</u>
Reserve for dividends to policyholders	(9.8)%
Interest on foundation funds	(9.8)%

- (3) The Company and part of its subsidiaries have applied the group tax sharing system. As a result, the Company has applied the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (ASBJ PITF No.42, issued on August 12, 2021) to the accounting and disclosure treatment of corporate tax, local corporate tax and tax effect accounting.

18. Accrued Retirement Benefits and Net Defined Benefit Liabilities

(1) Summary of retirement benefit plans

As defined benefit plan, the Company and its consolidated subsidiaries have defined benefit corporate pension plans, which are funded-type, and lump-sum retirement allowance plans which are non-funded type but resulted in funded type due to setting of employee pension trust.

(2) Defined benefit plan

i) Reconciliation of beginning and ending balance of retirement benefit obligations

	<u>Millions of Yen</u>	
	Year ended	
	March 31, 2024	
<u>Retirement benefit obligations at the beginning of the fiscal year</u>	¥	39,538
Service cost		1,808
Interest cost		389
Actuarial difference occurred during the fiscal year		78
<u>Retirement benefit payments</u>		<u>(3,659)</u>
<u>Retirement benefit obligations at the end of the fiscal year</u>	¥	<u>38,157</u>

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

	<u>Millions of Yen</u>	
	Year ended	
	March 31, 2024	
<u>Pension plan assets at the beginning of the fiscal year</u>	¥	8,411
Expected return on pension plan assets		80
Actuarial difference occurred during the fiscal year		1,163
Contributions by the employer		245
<u>Retirement benefit payments</u>		<u>(241)</u>
<u>Pension plan assets at the end of the fiscal year</u>	¥	<u>9,659</u>

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

	<u>Millions of Yen</u>	
	As of	
	<u>March 31, 2024</u>	
a. Funded plan retirement benefit obligation	¥	38,157
b. Pension plan assets		(9,659)
c. Net amount of liabilities and assets presented on the consolidated balance sheet		28,497
d. Net defined benefit liabilities		29,297
e. Net defined benefit assets		(799)
f. Net amount of liabilities and assets presented on the consolidated balance sheet	¥	<u>28,497</u>

- iv) Breakdown of retirement benefit expenses

	<u>Millions of Yen</u>	
	Year ended	
	<u>March 31, 2024</u>	
Service cost	¥	1,808
Interest cost		389
Expected return on pension plan assets		(80)
Amortization of actuarial differences		942
Retirement benefit expenses related to defined benefit plan	¥	<u>3,060</u>

- v) Breakdown of items included in other comprehensive income

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

	<u>Millions of Yen</u>	
	Year ended	
	<u>March 31, 2024</u>	
Amortization of actuarial differences	¥	2,027
Total	¥	<u>2,027</u>

- vi) Breakdown of items included in accumulated other comprehensive income

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

	<u>Millions of Yen</u>	
	Year ended	
	<u>March 31, 2024</u>	
Unrecognized actuarial differences	¥	896
Total	¥	<u>896</u>

vii) Breakdown of main pension plan assets

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

	<u>As of</u> <u>March 31, 2024</u>
Stocks	43%
Bonds	17%
Others	40%
<u>Total</u>	<u>100%</u>

viii) Method for determining the expected long-term rate of return

To determine the expected long-term rate of return on pension plan assets, the Company takes into account the present and future allocation of pension plan assets, and the present and expected future long-term rate of return on the diverse range of assets that makes up the pension assets.

ix) Underlying actuarial assumptions

The main underlying actuarial assumptions were as follows:

	<u>As of</u> <u>March 31, 2024</u>
Discount rate	1.0%
Expected long-term rate of return on pension plan assets	0.8%
Defined benefit corporate pension plans	1.6%

III. Notes to Unaudited Consolidated Statement of Income

1. Investment Income and Expenses

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

	<u>Millions of Yen</u>	
	Year ended	
	<u>March 31, 2024</u>	
Domestic bonds	¥	3,283
Domestic stocks and other securities		38,914
Foreign securities		1,890

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

	<u>Millions of Yen</u>	
	Year ended	
	<u>March 31, 2024</u>	
Domestic bonds	¥	5,711
Domestic stocks and other securities		2,210
Foreign securities		33,527

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

	<u>Millions of Yen</u>	
	<u>Year ended</u>	
	<u>March 31, 2024</u>	
Domestic stocks and other securities	¥	104
Foreign securities		1

Losses on trading securities were losses on sales of ¥226 million for the fiscal years ended March 31, 2024.

Losses on derivative financial instruments included net valuation losses of ¥1,824 million for the fiscal year ended March 31, 2024.

2. Reinsurance Revenue and Reinsurance Premiums

The increased amount of unamortized ceding commissions for reinsurance contracts stipulated in Article 1, Paragraph 5 of the Japanese Ministry of Finance Public Notice No. 50, 1996 for the fiscal year ended March 31, 2024 was ¥32,351 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 fiscal year ended March 31, 2024 was ¥16,635 million, which was included in reinsurance premiums among claims and other payments.

3. Impairment Losses of Fixed Assets

For the fiscal year ended March 31, 2024, impairment losses of fixed assets by the Company were as follows:

(1) Method of grouping

The method of grouping is described in “Note 1. (17) Impairment losses of tangible fixed assets” of the consolidated balance sheet.

(2) Background information on recognizing the impairment losses

As the profitability of certain real estate for rent dropped down significantly due to a decrease in the level of rental income and a declining trend in the market prices of land, the Company reduced the book values of such real estate for rent, real estate not in use and real estate scheduled to be sold to their recoverable amounts. The write-downs were recognized as impairment losses and included in the extraordinary losses.

