
Financial Results for the Six Months Ended September 30, 2023

Nippon Life Insurance Company (the “Company,” President: Hiroshi Shimizu) announces financial results for the six months ended September 30, 2023.

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Attached: Supplementary Materials for the Six Months Ended September 30, 2023

1. Business Highlights

(1) Annualized Premium

- Policies in Force

(100 Million Yen, %)

	As of September 30, 2023		As of March 31, 2023
		As a percentage of March 31, 2023	
Individual insurance	26,651	100.7	26,462
Individual annuities	10,808	98.7	10,954
Total	37,460	100.1	37,417
Medical coverages, living benefits, and others	6,813	99.8	6,830

- New Policies

(100 Million Yen, %)

	Six months ended September 30, 2023		Six months ended September 30, 2022
		As a percentage of six months ended September 30, 2022	
Individual insurance	1,105	121.3	911
Individual annuities	121	81.7	148
Total	1,226	115.8	1,059
Medical coverages, living benefits, and others	197	90.1	218

Notes: 1. The amount of annualized premium is calculated by multiplying a single premium payment by a factor according to the premium payment method (for single premium policies, the annualized amount is the total premium divided by the insured period).
2. The amount of medical coverages, living benefits, and others represents annualized premium related to medical benefits (hospitalization benefits and surgical benefits), living benefits (specified illness benefits and nursing care benefits), and waiver of premium benefits (excluding disability benefits alone, but including specified illness and nursing care benefits).
3. Annualized new policy premium includes net increases due to conversions.

(2) Amount of Policies in Force and New Policies

• Policies in Force

	As of September 30, 2023				As of March 31, 2023	
	Number of policies		Amount of policies		Number of policies (thousands)	Amount of policies (100 million yen)
	(thousands)	As a percentage of March 31, 2023 (%)	(100 million yen)	As a percentage of March 31, 2023(%)		
Individual insurance	30,755	99.8	1,218,257	98.3	30,814	1,239,244
Individual annuities	4,138	99.2	250,022	99.1	4,173	252,402
Group insurance	—	—	977,589	100.3	—	975,018
Group annuities	—	—	140,347	99.6	—	140,926

Notes: 1. The amount of individual annuities is the total of (a) annuity resources at the start of annuity payments for policies prior to the start of annuity payments and (b) policy reserves for policies after the start of annuity payments.
2. The amount of group annuities is the amount of the policy reserves.

• New Policies

	Six months ended September 30, 2023						Six months ended September 30, 2023			
	Number of policies		Amount of policies				Number of policies (thousands)	Amount of policies		
	(thousands)	As a percentage of six months ended September 30, 2022 (%)	(100 million yen)	As a percentage of six months ended September 30, 2022 (%)	New policies	Net increase by conversion		(100 million yen)	New policies	Net increase by conversion
Individual insurance	1,723	79.3	21,223	90.9	25,486	(4,263)	2,172	23,356	24,687	(1,331)
Individual annuities	62	103.4	3,291	89.6	3,418	(127)	60	3,671	3,710	(38)
Group insurance	—	—	5,168	65.5	5,168		—	7,894	7,894	
Group annuities	—	—	0	26.7	0		—	3	3	

Notes: 1. New policies include enrollment using the coverage enhancement system, and conversion indicates enrollment using the coverage revision system and partial coverage revision system.
2. The number of policies includes policies that were converted into new policies.
3. The amount of new policies and net increase in policies by conversion for individual annuities represent annuity resources at the start of annuity payments.
4. The amount of new policies for group annuities represents the first-time premium.

2. Overview of General Accounts Asset Management for the Six Months Ended September 30, 2023

(1) Investment Environment

In the six months ended September 30, 2023, as overseas interest rates rose substantially, reflecting persistently high inflation and firm business conditions worldwide, Japan saw the yen weaken further due to a growing divergence in domestic and overseas interest rates, despite a rise in domestic interest rates due to the Bank of Japan expanding flexibility in the conduct of yield curve control (YCC). In addition, the investment environment remained uncertain, due to factors such as increased stock price volatility in response to concerns about an economic slowdown, persistent geopolitical risk, and certain other issues, even while corporate business performance remained firm.

