

Annual Report 2022

Year Ended March 31, 2022

Asahi Mutual Life Insurance Company



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1. Message from the President

In this era of the 100-year lifespan, we aim to be a company that contributes to resolving social issues and continues to support customers' lives through the life insurance business



木村 博紀

Hiroki Kimura
President and
Representative Director

Introduction

Thank you for supporting Asahi Life.

Since our founding in 1888, Asahi Life has grown alongside the growth and development of the Japanese economy with the warm support of our many customers. It is thanks to you that we welcome our 135th anniversary in March 2023. We are deeply grateful for all of your support over these many years.

The life insurance industry plays an important role in supporting Japanese society in cooperation with the social security system, and we believe that the company's business operations themselves are deeply important and constitute a social responsibility. Based on these beliefs, Asahi Life holds a basic management philosophy of "Sincere Service" that is guided by the idea that fulfilling our responsibilities to our customers, society, and our employees is fundamental to our business.

Additionally, on the basis of the following priorities, Asahi Life engages in sustainable management mindful of the sustainability of society itself.

"Engaging in business that prioritizes the improvement of customer satisfaction"

"Co-existence with society through continued engagement to create a prosperous society"

"Improvement of employee satisfaction through the creation of a comfortable workplace that fosters employees"

Through above initiatives and appropriate cooperation with various stakeholders, Asahi Life aims to contribute to the achievement of a sustainable society.

Financial Results for the Fiscal Year Ended March 31, 2022 (FY 2021)

Financial results for the year ended March 31, 2022 were marked by strong sales in the medical insurance and nursing care insurance businesses at Asahi Life, while life insurance subsidiary Nanairo Life Insurance Co., Ltd. which began selling insurance in October 2021, saw steady growth in new policies. As a result, annualized premiums from new policies for protection-type products at Asahi Life Group beat the previous year, reaching 107.9% year-on-year.

In terms of earnings and financial soundness of Asahi Life, fundamental profit grew from the previous year to 47.7 billion yen, and the solvency margin ratio (metric for solvency with respect to claims and benefits) remained at 954.9%, the same level as the previous year and more than 200%, the level insurance companies are required to maintain.

In summary, Asahi Life had a good year in terms of insurance business performance, earnings and financial soundness.

Mid-term Management Plan “Advance: The road to 2030”

We expect big, rapid-acting changes to affect the business environment in the years ahead as Japan's super-aged society takes root, society undergoes rapid digitalization, and initiatives are put into action to achieve a sustainable society.

In order to address these sorts of changes, the mid-term management plan launched in FY 2021

(ended March 31, 2022) focuses on three strategies: the “Third-sector (Products/Services) Strategy,” the “Channel Strategy,” and the “Investment Strategy.”

In addition, there are two growth drivers to support these strategies: the “DX^{*1} Strategy” and the “Human Resources Strategy.” Through these strategies, we will work to push forward our initiatives currently underway and create new areas of growth.

The quantitative metrics identified as strategic targets in the mid-term management plan are steadily increasing across the board. Of these, the FY 2023 target for number of new nursing care insurance policies for the Group has already been achieved.

*1 Digital transformation. This refers to the utilization of digital technology and data to provide new products and services, create value for customers, and gain a competitive advantage.

Three Strategies in the Mid-term Management Plan

Third-sector (Products/Services) Strategy

◆ Focus on Medical Insurance and Nursing Care Insurance

We pursued product development contributing to pioneering in the third-sector insurance market, especially the medical/lifestyle disease and nursing care/cognitive impairment sectors in which we excel.

In April 2021, an “insurance policyholder agency rider” was introduced that enables a representative agent of a policyholder to perform certain procedures on the policyholder's behalf in the event that the policyholder is rendered unable to perform those

necessary procedures due to cognitive impairment or other issue that prevents them from communicating their intent.

In October 2021, “nursing care annuity insurance with less underwriting requirement” was introduced for sale to those who had given up the idea of enrollment in nursing care insurance due to pre-existing conditions (or past illness) or other health-related concerns.

In February 2022, Asahi Life was recognized for these efforts to address social issues such as nursing care/cognitive impairment by the Social Products Award 2022, hosted by the Association for the Promotion of Social Products, where “Asahi Life’s nursing care/cognitive impairment insurance” received the Social Products Award.

We will continue focusing on the third-sector insurance market, especially the medical/lifestyle disease and nursing care/cognitive impairment sectors in which we excel. Above all, in the nursing care insurance sector, we will exert our market presence as “the go-to company for nursing care insurance.”

◆ Providing New Value in the Healthcare Sector

In order to better fulfill Asahi Life’s role complementing the social security system to tackle social issues such as promoting good health and prolonging the healthy lifespan, the “medication support policy rider” was introduced for sale in October 2021. This new insurance product for the healthcare sector begins paying benefits at the medication stage to support prolonged treatments.

Additionally, we launched the “kencom×insurance for Okusuri (medicine) support” app for “medication support policy rider” policyholders to help support those customers’ health-promotion activities as well as early treatment and warding off the worsening of patients’ conditions.

By continuing to provide unique products and

services such as support for the early treatment of diseases and prevention of the worsening of lifestyle diseases to a state requiring nursing care, we will perform a complementary role to the social security system for Japan’s super-aged society.

Channel Strategy

◆ Building a Strong Sales Representative Structure

Sales representatives represent Asahi Life’s primary sales channel. In addition to our traditional forte of face-to-face sales activities, we have also incorporated digital tools such as online meetings for explanations of product proposals, digital formats for proposal documents, and online applications. In this way, we have worked to bolster our consulting activities by addressing customers’ needs for remote solutions and implementing COVID-19 countermeasures.

Moving forward, we will continue to push our sales activities forward by incorporating digital technology into our primary sales channel of sales representatives, i.e., our forte of “face-to-face consultation that only humans can offer.”

◆ Promotion of a Shift to Multiple Channels

In order to accurately monitor customers’ diversifying needs and flexibly provide third-sector products such as medical insurance through independent agencies and direct marketing, Nanairo Life opened business as wholly-owned subsidiary of Asahi Life in April 2021 and began selling life insurance in October 2021.

In our independent agency channels for the corporate market, primarily tax accountant agencies, Asahi Life worked to grow the number of active agencies we serve by bolstering training provided to staff responsible for such agencies and other such follow-up systems.



We also worked to set up internet marketing and digital channels by which to provide products to address rapidly growing needs for digital solutions.

Moving forward, we will work to further enhance our initiatives across all channels to expand our market share while also implementing data-driven marketing^{*2} that accumulates, analyzes, and utilizes data to provide the products and services best suited to customer needs.

^{*2} Methodologies of implementing the marketing PDCA cycle utilizing data that has been accumulated and analyzed.

◆ Expansion of Overseas Business

Asahi Life partnered with a Vietnamese insurance company in 2017 to provide our expertise on telemarketing for medical insurance and other products, in addition to providing consulting services with an online business model. In FY 2021, we worked to grow our businesses by developing income protection insurance, expanding online services to improve customer convenience, and providing expertise on expanding the number of areas targeted for telemarketing.

Anticipating a shrinking domestic market in the future, we are also working to expand our insurance business in Vietnam while also considering expansion into other Asian countries.

Investment Strategy

In FY 2021, Asahi Life curbed investment in Japanese government bonds and similar assets due to ongoing low domestic interest rates and opted for a risk-avoidant strategy through diversified investments, securing income by actively pursuing credit investments^{*3} that are efficient in terms of risk-return in preparation for the implementation of economic value-based regulations in 2025.

Moreover, as a responsible institutional investor and PRI^{*4} signatory, we are promoting good stewardship^{*5} and continuing to pursue investment that incorporates ESG (environment, social, and governance) factors.

Additionally, based on an agreement that Asahi Life and our subsidiary Asahi Life Asset Management have with French investment giant Natixis Investment Managers S.A., we pursued closer cooperation on businesses development and worked to create new investment opportunities.

Asahi Life will continue to aim to diversify the range of asset classes in which we invest to mitigate risk and secure profits, while also aiming, as a responsible institutional investor, to contribute to the resolution of environmental issues and other global social problems and thereby reduce investment risk and secure new income opportunities.

^{*3} A way of generating revenue by investing in corporate bonds, loans, and similar products.

^{*4} The Principles for Responsible Investment (PRI) are behavioral principles advocated by the United Nations that request institutional investors to incorporate ESG (environmental, social, and governance) issues into the decision-making process in the interest of achieving a sustainable society.

^{*5} Activities in which institutional investors engage in constructive, "purposeful dialogue" (engagement) that includes sustainability-related factors in order to improve the corporate value of the investee companies and promote sustainable growth, thereby growing medium- to long-term investment returns.

Growth Drivers Underlying Three Strategies

DX Strategy

We engaged in three reforms to sales channels, products and services, and business operations to improve the customer experience.

Specifically, we introduced online “web applications” for insurance policies in April 2021 in order to address increasingly diversifying customer needs.

In July 2021, we created the Automatic Planning System for Recommended Sales Activities^{*6}, a system for “Smart - Ai” tablet-type sales devices in which AI analyzes and calculates activity recommendations for sales representatives to improve efficiency.

In October 2021, we launched a smartphone app to help sales representatives provide useful product information to customers in a timely manner based on their age, household makeup, and other factors.

By further promoting these sorts of initiatives and pushing ahead with the three reforms of sales channels, products and services, and business operations, we will provide customers with new additional value.

^{*6} System in which AI analyzes data owned by Asahi Life (customers’ ages, household makeup, policy descriptions, procedural data, etc.) and suggests priority targets for sales representatives to visit.

Human Resources Strategy

In order to achieve sustainable growth based on the core concept of “supporting the challenge of the diverse human resources who are building the future of Asahi Life,” we are focused on the three major themes of “developing human resources who are committed to always striving,” “restructuring our human resources portfolio,” and “entrenching work style reforms” by

having each and every staff member follow three behavioral guidelines: “Challenging yourself,” “Career self-reliance,” and “Improve productivity.”

Moving forward, in order to increase value for the entire Asahi Life Group, we will further flesh out measures pertaining to these three major themes while also pushing ahead with strategies that promote success for personnel throughout the Group as a whole.

Contributions to SDGs Achievement

Efforts to tackle the Sustainable Development Goals (SDGs), adopted by the United Nations as global goals to be achieved by 2030, are picking up steam in Japan.

At Asahi Life, our mid-term management plan “Advance: The road to 2030” lays out the following vision for what we want the company to become by 2030: “In this era of the 100-year lifespan, we aim to be a company that contributes to resolving social issues and continues to support customers’ lives through the life insurance business.” We work towards the achievement of the SDGs and provide value towards the goal of achieving a sustainable society.

Specifically, in the life insurance business, we provide nursing care and medical insurance products and services towards the goal of addressing the problems of a healthy and long-lived society. In our investment, as well, we take into account ESG (environment, social, and governance) factors with the aim of resolving global social issues.

As measures tackling climate change, one of our priorities for sustainable management, we resolved to aim to reduce greenhouse gas emissions to “net zero” levels by FY 2050, and in March 2022, we established interim CO2 reduction targets for FY 2030.

Additionally, we also worked on CSR (Corporate

Social Responsibility) activities for local healthcare and welfare, plus diversity promotion, work style reforms, health and productivity management, and human rights promotion.

In order to steadily implement these initiatives moving forward, we established a Sustainable Management Promotion Committee in April 2022 headed by Asahi Life's company president, and we are pursuing deeper talks at the management level (Board of Directors, etc.) regarding important sustainability-related issues, including addressing the proposals of the Task Force on Climate-related Financial Disclosures (TCFD)*7.

*7 Recommendations for climate-related information disclosures by companies and institutions and proposals for a basic framework underlying such disclosures.

COVID-19 Countermeasures

Our deepest sympathies go out to all of those affected by COVID-19.

In the interest of fulfilling the social mission of our life insurance business, Asahi Life allows for the partial omission of some documentation pertaining to the payment of claims and benefits for those who are unable to provide that required documentation due to circumstances affecting the customer or medical institution.

Due to changing lifestyles in light of COVID-19 and in the interest of customer convenience, we also offer online meetings for explanations of product proposals and enable customers to conduct paperwork for new policies online through "web applications."

Moving forward, Asahi Life will place the highest priority on the health and safety of our customers and personnel as we provide services in a flexible manner.

Conclusion

Asahi Life will always think and act from the perspective and point-of-view of our customers on the basis of our basic management philosophy of "Sincere Service," moving forward, as in the past, we will continue to tackle challenges and grow as we "aim to be a company that contributes to resolving social issues and continues to support customers' lives through the life insurance business in this era of the 100-year lifespan."

We look forward to your continued warm support and patronage in the future.



2. Mid-term Management Plan “Advance: The road to 2030”

Asahi Life has established a three-year mid-term management plan for FY 2021 through FY 2023: “Advance: The road to 2030.”

The achievement of a sustainable society is required on the path to 2030. Asahi Life will contribute to the achievement of such a society through our life insurance business and investment activities based on the belief that Asahi Life’s business operations themselves are deeply important and constitute a social responsibility.

Above all, as people’s medical expenses and the burden of nursing care become serious social problems in Japan’s super-aged society, we will support the efforts of our customers to help themselves in this era of the 100-year lifespan. Further, we will contribute to addressing the problems facing a society of good health and longevity by providing the medical and nursing care insurance products and services that are Asahi Life’s forte, in addition to providing value in the healthcare sector, such as for the prevention of the worsening of diseases.



Progress Towards Strategic Targets

	FY 2023 targets	Status at the end of FY2021
Number of customers (Group ^{*1})	2.80 million	2.640 million (+37 thousand YoY)
New policies for protection-type products ^{*2} (Annualized premiums, Group ^{*1})	¥35.0 billion	¥26.7 billion (107.9% YoY)
Number of new nursing care insurance policies (Group ^{*1})	117 thousand	117 thousand (118.4% YoY)
Policies in force for protection-type products ^{*2} (Annualized premiums, Group ^{*1})	¥330.0 billion	¥309.9 billion (+¥4.2 billion YoY)

^{*1} “Group” here refers to the total of Asahi Life and Nanairo Life.

^{*2} Protection-type products include death protection insurance and third sector insurance products such as medical insurance, nursing care insurance and non-participating group medical insurance sold through the agency channel, but exclude saving-type insurance products and insurance products for management personnel (“Grand stage” and “Prime Stage”).

3. Business Overview

Overview

Asahi Life was established in 1888 as the second modern life insurance company in Japan under the name Teikoku Life Insurance Company (Teikoku Seimei Hoken Kabushiki Gaisha). We became a mutual company and changed our name to Asahi Mutual Life Insurance Company (Asahi Seimei Hoken Sogo Gaisha) in 1947.

Our core business is life insurance for individuals in Japan, with a specific strategic focus on offering protection-type products, including medical and

nursing care products.

We have been enhancing our financial soundness and aim to further enhance it through the accumulation of surplus and recapitalization measures. As of March 31, 2022, we had a non-consolidated solvency margin ratio of 954.9 percent, and insurer financial strength ratings of BBB+ (Positive Outlook) from Fitch, BBB+ (Positive Outlook) from R&I, and BBB+ (Positive Outlook) from JCR.

Products

Asahi Life offers a variety of individual life insurance products, with a focus on protection-type products including medical and nursing care products, aimed at serving our customers' financial needs. We continually review, update, and expand our product offerings to respond to the needs of our customers while maintaining our focus on individual

life insurance.

Our main products for individual customers are flexible life insurance products named "Hokenou Plus" targeting male customers, and "Yasashisa Plus" targeting female customers. Each product allows customers to choose from a portfolio of insurance products to create a customized insurance plan.

Insurance Group Strategy

In order to precisely respond to customers' diversifying needs, Asahi Life will partner with Group companies to implement agile product development as well as a "multi-channel" strategy that features

expanded independent agency channels, such as insurance shops and telemarketing, in addition to our sales representative channel.



■ Asahi Mutual Life Insurance Company

Our roughly 14,000 sales representatives throughout Japan provide face-to-face service for customers. They provide thorough consultation services during the application process and provide extensive follow-up service to address the needs of each individual customer, such as information suited to changes in customers' life cycles.



■ Nanairo Life Insurance Co., Ltd.

Established in April 2021, Nanairo Life began selling life insurance in October 2021. Primarily working through channels such as independent agencies and direct marketing, Nanairo Life provides third-sector products such as medical insurance to accurately and flexibly serve customers' diversifying needs.



■ NHS Insurance Group Inc.

NHS Insurance Group is a holding company for four insurance agencies: NHS Inc., Sokisha Inc., FEA Inc. and Life Navi Partners Inc. In telemarketing and door-to-door sales, they select and suggest the insurance product that best suits the needs of each individual customer from a range of products offered by various insurance companies.



■ F.L.P Co., Ltd.

F.L.P is an independent agency that runs a chain of over twenty insurance shops in the Tokyo Metropolitan Area under the brand Insurance Consultation Salon FLP. F.L.P selects and suggests the insurance product that best suits the needs of each individual customer from a range of products offered by various insurance companies.

4. Business Overview for Fiscal Year 2021

Business Performance (Annualized Premiums, Group*1)

● New Policies for Individual Insurance/Individual Annuities

Annualized premiums from new policies for the Group reached 107.2% of the previous fiscal year. Of these, third-sector products reached 110.3% of the previous fiscal year.

(Billions of Yen)

Years ended March 31	2021	2022	Year-over-year
New Policies (Group)	25.1	27.0	107.2%
Asahi Life	–	23.2	–
Nanairo Life	–	3.8	–
Third-sector products	20.9	23.1	110.3%

● Surrendered and Lapsed Policies for Individual Insurance/Individual Annuities*2

Annualized premiums from surrendered and lapsed policies for the Group reached 105.7% of the previous fiscal year.

(Billions of Yen)

Years ended March 31	2021	2022	Year-over-year
Surrendered and lapsed policies (Group)	21.9	23.2	105.7%
Surrender and lapse ratio	4.14%	4.45%	+0.32points

● Policies in Force for Individual Insurance/Individual Annuities

Annualized premiums from policies in force for the Group ended at 98.0% of the end of the previous fiscal year due primarily to declines in savings-type products. Of these, third-sector products reached 102.8% of the end of the previous fiscal year.

(Billions of Yen)

As of March 31	2021	2022	Year-over-year
Policies in force (Group)	521.2	510.9	98.0%
Asahi Life	–	507.2	–
Nanairo Life	–	3.7	–
Third-sector products	221.4	227.7	102.8%

● New Policies for Protection-type Products^{*3}

Annualized premiums from new policies for protection-type products, a focus of Asahi Life, reached 107.9% of the previous fiscal year for the Group.