(3) Asset groups for which impairment losses were recognized and losses by classification of fixed assets

	<u>Millions of Yen</u>	
	Year ended	
	March 31, 2024	
Real estate for rent:		
Land	¥	-
Building		-
Total real estate for rent (i)		-
Real estate not in use:		
Land		562
Building		579
Total real estate not in use (ii)		1,141
Real estate scheduled to be sold:		
Land		-
Building		-
Total real estate scheduled to be sold (iii)		-
Total:		
Land		562
Building		579
Total (i) + (ii) + (iii)	¥	1,141

(4) Calculation method of recoverable amounts

The recoverable amounts of real estate for rent are determined at net realizable value or value in use. The recoverable amounts for real estate not in use and real estate scheduled to be sold are net realizable value. Value in use is determined as the estimated net future cash flows, reflecting the volatility risk, discounted at 3.2% for the fiscal year ended March 31, 2024. Net realizable value is calculated based on the appraisal value in accordance with “Real Estate Appraisal Standards” or the publicly announced appraisal value after deducting expected disposal costs.

IV. Note to Unaudited Consolidated Statement of Comprehensive Income

Other Comprehensive Income

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

	<u>Millions of Yen</u>	
	Year ended	
	March 31, 2024	
Net unrealized gains (losses) on available-for-sale securities, net of tax		
Amount incurred during the fiscal year	¥	193,729
Reclassification adjustments		(1,368)
Before tax adjustment		192,361
Tax effects		(52,431)
Net unrealized gains (losses) on available-for-sale securities, net of tax		139,929
Accumulated remeasurements of defined benefit plans		
Amount incurred during the fiscal year		1,084
Reclassification adjustments		942
Before tax adjustment		2,027
Tax effects		(569)
Accumulated remeasurements of defined benefit plans		1,458
Total other comprehensive income	¥	141,387

V. Note to Unaudited Consolidated Statement of Cash Flows

Scope of Cash and Cash Equivalents

For the purpose of presenting the consolidated statements of cash flows, cash and cash equivalents are comprised of cash on hand, demand deposits and all highly liquid short-term investments with a maturity of three months or less when purchased, which are readily convertible into cash and present an insignificant risk of changes in value.

(6) Disclosed Claims Based on Insurance Business Act

(Millions of Yen, %)

	As of March 31, 2023	As of March 31, 2024
Claims against bankrupt and quasi-bankrupt obligors	386	401
Claims with collection risk	30	–
Delinquent loans three or more months past due	85	80
Restructured loans	20	20
Subtotal	521	501
(Percentage of total)	(0.10)	(0.08)
Claims against normal obligors	505,064	640,854
Total	505,586	641,356

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.

(7) Consolidated Solvency Margin Ratio

(Millions of Yen)

	As of March 31, 2023	As of March 31, 2024
Total solvency margin (A)	979,054	1,170,919
Foundation funds and surplus	326,009	328,628
Reserve for price fluctuation	38,210	40,370
Contingency reserve	64,263	45,519
Catastrophe loss reserve	-	-
General allowance for possible loan losses	347	508
(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	322,616
Net unrealized gains on land × 85% (in case of losses: × 100%)	35,037	35,824
Sum of unrealized actuarial differences and unrealized past service cost	(2,924)	(896)
Excess amount of policy reserves based on full-time Zillmer method	148,282	195,874
Qualifying subordinated debt	199,555	180,609
Excess amount of policy reserves based on full-time Zillmer method and qualifying subordinated debt excluded from the calculation of solvency margin	-	-
Deduction	-	(50)
Others	20,780	21,912
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	226,000
Insurance risk R_1	11,558	11,230
Ordinary insurance risk R_5	-	-
Disaster insurance risk R_6	-	-
Third sector insurance risk R_8	12,002	13,003
Small amount short-term insurance provider insurance risk R_9	-	-
Risk of assumed yield R_2	64,049	52,370
Minimum guarantee risk R_7	1,004	977
Investment risk R_3	129,105	166,439
Operational risk R_4	4,354	4,880
Solvency margin ratio (A) / {(1/2) × (B)} × 100	979.3%	1,036.2%

Notes:

1. 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.
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.

(8) Status of Insurance Claims Paying Ability of Insurance Subsidiaries
(Solvency Margin Ratio)

(Millions of Yen)

	As of March 31, 2023	As of March 31, 2024
Total solvency margin (A)	40,471	36,945
Capital and others	39,301	34,606
Reserve for price fluctuation	0	0
Contingency reserve	1,153	2,338
General allowance for possible loan losses	-	-
(Net unrealized gains on available-for-sale securities (before tax effect) and deferred hedge gains (before tax effect)) × 90% (in case of losses: × 100%)	-	-
Net unrealized gains on land × 85% (in case of losses: × 100%)	-	-
Excess amount of policy reserves based on full-time Zillmer method	15	332
Qualifying subordinated debt	-	-
Excess amount of policy reserves based on full-time Zillmer method and qualifying subordinated debt excluded from the calculation of solvency margin	-	(332)
Deduction	-	-
Others	-	-
Total amount of risk $\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$ (B)	1,256	2,345
Insurance risk R_1	-	3
Third sector insurance risk R_8	1,153	2,181
Risk of assumed yield R_2	0	0
Minimum guarantee risk R_7	-	-
Investment risk R_3	365	586
Operational risk R_4	45	83
Solvency margin ratio (A) / {(1/2) × (B)} × 100	6,444.0%	3,150.3%

Note:

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.

(9) 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.