- The Nikkei Stock Average at the start of the fiscal year was ¥28,188. Subsequently, the index surged significantly, briefly reaching a high-price range not seen in 33 years, owing mostly to large net buying by overseas investors and excellent earnings by domestic companies. It then fell, mainly reflecting concerns about economic deceleration as a result of extended monetary tightening in several overseas countries. The index finished at ¥31,857 at the end of September 2023.
- The yield rate on 10-year Japanese government bonds at the start of the fiscal year was 0.37%. Thereafter, the yield rate rose substantially amid rising expectations for further modifications to the Bank of Japan's monetary easing policy, in addition to the Bank of Japan expanding flexibility in the conduct of yield curve control (YCC) in July. The yield rate stood at 0.77% at the end of September 2023.
- The yen-dollar exchange rate at the start of the fiscal year was at the ¥133 level. Thereafter, the yen weakened against the dollar, mainly reflecting persistently high inflation in the United States and resulting concerns about extended monetary tightening by the Federal Reserve Board (FRB). The yen-dollar exchange rate was ¥149.58 at the end of September 2023.
- The yen-euro exchange rate at the start of the fiscal year was at the ¥143 level. Subsequently, the yen weakened against the euro, reflecting a growing interest rate divergence due to monetary policy differences between Japan and the euro zone. The yen-euro exchange rate was ¥158.00 at the end of September.

(2) Investment Policy

Based on the Company's Asset Liability Management philosophy of comprehensively controlling assets and liabilities, the Company has built a portfolio geared towards medium- to long-term investment and formulated an investment plan considering the outlook of the investment environment.

Specifically, to provide the stable rate of return that the Company promised to policyholders in the long term, the Company has positioned yen-denominated assets that can be expected to provide stable income, such as bonds and loans, as the Company's core assets. Also, while focusing on improving its profitability and increasing profits for policyholders from a medium- to long-term viewpoint and taking into account business stability, the Company has invested in stocks and foreign securities within the scope of acceptable risk. From the perspective of diversifying profit-making opportunities, while continuously paying enough attention to asset allocation and risks, the Company is steadily pursuing investments that can yield surplus income, such as corporate bonds and securitized products, as well as investments in private equities and foreign real estate and infrastructure.

(3) Status of Investment Income/Expense

Investment income was ¥1,133.2 billion, a decrease from ¥1,357.6 billion in the six months ended September 30, 2022. The main factor behind this decrease was a decrease in gain on sale of securities

Investment expenses amounted to ¥429.6 billion, a decrease from ¥497.8 billion in the six months ended September 30, 2022. The main factor behind this decrease was a decrease in loss on sales of securities

As a result, the Company's net investment income decreased by ¥156.1 billion, compared with the same period of the previous fiscal year, to ¥703.5 billion.

3. Investment Management Performance (General Account)

(1) Asset Composition

(100 Million Yen, %)

	As of September 30, 2023		As of March 31, 2023	
	Amount	%	Amount	%
Cash, deposits, and call loans	8,782	1.1	8,990	1.2
Receivables under resale agreements	—	—	—	—
Receivables under securities borrowing transactions	—	—	—	—
Monetary receivables purchased	1,251	0.2	1,245	0.2
Proprietary trading securities	—	—	—	—
Assets held in trust	—	—	—	—
Investments in securities:	655,464	84.1	624,904	83.9
Domestic bonds	306,128	39.3	301,563	40.5
Domestic stocks	119,259	15.3	102,536	13.8
Foreign securities:	202,047	25.9	189,544	25.5
Foreign bonds	111,017	14.2	100,729	13.5
Foreign stocks and other securities	91,029	11.7	88,814	11.9
Other securities	28,028	3.6	31,259	4.2
Loans:	80,599	10.3	77,946	10.5
Policy loans	4,295	0.6	4,378	0.6
Industrial and consumer loans	76,303	9.8	73,568	9.9
Real estate:	17,117	2.2	17,050	2.3
Investment properties	11,258	1.4	11,095	1.5
Deferred tax assets	—	—	—	—
Other assets	16,424	2.1	14,523	2.0
Allowance for doubtful accounts	(75)	(0.0)	(85)	(0.0)
Total assets (general account):	779,563	100.0	744,574	100.0
Foreign currency-denominated assets	198,091	25.4	181,340	24.4