(Billions of Yen)

Years ended March 31	2021	2022	Year-over-year
New policies (Group)	24.8	26.7	107.9%
Asahi Life	–	22.9	–
Sales representative channel	17.8	18.9	106.4%
Nanairo Life	–	3.8	–

● Policies in Force for Protection-type Products^{*3}

Annualized premiums from policies in force for protection-type products gained +¥4.2 billion on the end of the previous fiscal year for the Group, exhibiting an ongoing increasing trend.

(Billions of Yen)

As of March 31	2021	2022	Year-over-year
Policies in force (Group)	305.6	309.9	+4.2
Asahi Life	–	306.1	–
Sales representative channel	282.8	283.1	+0.3
Nanairo Life	–	3.7	–

Notes:

*1. "Group" here refers to the total of Asahi Life and Nanairo Life.

*2. Surrendered and lapsed policies are measured as cancellations plus expirations and reductions less revivals.

*3. Protection-type products include death protection insurance and third-sector insurance products such as medical insurance, nursing care insurance, and non-participating group medical insurance sold through agency channels, but exclude savings-type insurance products and insurance products for management personnel with surrender benefits ("Grand Stage" and "Prime Stage").

Financial Performance (Non-consolidated)

● Fundamental Profit

Due to improvements in negative spread amounts caused by an increase in interest, dividends and other income, fundamental profit grew ¥1.2 billion relative to the previous fiscal year to ¥47.7 billion.

(Billions of Yen)

Years ended March 31	2021	2022	Year-over-year
Fundamental profit	46.5	47.7	+1.2
Underwriting gains	80.4	76.4	(4.0)
Negative spread amount	(33.9)	(28.6)	+5.2

● Ordinary Profit, Net Surplus

Ordinary profit was ¥32.3 billion, with a net surplus of ¥22.9 billion.

(Billions of Yen)

Years ended March 31	2021	2022	Year-over-year
Ordinary Profit	36.6	32.3	(4.3)
Net Surplus	23.2	22.9	(0.3)

Financial Soundness (Non-consolidated)

● Solvency Margin Ratio

Solvency margin ratio decreased 17.1 points relative to the end of the previous fiscal year, dropping to 954.9%.

As of March 31	2021	2022	Year-over-year
Solvency margin ratio	972.0%	954.9%	(17.1points)

● Adjusted Net Assets

Adjusted net assets ended at ¥1,054.5 billion, a decrease of ¥105.3 billion relative to the end of the previous fiscal year.

(Billions of Yen)

As of March 31	2021	2022	Year-over-year
Adjusted net assets	1,159.9	1,054.5	(105.3)

● Net Unrealized Gains/Losses on Securities (general account)

(Billions of Yen)

As of March 31	2021	2022	Year-over-year
Securities	535.8	385.8	(150.0)
Domestic stocks	227.9	246.3	+18.3
Domestic bonds	237.3	134.2	(103.0)
Foreign securities	62.5	1.9	(60.5)
Other securities	5.6	1.3	(4.2)

*The above table excludes interests in investment partnerships and certain investment assets not readily affected by market valuation.

● Capital Base

Foundation funds, which are the counterparts of paid-in capital for joint stock corporations, serve as the primary source of capital for Japanese mutual companies. Unlike paid-in capital, however, foundation funds have a stated maturity and accrue interest payment obligations. If the principal amount of the foundation funds is repaid by insurance companies out of their net assets, the Insurance Business Act requires that an amount equivalent to the repayment be set aside in the net assets portion of the balance sheet as reserve for redemption

of foundation funds. As of March 31, 2022, the balance of foundation funds was ¥91.0 billion and the amount of reserve for redemption of foundation funds was ¥166.0 billion, respectively.

Additionally, we have also worked on strengthening our financial soundness by accumulating internal reserves and raising funds in the form of subordinated debt which, while accounted for as a liability, functions largely like capital.

Results of Operations (Non-consolidated)

Selected Data of Statements of Income

(Billions of Yen)

Years ended March 31	2021	2022	Year-over-year
Ordinary income:	600.7	597.9	99.5%
Premium and other income:	391.4	387.1	98.9%
Insurance premiums from individual insurance and individual annuities	369.8	366.6	99.1%
Investment income:	146.5	144.9	98.9%
Interest, dividends and other income	118.1	120.5	102.0%
Gains on sales of securities	15.2	11.9	78.4%
Other ordinary income:	62.7	65.7	104.8%
Reversal of policy reserves	48.6	54.3	111.7%
Ordinary expenses:	564.0	565.6	100.3%
Claims and other payments:	385.3	381.4	99.0%
Claims	112.0	107.5	96.0%
Annuities	122.1	116.7	95.6%
Benefits	68.2	72.9	106.9%
Surrender benefits	77.5	79.2	102.2%
Investment expenses:	34.5	36.6	106.1%
Losses on sales of securities	5.5	11.1	202.5%
Losses on valuation of securities	0.0	0.2	1,396.8%
Operating expenses	110.3	110.3	100.1%
Other ordinary expenses	33.8	33.6	99.5%
Ordinary profit	36.6	32.3	88.2%
Extraordinary gains:	0.2	2.9	1,064.1%
Gains on disposal of fixed assets	0.1	2.9	2,001.5%
Extraordinary losses:	8.6	6.5	76.3%
Losses on disposal of fixed assets	1.4	2.7	185.8%
Impairment losses	2.9	1.1	38.7%
Provision for reserve for price fluctuation	2.4	2.5	103.3%
Surplus before income taxes	28.3	28.6	101.3%
Total income taxes	5.0	5.7	114.1%
Net surplus	23.2	22.9	98.5%

Ordinary income was ¥597.9 billion (99.5% of the previous fiscal year), of which ¥387.1 billion (98.9%) was premiums and other income. Investment income decreased to ¥144.9 billion (98.9%) mainly due to a drop in gains on sales of securities.

Ordinary expenses were ¥565.6 billion (100.3%), of which ¥381.4 billion (99.0%) increased to claims and other payments. Investment expenses were ¥36.6 billion (106.1%) due primarily to increased

losses on sales of securities. Operating expenses were ¥110.3 billion (100.1%).

This resulted in an ordinary profit of ¥32.3 billion (88.2%).

Extraordinary gains were ¥2.9 billion (1,064.1%), and extraordinary losses were ¥6.5 billion (76.3%). Total income taxes reached ¥5.7 billion.

As a result of the above factors, net surplus was ¥22.9 billion (98.5%).

Assets, Liabilities and Net Assets (Non-consolidated)

Selected Assets Data

(Billions of Yen)

As of March 31	2021	2022	Year-over-year
Total assets:	5,539.4	5,504.1	(35.2)
Cash, deposits and call loans	148.3	146.8	(1.5)
Monetary claims bought	25.0	22.5	(2.5)
Securities:	4,612.3	4,565.8	(46.4)
Domestic bonds	2,714.7	2,627.8	(86.9)
Domestic stocks	447.3	472.5	+25.2
Foreign securities	1,368.8	1,395.6	+26.8
Loans	303.4	311.4	+7.9
Tangible fixed assets	377.8	368.5	(9.2)
Others	72.3	88.9	+16.6

Selected Liabilities/Net Assets Data

(Billions of Yen)

As of March 31	2021	2022	Year-over-year
Total liabilities:	5,014.8	5,002.2	(12.6)
Policy reserves and other reserves:	4,477.9	4,425.7	(52.2)
Policy reserves	4,419.3	4,365.0	(54.3)
Bonds payable	127.7	102.4	(25.3)
Others	409.1	474.0	+64.9
Total net assets:	524.5	501.9	(22.5)
Total foundation funds and others:	356.6	374.7	+18.0
Foundation funds	91.0	91.0	–
Reserve for redemption of foundation funds	166.0	166.0	–
Reserve for revaluation	0.2	0.2	–
Surplus:	99.3	117.4	+18.0
Reserve for future losses	0.3	0.3	+0.0
Other surplus:	99.0	117.0	+18.0
Reserve for fund redemption	44.4	53.5	+9.1
Equalized reserve for dividends to policyholders	7.0	6.9	(0.1)
Unappropriated surplus (loss)	47.5	56.6	+9.0
Total valuation and translation adjustments:	167.8	127.1	(40.6)
Net unrealized gains (losses) on available-for-sale securities, net of tax	213.2	173.9	(39.2)
Land revaluation differences	(45.3)	(46.7)	(1.3)
Total liabilities and net assets	5,539.4	5,504.1	(35.2)

As of March 31, 2022, total assets were ¥5,504.1 billion, with securities accounting for ¥4,565.8 billion, loans at ¥311.4 billion, and tangible fixed assets at ¥368.5 billion. For securities, we limited allocations to domestic bonds due to low domestic interest rates in Japan. Foreign securities increased as we allocated funds to relatively higher-yield foreign bonds.

Total liabilities were ¥5,002.2 billion, of which policy reserves accounted for ¥4,365.0 billion.

Total net assets were ¥501.9 billion, of which total foundation funds and others amounted to ¥374.7 billion, and total valuation and translation adjustments amounted to ¥127.1 billion.

Non-Financial Highlights

Number of Customers

(End of FY 2021, Group)

2.64 million

Asahi Life Group had 2.64 million customers as of the end of FY 2021, an increase of 37 thousand from the end of the previous fiscal year.

Total Payments of Claims, Annuities and Benefits

(FY 2021, Non-consolidated)

¥ 297.2 billion

Claims, annuities, and benefits payments made in FY 2021 totaled ¥297.2 billion.

Customer Satisfaction

(End of FY 2021, Non-consolidated)

78.6 %

Customer satisfaction reached 78.6%, an improvement of 0.9 points from the previous fiscal year.

Greenhouse Gas Emissions

(End of FY 2020, Non-consolidated)

■ Life Insurance Business⁽¹⁾

Scope1 + Scope2:	57.5 thousand tons - CO2
Scope1:	26.8 thousand tons - CO2
Scope2:	30.6 thousand tons - CO2
Scope 3 (Categories 1 to 14):	65.3 thousand tons - CO2

As measures tackling climate change, one of our priorities for sustainable management, we established FY 2030 interim reduction targets for greenhouse gas emissions and resolved to aim to reduce greenhouse gas emissions to "net zero" levels by FY 2050.

■ Investment Portfolio⁽²⁾

Scope 3 (Category 15):	646.3 thousand tons - CO2
------------------------	----------------------------------

(1) Calculated based on the Ministry of the Environment and Ministry of Economy, Trade and Industry's "Basic Guidelines on Accounting for Greenhouse Gas Emissions Throughout the Supply Chain."

(2) The target assets consist of stocks, corporate bonds, and loans of publicly listed companies in Japan, and the measured emissions are Scope 1 + Scope 2 emissions of the companies in which investments were made.

Number of Employees

18,345

Asahi Life consists of 18,345 employees, of whom 14,241 are sales representatives and 4,104 are office staff.

Of which **14,241** are sales representatives

Ratio of Female Leaders

31%

Over 80% of all Asahi Life employees are female. Working on initiatives such as “female career development” and “support for work-home balance” since FY 2006, we achieved a female leader ratio of 31% as of the beginning of FY 2022.

Rate of Childcare Leave Usage by Male Employees (FY 2021)

100%

As part of our support for achieving balance between work and childcare, Asahi Life has worked to promote understanding of support for this balance since FY 2015 and strived to create an environment and company culture in which it is easy for employees to take childcare leave. Since FY 2017, we have managed to maintain a rate of 100% usage of childcare leave by male employees for five consecutive years.

Offices

(April 1, 2022)

58 branches

568 sales offices

Asahi Life has 58 branches and 568 sales offices throughout Japan where sales representatives provide the right products and services for each and every customer's needs in a face-to-face context.

5. Investments

Investments (General Account)

In order to properly respond to the mandate given us by our customers, Asahi Life seeks out investments that are safe and provide an advantage, and in light of the public nature of the life insurance business, we conduct investment considering public and social aspects.

Further, through investment, Asahi Life contributes to the resolution of environmental issues and other global social problems, in addition to aiming to reduce investment risk and secure new income opportunities.

FY 2021 Investment Environment

In FY 2021, the Japanese economy continued to rally as the economic impact of the COVID-19 pandemic gradually wore off, but consumer spending seemed to be in somewhat of a standstill

since the start of 2022.

Internationally, the global economy continued to make a recovery centered on the United States as the impact of the COVID-19 pandemic faded.

FY 2021 Initiatives

In FY 2021, Asahi Life curbed investment in Japanese government bonds and similar assets due to ongoing low domestic interest rates and opted for a risk-avoidant strategy of diversified investments, improving investment income by actively pursuing credit investments^{*1} that are efficient in terms of risk-return in preparation for the implementation of economic value-based regulations in 2025.

Moreover, as a responsible institutional investor and signatory to the PRI, we are promoting good stewardship and pursuing investment that incorporate ESG factors (environment, social, and governance).

^{*1} Investments in corporate bonds, loans, and similar products.

Overview of Investment Performance for FY 2021

In FY 2021, Asahi Life focused funding on credit investments that are highly efficient in terms of risk-return.

For domestic bonds, we purchased assets with credit spreads such as corporate bonds, while limiting purchases of government bonds.

For loans, we made aggressive investments in project finance for domestic and foreign renewable energy-related projects.

We partially restructured our domestic stock portfolio to favor companies with better profitability, dividends, and other qualities.

For foreign currency-denominated bonds, of

foreign securities, we purchased corporate bonds and other securities while partially restructuring our portfolio to improve yields. For alternative investments^{*2}, we focused primarily on funds that offer stable returns and are less susceptible to economic fluctuations.

We made an effort to improve real estate profitability by attracting new tenants and other measures.

^{*2} Investments in infra-funds, real estate investment trusts, hedge funds, etc., which are considered as alternative investments to traditional investment assets such as stocks and bonds.

Future Initiatives

We will shift to an economic value-based portfolio in preparation for the implementation of economic value-based regulations in 2025.

With financial tightening worldwide and a plethora of unpredictable factors such as global inflation and the situation in Ukraine, we will aim to diversify the range of asset classes in which we invest to mitigate risk and secure profits in pursuit

of sustainable investment income.

As a responsible institutional investor, we will promote good stewardship and pursue ESG (environment, social, and governance) investment in order to contribute to the resolution of environmental issues and other global social problems, and to reduce investment risk and secure new income opportunities.

Responsible Investment Initiatives

In our investment activities, Asahi Life views investment based on our Basic Policy on ESG Investment and Basic Policy for Fulfilling Stewardship Responsibilities as “Responsible Investment.”

In particular, we have focused on “climate change” and “good physical health” as priority themes in our efforts to resolve social issues as we accelerate ESG investment initiatives.

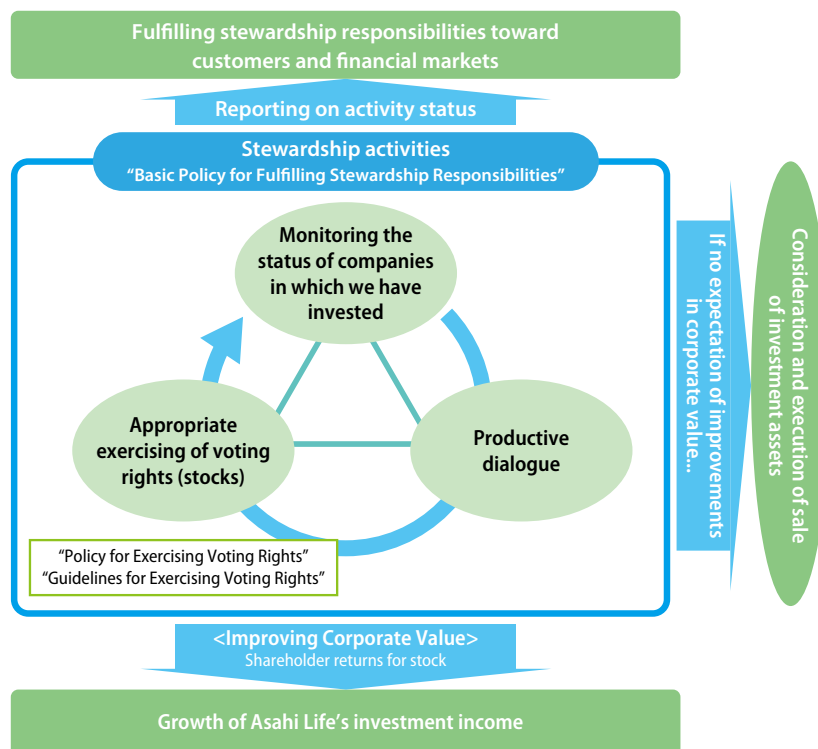
FY 2021 ESG Investment Initiatives

Investment that takes non-financial information into account (Integration)	We began investment considering not only financial data but also non-financial information (sustainability-related information) of investee companies in all assets
Dialogue on sustainability-related issues (Engagement)	We conducted dialogues on sustainability-related issues with investee companies in not only stock investment but also bond and loan investment
ESG-themed Investment	We have promoted ESG-themed investment with a focus on renewable energy project finance and others
Negative Screening	We do not invest in projects to develop coal-fired power generation facilities, manufacturers of inhumane weapons (including nuclear weapons), and tobacco product manufacturers

FY 2021 Stewardship Initiatives

Asahi Life aims to make stable and efficient investment of the assets entrusted in us by our customers in the form of insurance premiums in preparation for future payments of claims, benefits

and others. We view stewardship activities as extremely important work in order to improve the effectiveness of our investment activities in the medium to long term.



Dialogue - Engagement

Asahi Life views constructive dialogue as a major pillar underlying our stewardship activities as well as important initiatives that improve corporate value and promote sustainable growth of investee companies.

When engaging in dialogue with the companies in which we invest, we first select companies on the

basis of analysis and understanding of trends in company performance, financial condition, content of their business plans and progress thereof, status of initiatives on sustainability issues, and corporate governance structure, then set key issues for each matter and begin an exchange of opinions.

Primary Stewardship Themes



6. Multiple Channel System

Overview of the Sales Representative Channel

As people's medical and nursing care expenses become a serious social problem in Japan's super-aged society, we will enable our customers to help themselves in this era of 100-year lifespans by providing the medical and nursing care insurance products and services in which Asahi Life specializes, as well as by providing value in the healthcare field, such as by helping to ward off a worsening of patients' conditions. Above all, in the nursing care insurance sector, we aim to exert our market presence as "the go-to company for nursing care insurance."

Additionally, we will work to bolster our personnel development initiatives with respect to sales representatives by expanding our training infrastructure at all offices to build up a sales

representative channel that continues to be trusted and chosen by each and every customer.

Furthermore, we will implement digital (ICT) initiatives to handle diversifying demands of our customers and provide added value in the form of a better customer experience. We will improve customer convenience through the digitalization of various insurance procedures and enhance our sales activities by expanding the functionality of digital tools, web applications, and other solutions.

These sorts of initiatives will provide a powerful push forward, and by venturing into new sectors, we will strongly assert Asahi Life's presence in the market, boost customer satisfaction, and aim to grow our customer base.