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

(2) Increases/Decreases in Assets

(100 Million Yen)

	Six months ended September 30, 2023	Six months ended September 30, 2022
Cash, deposits, and call loans	(207)	724
Receivables under resale agreements	—	—
Receivables under securities borrowing transactions	—	—
Monetary receivables purchased	6	(151)
Proprietary trading securities	—	—
Assets held in trust	—	—
Investments in securities:	30,599	(17,080)
Domestic bonds	4,564	6,147
Domestic stocks	16,723	(6,464)
Foreign securities:	12,502	(16,125)
Foreign bonds	10,288	(19,333)
Foreign stocks and other securities	2,214	3,207
Other securities	(3,230)	(638)
Loans:	2,652	1,931
Policy loans	(82)	(100)
Industrial and consumer loans	2,735	2,031
Real estate:	66	44
Investment properties	162	160
Deferred tax assets	—	584
Other assets	1,901	3,657
Allowance for doubtful accounts	10	(5)
Total assets (general account):	34,988	(10,296)
Foreign currency-denominated assets	16,751	(14,570)

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

(3) Investment Income

(100 Million Yen)

	Six months ended September 30, 2023	Six months ended September 30, 2022
Interest, dividends, and other income:	7,902	8,003
Interest on deposits and savings	34	13
Interest on securities and dividends	6,463	6,802
Interest on loans	773	564
Real estate rental income	572	561
Other income	58	61
Gain on proprietary trading securities	—	—
Gain from assets held in trust, net	—	—
Gain on trading securities	—	—
Gain on sales of securities:	2,214	4,754
Gain on sales of domestic bonds, including national government bonds	374	559
Gain on sales of domestic stocks and other securities	873	1,608
Gain on sales of foreign securities	966	2,586
Other gains	—	—
Gain on redemptions of securities	—	—
Gain on derivative financial instruments, net	—	—
Foreign exchange gains, net	1,139	753
Reversal of allowance for doubtful accounts	10	—
Reversal of allowance for investment loss	62	58
Other investment income	3	6
Total	11,332	13,576

Note: For the six months ended September 30, 2022, gain on cancellation of investment trusts has been reclassified from interest, dividends, and other income to gain on sales of securities.

(4) Investment Expenses

(100 Million Yen)

	Six months ended September 30, 2023	Six months ended September 30, 2022
Interest expenses	199	194
Loss on proprietary trading securities	—	—
Loss from assets held in trust, net	—	—
Loss on trading securities	—	—
Loss on sales of securities:	2,364	4,232
Loss on sales of domestic bonds, including national government bonds	1,413	606
Loss on sales of domestic stocks and other securities	443	189
Loss on sales of foreign securities	507	3,435
Other losses	—	0
Loss on valuation of securities:	18	49
Loss on valuation of domestic bonds, including national government bonds	—	—
Loss on valuation of domestic stocks and other securities	18	45
Loss on valuation of foreign securities	—	4
Other losses	—	—
Loss on redemptions of securities	—	—
Loss on derivative financial instruments, net	1,307	83
Foreign exchange losses, net	—	—
Provision for allowance for doubtful accounts	—	37
Provision for allowance for investment loss	—	—
Write-offs of loans	—	—
Depreciation of real estate for rental use and other assets	100	94
Other investment expenses	306	286
Total	4,296	4,987

(5) Net Valuation Gains/Losses on Trading Securities

There were no such net valuation gains/losses as of March 31, 2023 and September 30, 2023.

(6) Fair Value Information of Securities (With Fair Value, Other Than Trading Securities)

(100 Million Yen)

		As of September 30, 2023					As of March 31, 2023				
		Book value	Fair value	Net gains/losses	Gains	Losses	Book value	Fair value	Net gains/losses	Gains	Losses
	Policy-reserve-matching bonds	275,517	267,793	(7,723)	10,918	(18,642)	270,389	277,247	6,857	17,340	(10,483)
	Held-to-maturity debt securities	—	—	—	—	—	—	—	—	—	—
	Investments in subsidiaries and affiliates	1,286	3,249	1,962	1,962	—	1,286	2,141	855	855	—
	Available-for-sale securities:	273,591	364,467	90,876	101,084	(10,207)	266,348	339,389	73,040	80,864	(7,823)
	Domestic bonds	33,383	32,948	(434)	943	(1,378)	32,676	33,432	756	1,178	(422)
	Domestic stocks	39,580	112,588	73,007	73,369	(361)	39,699	95,854	56,155	57,014	(859)
	Foreign securities:	170,841	189,633	18,791	25,667	(6,875)	161,665	177,985	16,320	21,667	(5,347)
	Foreign bonds	99,731	109,408	9,676	12,610	(2,933)	91,399	99,423	8,023	10,464	(2,440)
	Foreign stocks and other securities	71,109	80,225	9,115	13,057	(3,941)	70,265	78,562	8,296	11,203	(2,906)
	Other securities	27,114	26,635	(478)	1,103	(1,582)	30,081	29,897	(183)	1,003	(1,187)
	Monetary receivables purchased	246	237	(9)	0	(10)	149	143	(6)	0	(6)
	Negotiable certificates of deposit	2,425	2,424	(0)	0	(0)	2,076	2,075	(0)	0	(0)
Total		550,394	635,510	85,116	113,965	(28,849)	538,024	618,778	80,753	99,060	(18,307)
	Domestic bonds	306,563	298,274	(8,288)	11,715	(20,004)	300,807	308,320	7,512	18,407	(10,894)
	Domestic stocks	39,580	112,588	73,007	73,369	(361)	39,699	95,854	56,155	57,014	(859)
	Foreign securities:	173,441	194,320	20,879	27,760	(6,881)	164,098	181,351	17,253	22,607	(5,354)
	Foreign bonds	101,054	110,858	9,803	12,743	(2,939)	92,555	100,659	8,103	10,551	(2,447)
	Foreign stocks and other securities	72,386	83,462	11,075	15,017	(3,941)	71,542	80,692	9,149	12,056	(2,906)
	Other securities	27,123	26,647	(476)	1,105	(1,582)	30,090	29,909	(181)	1,006	(1,187)
	Monetary receivables purchased	1,260	1,254	(6)	14	(20)	1,252	1,266	14	25	(11)
	Negotiable certificates of deposit	2,425	2,424	(0)	0	(0)	2,076	2,075	(0)	0	(0)

Notes: 1. The table above includes securities that are deemed appropriate as securities under the Financial Instruments and Exchange Act in Japan.

2. The above table excludes items such as stocks without market prices and entities such as partnerships.

[Book Value of Stocks without Market Prices and Entities such as Partnerships]

(100 Million Yen)

	As of September 30, 2023	As of March 31, 2023
Investments in subsidiaries and affiliates	15,177	14,757
Available-for-sale securities:	2,045	2,041
Unlisted domestic stocks	551	561
Unlisted foreign stocks	0	0
Others	1,493	1,479
Total	17,222	16,799

Note: Of stocks without market prices and entities such as partnerships, the net gains (losses) on currency exchange valuation of assets denominated in foreign currencies were as follows: ¥227.5 billion and ¥120.5 billion as of September 30, 2023, and March 31, 2023, respectively.

(7) Fair Value Information of Assets Held in Trust

There were no ending balances as of September 30, 2023, and March 31, 2023.