Overview of Other Channels

Tax Accounting Agencies

We have signed agency agreements with tax accountants throughout Japan to offer products for management personnel via consulting services for corporate clients. We also have personnel

responsible for such tax accounting agencies in place across the country to bolster our support infrastructure.

Telemarketing

We sell easy-to-understand third sector products such as medical insurance over the phone to the members of alliance partners such as credit card companies and catalogue mail-order companies. In

addition to training the operators, we also engage in activities aimed at improving the quality of calls through regular monitoring and other measures.

Direct Sales

In collaboration with advertising management and other industries, we sell cognitive impairment insurance and other third-sector products for which administrative procedures can be conducted

entirely over the internet. We also provide various forms of training for call center operators to enhance that support structure and enable them to better explain the relevant products and procedures.

Overview of Overseas Business

In 2017, Asahi Life began partnering with a local Vietnamese insurance company to provide our expertise on selling insurance via telemarketing, in addition to providing consulting services with an online business model in cities like Ho Chi Minh City and Hanoi.

As we expand our Vietnam business moving forward, we will aim to bolster our existing business

as well as diversify our sales channels through new web marketing and development of face-to-face sales channels.

Moreover, in order to further expand the business to other countries, we will continue to study and research various markets primarily in Asian countries that are expected to experience high growth.

7. Addressing the Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)

Asahi Life endorsed the recommendations of the TCFD, which was established by the Financial Stability Board, in June 2019.

With respect to the climate change-related thematic areas of “governance,” “strategy,” “risk management,” and “metrics and targets” contained

in the TCFD’s climate recommendations, we will work to make full disclosures regarding the status of initiatives that “contribute to the achievement of a sustainable society” from both our primary business, life insurance, and from our investment business as an institutional investor.

Governance

Asahi Life has established the Asahi Life Environmental Policy for the implementation of climate change initiatives and other initiatives to protect the Earth’s environment. In our investment activities, Asahi Life views investment based on our Basic Policy on ESG Investment and Basic Policy for Fulfilling Stewardship Responsibilities

as “responsible investment” which includes our initiatives to tackle climate change.

Based on these policies, we established a Sustainable Management Promotion Committee headed by Asahi Life’s company president and we are pursuing deeper talks in the Board of Directors regarding important sustainability-related issues.

Strategy

Overall

The risks posed to Asahi Life by climate change are separated into “physical risks”^{*1} and “transition risks”^{*2}, or alternatively into “life insurance business” and “investment” risks.

In order to understand the impact on Asahi Life of the risks and opportunities accompanying climate change, we conducted scenario analysis based on forecasts of environmental change and the impact thereof.

Scenario analysis of the impact of climate change on Asahi Life based on 1.5°C and 4°C temperature increase scenarios leads us to believe that we

should focus in the short term on transition risk, and primarily for investment. On the other hand, we also recognize that as the average temperature increases in the long term, the impact of “physical risks” will increase to primarily the life insurance business.

We will examine the impact as determined by scenario analysis from both perspectives, as an operational company and as an institutional investor, as we move ahead with business activities in the future and contribute to the achievement of a decarbonized society.

Global Scenario	Average Temperature in 2100
Scenario in which there is a global transition to a decarbonized society that successfully controls rising temperatures	1.5°C rise in temperatures compared to before the Industrial Revolution
Scenario in which there is not a global transition to a decarbonized society and temperature increases continue	4°C rise in temperatures compared to before the Industrial Revolution

*1 Direct/indirect losses caused by climate change.

*2 Risks arising in the process of curtailing greenhouse gas emissions.

Investment

We believe that physical and transition risks associated with climate change will have an impact on our investee companies' sustainability, and that this represents a risk of damaging asset values. Based on this belief, we will set "climate change" as a priority theme and accelerate responsible investment initiatives moving forward.

In terms of specific initiatives, our investment activities will incorporate non-financial information (sustainability-related information including climate change and other ESG factors) across all assets.

In the interest of reducing climate change risk in our investment portfolio, we will continue engaging in dialogues with publicly listed investee companies, as well as with high greenhouse gas-emitting companies that we have financed or from which we

have purchased bonds, to encourage them to make improvements.

Additionally, we subject projects to develop coal-fired power generation facilities to negative screening.

Meanwhile, we also view steps to resolve climate change problems as potential opportunities to generate revenue by providing us with new investment opportunities. Moving forward, Asahi Life will actively invest in themed assets such as renewable energy project finance that contributes to the resolution of climate change issues.

We will also work to improve initiatives through quantitative analysis of climate change risk and the consideration of investment strategies based on such analysis.

Risk Management

Overall

In order to properly address risks that are increasingly diverse and complex, we comprehensively investigate all risks facing Asahi Life and work to monitor and evaluate them.

Specific risks are not independent but are rather linked to and affect one another, and for this reason we have established a framework for comprehensive overall risk management by which we implement initiatives.

Climate change risk is considered an important

risk that will have a broad impact on various other risks, such as insurance underwriting risk and investment risk, so we work to understand anticipated risk and the impact thereof as well as regulatory trends inside and outside of Japan.

These various risks facing Asahi Life are organized into and evaluated as "risk profiles" and regularly reported at Management Meetings for proper risk management.

Investment

In investment, climate change risk is recognized as an important risk that needs to be managed, and we are analyzing its impact on our investment portfolio. Specifically, we are working on studying

and collecting data in order to quantify risks while also developing an investment screening system for investee companies that takes into account climate change risk and other ESG factors.

Metrics and Targets

Life Insurance Business

We are working to reduce greenhouse gas emissions.

We are also promoting the transition to renewable power sources.

Category ^{*1}	FY 2020 results (Units: Thousands of tons of CO ₂)	FY 2030 reduction targets (compared to FY 2020)	FY 2050 reduction targets
Scope1+Scope2	57.5	—50%	Net zero
Scope 1	26.8		
Scope 2	30.6		
Scope 3 (Categories 1 to 14)	65.3	—50%	Net zero

^{*1} An overview of these categories is provided below, based on the Ministry of the Environment and Ministry of Economy, Trade and Industry's "Basic Guidelines on Accounting for Greenhouse Gas Emissions Throughout the Supply Chain."

Scope 1: Direct emissions resulting from fuel usage (e.g., gasoline, city gas) at the company itself, etc.

Scope 2: Indirect emissions resulting from the use of purchased electricity at the company itself, etc.

Scope 3: Indirect emissions not covered by Scope 1 and Scope 2 (other companies' emissions generated in connection with the company's own activities).

Investment

In order to reduce greenhouse gas emissions, we will support initiatives to address climate change by prioritizing dialogue (engagement) with companies in which we are investing rather than by pulling out of such companies (divestment). In this way, we will promote the establishment or addition of emissions

reduction targets as well as specific initiatives at those companies. We will actively conduct themed investment activities focused on assets that contribute to the resolution of the climate change problem.

Category	FY 2020 results (Units: Thousands of tons of CO ₂)	FY 2030 reduction targets (compared to FY 2020)	FY 2050 reduction targets
Scope 3 (Category 15 ^{*1})	646.3	—39% ^{*2}	Net zero

^{*1} Target assets are stocks, corporate bonds, and loans of publicly listed companies in Japan. Measurement is focused on Scope 1 + Scope 2 emissions of companies in which investments were made

^{*2} —50% compared to FY 2013, which is the same as the Japanese government's reduction target (Challenging Goal). Reduction targets are based on total emissions.

8. Governance Structure

Corporate Governance

Basic Philosophy on Corporate Governance

Recognizing that the life insurance industry plays an important role in supporting Japanese society in cooperation with the social security system, and that our company's business itself constitutes an important social responsibility, Asahi Life holds a basic management philosophy of "Sincere Service." This is guided by the idea that fulfilling our responsibilities to our customers, society, and our employees is fundamental to our business.

Based on our basic management philosophy, we work to maintain strong cooperation with all of our stakeholders and promote corporate social responsibility-based management centered on the following:

- Engaging in business that prioritizes the improvement of customer satisfaction;
- Co-existence with society through continued engagement to create a prosperous society, and;
- Improvement of employee satisfaction through the creation of a comfortable workplace that fosters employees.

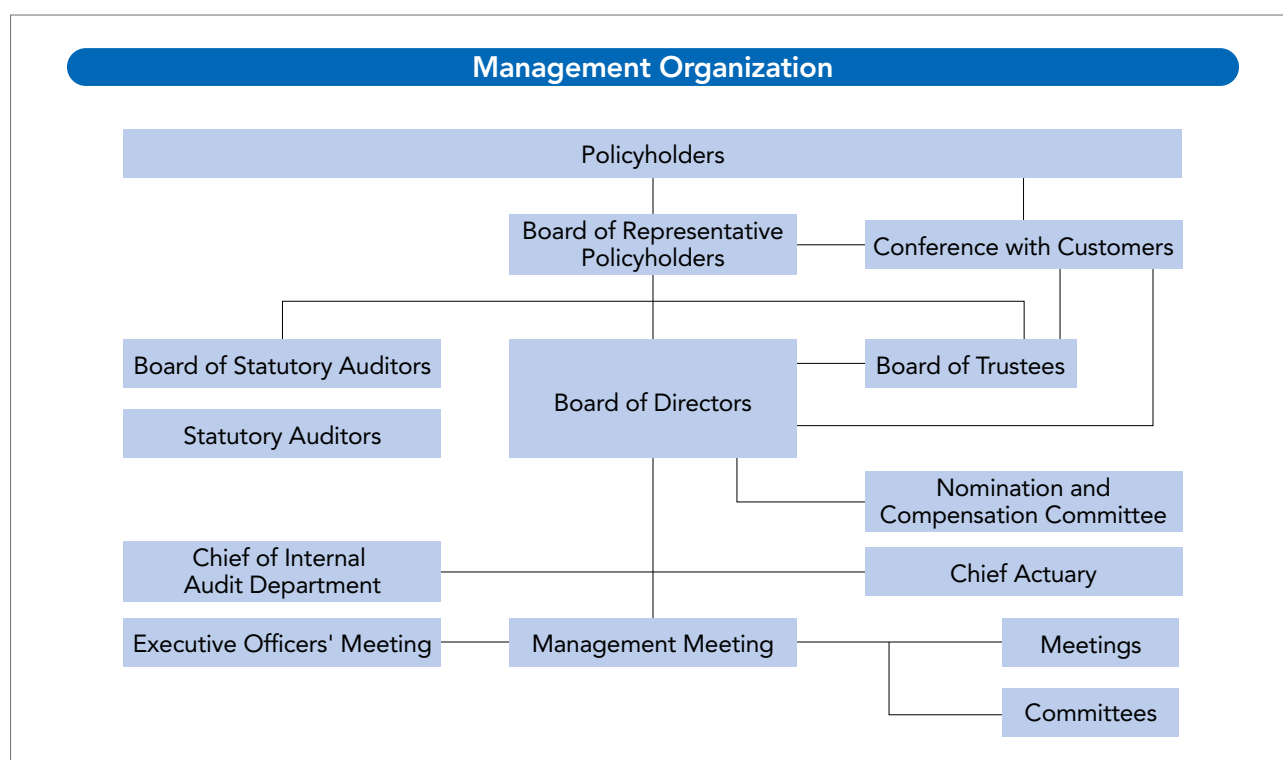
We promote sustainable management that contributes to the achievement of a sustainable society and make efforts to achieve effective corporate governance in order to both maintain our financial soundness and make decisions in a transparent, fair, quick, and decisive manner.

Overview of the Corporate Governance Structure

Asahi Life is a mutual company. A mutual company is a corporate structure in which individual policyholders (excluding holders of non-participating policies) may directly participate in the management. Instead of holding a General Meeting of Policyholders, we have established a Board of Representative Policyholders.

This serves as the highest decision-making body which consists of representatives elected from among our policyholders.

Additionally, in accordance with the institutional design required by the Insurance Business Act, we have opted to be a company with a Board of Statutory Auditors. The Board of Directors makes decisions on basic company management issues and supervises the execution of the duties of the directors. While the Statutory Auditors also supervise the execution of the duties of the directors, they do this as an independent body entrusted by the policyholders.



Board of Representative Policyholders

Framework and Functions of the Board of Representative Policyholders

Asahi Life has adopted a mutual company corporate structure that is only permitted for insurance companies. Under this structure, the company is comprised of individual insurance policyholders, who are considered members of the company. Therefore, the General Meeting of Policyholders serves as the highest decision-making body at Asahi Life, but since it is difficult to realistically hold a General Meeting for all roughly 1.89 million policyholders, we have established a Board of Representative Policyholders in accordance with the Insurance Business Act to act on behalf of the General Meeting of Policyholders.

The main issues reported and resolutions made in the Board of Representative Policyholders are as follows.

Reported issues:

Business reports, balance sheets, statements of income, statements of changes in net assets, operational reports specific to the mutual company structure

Resolutions:

Appropriation of surplus, allotment of dividends to policyholders, changes in articles of incorporation, appointment of nominating committee members for representative policyholders, appointment of trustees, appointment of directors/statutory auditors, etc.

Promoting Compliance

Asahi Life positions compliance with laws and ordinances as one of the most critical issues of management, needed to conduct sound, transparent and fair business as well as to maintain the trust of our customers. We work to foster a corporate culture that both promotes and emphasizes compliance.

All employees devote themselves to legally compliant and appropriate business. We strive to prevent any illegal or inappropriate practices and will also endeavor to make respond quickly and appropriately in the event that any illegal or inappropriate business practices are encountered.

Basic Policy/Compliance with Standards

Asahi Life has established the Basic Policy on Compliance and Compliance Standards as the primary guidelines to be observed by all employees. These are made widely and thoroughly known among all executives and employees through our Compliance Manual and rigorous training. All employees must conduct and are conducting business strictly in accordance with these policy and

standards.

Furthermore, we have also created the Compliance Program which includes a detailed action plan. By implementing this action plan and conducting reviews on a periodic basis, we are attempting to establish a more advanced compliance framework.

Organization/System

Asahi Life holds discussions on compliance with the Compliance Committee. The Committee is composed of the Company President as chair, as well as Management Meeting members and third-party lawyers. The Committee discusses

compliance issues with the expert input of the third-party lawyers. Additionally, the Compliance Control Department implements specific measures pertaining to compliance.

Protecting Customer Information

Management System to Appropriately Protect Information Assets

Asahi Life maintains customers' personal information related to their policies and health status insofar that the information is needed for business purposes. Therefore, recognizing that keeping such customer information secure is crucially important for management, we have established a framework to protect customer information, personal information, and personally identifiable information. We strictly implement that framework

based on the relevant laws and ordinances.

Furthermore, we have also formulated a Security Policy to provide appropriate protection for our customers' information. All employees perform appropriate and strict information management based on this policy to both fulfill our responsibility towards our policyholders and society, and to further improve the credibility of our company.

Risk Management Structure

Overview

The environment surrounding life insurance companies is constantly changing. Against such a backdrop, Asahi Life believes it is very important to accurately ascertain various risks and to manage them appropriately and strictly. Doing this helps to stabilize profits and boost financial health, which will eventually lead to increased corporate value.

In order to ensure the fulfillment of our long-term obligations with respect to our insurance policies, we value risk management as one of our most important management issues and are working to further improve and strengthen our risk management structure.

Risk Management Structure

Asahi Life's Board of Directors has established a Basic Policy on Risk Management. This policy is established to comprehensively identify risks managed by the entire Group, and to manage such risks appropriately to achieve management targets.

Within this Basic Policy, we have identified the various types and locations of risks faced by the Group as a whole, and with respect to each risk, we set down certain risk management methods.

Each executive department in the company works to appropriately control risk in the operations under their jurisdiction as per the basic policy and rules for each risk type, while each risk management department works to properly control risks through regular monitoring and verification of the status of risks facing the Group as a whole.

Moreover, as Group businesses grow, we are putting together a risk management infrastructure for the entire Group through our Insurance Group Risk Management Committee.

Furthermore, specific risks are not necessarily independent and may be linked to and affect one another, and for this reason a single department is responsible for comprehensive quantitative and qualitative risk management for the Group as a whole.

Risk management status is periodically reported in management meetings and the Board of Directors, and the appropriateness and effectiveness of our risk management structure are audited by our Internal Audit Department.

Risk Appetite

In order to promote the achievement of our strategic targets in the mid-term management plan and comprehensive annual business plan, we set a certain risk appetite policy to ensure appropriate risk-taking and risk control based on both quantitative and qualitative risk evaluation.

This policy sets both levels of tolerable risk for generating earnings and risks to be curbed in the interest of financial soundness.

Enterprise Risk Management (ERM)

Asahi Life promotes Enterprise Risk Management (ERM) in order to ensure financial soundness and improve profitability through comprehensive management of risk facing the entire company.

Specifically, we establish risk management indicators based on a risk appetite policy, conduct quantitative and qualitative assessments to identify problems, and then implement countermeasures as appropriate for risk severity.

Additionally, we implement the Own Risk and Solvency Assessment (ORSA), a process to evaluate our management risks and own capital, and pursue risk management that is integrated into our business strategy.

With respect to qualitative risk evaluation, we

ascertain our risk profile and specify crucial risks to management by identifying not only current but also potential risks that are discovered through our Control Self-Assessment (CSA), which we conduct in each operational division. We also strive to identify risks at an early stage and to mitigate these risks through measures such as warning analysis.

In quantitative risk evaluations, we evaluate the sufficiency of our own capital (surplus) based on both accounting standards and economic value. Specifically, in economic value-based evaluations, we monitor and manage the sufficiency of current surplus against overall risk volume (i.e., the Economic Solvency Ratio, ESR) and we work to improve that ratio by setting ESR targets.

Asset Liability Management (ALM)

Asahi Life engages in asset liability management (ALM) that is guided by the asset and risk management policies established by liability groups. These liability groups are categorized according to the characteristics of insurance policies. Based on the asset and risk management policies, we confirm the appropriateness of our investments. We structure our asset portfolio concentrating on

yen interest-bearing assets such as domestic bonds and loans, taking into consideration the adaptation of existing assets to the liability characteristics of insurance policies. The majority of domestic bonds are classified as policy-reserve-matching bonds, which are valued at their amortized cost, with the aim of reducing the impact of interest rate fluctuations.

Stress Tests

Stress tests are a way of understanding and analyzing the impact on financial soundness of scenarios such as major fluctuations in the financial markets causing losses and declining market value for Asahi Life's investment portfolio, or a major earthquake or other disaster generating large insurance claims that cause losses for Asahi Life. Stress test results are periodically reported at Management Meetings and used to consider management or financial countermeasures against such scenarios. Investment risk-related stress tests

are also used to verify the validity of investment plans and develop hedging policies.

Stress tests are also conducted for extremely unlikely risk phenomena that would nonetheless cause tremendous losses in the event that they did occur, in the interest of properly understanding such phenomena. These stress tests are based on risk profiles and seek to identify scenarios that would have a substantial impact on financial soundness, and the specific financial impact thereof is reported at Management Meetings.