4. Nonconsolidated Balance Sheets

	(Million Yen)	
	As of September 30, 2023	As of March 31, 2023
Assets:		
Cash and deposits	756,058	744,569
Call loans	358,719	426,706
Monetary receivables purchased	125,138	124,514
Investments in securities:	66,337,335	63,234,750
National government bonds	28,098,379	27,526,011
Local government bonds	886,904	905,096
Corporate bonds	1,978,812	2,029,531
Domestic stocks	11,967,747	10,312,131
Foreign securities	20,388,680	19,122,228
Loans:	8,059,929	7,794,689
Policy loans	429,596	437,868
Industrial and consumer loans	7,630,332	7,356,821
Tangible fixed assets	1,728,347	1,723,066
Intangible fixed assets	188,701	187,716
Reinsurance receivables	522	269
Other assets	1,557,863	1,342,332
Customers' liability for acceptances and guarantees	62,688	62,486
Allowance for doubtful accounts	(7,522)	(8,530)
Allowance for investment loss	(22,301)	(28,502)
Total assets	79,145,480	75,604,068
Liabilities:		
Policy reserves and other reserves:	61,701,410	60,951,264
Reserve for outstanding claims	193,743	203,782
Policy reserves	60,339,224	59,675,536
Reserve for dividends to policyholders	1,168,442	1,071,945
Reinsurance payables	444	394
Corporate bonds	1,400,719	1,263,265
Other liabilities:	5,759,752	4,283,512
Income taxes payable	153	—
Lease obligations	3,026	4,268
Asset retirement obligations	6,980	6,632
Other liabilities	5,749,591	4,272,612
Accrued bonuses for directors, and audit and supervisory board members	141	439
Accrued retirement benefits	380,025	378,333
Reserve for program points	8,939	8,444
Reserve for price fluctuations in investments in securities	1,603,446	1,584,428
Deferred tax liabilities	477,413	149,863
Deferred tax liabilities for land revaluation	99,157	99,350
Acceptances and guarantees	62,688	62,486
Total liabilities	71,494,139	68,781,784

4. Nonconsolidated Balance Sheets (Continued)

(Million Yen)

	As of September 30, 2023	As of March 31, 2023
Net assets:		
Foundation funds	100,000	100,000
Reserve for redemption of foundation funds	1,350,000	1,350,000
Reserve for revaluation	651	651
Surplus:	495,065	506,285
Legal reserve for deficiencies	21,855	21,282
Other surplus reserves:	473,210	485,003
Reserve for social public welfare assistance	351	351
Reserve for financial stability	221,917	221,917
Reserve for reduction entry of real estate	76,815	73,248
Reserve for reduction entry of real estate to be purchased	—	2,961
Other reserves	170	170
Unappropriated surplus	173,955	* 186,354
Total foundation funds and others	1,945,716	1,956,936
Net unrealized gains on available-for-sale securities	6,605,783	5,297,929
Deferred losses on derivatives under hedge accounting	(850,817)	(376,317)
Land revaluation losses	(49,340)	(56,264)
Total valuations, conversions, and others	5,705,625	4,865,347
Total net assets	7,651,341	6,822,283
Total liabilities and net assets	79,145,480	75,604,068

Note: *Unappropriated surplus on the condensed balance sheet as of March 31, 2023, represents the current-year unappropriated surplus.