Officers (as of July 5, 2022)

President and Representative Director

Hiroki Kimura

Representative Director and
Senior Managing Executive Officer

Yasuhiro Iguchi

Director and Senior Managing Executive Officer

Yukihiro Fujioka

Director and Managing Executive Officer

Kenichi Ikeda

Director and Managing Executive Officer

Kouichi Kashimada

Director and Executive Officer

Masahiro Shimotori

Director

Kenichiro Ishijima

Director

Kazuko Ohya⁽¹⁾

Director

Takashi Tsukamoto⁽¹⁾

Director

Takaaki Ishii⁽¹⁾

(1) Outside director

Standing Statutory Auditor

Hideki Konishi

Standing Statutory Auditor

Kaoru Masuda

Statutory Auditor

Tadayuki Seki⁽²⁾

Statutory Auditor

Mitsuyoshi Shibata⁽²⁾

Statutory Auditor

Yoichi Kikuchi⁽²⁾

(2) Outside statutory auditor

9. Consolidated Financial Statements

Consolidated Balance Sheets

Asahi Mutual Life Insurance Company and its Consolidated Subsidiaries

As of March 31	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
ASSETS:			
Cash and deposits	¥ 47,030	¥ 44,149	\$ 384
Call loans	111,000	113,000	906
Monetary claims bought	22,534	25,094	184
Securities	4,536,365	4,598,851	37,064
Loans	311,416	303,451	2,544
Tangible fixed assets:			
Land	216,027	221,081	1,765
Buildings	146,679	150,539	1,198
Lease assets	2,194	1,459	17
Construction in progress	1,175	1,589	9
Other tangible fixed assets	3,065	3,376	25
	369,142	378,046	3,016
Intangible fixed assets:			
Software	23,347	16,935	190
Other intangible fixed assets	9,907	13,006	80
	33,255	29,941	271
Agency accounts receivable	11	14	0
Reinsurance receivables	6,788	987	55
Other assets	64,605	46,670	527
Net defined benefit assets	524	494	4
Deferred tax assets	168	152	1
Customers' liabilities under acceptances and guarantees	—	1	—
Allowance for possible loan losses	(550)	(406)	(4)
Total assets	¥ 5,502,292	¥ 5,540,449	\$ 44,957
LIABILITIES:			
Policy reserves and other reserves:			
Reserve for outstanding claims	¥ 32,025	¥ 28,572	\$ 261
Policy reserves	4,365,560	4,419,372	35,669
Reserve for dividends to policyholders	28,644	30,050	234
	4,426,229	4,477,995	36,164
Reinsurance payables	776	680	6
Bonds payable	102,424	127,773	836
Other liabilities	378,694	295,766	3,094
Net defined benefit liabilities	32,852	32,914	268
Reserve for price fluctuation	48,210	45,680	393
Deferred tax liabilities	2,913	22,354	23
Deferred tax liabilities for land revaluation	15,711	16,268	128
Acceptances and guarantees	—	1	—
Total liabilities	5,007,812	5,019,435	40,916
NET ASSETS:			
Foundation funds	91,000	91,000	743
Reserve for redemption of foundation funds	166,000	166,000	1,356
Reserve for revaluation	281	281	2
Consolidated surplus	111,982	97,154	914
Total foundation funds and others	369,264	354,436	3,017
Net unrealized gains (losses) on available-for-sale securities, net of tax	173,938	213,201	1,421
Land revaluation differences	(46,739)	(45,354)	(381)
Accumulated remeasurements of defined benefit plans	(2,077)	(1,349)	(16)
Total accumulated other comprehensive income	125,121	166,497	1,022
Non-controlling interests	94	79	0
Total net assets	494,480	521,014	4,040
Total liabilities and net assets	¥ 5,502,292	¥ 5,540,449	\$ 44,957

Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Asahi Mutual Life Insurance Company and its Consolidated Subsidiaries

[Consolidated Statements of Income]

For the years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Ordinary income:			
Premium and other income	¥ 395,434	¥ 391,410	\$ 3,230
Investment income:			
Interest, dividends and other income	120,142	117,912	981
Gains on sales of securities	11,950	15,249	97
Gains on redemption of securities	317	77	2
Foreign exchange gains	3,067	387	25
Other investment income	6,872	6,941	56
Investment gains on separate accounts	2,199	5,740	17
	144,550	146,309	1,181
Other ordinary income	70,423	66,577	575
Total ordinary income	610,408	604,297	4,987
Ordinary expenses:			
Claims and other payments:			
Claims	107,517	112,015	878
Annuities	116,767	122,158	954
Benefits	73,011	68,241	596
Surrender benefits	79,236	77,538	647
Other payments	5,988	5,431	48
	382,521	385,384	3,125
Provision for policy reserves and other reserves:			
Provision for reserve for outstanding claims	3,453	—	28
Provision for interest on policyholders' dividend reserves	3	3	0
	3,456	3	28
Investment expenses:			
Interest expenses	4,876	4,470	39
Losses on trading securities	1,133	485	9
Losses on sales of securities	11,177	5,520	91
Losses on valuation of securities	273	19	2
Losses on redemption of securities	48	65	0
Losses on derivative financial instruments	2,510	8,898	20
Provision for allowance for possible loan losses	141	10	1
Depreciation of rental real estate and other assets	5,511	5,503	45
Other investment expenses	10,981	9,584	89
	36,655	34,559	299
Operating expenses	123,403	115,565	1,008
Other ordinary expenses	35,050	33,833	286
Total ordinary expenses	581,087	569,347	4,747
Ordinary profit	29,321	34,950	239
Extraordinary gains:			
Gains on disposal of fixed assets	2,925	146	23
Other extraordinary gains	3	129	0
	2,928	275	23
Extraordinary losses:			
Losses on disposal of fixed assets	2,751	1,484	22
Impairment losses	1,149	2,971	9
Provision for reserve for price fluctuation	2,530	2,450	20
Losses on reduction entry of real estate	—	5	—
Other extraordinary losses	130	1,694	1
	6,561	8,605	53
Surplus before income taxes	25,687	26,620	209

For the years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Income taxes:			
Current	10,963	10,226	89
Deferred	(5,012)	(5,074)	(40)
Total income taxes	5,950	5,152	48
Net surplus	19,737	21,467	161
Net surplus attributable to non-controlling interests	51	37	0
Net surplus attributable to the Parent Company	¥ 19,685	¥ 21,430	\$ 160

[Consolidated Statements of Comprehensive Income]

For the years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Net surplus	¥ 19,737	¥ 21,467	\$ 161
Other comprehensive income:			
Net unrealized gains (losses) on available-for-sale securities, net of tax	(39,263)	115,575	(320)
Remeasurements of defined benefit plans	(728)	465	(5)
Total other comprehensive income	(39,991)	116,040	(326)
Comprehensive income:			
Comprehensive income attributable to the Parent Company	(20,305)	137,471	(165)
Comprehensive income attributable to non-controlling interests	51	37	0
Total comprehensive income	¥ (20,254)	¥ 137,508	\$ (165)

Consolidated Statements of Changes in Net Assets

Asahi Mutual Life Insurance Company and its Consolidated Subsidiaries

Millions of Yen

For the year ended March 31, 2022	Foundation funds and others				
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Consolidated surplus	Total foundation funds and others
Beginning balance	¥ 91,000	¥ 166,000	¥ 281	¥ 97,154	¥ 354,436
Changes in the fiscal year:					
Additions to reserve for dividends to policyholders				(2,153)	(2,153)
Payment of interest on foundation funds				(4,089)	(4,089)
Net surplus attributable to the Parent Company				19,685	19,685
Reversal of land revaluation differences				1,384	1,384
Net changes, excluding foundation funds and others					
Net changes in the fiscal year	—	—	—	14,827	14,827
Ending balance	¥ 91,000	¥ 166,000	¥ 281	¥ 111,982	¥ 369,264

Millions of Yen

For the year ended March 31, 2022	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Net unrealized gains (losses) on available-for-sale securities, net of tax	Land revaluation differences	Accumulated remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Beginning balance	¥ 213,201	¥ (45,354)	¥ (1,349)	¥ 166,497	¥ 79	¥ 521,014
Changes in the fiscal year:						
Additions to reserve for dividends to policyholders						(2,153)
Payment of interest on foundation funds						(4,089)
Net surplus attributable to the Parent Company						19,685
Reversal of land revaluation differences						1,384
Net changes, excluding foundation funds and others	(39,263)	(1,384)	(728)	(41,375)	14	(41,360)
Net changes in the fiscal year	(39,263)	(1,384)	(728)	(41,375)	14	(26,533)
Ending balance	¥ 173,938	¥ (46,739)	¥ (2,077)	¥ 125,121	¥ 94	¥ 494,480

Millions of Yen

For the year ended March 31, 2021	Foundation funds and others				
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Consolidated surplus	Total foundation funds and others
Beginning balance	¥ 91,000	¥ 166,000	¥ 281	¥ 81,429	¥ 338,711
Changes in the fiscal year:					
Additions to reserve for dividends to policyholders				(1,794)	(1,794)
Payment of interest on foundation funds				(4,081)	(4,081)
Net surplus attributable to the Parent Company				21,430	21,430
Reversal of land revaluation differences				171	171
Net changes, excluding foundation funds and others					
Net changes in the fiscal year	–	–	–	15,725	15,725
Ending balance	¥ 91,000	¥ 166,000	¥ 281	¥ 97,154	¥ 354,436

Millions of Yen

For the year ended March 31, 2021	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Net unrealized gains (losses) on available-for-sale securities, net of tax	Land revaluation differences	Accumulated remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Beginning balance	¥ 97,625	¥ (45,183)	¥ (1,814)	¥ 50,627	¥ 81	¥ 389,420
Changes in the fiscal year:						
Additions to reserve for dividends to policyholders						(1,794)
Payment of interest on foundation funds						(4,081)
Net surplus attributable to the Parent Company						21,430
Reversal of land revaluation differences						171
Net changes, excluding foundation funds and others	115,575	(171)	465	115,869	(1)	115,868
Net changes in the fiscal year	115,575	(171)	465	115,869	(1)	131,593
Ending balance	¥ 213,201	¥ (45,354)	¥ (1,349)	¥ 166,497	¥ 79	¥ 521,014

9. Consolidated Financial Statements

Millions of U.S. Dollars

For the year ended March 31, 2022	Foundation funds and others				
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Consolidated surplus	Total foundation funds and others
Beginning balance	\$ 743	\$ 1,356	\$ 2	\$ 793	\$ 2,895
Changes in the fiscal year:					
Additions to reserve for dividends to policyholders				(17)	(17)
Payment of interest on foundation funds				(33)	(33)
Net surplus attributable to the Parent Company				160	160
Reversal of land revaluation differences				11	11
Net changes, excluding foundation funds and others					
Net changes in the fiscal year	–	–	–	121	121
Ending balance	\$ 743	\$ 1,356	\$ 2	\$ 914	\$ 3,017

Millions of U.S. Dollars

For the year ended March 31, 2022	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	\$ 1,741	\$ (370)	\$ (11)	\$ 1,360	\$ 0	\$ 4,256
Changes in the fiscal year:						
Additions to reserve for dividends to policyholders						(17)
Payment of interest on foundation funds						(33)
Net surplus attributable to the Parent Company						160
Reversal of land revaluation differences						11
Net changes, excluding foundation funds and others	(320)	(11)	(5)	(338)	0	(337)
Net changes in the fiscal year	(320)	(11)	(5)	(338)	0	(216)
Ending balance	\$ 1,421	\$ (381)	\$ (16)	\$ 1,022	\$ 0	\$ 4,040

Consolidated Statements of Cash Flows

Asahi Mutual Life Insurance Company and its Consolidated Subsidiaries

For the years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
I. Cash flows from operating activities			
Surplus before income taxes	¥ 25,687	¥ 26,620	\$ 209
Depreciation of rental real estate and other assets	5,511	5,503	45
Depreciation	12,811	11,905	104
Impairment losses	1,149	2,971	9
Increase (decrease) in reserve for outstanding claims	3,453	(806)	28
Increase (decrease) in policy reserves	(53,812)	(48,624)	(439)
Provision for interest on policyholders' dividend reserves	3	3	0
Increase (decrease) in allowance for possible loan losses	141	10	1
Increase (decrease) in net defined benefit liabilities	(1,008)	(1,677)	(8)
Increase (decrease) in reserve for price fluctuation	2,530	2,450	20
Interest, dividends and other income	(120,142)	(117,912)	(981)
(Gains) losses on securities	(1,833)	(14,976)	(14)
(Gains) losses on derivative financial instruments	2,510	8,898	20
Interest expenses	4,876	4,470	39
Foreign exchange (gains) losses, net	(3,067)	(387)	(25)
(Gains) losses on tangible fixed assets	(636)	952	(5)
(Increase) decrease in reinsurance receivables	(5,801)	(540)	(47)
(Increase) decrease in other assets except from investing and financing activities	(3,396)	(2,837)	(27)
Increase (decrease) in reinsurance payables	95	117	0
Increase (decrease) in other liabilities except from investing and financing activities	(437)	2,312	(3)
Others, net	4,050	(4,344)	33
Subtotal	(127,314)	(125,891)	(1,040)
Interest, dividends and other income received	121,824	124,006	995
Interest paid	(5,178)	(4,343)	(42)
Dividends to policyholders paid	(3,562)	(3,820)	(29)
Income taxes (paid) refunded	(11,462)	(9,286)	(93)
Net cash provided by (used in) operating activities	(25,694)	(19,335)	(209)
II. Cash flows from investing activities			
Purchases of monetary claims bought	—	(93)	—
Proceeds from sales and redemptions of monetary claims bought	2,573	1,899	21
Purchases of securities	(438,244)	(415,682)	(3,580)
Proceeds from sales and redemptions of securities	559,515	441,355	4,571
Disbursements for loans	(55,639)	(41,265)	(454)
Proceeds from collections of loans	50,961	115,364	416
Proceeds from derivative financial instruments	(49,969)	(47,257)	(408)
Increase (decrease) in payables under securities borrowing transactions	737	(884)	6
Others, net	(1,133)	(485)	(9)
①Total of investing activities	68,801	52,949	562
[I + ①]	43,106	33,614	352
Purchases of tangible fixed assets	(8,703)	(10,079)	(71)
Proceeds from sales of tangible fixed assets	8,084	1,501	66
Others, net	(11,328)	(9,608)	(92)
Net cash provided by (used in) investing activities	56,854	34,763	464
III. Cash flows from financing activities			
Redemption of debt borrowing	—	(10,000)	—
Proceeds from issuance of bonds	15,000	39,477	122
Redemption of bonds	(40,349)	—	(329)
Payment of interest on foundation funds	(4,089)	(4,081)	(33)
Dividends paid to non-controlling interests	(36)	(38)	(0)
Others, net	(803)	(863)	(6)
Net cash provided by (used in) financing activities	(30,279)	24,494	(247)
IV. Net increase (decrease) in cash and cash equivalents	880	39,922	7
V. Cash and cash equivalents at the beginning of the year	157,149	117,227	1,284
VI. Cash and cash equivalents at the end of the year	¥ 158,030	¥ 157,149	\$ 1,291

Notes to Consolidated Financial Statements

Asahi Mutual Life Insurance Company and its Consolidated Subsidiaries

I. Presentation of 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. U.S. Dollar Amounts

The translations of yen amounts into U.S. dollar amounts are included solely for the convenience of the reader and have been made, as a matter of arithmetical computation only, at the rate of ¥122.39 = US\$1.00, the effective rate of exchange at the balance sheet date of March 31, 2022.

The translations should not be construed as representations that such yen amounts have been or could in the future be, converted into U.S. dollars at that or any other rate.

3. Principles of Consolidation

(1) Scope of consolidation

The consolidated subsidiaries as of March 31, 2022 are listed below:

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

The consolidated subsidiaries as of March 31, 2021 are listed below:

Info Techno Asahi Co., Ltd.
Asahi Life Asset Management Co., Ltd.
Asahi Natixis Investment Managers Co., Ltd.
Asahi NewCo Preparatory Co., Ltd.

Asahi NewCo Preparatory Co., Ltd., which was newly established by the Company in the fiscal year ended March 31, 2021 and renamed as Nanaio Life Insurance Co., Ltd. on April 1, 2021, was included in the scope of consolidation for the fiscal year ended March 31, 2021.

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, 2022. 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 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 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.

Note for the fiscal year ended March 31, 2021

Available-for-sale securities with fair market value except for the following are stated at fair market value based on the market prices at the end of the fiscal year. Available-for-sale securities with fair market value, of which domestic stocks, domestic stock exchange-traded funds, domestic listed real estate investment trusts, foreign stock exchange-traded funds for which hedge accounting is not applied, foreign bond exchange-traded funds for which hedge accounting is not applied and foreign currency-denominated bonds for which hedge accounting is not applied, are stated at fair market value based on the average of the market prices during the final month of the fiscal year. Costs of sales are determined by the moving average method. Available-for-sale securities with extreme difficulty of measuring fair market value, 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. The other securities are stated at cost determined by the moving

average method. Net unrealized gains or losses on these available-for-sale securities, net of tax, are recorded as a separate component of net assets.

(2) Policy-reserve-matching bonds

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

Since the fiscal year ended March 31, 2022, the Company changed its liability cash flow, which is the premise of assessing the duration to outstanding insurance liabilities, from a "Term of future 30 years" to a "Whole period" for the sub-group including Individual life Insurance and Individual Annuities (excluding Whole Life Insurance with variable interest rate accumulation, Accumulation Insurance with variable interest rates and New Single Premium Individual Annuity effective on and after April 2, 2012). This change did not have any effects on the consolidated balance sheet and consolidated statement of income as of and for the fiscal year ended March 31, 2022.

(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.

Note for the fiscal year ended March 31, 2021

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, except for foreign stock exchange-traded funds for which hedge accounting is not applied, foreign bond exchange-traded funds for which hedge accounting is not applied and foreign currency-denominated bonds for which hedge accounting is not applied categorized as available-for-sale securities with fair market value. Such securities are translated into Japanese yen at the average of the effective exchange rate during the final month of the fiscal year.

(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 amounts written-off as of March 31, 2022 and 2021 were ¥24 million (US\$0 million) and ¥28 million, respectively.

(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 seven years starting the following year.
- Prior service cost is charged to income when incurred.

(9) Reserve for price fluctuation

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

(10) Accounting for hedging activities

Hedging activities are accounted for in accordance with the "Accounting Standards for Financial Instruments" (Accounting Standards Board of Japan ("ASBJ") Statement No. 10).

The Company mainly applies the following hedging activities:

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

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

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

issued by the Company.

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

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

(11) Accounting for consumption taxes

The Company 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 by the relevant amounts paid.

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

(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.

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 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.

(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. Accounting Changes

The Company has applied "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, issued on July 4, 2019) and others from the fiscal year ended March 31, 2022. In accordance with the transitional treatment set forth in Paragraph 19 of "Accounting Standard for Fair Value Measurement" and Paragraph 44-2 of "Accounting Standard for Financial Instruments" (ASBJ Statement No.10, July 4, 2019), the Company has applied new accounting policies prospectively. As a result, available-for-sale securities, of which domestic listed stocks, domestic stock exchange-traded funds, domestic listed real estate investment trusts, foreign stock exchange-traded funds for which hedge accounting is not applied, foreign bond exchange-traded funds for which hedge accounting is not applied and foreign currency-denominated bonds for which hedge accounting is not applied, are changed to be stated at fair value based on the market prices at the balance sheet date from fair value based on the average of the market prices during the final month of the fiscal year.

In determining to recognize impairment losses on available-for-sale securities, the Company has used fair value based on the average of market prices during the final month of fiscal year as before.

3. Accounting Standards Issued but Not Yet Effective

The Company and part of its subsidiaries made a request for approval for the application of the group tax sharing system in December 2021 and it is decided to be applied from the fiscal year ending March 31, 2023.

The accounting standard and relevant implementation guidance issued by the fiscal year-end but not yet effective is the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (ASBJ PITF No.42, issued on August 12, 2021) and its contents are as follows:

(i) Overview

The practical solution was issued to stipulate the accounting and disclosure treatment of corporate tax, local corporate tax and tax effect accounting when applying the group tax sharing system, following the "Act for Partial Amendment of the Income Tax Act, etc." (Act No.8, 2020) enacted on March 27, 2020 which requires revision of the consolidated taxation system and transition to the group tax sharing system.

(ii) Schedule date of application

The practical solution is scheduled to be applied from the beginning of the fiscal year ending March 31, 2023.

(iii) Effects of application of the practical solution

The effects of the application are under assessment at the time of preparing these consolidated financial statements.

Note for the fiscal year ended March 31, 2021

The accounting standards and relevant implementation guidance issued by the fiscal year-end but not yet effective are as follows:

- "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, issued on July 4, 2019)
- "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, issued on July 4, 2019)
- "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, revised on July 4, 2019)

(i) Overview

In these accounting standards and relevant implementation guidance, the guidance on the methods for measuring fair values of financial instruments are set to enhance comparability

between Japanese accounting standards and international accounting standards.

(ii) Schedule date of application

The above revisions are scheduled to be applied from the beginning of the fiscal year ending March 31, 2022.

(iii) Effects of application of the Accounting Standards and relevant implementation guidance

The effects of the application are under assessment at the time of preparing these consolidated financial statements.

4. Changes in Reporting Method

Following the revision of the Enforcement Regulation of the Insurance Business Act, claims to be disclosed are classified in the revised categories in the following "Note 9. Claims".

5. 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, 2022 were as follows. The following table does not include cash and deposits, call loans and payables under securities borrowing transactions which are mostly settled in a short term and their fair values approximate their book values.

9. Consolidated Financial Statements

As of March 31	Millions of Yen		
	2022		
	Balance Sheet Amount	Fair Value	Difference
Monetary claims bought	¥ 22,534	¥ 24,255	¥ 1,720
Held-to-maturity debt securities	21,577	23,297	1,720
Available-for-sale securities	957	957	–
Securities	4,470,196	4,630,893	160,696
Trading securities	26,601	26,601	–
Held-to-maturity debt securities	280,070	310,342	30,272
Policy-reserve-matching bonds	2,028,714	2,159,139	130,424
Available-for-sale securities	2,134,809	2,134,809	–
Loans	311,416	317,500	6,083
Policy loans	32,199	32,199	–
Industrial and consumer loans	279,217	285,301	6,083
Total assets	4,804,147	4,972,648	168,501
Bonds payable	102,424	103,200	776
Loans payable	41,000	42,260	1,260
Total liabilities	143,424	145,460	2,036
Derivative financial instruments	(89,485)	(89,485)	–
Hedge accounting not applied	(2,555)	(2,555)	–
Hedge accounting applied	(86,930)	(86,930)	–

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

As of March 31	Millions of U.S. Dollars		
	2022		
	Balance Sheet Amount	Fair Value	Difference
Monetary claims bought	\$ 184	\$ 198	\$ 14
Held-to-maturity debt securities	176	190	14
Available-for-sale securities	7	7	–
Securities	36,524	37,837	1,312
Trading securities	217	217	–
Held-to-maturity debt securities	2,288	2,535	247
Policy-reserve-matching bonds	16,575	17,641	1,065
Available-for-sale securities	17,442	17,442	–
Loans	2,544	2,594	49
Policy loans	263	263	–
Industrial and consumer loans	2,281	2,331	49
Total assets	39,252	40,629	1,376
Bonds payable	836	843	6
Loans payable	334	345	10
Total liabilities	1,171	1,188	16
Derivative financial instruments	(731)	(731)	–
Hedge accounting not applied	(20)	(20)	–
Hedge accounting applied	(710)	(710)	–

* 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 consolidated balance sheet was ¥22,156 million (US\$181 million) as of March 31, 2022.

Investments in partnerships and others for which transitional measures are applied in accordance with Paragraph 27 of "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, issued on July 4, 2019) are not included in the table above. The amount of the investments in partnerships and others, reported in the consolidated balance sheet was ¥44,012 million (US\$359 million) as of March 31, 2022.

Notes for the fiscal year ended March 31, 2021

The balance sheet amounts, fair values and the differences between those of major financial assets and liabilities as of March 31, 2021 were as follows:

As of March 31	Millions of Yen		
	2021		
	Balance Sheet Amount	Fair Value	Difference
Cash and deposits	¥ 44,149	¥ 44,149	¥ –
Call loans	113,000	113,000	–
Monetary claims bought	25,094	27,415	2,321
Trading securities	–	–	–
Held-to-maturity debt securities	24,125	26,446	2,321
Policy-reserve-matching bonds	–	–	–
Available-for-sale securities	969	969	–
Securities	4,577,687	4,830,694	253,006
Trading securities	26,307	26,307	–
Held-to-maturity debt securities	296,880	333,953	37,073
Policy-reserve-matching bonds	2,039,060	2,254,994	215,933
Available-for-sale securities	2,215,438	2,215,438	–
Loans	303,451	311,163	7,712
Policy loans	35,182	35,182	–
Industrial and consumer loans	268,268	275,980	7,712
Total assets	5,063,382	5,326,422	263,040
Bonds payable	127,773	130,313	2,540
Payables under securities borrowing transactions	178,810	178,810	–
Loans payable	41,000	42,548	1,548
Total liabilities	347,584	351,673	4,088
Derivative financial instruments	(31,522)	(31,522)	–
Hedge accounting not applied	(1,875)	(1,875)	–
Hedge accounting applied	(29,646)	(29,646)	–

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

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

As for available-for-sale securities of which market value is readily available, domestic stocks, domestic stock exchange-traded funds, domestic listed real estate investment trusts, foreign stock exchange-traded funds for which hedge accounting is not applied, foreign bond exchange-traded funds for which hedge accounting is not applied and foreign currency-denominated bonds for which hedge accounting is not applied are stated at the average of the market value during the final month of the fiscal year. Available-for-sale securities of which market value is readily available excluding the securities mentioned above are stated at the market value at the balance sheet date.

Other securities of which market value is readily available are stated at market value at the balance sheet date.

Unlisted stocks and others, including investments in subsidiaries and affiliates, of which market value is not readily available are not subject to fair value disclosure and are therefore not included in the table above because it is regarded as extremely difficult to determine their fair value.

The amount of the unlisted stocks and others, including investments in subsidiaries and affiliates, reported in the consolidated balance sheet was ¥21,164 million as of March 31, 2021.

(2) Loans and loans payable

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

As for industrial and consumer loans and loans payable, the fair value of loans is primarily stated at theoretical prices calculated by discounting the future cash flows to the present value. 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.

(3) Bonds payable

The fair value of bonds payable is based on the market value, etc. as of March 31, 2021.

(4) Payables under securities borrowing transactions

The Company considers book value as fair value with the assumption that fair value approximates book value.

(5) Derivative financial instruments

The fair values of stock options and currency options traded over the counter are based on the quoted prices offered by counterparty financial institutions.

The fair values of foreign currency forward contracts are stated at theoretical prices based on the TTM at the balance sheet date.

Regarding the derivative transactions for which designated hedge accounting ("Furitate-shori") of currency swaps is applied, these fair values are included in bonds payable since they are treated together with hedged bonds payable.

6. 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 consolidated balance sheet

As of March 31	Millions of Yen			
	2022			
	Fair Value			
	Level 1	Level 2	Level 3	Total
Monetary claims bought	¥ –	¥ –	¥ 957	¥ 957
Available-for-sale securities	–	–	957	957
Securities*1	580,435	1,169,127	29,482	1,779,045
Trading securities	24,719	1,882	–	26,601
National government bonds and local government bonds	5,830	–	–	5,830
Corporate bonds	–	902	–	902
Domestic stocks	7,914	–	–	7,914
Foreign stocks	8,269	–	–	8,269
Foreign bonds	2,705	979	–	3,684
Available-for-sale securities	555,716	1,167,245	29,482	1,752,444
National government bonds and local government bonds	39,829	685	–	40,514
Corporate bonds	–	426,840	–	426,840
Domestic stocks	413,036	–	–	413,036
Foreign bonds	102,850	739,719	29,482	872,053
Total assets	580,435	1,169,127	30,440	1,780,003
Derivative financial instruments*2	–	(89,755)	270	(89,485)
Currency-related	–	(89,755)	–	(89,755)
Stock-related	–	–	270	270

*1 Investment trusts for which transitional measures are applied in accordance with Paragraph 26 of "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, issued on July 4, 2019) are not included in the table above. The balance sheet amount of the investment trusts was ¥382,365 million (US\$3,124 million) as of March 31, 2022.

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

As of March 31	Millions of U.S. Dollars			
	2022			
	Fair Value			
	Level 1	Level 2	Level 3	Total
Monetary claims bought	\$ –	\$ –	\$ 7	\$ 7
Available-for-sale securities	–	–	7	7
Securities*1	4,742	9,552	240	14,535
Trading securities	201	15	–	217
National government bonds and local government bonds	47	–	–	47
Corporate bonds	–	7	–	7
Domestic stocks	64	–	–	64
Foreign stocks	67	–	–	67
Foreign bonds	22	8	–	30
Available-for-sale securities	4,540	9,537	240	14,318
National government bonds and local government bonds	325	5	–	331
Corporate bonds	–	3,487	–	3,487
Domestic stocks	3,374	–	–	3,374
Foreign bonds	840	6,043	240	7,125
Total assets	4,742	9,552	248	14,543
Derivative financial instruments*2	–	(733)	2	(731)
Currency-related	–	(733)	–	(733)
Stock-related	–	–	2	2

*1 Investment trusts for which transitional measures are applied in accordance with Paragraph 26 of "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, issued on July 4, 2019) are not included in the table above. The balance sheet amount of the investment trusts was ¥382,365 million (US\$3,124 million) as of March 31, 2022.

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

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

Millions of Yen

As of March 31	2022			
	Fair Value			
	Level 1	Level 2	Level 3	Total
Monetary claims bought	¥ –	¥ –	¥ 23,297	¥ 23,297
Held-to-maturity debt securities	–	–	23,297	23,297
Securities	1,752,190	592,381	124,909	2,469,481
Held-to-maturity debt securities	36,939	148,494	124,909	310,342
National government bonds and local government bonds	36,939	–	–	36,939
Corporate bonds	–	92,900	–	92,900
Foreign bonds	–	55,594	124,909	180,503
Policy-reserve-matching bonds	1,715,251	443,887	–	2,159,139
National government bonds and local government bonds	1,715,251	51,082	–	1,766,334
Corporate bonds	–	392,804	–	392,804
Loans	–	–	317,500	317,500
Policy loans	–	–	32,199	32,199
Industrial and consumer loans	–	–	285,301	285,301
Total assets	1,752,190	592,381	465,707	2,810,279
Bonds payable	–	103,200	–	103,200
Loans payable	–	–	42,260	42,260
Total liabilities	–	103,200	42,260	145,460

Millions of U.S. Dollars

As of March 31	2022			
	Fair Value			
	Level 1	Level 2	Level 3	Total
Monetary claims bought	\$ –	\$ –	\$ 190	\$ 190
Held-to-maturity debt securities	–	–	190	190
Securities	14,316	4,840	1,020	20,177
Held-to-maturity debt securities	301	1,213	1,020	2,535
National government bonds and local government bonds	301	–	–	301
Corporate bonds	–	759	–	759
Foreign bonds	–	454	1,020	1,474
Policy-reserve-matching bonds	14,014	3,626	–	17,641
National government bonds and local government bonds	14,014	417	–	14,432
Corporate bonds	–	3,209	–	3,209
Loans	–	–	2,594	2,594
Policy loans	–	–	263	263
Industrial and consumer loans	–	–	2,331	2,331
Total assets	14,316	4,840	3,805	22,961
Bonds payable	–	843	–	843
Loans payable	–	–	345	345
Total liabilities	–	843	345	1,188

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

Fair values of investment trusts are measured at the disclosed net asset value and others. Investment trusts for which transitional measures are applied in accordance with Paragraph 26 of “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, issued on July 4, 2019) are not categorized into any level.

- 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

Millions of Yen

For the year ended March 31, 2022	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	¥ 969	¥ 26,853	¥ 27,822	¥ –
Gains (losses) and other comprehensive income for the fiscal year:				
Gains (losses) recorded for the fiscal year ^{*1}	16	75	91	(24)
Other comprehensive income recorded for the fiscal year ^{*2}	(20)	2,406	2,385	(24)
Other comprehensive income recorded for the fiscal year ^{*2}	36	(2,330)	(2,293)	–
Net amount of purchase, sale, issue, and settlement	(28)	10,711	10,682	294
Transfer to fair values of Level 3	–	–	–	–
Transfer from fair values of Level 3 ^{*3}	–	(8,157)	(8,157)	–
Ending balance	957	29,482	30,440	270
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}	–	2,406	2,406	(24)

*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.

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

Millions of U.S. Dollars

For the year ended March 31, 2022	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	\$ 7	\$ 219	\$ 227	\$ –
Gains (losses) and other comprehensive income for the fiscal year:				
Gains (losses) recorded for the fiscal year ^{*1}	0	0	0	(0)
Other comprehensive income recorded for the fiscal year ^{*2}	(0)	19	19	(0)
Other comprehensive income recorded for the fiscal year ^{*2}	0	(19)	(18)	–
Net amount of purchase, sale, issue, and settlement	(0)	87	87	2
Transfer to fair values of Level 3	–	–	–	–
Transfer from fair values of Level 3 ^{*3}	–	(66)	(66)	–
Ending balance	7	240	248	2
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}	–	19	19	(0)

*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.

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

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.

7. 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 ¥239,331 million (US\$1,955 million) and ¥283,478 million (US\$2,316 million) as of March 31, 2022 and ¥246,901 million and ¥288,948 million as of March 31, 2021, respectively. 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.

8. Securities Lent under Lending Agreements

The amounts of securities lent under lending agreements were ¥218,367 million (US\$1,784 million) and ¥265,606 million as of March 31, 2022 and 2021, respectively.

9. 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 ¥609 million (US\$4 million) as of March 31, 2022.

- i) Claims against bankrupt and quasi-bankrupt obligors were ¥453 million (US\$3 million) as of March 31, 2022.
- ii) Claims with collection risk were ¥70 million (US\$0 million) as of March 31, 2022.
- iii) Delinquent loans three or more months past due were ¥66 million (US\$0 million) as of March 31, 2022.
- iv) Restructured loans were ¥20 million (US\$0 million) as of March 31, 2022.

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

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

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

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

The direct write-offs related to claims decreased the amount of claims against bankrupt and quasi-bankrupt obligors described above by ¥24 million (US\$0 million) as of March 31, 2022.

Note for the fiscal year ended March 31, 2021

Loans

The total amount of loans to bankrupt borrowers, delinquent loans, delinquent loans three or more months past due and restructured loans, which were included in loans, was ¥677 million as of March 31, 2021.

- i) Loans to bankrupt borrowers were ¥0 million as of March 31, 2021.
- ii) Delinquent loans were ¥563 million as of March 31, 2021.
- iii) Delinquent loans three or more months past due were ¥94 million as of March 31, 2021.
- iv) Restructured loans were ¥20 million as of March 31, 2021.

Loans to bankrupt borrowers represent loans, excluding the balances already written-off, which meet the conditions prescribed in Article 96, Paragraph 1, Items 3 and 4 of the Enforcement Regulations of the Corporate Tax Act. Moreover, accruing interest on these loans is not recorded as income after determining that principal of or interest on these loans is unlikely to be collected due to the significant delay in repayment of principal or interest payments or for other reasons.

Accruing interest on delinquent loans is not recorded as income due to the same reasons as described above, and delinquent loans exclude loans to bankrupt borrowers and loans for which interest payments have been suspended and rescheduled to assist and support the borrowers in the restructuring of their businesses.

Delinquent loans three or more months past due are loans for which interest payments or repayments of principal are delinquent for three months or more from the due dates under the terms of the related loan agreements, excluding those loans classified as loans to bankrupt borrowers and delinquent loans.

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

The direct write-offs related to loans decreased the amount of loans to bankrupt borrowers described above by ¥3 million as of March 31, 2021.

In addition, the direct write-offs related to loans decreased the amount of delinquent loans described above by ¥25 million as of March 31, 2021.

10. Accumulated Depreciation of Tangible Fixed Assets

Accumulated depreciation of tangible fixed assets totaled ¥286,793 million (US\$2,343 million) and ¥285,628 million as of March 31, 2022 and 2021, respectively.

11. Separate Accounts

Total assets in separate accounts provided for in Article 118 of the Insurance Business Act were ¥28,175 million (US\$230 million) and ¥28,078 million as of March 31, 2022 and 2021, respectively. The amounts of separate account liabilities were the same as separate account assets.

12. Reserve for Dividends to Policyholders

For the years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Balance at the beginning of the fiscal year	¥ 30,050	¥ 32,073	\$ 245
Transfer to reserve from surplus in the previous fiscal year	2,153	1,794	17
Dividends to policyholders paid out during the fiscal year	3,562	3,820	29
Increase in interest	3	3	0
Balance at the end of the fiscal year	¥ 28,644	¥ 30,050	\$ 234

13. Stocks of Unconsolidated Subsidiaries and affiliates

The amounts of stocks of unconsolidated subsidiaries and affiliates the Company held as of March 31, 2022 and 2021 were ¥7,888 million (US\$64 million) and ¥7,878 million, respectively.

14. Pledged Assets

Assets pledged as collateral as of March 31, 2022 and 2021 were securities in the amount of ¥80,591 million (US\$658 million) and ¥32,653 million, respectively.

15. 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 for the fiscal year ended March 31, 2022 was ¥6,391 million (US\$52 million).

16. Assets with Rights to Sell

The Company has the legal right to sell or collateralize securities borrowed under loan agreements.

The market values of these assets that were not sold or pledged as collateral as of March 31, 2022 and 2021 were ¥25,709 million (US\$210 million) and ¥72,634 million, respectively. No assets were pledged as collateral as of March 31, 2022 and 2021.

17. Commitment Line

As of March 31, 2022 and 2021, there were unused commitment line agreements under which the Company is the lender of ¥13,947 million (US\$113 million) and ¥10,240 million, respectively.

18. Subordinated Bonds Payable

As of March 31, 2022 and 2021, bonds payable are subordinated bonds payable, for which the repayments are subordinated to other obligations.

19. Subordinated Loans Payable

As of March 31, 2022 and 2021, other liabilities included subordinated loans payable of ¥41,000 million (US\$334 million) and ¥41,000 million, respectively, for which the repayments are subordinated to other obligations.

20. Contributions to Policyholders Protection Corporation

The estimated future contributions to the Life Insurance Policyholders Protection Corporation of Japan under Article 259 of the Insurance Business Act as of March 31, 2022 and 2021 were ¥8,260 million (US\$67 million) and ¥8,016 million, respectively. These contributions are charged as operating expenses in the fiscal years in which they are paid.

21. Deferred Taxes

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

As of March 31	Millions of Yen		Millions of U.S. Dollars	
	2022	2021	2022	
Deferred tax assets	¥ 70,651	¥ 66,824	\$ 577	
Valuation allowance for deferred tax assets	15,332	14,980	125	
Subtotal	55,319	51,843	451	
Deferred tax liabilities	58,064	74,045	474	
Net deferred tax assets (liabilities)	¥ (2,745)	¥ (22,202)	\$ (22)	

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

Millions of Yen	
As of March 31	2022
Deferred tax assets	
Contingency reserve	¥ 21,797
Reserve for price fluctuation	13,450
Net defined benefit liabilities	9,165
Impairment losses	7,223
Net unrealized losses on available-for-sale securities	4,394
IBNR reserves	3,944
Deferred tax liabilities	
Net unrealized gains on available-for-sale securities	56,417

Millions of Yen	
As of March 31	2021
Deferred tax assets	
Contingency reserve	¥ 17,422
Reserve for price fluctuation	12,744
Net defined benefit liabilities	9,183
Impairment losses	7,930
Net unrealized losses on available-for-sale securities	5,406
Losses on valuation of securities	4,110
Deferred tax liabilities	
Net unrealized gains on available-for-sale securities	72,520

Millions of U.S. Dollars	
As of March 31	2022
Deferred tax assets	
Contingency reserve	\$ 178
Reserve for price fluctuation	109
Net defined benefit liabilities	74
Impairment losses	59
Net unrealized losses on available-for-sale securities	35
IBNR reserves	32
Deferred tax liabilities	
Net unrealized gains on available-for-sale securities	460

- (2) The statutory tax rates were 27.9% and 27.9% for the fiscal years ended March 31, 2022 and 2021, respectively. The main factors causing the differences between the statutory tax rates and the actual effective tax rates after considering deferred taxes were as follows:

For the year ended March 31	2022
Interest on foundation funds	(4.4)%
For the year ended March 31	2021
Interest on foundation funds	(4.3)%
Change of valuation allowance for deferred tax assets	(2.9)%
Reserve for dividends to policyholders	(2.0)%

22. 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

For the years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Retirement benefit obligations at the beginning of the fiscal year	¥ 41,202	¥ 42,065	\$ 336
Service cost	1,889	1,905	15
Interest cost	407	416	3
Actuarial difference occurred during the fiscal year	520	866	4
Retirement benefit payments	(3,622)	(4,051)	(29)
Retirement benefit obligations at the end of the fiscal year	¥ 40,397	¥ 41,202	\$ 330

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

For the years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Pension plan assets at the beginning of the fiscal year	¥ 8,782	¥ 7,258	\$ 71
Expected return on pension plan assets	80	70	0
Actuarial difference occurred during the fiscal year	(818)	1,405	(6)
Contributions by the employer	242	239	1
Retirement benefit payments	(217)	(191)	(1)
Pension plan assets at the end of the fiscal year	¥ 8,069	¥ 8,782	\$ 65

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

As of March 31	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
a. Funded plan retirement benefit obligation	¥ 40,397	¥ 41,202	\$ 330
b. Pension plan assets	(8,069)	(8,782)	(65)
c. Net amount of liabilities and assets presented on the consolidated balance sheet	32,327	32,420	264
d. Net defined benefit liabilities	32,852	32,914	268
e. Net defined benefit assets	(524)	(494)	(4)
f. Net amount of liabilities and assets presented on the consolidated balance sheet	¥ 32,327	¥ 32,420	\$ 264

iv) Breakdown of retirement benefit expenses

For the years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Service cost	¥ 1,889	¥ 1,905	\$ 15
Interest cost	407	416	3
Expected return on pension plan assets	(80)	(70)	(0)
Amortization of actuarial differences	329	111	2
Retirement benefit expenses related to defined benefit plan	¥ 2,545	¥ 2,362	\$ 20

v) Breakdown of items included in other comprehensive income

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

For the years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Amortization of actuarial differences	¥ (1,010)	¥ 649	\$ (8)
Total	¥ (1,010)	¥ 649	\$ (8)

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:

For the years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Unrecognized actuarial differences	¥ 2,885	¥ 1,875	\$ 23
Total	¥ 2,885	¥ 1,875	\$ 23

vii) 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	2022	2021
Stocks	36%	43%
Bonds	18%	15%
Others	46%	42%
Total	100%	100%

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:

As of March 31	2022	2021
Discount rate	1.0%	1.0%
Expected long-term rate of return on pension plan assets	0.8%	0.9%
Defined benefit corporate pension plans	1.6%	1.6%

23. Subsequent Events

The Company resolved to redeem ¥40,000 million (US\$326 million) of foundation funds, which is part of ¥80,000 million of foundation funds offered in August 2015, on August 1, 2022, prior to the redemption date, at the meeting of Board of Directors on May 19, 2022. Accompanying the redemption, the same amount is scheduled to be transferred from reserve for fund redemption to reserve for redemption of foundation funds in accordance with Article 56 of the Insurance Business Act.

III. Notes to Consolidated Statements of Income

1. Investment Income and Expenses

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

For the years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Domestic bonds	¥ 4,943	¥ 9,357	\$ 40
Domestic stocks and other securities	6,239	3,332	50
Foreign securities	767	2,559	6

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

For the years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Domestic bonds	¥ 1,073	¥ 892	\$ 8
Domestic stocks and other securities	1,448	1,893	11
Foreign securities	8,655	2,733	70

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

For the years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Domestic stocks and other securities	¥ 272	¥ 17	\$ 2
Foreign securities	1	1	0

Losses on trading securities were losses on sales of ¥1,133 million (US\$9 million) and losses on sales of ¥485 million for the fiscal years ended March 31, 2022 and 2021, respectively.

Losses on derivative financial instruments included net valuation gains of ¥641 million (US\$5 million) and losses of ¥2,667 million for the fiscal years ended March 31, 2022 and 2021, respectively.

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, 2022 was ¥6,989 million (US\$57 million), which was included in reinsurance revenue.

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, 2022 was ¥597 million (US\$4 million), which was included in reinsurance premiums.

3. Impairment Losses of Fixed Assets

For the fiscal years ended March 31, 2022 and 2021, 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 sheets.

Note for the fiscal year ended March 31, 2021

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.

(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

For the years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Real estate for rent:			
Land	¥ –	¥ 721	\$ –
Building	–	156	–
Total real estate for rent (i)	–	877	–
Real estate not in use:			
Land	622	457	5
Building	526	141	4
Total real estate not in use (ii)	1,149	598	9
Real estate scheduled to be sold:			
Land	–	1,309	–
Building	–	185	–
Total real estate scheduled to be sold (iii)	–	1,494	–
Total:			
Land	622	2,488	5
Building	526	483	4
Total (i) + (ii) + (iii)	¥ 1,149	¥ 2,971	\$ 9

(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 3.3% and 3.4% for the fiscal years ended March 31, 2022 and 2021, respectively. 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.

4. Extraordinary Losses

Note for the fiscal year ended March 31, 2021

The expenses related to salary guarantees for sales representatives and others as countermeasures to prevent the spread of COVID-19 for the fiscal year ended March 31, 2021 were ¥1,572 million, which were included in other extraordinary losses.

IV. Notes to Consolidated Statements of Comprehensive Income

Other Comprehensive Income

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

For the years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Net unrealized gains on available-for-sale securities, net of tax			
Amount incurred during the fiscal year	¥ (53,451)	¥ 153,034	\$ (436)
Reclassification adjustments	(530)	(2,072)	(4)
Before tax adjustment	(53,982)	150,961	(441)
Tax effects	14,719	(35,385)	120
Net unrealized gains on available-for-sale securities, net of tax	(39,263)	115,575	(320)
Accumulated remeasurements of defined benefit plans			
Amount incurred during the fiscal year	(1,339)	538	(10)
Reclassification adjustments	329	111	2
Before tax adjustment	(1,010)	649	(8)
Tax effects	282	(184)	2
Accumulated remeasurements of defined benefit plans	(728)	465	(5)
Total other comprehensive income	¥ (39,991)	¥ 116,040	\$ (326)

V. Notes to Consolidated Statements 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.

The consolidated financial statements in this annual report have been audited by Ernst & Young ShinNihon LLC, an independent certified public accountant.

10. Non-consolidated Financial Statements

Non-consolidated Balance Sheets

Asahi Mutual Life Insurance Company

As of March 31	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
ASSETS:			
Cash and deposits:			
Cash	¥ 20	¥ 15	\$ 0
Deposits	35,832	35,352	292
	35,852	35,368	292
Call loans	111,000	113,000	906
Monetary claims bought	22,534	25,094	184
Securities:			
National government bonds	1,669,691	1,692,106	13,642
Local government bonds	50,540	49,130	412
Corporate bonds	907,641	973,538	7,415
Domestic stocks	472,584	447,371	3,861
Foreign securities	1,395,647	1,368,844	11,403
Other securities	69,731	81,330	569
	4,565,837	4,612,320	37,305
Loans:			
Policy loans	32,199	35,182	263
Industrial and consumer loans	279,217	268,268	2,281
	311,416	303,451	2,544
Tangible fixed assets:			
Land	216,027	221,081	1,765
Buildings	146,310	150,533	1,195
Lease assets	2,194	1,459	17
Construction in progress	1,175	1,589	9
Other tangible fixed assets	2,841	3,186	23
	368,550	377,849	3,011
Intangible fixed assets:			
Software	18,928	17,722	154
Other intangible fixed assets	9,815	9,075	80
	28,743	26,797	234
Agency accounts receivable	11	14	0
Reinsurance receivables	393	987	3
Other assets:			
Accounts receivable	22,778	7,278	186
Prepaid expenses	3,517	4,027	28
Accrued income	20,077	20,230	164
Money on deposit	3,044	2,898	24
Derivative financial instruments	960	1,949	7
Cash collateral paid for financial instruments	7,513	6,202	61
Suspense payments	861	677	7
Other assets	1,300	1,427	10
	60,054	44,692	490
Prepaid pension cost	318	233	2
Customers' liabilities under acceptances and guarantees	—	1	—
Allowance for possible loan losses	(550)	(406)	(4)
Total assets	¥ 5,504,161	¥ 5,539,404	\$ 44,972

As of March 31	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
LIABILITIES:			
Policy reserves and other reserves:			
Reserve for outstanding claims	¥ 32,018	¥ 28,572	\$ 261
Policy reserves	4,365,068	4,419,372	35,665
Reserve for dividends to policyholders	28,644	30,050	234
	4,425,731	4,477,995	36,160
Reinsurance payables	752	680	6
Bonds payable	102,424	127,773	836
Other liabilities:			
Payables under securities borrowing transactions	179,548	178,810	1,467
Loans payable	41,000	41,000	334
Income taxes payable	4,474	5,042	36
Accounts payable	27,340	4,422	223
Accrued expenses	7,639	8,424	62
Deferred income	202	186	1
Deposits received	415	631	3
Guarantee deposits received	17,831	17,533	145
Derivative financial instruments	90,445	33,471	738
Cash collateral received for financial instruments	3,791	896	30
Lease obligations	2,194	1,459	17
Asset retirement obligations	914	851	7
Suspense receipts	140	87	1
	375,938	292,817	3,071
Reserve for employees' retirement benefits	29,847	30,856	243
Reserve for price fluctuation	48,210	45,680	393
Deferred tax liabilities	3,622	22,826	29
Deferred tax liabilities for land revaluation	15,711	16,268	128
Acceptances and guarantees	–	1	–
Total liabilities	5,002,238	5,014,899	40,871
NET ASSETS:			
Foundation funds	91,000	91,000	743
Reserve for redemption of foundation funds	166,000	166,000	1,356
Reserve for revaluation	281	281	2
Surplus:			
Reserve for future losses	347	328	2
Other surplus:			
Reserve for fund redemption	53,500	44,400	437
Equalized reserve for dividends to policyholders	6,983	7,091	57
Unappropriated surplus (loss)	56,614	47,558	462
Subtotal	117,097	99,050	956
	117,444	99,378	959
Total foundation funds and others	374,726	356,660	3,061
Net unrealized gains (losses) on available-for-sale securities, net of tax	173,936	213,200	1,421
Land revaluation differences	(46,739)	(45,354)	(381)
Total valuation and translation adjustments	127,197	167,845	1,039
Total net assets	501,923	524,505	4,101
Total liabilities and net assets	¥ 5,504,161	¥ 5,539,404	\$ 44,972

Non-consolidated Statements of Income

Asahi Mutual Life Insurance Company

For the years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Ordinary income:			
Premium and other income:			
Insurance premiums	¥ 385,691	¥ 388,896	\$ 3,151
Reinsurance revenue	1,443	2,514	11
	387,134	391,410	3,163
Investment income:			
Interest, dividends and other income:			
Interest and dividends on securities	99,054	95,849	809
Interest on loans	4,241	4,639	34
Rent revenue from real estate	16,339	16,543	133
Other interest and dividends	895	1,078	7
	120,531	118,111	984
Gains on sales of securities	11,949	15,249	97
Gains on redemption of securities	317	77	2
Foreign exchange gains	3,065	387	25
Other investment income	6,919	6,968	56
Investment gains on separate accounts	2,199	5,740	17
	144,983	146,534	1,184
Other ordinary income:			
Fund receipt from deposit of claims paid	8,135	8,927	66
Reversal of reserve for employees' retirement benefits	1,008	1,677	8
Reversal of reserve for outstanding claims	–	806	–
Reversal of policy reserves	54,304	48,624	443
Other ordinary income	2,343	2,732	19
	65,792	62,767	537
Total ordinary income	597,910	600,713	4,885
Ordinary expenses:			
Claims and other payments:			
Claims	107,517	112,015	878
Annuities	116,767	122,158	954
Benefits	72,938	68,241	595
Surrender benefits	79,236	77,538	647
Other payments	2,403	3,158	19
Reinsurance premiums	2,602	2,272	21
	381,466	385,384	3,116
Provision for policy reserves and other reserves:			
Provision for reserve for outstanding claims	3,446	–	28
Provision for interest on policyholders' dividend reserves	3	3	0
	3,449	3	28
Investment expenses:			
Interest expenses	4,876	4,470	39
Losses on trading securities	1,133	485	9
Losses on sales of securities	11,177	5,520	91
Losses on valuation of securities	273	19	2
Losses on redemption of securities	48	65	0
Losses on derivative financial instruments	2,510	8,898	20
Provision for allowance for possible loan losses	141	10	1
Depreciation of rental real estate and other assets	5,511	5,503	45
Other investment expenses	10,981	9,584	89
	36,655	34,559	299
Operating expenses	110,388	110,323	901
Other ordinary expenses:			
Claim deposit payments	9,859	10,491	80
Taxes	9,345	9,126	76
Depreciation	12,354	12,181	100
Other ordinary expenses	2,086	2,013	17
	33,646	33,812	274
Total ordinary expenses	565,605	564,083	4,621
Ordinary profit	32,305	36,629	263

For the years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Extraordinary gains:			
Gains on disposal of fixed assets	2,925	146	23
Other extraordinary gains	3	129	0
	2,928	275	23
Extraordinary losses:			
Losses on disposal of fixed assets	2,751	1,481	22
Impairment losses	1,149	2,971	9
Provision for reserve for price fluctuation	2,530	2,450	20
Losses on reduction entry of real estate	–	5	–
Other extraordinary losses	130	1,694	1
	6,561	8,602	53
Surplus before income taxes	28,671	28,302	234
Income taxes:			
Current	10,788	10,122	88
Deferred	(5,041)	(5,084)	(41)
Total income taxes	5,747	5,038	46
Net surplus	¥ 22,924	¥ 23,263	\$ 187

Non-consolidated Statements of Changes in Net Assets

Asahi Mutual Life Insurance Company

Millions of Yen

For the year ended March 31, 2022	Foundation funds and others								Total foundation funds and others
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Surplus					
				Reserve for future losses	Other surplus			Total surplus	
					Reserve for fund redemption	Equalized reserve for dividends to policyholders	Unappropriated surplus (loss)		
Beginning balance	¥ 91,000	¥ 166,000	¥ 281	¥ 328	¥ 44,400	¥ 7,091	¥ 47,558	¥ 99,378	¥ 356,660
Changes in the fiscal year:									
Additions to reserve for dividends to policyholders							(2,153)	(2,153)	(2,153)
Additions to reserve for future losses				19			(19)		
Payment of interest on foundation funds							(4,089)	(4,089)	(4,089)
Net surplus							22,924	22,924	22,924
Additions to reserve for fund redemption					9,100		(9,100)		
Reversal of equalized reserve for dividends to policyholders						(108)	108		
Reversal of land revaluation differences							1,384	1,384	1,384
Net changes, excluding foundation funds and others									
Net changes in the fiscal year	—	—	—	19	9,100	(108)	9,055	18,066	18,066
Ending balance	¥ 91,000	¥ 166,000	¥ 281	¥ 347	¥ 53,500	¥ 6,983	¥ 56,614	¥ 117,444	¥ 374,726

Millions of Yen

For the year ended March 31, 2022	Valuation and translation adjustments			Total net assets
	Net unrealized gains (losses) on available-for-sale securities, net of tax	Land revaluation differences	Total valuation and translation adjustments	
Beginning balance	¥ 213,200	¥ (45,354)	¥ 167,845	¥ 524,505
Changes in the fiscal year:				
Additions to reserve for dividends to policyholders				(2,153)
Additions to reserve for future losses				
Payment of interest on foundation funds				(4,089)
Net surplus				22,924
Additions to reserve for fund redemption				
Reversal of equalized reserve for dividends to policyholders				
Reversal of land revaluation differences				1,384
Net changes, excluding foundation funds and others	(39,264)	(1,384)	(40,648)	(40,648)
Net changes in the fiscal year	(39,264)	(1,384)	(40,648)	(22,582)
Ending balance	¥ 173,936	¥ (46,739)	¥ 127,197	¥ 501,923

Millions of Yen

For the year ended March 31, 2021	Foundation funds and others								
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Reserve for future losses	Surplus				Total foundation funds and others
					Other surplus			Total surplus	
					Reserve for fund redemption	Equalized reserve for dividends to policyholders	Unappropriated surplus (loss)		
Beginning balance	¥ 91,000	¥ 166,000	¥ 281	¥ 310	¥ 35,300	¥ 7,318	¥ 38,890	¥ 81,819	¥ 339,100
Changes in the fiscal year:									
Additions to reserve for dividends to policyholders							(1,794)	(1,794)	(1,794)
Additions to reserve for future losses				18			(18)		
Payment of interest on foundation funds							(4,081)	(4,081)	(4,081)
Net surplus							23,263	23,263	23,263
Additions to reserve for fund redemption					9,100		(9,100)		
Reversal of equalized reserve for dividends to policyholders						(227)	227		
Reversal of land revaluation differences							171	171	171
Net changes, excluding foundation funds and others									
Net changes in the fiscal year	–	–	–	18	9,100	(227)	8,668	17,559	17,559
Ending balance	¥ 91,000	¥ 166,000	¥ 281	¥ 328	¥ 44,400	¥ 7,091	¥ 47,558	¥ 99,378	¥ 356,660

Millions of Yen

For the year ended March 31, 2021	Valuation and translation adjustments			Total net assets
	Net unrealized gains (losses) on available-for-sale securities, net of tax	Land revaluation differences	Total valuation and translation adjustments	
Beginning balance	¥ 97,625	¥ (45,183)	¥ 52,442	¥ 391,543
Changes in the fiscal year:				
Additions to reserve for dividends to policyholders				(1,794)
Additions to reserve for future losses				
Payment of interest on foundation funds				(4,081)
Net surplus				23,263
Additions to reserve for fund redemption				
Reversal of equalized reserve for dividends to policyholders				
Reversal of land revaluation differences				171
Net changes, excluding foundation funds and others	115,574	(171)	115,403	115,403
Net changes in the fiscal year	115,574	(171)	115,403	132,962
Ending balance	¥ 213,200	¥ (45,354)	¥ 167,845	¥ 524,505

10. Non-consolidated Financial Statements

Millions of U.S. Dollars

For the year ended March 31, 2022	Foundation funds and others								
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Surplus					Total foundation funds and others
				Reserve for future losses	Other surplus			Total surplus	
					Reserve for fund redemption	Equalized reserve for dividends to policyholders	Unappropriated surplus (loss)		
Beginning balance	\$ 743	\$ 1,356	\$ 2	\$ 2	\$ 362	\$ 57	\$ 388	\$ 811	\$ 2,914
Changes in the fiscal year:									
Additions to reserve for dividends to policyholders							(17)	(17)	(17)
Additions to reserve for future losses				0			(0)		
Payment of interest on foundation funds							(33)	(33)	(33)
Net surplus							187	187	187
Additions to reserve for fund redemption					74		(74)		
Reversal of equalized reserve for dividends to policyholders						(0)	0		
Reversal of land revaluation differences							11	11	11
Net changes, excluding foundation funds and others									
Net changes in the fiscal year	–	–	–	0	74	(0)	73	147	147
Ending balance	\$ 743	\$ 1,356	\$ 2	\$ 2	\$ 437	\$ 57	\$ 462	\$ 959	\$ 3,061

Millions of U.S. Dollars

For the year ended March 31, 2022	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	\$ 1,741	\$ (370)	\$ 1,371	\$ 4,285
Changes in the fiscal year:				
Additions to reserve for dividends to policyholders				(17)
Additions to reserve for future losses				(33)
Payment of interest on foundation funds				187
Net surplus				
Additions to reserve for fund redemption				
Reversal of equalized reserve for dividends to policyholders				11
Reversal of land revaluation differences				
Net changes, excluding foundation funds and others	(320)	(11)	(332)	(332)
Net changes in the fiscal year	(320)	(11)	(332)	(184)
Ending balance	\$ 1,421	\$ (381)	\$ 1,039	\$ 4,101

Non-consolidated Statements of Proposed Appropriation of Surplus (Loss)

Asahi Mutual Life Insurance Company

For the years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Unappropriated surplus (loss)	¥ 56,614	¥ 47,558	\$ 462
Reversal of Voluntary surplus reserves:	–	108	–
Reversal of equalized reserve for dividends to policyholders	–	108	–
Total	56,614	47,667	462
Appropriation of surplus (loss):	15,390	15,361	125
Reserve for dividends to policyholders	2,121	2,153	17
Net surplus (loss):	13,269	13,208	108
Reserve for future losses	19	19	0
Interest on foundation funds	4,040	4,089	33
Voluntary surplus reserves:	9,210	9,100	75
Reserve for fund redemption	9,100	9,100	74
Equalized reserve for dividends to policyholders	110	–	0
Surplus (loss) carried forward	¥ 41,223	¥ 32,305	\$ 336

Notes to Non-consolidated Financial Statements

Asahi Mutual Life Insurance Company

I. Presentation of Non-consolidated Financial Statements

1. 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.

2. U.S. Dollar Amounts

The translations of yen amounts into U.S. dollar amounts are included solely for the convenience of the reader and have been made, as a matter of arithmetical computation only, at the rate of ¥122.39 = US\$1.00, the effective rate of exchange at the balance sheet date of March 31, 2022.

The translations should not be construed as representations that such yen amounts have been or could in the future be, converted into U.S. dollars at that or any other rate.

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.

Note for the fiscal year ended March 31, 2021

Available-for-sale securities with fair market value except for the following are stated at fair market value based on the market prices at the end of the fiscal year. Available-for-sale securities with fair market value, of which domestic stocks, domestic stock exchange-traded funds, domestic listed real estate investment trusts, foreign stock exchange-traded funds for which hedge accounting is not applied, foreign bond exchange-traded funds for which hedge accounting is not applied and foreign currency-denominated bonds for which hedge accounting is not applied, are stated at fair market value based on the average of the market prices during the final month of the fiscal year. Costs of sales are determined by the moving average method. Available-for-sale securities with extreme difficulty of measuring fair market value, 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. The other securities are stated at cost determined by the moving average method. Net unrealized gains or losses on these available-for-sale securities, net of tax, are recorded as a separate component of net assets.

(2) Policy-reserve-matching bonds

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

Since the fiscal year ended March 31, 2022, the Company changed its liability cash flow, which is the premise of assessing the duration to outstanding insurance liabilities, from a "Term of future 30 years" to a "Whole period" for the sub-group including Individual life Insurance and Individual Annuities (excluding Whole Life Insurance with variable interest rate accumulation, Accumulation Insurance with variable interest rates and New Single Premium Individual Annuity effective on and after April 2, 2012). This change did not have any effects on the non-consolidated balance sheet and non-consolidated statement of income as of and for the fiscal year ended March 31, 2022.

(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 are translated into Japanese yen at the effective exchange rate prevailing at the balance sheet date.

Note for the fiscal year ended March 31, 2021

Foreign currency-denominated assets and liabilities are translated into Japanese yen at the effective exchange rate prevailing at the balance sheet date, except for foreign stock exchange-traded funds for which hedge accounting is not applied, foreign bond exchange-traded funds for which hedge accounting is not applied and foreign currency-denominated bonds for which hedge accounting is not applied categorized as available-for-sale securities with fair market value. Such securities are translated into Japanese yen at the average of the effective exchange rate during the final month of the fiscal year.

(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 as of March 31, 2022 and 2021 were ¥24 million (US\$0 million) and ¥28 million, respectively.

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

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

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

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

(9) Reserve for price fluctuation

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

(10) Accounting for hedging activities

Hedging activities are accounted for in accordance with the "Accounting Standards for Financial Instruments" (Accounting Standards Board of Japan ("ASBJ") Statement No. 10).

The Company mainly applies the following hedging activities:

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

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

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

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

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

(11) Accounting for consumption taxes

The Company accounts for consumption tax and local consumption tax by the tax-exclusion method. The consumption taxes on certain assets, which are not deductible from consumption taxes withheld and that are stipulated to be deferred under the Corporation Tax Act of Japan, are deferred as 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 by the relevant amounts paid.

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

(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.

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. Accounting Changes

The Company has applied "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, issued on July 4, 2019) and others from the fiscal year ended March 31, 2022. In accordance with the transitional treatment set forth in Paragraph 19 of "Accounting Standard for Fair Value Measurement" and Paragraph 44-2 of "Accounting Standard for Financial Instruments" (ASBJ Statement No.10, July 4, 2019), the Company has applied new accounting policies prospectively. As a result, available-for-sale securities, of which domestic listed stocks, domestic stock exchange-traded funds, domestic listed real estate investment trusts, foreign stock exchange-traded funds for which hedge accounting is not applied, foreign bond exchange-traded funds for which hedge accounting is not applied and foreign currency-denominated bonds for which hedge accounting is not applied, are changed to be stated at fair value based on the market prices at the balance sheet date from fair value based on the average of the market prices during the final month of the fiscal year.

In determining to recognize impairment losses on available-for-sale securities, the Company has used fair value based on the average of market prices during the final month of fiscal year as before.

3. Accounting Standards Issued but Not Yet Effective

The Company and part of its subsidiaries made a request for approval for the application of the group tax sharing system in December 2021 and it is decided to be applied from the fiscal year ending March 31, 2023.

The accounting standard and relevant implementation guidance issued by the fiscal year-end but not yet effective is the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (ASBJ PITF No.42, issued on August 12, 2021) and its contents are as follows:

i) Overview

The practical solution was issued to stipulate the accounting and disclosure treatment of corporate tax, local corporate tax and tax effect accounting when applying the group tax sharing system, following the "Act for Partial Amendment of the Income Tax Act, etc." (Act No.8, 2020) enacted on March 27, 2020 which requires revision of the consolidated taxation system and transition to the group tax sharing system.

ii) Schedule date of application

The practical solution is scheduled to be applied from the beginning of the fiscal year ending March 31, 2023.

iii) Effects of application of the practical solution

The effects of the application are under assessment at the time of preparing these non-consolidated financial statements.

Note for the fiscal year ended March 31, 2021

The accounting standards and relevant implementation guidance issued by the fiscal year-end but not yet effective are as follows:

- "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, issued on July 4, 2019)
- "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, issued on July 4, 2019)
- "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, revised on July 4, 2019)

i) Overview

In these accounting standards and relevant implementation guidance, the guidance on the methods for measuring fair values of financial instruments are set to enhance comparability between Japanese accounting standards and international accounting standards.

ii) Schedule date of application

The above revisions are scheduled to be applied from the beginning of the fiscal year ending March 31, 2022.

iii) Effects of application of the Accounting Standards and relevant implementation guidance

The effects of the application are under assessment at the time of preparing these non-consolidated financial statements.

4. Changes in Reporting Method

Following the revision of the Enforcement Regulation of the Insurance Business Act, claims to be disclosed are classified in the revised categories in the following "Note 9. Claims".

5. 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, 2022 were as follows. The following table does not include cash and deposits, call loans and payables under securities borrowing transactions which are mostly settled in a short term and their fair values approximate their book values.

As of March 31	Millions of Yen		
	2022		
	Balance Sheet Amount	Fair Value	Difference
Monetary claims bought	¥ 22,534	¥ 24,255	¥ 1,720
Held-to-maturity debt securities	21,577	23,297	1,720
Available-for-sale securities	957	957	–
Securities	4,470,179	4,630,876	160,696
Trading securities	26,601	26,601	–
Held-to-maturity debt securities	280,070	310,342	30,272
Policy-reserve-matching bonds	2,028,714	2,159,139	130,424
Available-for-sale securities	2,134,792	2,134,792	–
Loans	311,416	317,500	6,083
Policy loans	32,199	32,199	–
Industrial and consumer loans	279,217	285,301	6,083
Total assets	4,804,130	4,972,631	168,501
Bonds payable	102,424	103,200	776
Loans payable	41,000	42,260	1,260
Total liabilities	143,424	145,460	2,036
Derivative financial instruments	(89,485)	(89,485)	–
Hedge accounting not applied	(2,555)	(2,555)	–
Hedge accounting applied	(86,930)	(86,930)	–

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

As of March 31	Millions of U.S. Dollars		
	2022		
	Balance Sheet Amount	Fair Value	Difference
Monetary claims bought	\$ 184	\$ 198	\$ 14
Held-to-maturity debt securities	176	190	14
Available-for-sale securities	7	7	–
Securities	36,524	37,837	1,312
Trading securities	217	217	–
Held-to-maturity debt securities	2,288	2,535	247
Policy-reserve-matching bonds	16,575	17,641	1,065
Available-for-sale securities	17,442	17,442	–
Loans	2,544	2,594	49
Policy loans	263	263	–
Industrial and consumer loans	2,281	2,331	49
Total assets	39,252	40,629	1,376
Bonds payable	836	843	6
Loans payable	334	345	10
Total liabilities	1,171	1,188	16
Derivative financial instruments	(731)	(731)	–
Hedge accounting not applied	(20)	(20)	–
Hedge accounting applied	(710)	(710)	–

* 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 ¥51,645 million (US\$421 million) as of March 31, 2022.

Investments in partnerships and others for which transitional measures are applied in accordance with Paragraph 27 of "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, issued on July 4, 2019) are not included in the table above. The amount of the investments in partnerships and others, reported in the non-consolidated balance sheet was ¥44,012 million (US\$359 million) as of March 31, 2022.

Notes for the fiscal year ended March 31, 2021

The balance sheet amounts, fair values and the differences between those of major financial assets and liabilities as of March 31, 2021 were as follows:

As of March 31	Millions of Yen		
	2021		
	Balance Sheet Amount	Fair Value	Difference
Cash and deposits	¥ 35,368	¥ 35,368	¥ –
Call loans	113,000	113,000	–
Monetary claims bought	25,094	27,415	2,321
Trading securities	–	–	–
Held-to-maturity debt securities	24,125	26,446	2,321
Policy-reserve-matching bonds	–	–	–
Available-for-sale securities	969	969	–
Securities	4,577,667	4,830,674	253,006
Trading securities	26,307	26,307	–
Held-to-maturity debt securities	296,880	333,953	37,073
Policy-reserve-matching bonds	2,039,060	2,254,994	215,933
Available-for-sale securities	2,215,419	2,215,419	–
Loans	303,451	311,163	7,712
Policy loans	35,182	35,182	–
Industrial and consumer loans	268,268	275,980	7,712
Total assets	5,054,581	5,317,621	263,040
Bonds payable	127,773	130,313	2,540
Payables under securities borrowing transactions	178,810	178,810	–
Loans payable	41,000	42,548	1,548
Total liabilities	347,584	351,673	4,088
Derivative financial instruments	(31,522)	(31,522)	–
Hedge accounting not applied	(1,875)	(1,875)	–
Hedge accounting applied	(29,646)	(29,646)	–

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

- (1) Securities including deposits and monetary claims bought which are treated as securities based on "Accounting Standards for Financial Instruments" (ASBJ Statement No. 10)

As for available-for-sale securities of which market value is readily available, domestic stocks, domestic stock exchange-traded funds, domestic listed real estate investment trusts, foreign stock exchange-traded funds for which hedge accounting is not applied, foreign bond exchange-traded funds for which hedge accounting is not applied and foreign currency-denominated bonds for which hedge accounting is not applied are stated at the average of the market value during the final month of the fiscal year. Available-for-sale securities of which market value is readily available excluding the securities mentioned above are stated at the market value at the balance sheet date.

Other securities of which market value is readily available are stated at market value at the balance sheet date.

Unlisted stocks and others, including investments in subsidiaries and affiliates, of which market value is not readily available are not subject to fair value disclosure and are therefore not included in the table above because it is regarded as extremely difficult to determine their fair value.

The amount of the unlisted stocks and others, including investments in subsidiaries and affiliates, reported in the non-consolidated balance sheet was ¥34,653 million as of March 31, 2021.

(2) Loans and loans payable

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 the assumption that fair value approximates book value in light of factors such as projected repayment period and interest terms.

As for industrial and consumer loans and loans payable, the fair value of loans is primarily stated at theoretical prices calculated by discounting the future cash flows to the present value. 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.

(3) Bonds payable

The fair value of bonds payable is based on the market value, etc. as of March 31, 2021.

(4) Payables under securities borrowing transactions

The Company considers book value as fair value with the assumption that fair value approximates book value.

(5) Derivative financial instruments

The fair values of stock options and currency options traded over the counter are based on the quoted prices offered by counterparty financial institutions.

The fair values of foreign currency forward contracts are stated at theoretical prices based on the TTM at the balance sheet date.

Regarding the derivative transactions for which designated hedge accounting ("Furiate-shori") of currency swaps is applied, these fair values are included in bonds payable since they are treated together with hedged bonds payable.

6. 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	Millions of Yen			
	2022			
	Fair Value			
	Level 1	Level 2	Level 3	Total
Monetary claims bought	¥ –	¥ –	¥ 957	¥ 957
Available-for-sale securities	–	–	957	957
Securities*1	580,435	1,169,127	29,482	1,779,045
Trading securities	24,719	1,882	–	26,601
National government bonds and local government bonds	5,830	–	–	5,830
Corporate bonds	–	902	–	902
Domestic stocks	7,914	–	–	7,914
Foreign stocks	8,269	–	–	8,269
Foreign bonds	2,705	979	–	3,684
Available-for-sale securities	555,716	1,167,245	29,482	1,752,444
National government bonds and local government bonds	39,829	685	–	40,514
Corporate bonds	–	426,840	–	426,840
Domestic stocks	413,036	–	–	413,036
Foreign bonds	102,850	739,719	29,482	872,053
Total assets	580,435	1,169,127	30,440	1,780,003
Derivative financial instruments*2	–	(89,755)	270	(89,485)
Currency-related	–	(89,755)	–	(89,755)
Stock-related	–	–	270	270

*1 Investment trusts for which transitional measures are applied in accordance with Paragraph 26 of "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, issued on July 4, 2019) are not included in the table above. The balance sheet amount of the investment trusts was ¥382,348 million (US\$3,124 million) as of March 31, 2022.

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

As of March 31	Millions of U.S. Dollars			
	2022			
	Fair Value			
	Level 1	Level 2	Level 3	Total
Monetary claims bought	\$ –	\$ –	\$ 7	\$ 7
Available-for-sale securities	–	–	7	7
Securities*1	4,742	9,552	240	14,535
Trading securities	201	15	–	217
National government bonds and local government bonds	47	–	–	47
Corporate bonds	–	7	–	7
Domestic stocks	64	–	–	64
Foreign stocks	67	–	–	67
Foreign bonds	22	8	–	30
Available-for-sale securities	4,540	9,537	240	14,318
National government bonds and local government bonds	325	5	–	331
Corporate bonds	–	3,487	–	3,487
Domestic stocks	3,374	–	–	3,374
Foreign bonds	840	6,043	240	7,125
Total assets	4,742	9,552	248	14,543
Derivative financial instruments*2	–	(733)	2	(731)
Currency-related	–	(733)	–	(733)
Stock-related	–	–	2	2

*1 Investment trusts for which transitional measures are applied in accordance with Paragraph 26 of "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, issued on July 4, 2019) are not included in the table above. The balance sheet amount of the investment trusts was ¥382,348 million (US\$3,124 million) as of March 31, 2022.

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

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

Millions of Yen

As of March 31	2022			
	Fair Value			
	Level 1	Level 2	Level 3	Total
Monetary claims bought	¥ –	¥ –	¥ 23,297	¥ 23,297
Held-to-maturity debt securities	–	–	23,297	23,297
Securities	1,752,190	592,381	124,909	2,469,481
Held-to-maturity debt securities	36,939	148,494	124,909	310,342
National government bonds and local government bonds	36,939	–	–	36,939
Corporate bonds	–	92,900	–	92,900
Foreign bonds	–	55,594	124,909	180,503
Policy-reserve-matching bonds	1,715,251	443,887	–	2,159,139
National government bonds and local government bonds	1,715,251	51,082	–	1,766,334
Corporate bonds	–	392,804	–	392,804
Loans	–	–	317,500	317,500
Policy loans	–	–	32,199	32,199
Industrial and consumer loans	–	–	285,301	285,301
Total assets	1,752,190	592,381	465,707	2,810,279
Bonds payable	–	103,200	–	103,200
Loans payable	–	–	42,260	42,260
Total liabilities	–	103,200	42,260	145,460

Millions of U.S. Dollars

As of March 31	2022			
	Fair Value			
	Level 1	Level 2	Level 3	Total
Monetary claims bought	\$ –	\$ –	\$ 190	\$ 190
Held-to-maturity debt securities	–	–	190	190
Securities	14,316	4,840	1,020	20,177
Held-to-maturity debt securities	301	1,213	1,020	2,535
National government bonds and local government bonds	301	–	–	301
Corporate bonds	–	759	–	759
Foreign bonds	–	454	1,020	1,474
Policy-reserve-matching bonds	14,014	3,626	–	17,641
National government bonds and local government bonds	14,014	417	–	14,432
Corporate bonds	–	3,209	–	3,209
Loans	–	–	2,594	2,594
Policy loans	–	–	263	263
Industrial and consumer loans	–	–	2,331	2,331
Total assets	14,316	4,840	3,805	22,961
Bonds payable	–	843	–	843
Loans payable	–	–	345	345
Total liabilities	–	843	345	1,188

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

Fair values of investment trusts are measured at the disclosed net asset value and others. Investment trusts for which transitional measures are applied in accordance with Paragraph 26 of "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, issued on July 4, 2019) are not categorized into any level.

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 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

Millions of Yen

For the year ended March 31, 2022	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	¥ 969	¥ 26,853	¥ 27,822	¥ –
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* ¹	16	75	91	(24)
Net unrealized gains (losses) on available-for-sale securities, net of tax recorded for the fiscal year	(20)	2,406	2,385	(24)
Net amount of purchase, sale, issue, and settlement	36	(2,330)	(2,293)	–
Transfer to fair values of Level 3	(28)	10,711	10,682	294
Transfer from fair values of Level 3* ²	–	–	–	–
Ending balance	–	(8,157)	(8,157)	–
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	957	29,482	30,440	270
	–	2,406	2,406	(24)

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

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

Millions of U.S. Dollars

For the year ended March 31, 2022	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	\$ 7	\$ 219	\$ 227	\$ –
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* ¹	0	0	0	(0)
Net unrealized gains (losses) on available-for-sale securities, net of tax recorded for the fiscal year	(0)	19	19	(0)
Net amount of purchase, sale, issue, and settlement	0	(19)	(18)	–
Transfer to fair values of Level 3	(0)	87	87	2
Transfer from fair values of Level 3* ²	–	–	–	–
Ending balance	–	(66)	(66)	–
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	7	240	248	2
	–	19	19	(0)

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

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

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.

7. 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 ¥242,418million (US\$1,980 million) and ¥285,844 million (US\$2,335 million) as of March 31, 2022 and ¥247,811 million and ¥289,679 million as of March 31, 2021, respectively. 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.

8. Securities Lent under Lending Agreements

The amounts of securities lent under lending agreements were ¥218,367 million (US\$1,784 million) and ¥265,606 million as of March 31, 2022 and 2021, respectively.

9. 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 ¥609 million (US\$4 million) as of March 31, 2022.

- i) Claims against bankrupt and quasi-bankrupt obligors were ¥453 million (US\$3 million) as of March 31, 2022.
- ii) Claims with collection risk were ¥70 million (US\$0 million) as of March 31, 2022.
- iii) Delinquent loans three or more months past due were ¥66 million (US\$0 million) as of March 31, 2022.
- iv) Restructured loans were ¥20 million (US\$0 million) as of March 31, 2022.

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

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

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

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

The direct write-offs related to claims decreased the amount of claims against bankrupt and quasi-bankrupt obligors described above by ¥24 million (US\$0 million) as of March 31, 2022.

Note for the fiscal year ended March 31, 2021

Loans

The total amount of loans to bankrupt borrowers, delinquent loans, delinquent loans three or more months past due and restructured loans, which were included in loans, was ¥677 million as of March 31, 2021.

- i) Loans to bankrupt borrowers were ¥0 million as of March 31, 2021.
- ii) Delinquent loans were ¥563 million as of March 31, 2021.
- iii) Delinquent loans three or more months past due were ¥94 million as of March 31, 2021.
- iv) Restructured loans were ¥20 million as of March 31, 2021.

Loans to bankrupt borrowers represent loans, excluding the balances already written-off, which meet the conditions prescribed in Article 96, Paragraph 1, Items 3 and 4 of the Enforcement Regulations of the Corporate Tax Act. Moreover, accruing interest on these loans is not recorded as income after determining that principal or interest on these loans is unlikely to be collected due to the significant delay in repayment of principal or interest payments or for other reasons.

Accruing interest on delinquent loans is not recorded as income due to the same reasons as described above, and delinquent loans exclude loans to bankrupt borrowers and loans for which interest payments have been suspended and rescheduled to assist and support the borrowers in the restructuring of their businesses.

Delinquent loans three or more months past due are loans for which interest payments or repayments of principal are delinquent for three months or more from the due dates under the terms of the related loan agreements, excluding those loans classified as loans to bankrupt borrowers and delinquent loans.

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

The direct write-offs related to loans decreased the amount of loans to bankrupt borrowers described above by ¥3 million as of March 31, 2021.

In addition, the direct write-offs related to loans decreased the amount of delinquent loans described above by ¥25 million as of March 31, 2021.

10. Accumulated Depreciation of Tangible Fixed Assets

Accumulated depreciation of tangible fixed assets totaled ¥286,537 million (US\$2,341 million) and ¥285,435 million as of March 31, 2022 and 2021, respectively.

11. Separate Accounts

Total assets in separate accounts provided for in Article 118 of the Insurance Business Act were ¥28,175 million (US\$230 million) and ¥28,078 million as of March 31, 2022 and 2021, respectively. The amounts of separate account liabilities were the same as separate account assets.

12. Receivables from/Payables to Subsidiaries

The total amounts of receivables from/payables to subsidiaries were ¥386 million (US\$3 million) and ¥2,158 million (US\$17 million) as of March 31, 2022 and ¥430 million and ¥2,104 million as of March 31, 2021, respectively.

13. Deferred Taxes

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

As of March 31	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Deferred tax assets	¥ 68,186	¥ 65,571	\$ 557
Valuation allowance for deferred tax assets	13,897	14,467	113
Subtotal	54,288	51,104	443
Deferred tax liabilities	57,911	73,930	473
Net deferred tax assets (liabilities)	¥ (3,622)	¥ (22,826)	\$ (29)

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

As of March 31	Millions of Yen
	2022
Deferred tax assets	
Contingency reserve	¥ 21,731
Reserve for price fluctuation	13,450
Reserve for employees' retirement benefits	8,327
Impairment losses	7,223
Net unrealized losses on available-for-sale securities	4,394
Deferred tax liabilities	
Net unrealized gains on available-for-sale securities	56,416

As of March 31	Millions of Yen
	2021
Deferred tax assets	
Contingency reserve	¥ 17,422
Reserve for price fluctuation	12,744
Reserve for employees' retirement benefits	8,608
Impairment losses	7,930
Net unrealized losses on available-for-sale securities	5,406
Losses on valuation of securities	4,106
Deferred tax liabilities	
Net unrealized gains on available-for-sale securities	72,520

As of March 31	Millions of U.S. Dollars
	2022
Deferred tax assets	
Contingency reserve	\$ 177
Reserve for price fluctuation	109
Reserve for employees' retirement benefits	68
Impairment losses	59
Net unrealized losses on available-for-sale securities	35
Deferred tax liabilities	
Net unrealized gains on available-for-sale securities	460

- (2) The statutory tax rates were 27.9% and 27.9% for the fiscal years ended March 31, 2022 and 2021, respectively. The main factors causing the differences between the statutory tax rates and the actual effective tax rates after considering deferred taxes were as follows:

For the year ended March 31	2022
Interest on foundation funds	(4.0)%
Change of valuation allowance for deferred tax assets	(3.2)%

For the year ended March 31	2021
Change of valuation allowance for deferred tax assets	(4.5)%
Interest on foundation funds	(4.0)%
Reserve for dividends to policyholders	(1.9)%

14. Reserve for Dividends to Policyholders

For the years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Balance at the beginning of the fiscal year	¥ 30,050	¥ 32,073	\$ 245
Transfer to reserve from surplus in the previous fiscal year	2,153	1,794	17
Dividends to policyholders paid out during the fiscal year	3,562	3,820	29
Increase in interest	3	3	0
Balance at the end of the fiscal year	¥ 28,644	¥ 30,050	\$ 234

15. Stocks of Subsidiaries and Affiliates

The amounts of stocks of subsidiaries and affiliates the Company held as of March 31, 2022 and 2021 were ¥37,377 million (US\$305 million) and ¥21,367 million, respectively.

The Company provided capital of ¥17,000 million (US\$138 million) to Nanairo Life Insurance Co., Ltd. on April 15, 2022.

16. Pledged Assets

Assets pledged as collateral as of March 31, 2022 and 2021 were securities in the amount of ¥80,591 million (US\$658 million) and ¥32,653 million, respectively.

17. 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") were ¥9 million (US\$0 million) and ¥6 million as of March 31, 2022 and 2021, respectively.

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 ¥373 million (US\$3 million) and ¥359 million as of March 31, 2022 and 2021, respectively.

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

The total amounts 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 were ¥174,218 million (US\$1,423 million) and ¥213,482 million as of March 31, 2022 and 2021, respectively.

19. Assets with Rights to Sell

The Company has the legal right to sell or collateralize securities borrowed under loan agreements.

The market values of these assets that were not sold or pledged as collateral as of March 31, 2022 and 2021 were ¥25,709 million (US\$210 million) and ¥72,634 million, respectively. No assets were pledged as collateral as of March 31, 2022 and 2021.

20. Commitment Line

As of March 31, 2022 and 2021, there were unused commitment line agreements under which the Company is the lender of ¥13,947 million (US\$113 million) and ¥10,240 million, respectively.

21. Subordinated Bonds Payable

As of March 31, 2022 and 2021, bonds payable are subordinated bonds payable, for which the repayments are subordinated to other obligations.

22. Subordinated Loans Payable

As of March 31, 2022 and 2021, loans payable are subordinated loans payable, for which the repayments are subordinated to other obligations.

23. Contributions to Policyholders Protection Corporation

The estimated future contributions to the Life Insurance Policyholders Protection Corporation of Japan under Article 259 of the Insurance Business Act as of March 31, 2022 and 2021 were ¥8,260 million (US\$67 million) and ¥8,016 million, respectively. These contributions are charged as operating expenses in the fiscal years in which they are paid.

24. 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

For the years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Retirement benefit obligations at the beginning of the fiscal year	¥ 40,365	¥ 41,291	\$ 329
Service cost	1,808	1,829	14
Interest cost	403	412	3
Actuarial difference occurred during the fiscal year	514	866	4
Retirement benefit payments	(3,602)	(4,035)	(29)
Retirement benefit obligations at the end of the fiscal year	¥ 39,489	¥ 40,365	\$ 322

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

For the years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Pension plan assets at the beginning of the fiscal year	¥ 7,912	¥ 6,507	\$ 64
Expected return on pension plan assets	62	55	0
Actuarial difference occurred during the fiscal year	(809)	1,371	(6)
Contributions by the employer	155	151	1
Retirement benefit payments	(197)	(174)	(1)
Pension plan assets at the end of the fiscal year	¥ 7,123	¥ 7,912	\$ 58

- 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 sheets

As of March 31	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
a. Funded plan retirement benefit obligation	¥ 39,489	¥ 40,365	\$ 322
b. Pension plan assets	(7,123)	(7,912)	(58)
c. a + b	32,365	32,452	264
d. Unrecognized actuarial differences	(2,836)	(1,829)	(23)
e. Net amount of liabilities and assets presented on the non-consolidated balance sheet	29,529	30,623	241
f. Reserve for employees' retirement benefits	29,847	30,856	243
g. Prepaid pension cost	(318)	(233)	(2)
h. Net amount of liabilities and assets presented on the non-consolidated balance sheet	¥ 29,529	¥ 30,623	\$ 241

- iv) Breakdown of retirement benefit expenses

For the years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Service cost	¥ 1,808	¥ 1,829	\$ 14
Interest cost	403	412	3
Expected return on pension plan assets	(62)	(55)	(0)
Amortization of actuarial differences	317	95	2
Retirement benefit expenses related to defined benefit plan	¥ 2,466	¥ 2,281	\$ 20

- 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	2022	2021
Stocks	38%	45%
Bonds	10%	9%
Others	52%	46%
Total	100%	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	2022	2021
Discount rate	1.0%	1.0%
Expected long-term rate of return on pension plan assets	0.8%	0.9%
Defined benefit corporate pension plans	1.6%	1.6%

25. Subsequent Events

The Company resolved to redeem ¥40,000 million (US\$326 million) of foundation funds, which is part of ¥80,000 million of foundation funds offered in August 2015, on August 1, 2022, prior to the redemption date, at the meeting of Board of Directors on May 19, 2022. Accompanying the redemption, the same amount is scheduled to be transferred from reserve for fund redemption to reserve for redemption of foundation funds in accordance with Article 56 of the Insurance Business Act.

III. Notes to Non-consolidated Statements of Income

1. Transactions with Subsidiaries and Affiliates

The total amounts of revenues and expenditures in connection with subsidiaries and affiliates were ¥623 million (US\$5 million) and ¥9,338 million (US\$76 million) for the fiscal year ended March 31, 2022 and ¥1,067 million and ¥9,020 million for the fiscal year ended March 31, 2021, respectively.

2. Investment Income and Expenses

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

For the years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Domestic bonds	¥ 4,943	¥ 9,357	\$ 40
Domestic stocks and other securities	6,238	3,331	50
Foreign securities	767	2,559	6

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

For the years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Domestic bonds	¥ 1,073	¥ 892	\$ 8
Domestic stocks and other securities	1,448	1,893	11
Foreign securities	8,655	2,733	70

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

For the years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Domestic stocks and other securities	¥ 272	¥ 17	\$ 2
Foreign securities	1	1	0

Losses on trading securities were losses on sales of ¥1,133 million (US\$9 million) and losses on sales of ¥485 million for the fiscal years ended March 31, 2022 and 2021, respectively.

Losses on derivative financial instruments included net valuation gains of ¥641 million (US\$5 million) and losses of ¥2,667 million for the fiscal years ended March 31, 2022 and 2021, respectively.

3. Policy Reserves for the Reinsurance Contracts

Provision for reserve for outstanding claims for ceded reinsurance, which was deducted in calculating provision for reserve for outstanding claims for the fiscal year ended March 31, 2022 was ¥2 million (US\$0 million).

Provision for reserve for outstanding claims for ceded reinsurance, which was added in calculating reversal of reserve for outstanding claims for the fiscal year ended March 31, 2021 was ¥0 million.

Provision for policy reserves for ceded reinsurance, which was added in calculating reversal of policy reserves for the fiscal year ended March 31, 2022 was ¥13 million (US\$0 million).

Reversal of policy reserves for ceded reinsurance, which was deducted in calculating reversal of policy reserves for the fiscal year ended March 31, 2021 was ¥6 million.

4. Impairment Losses of Fixed Assets

For the fiscal years ended March 31, 2022 and 2021, 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 sheets.

Note for the fiscal year ended March 31, 2021

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.

(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

For the years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Real estate for rent:			
Land	¥ –	¥ 721	\$ –
Building	–	156	–
Total real estate for rent (i)	–	877	–
Real estate not in use:			
Land	622	457	5
Building	526	141	4
Total real estate not in use (ii)	1,149	598	9
Real estate scheduled to be sold:			
Land	–	1,309	–
Building	–	185	–
Total real estate scheduled to be sold (iii)	–	1,494	–
Total:			
Land	622	2,488	5
Building	526	483	4
Total (i) + (ii) + (iii)	¥ 1,149	¥ 2,971	\$ 9

(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 3.3% and 3.4% for the fiscal years ended March 31, 2022 and 2021, respectively. 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. Extraordinary Losses

Note for the fiscal year ended March 31, 2021

The expenses related to salary guarantees for sales representatives and others as countermeasures to prevent the spread of COVID-19 for the fiscal year ended March 31, 2021 were ¥1,572 million, which were included in other extraordinary losses.

The non-consolidated financial statements in this annual report have been audited by Ernst & Young ShinNihon LLC, an independent certified public accountant.

11. Company Overview (as of March 31, 2022)



Tokyo Head Office



Tama Head Office

Company Name:	Asahi Mutual Life Insurance Company
Founded:	March 1, 1888
Total Assets:	5.5041 trillion yen
Number of Offices:	58 branches; 568 sales offices (as of April 1, 2022)
Number of Employees:	18,345 (office staff: 4,104; sales representatives: 14,241)
Location of Tokyo Head Office:	6-1, Yotsuya 1-chome, Shinjuku-ku, Tokyo 160-8570, Japan Tel: 81-3-4214-3111