Notes to the Nonconsolidated Balance Sheet as of September 30, 2023

1. (1) Securities (including items, such as deposits and monetary receivables purchased which are treated as securities based on ASBJ Statement No. 10) are valued as follows:
 - 1) Trading securities are stated at fair value at the balance sheet date. The moving average method is used for calculating cost of securities sold.
 - 2) Held-to-maturity debt securities are measured at amortized cost using the moving average method. The cost of securities is amortized on a straight-line basis.
 - 3) Policy-reserve-matching bonds are measured at amortized cost using the moving average method. The cost of bonds is amortized on a straight-line basis in accordance with the Industry Audit Committee Report No. 21, "Temporary Treatment of Accounting and Auditing Concerning Policy-Reserve-Matching Bonds in the Insurance Industry," issued by the JICPA.
 - 4) Investments in subsidiaries and affiliates (stocks issued by subsidiaries prescribed in Article 2, Paragraph 12 of the Insurance Business Act or subsidiaries prescribed in Article 13-5-2, Paragraph 3 of the Order for Enforcement of the Insurance Business Act and stocks issued by affiliates prescribed in Article 13-5-2, Paragraph 4 of the Order for Enforcement of the Insurance Business Act) are stated at cost using the moving average method.
 - 5) Available-for-sale securities
 - a. Securities are measured at fair value based mainly on market prices on the last day of September (cost of securities sold is calculated using the moving average method, and bonds (including foreign bonds) for which the difference between the purchase price and face value is due to an interest rate adjustment are measured at amortized cost using the moving average method, which is amortized on a straight-line basis).
 - b. Stocks and other securities of which market prices are not available are measured at cost based on moving averages.
- (2) Unrealized gains/losses of available-for-sale securities are recorded as a separate component of net assets.
2. Securities that are held for the purpose of matching the duration of outstanding liabilities within the subgroups classified by insurance type, payment method, maturity period, currency, and investment policy are classified as policy-reserve-matching bonds in accordance with the Industry Audit Committee Report No. 21, "Temporary Treatment of Accounting and Auditing Concerning Policy-Reserve-Matching Bonds in the Insurance Industry," issued by the JICPA.

The Company has specified the following types of insurance policies and set those as subcategories:

 - (1) All insurance policies for products other than single payment products and group annuities
 - (2) All insurance policies for single payment products (denominated in yen) other than variable assumed rate-type insurance
 - (3) All insurance policies for group annuities other than guaranteed fixed-term rate products

- (4) All single payment products (denominated in U.S. dollars) other than the foregoing
- (5) All single payment products (denominated in Australian dollars) other than the foregoing
- (6) All single payment products (denominated in euros) other than the foregoing

3. Derivative financial instruments are stated at fair value based on quoted market prices.

4. (1) Tangible fixed assets are depreciated based on the following methods:

a. Tangible fixed assets (except for lease assets)

(i) Buildings

Straight-line method

(ii) Assets other than the above

Declining-balance method

Certain other tangible fixed assets with an acquisition cost of less than ¥200,000 are depreciated over three years on a straight-line basis

b. Lease assets

(i) Lease assets related to financial leases that transfer ownership of the leased property to the lessee
The same depreciation method applied to fixed assets owned by the Company

(ii) Lease assets related to financial leases that do not transfer ownership of the leased property to the lessee

Straight-line method over the lease term

(2) Software, which is included in intangible fixed assets, is amortized using the straight-line method.

5. Assets and liabilities denominated in foreign currencies are translated into Japanese yen in accordance with the “Accounting Standards for Foreign Currency Transactions” (Business Accounting Council).

Foreign currency-denominated available-for-sale securities with exchange rates which have significantly fluctuated and where those recoveries are not expected are converted to Japanese yen using either the rate at the balance sheet date or the one-month average rate prior to the balance sheet date, whichever indicates a weaker yen. The translation difference is recorded as a loss on valuation of securities.

6. (1) An allowance for doubtful accounts is recognized in accordance with the Company’s internal Asset Valuation Regulation and Write-off/Provision Rule as follows:

- 1) An allowance for loans to borrowers who are legally or substantially bankrupt, such as being bankrupt or being in the process of civil rehabilitation proceedings, is recognized based on the amount of credit remaining after directly deducting amounts expected to be collected through the disposal of collateral or the execution of guarantees from the balance of loans (as mentioned at (3) below).

- 2) An allowance for loans to borrowers who are not currently legally bankrupt, but have a high possibility of bankruptcy, is recognized at the amounts deemed necessary considering the borrowers' overall solvency and the amounts remaining after deduction of amounts expected to be collected through the disposal of collateral or the execution of guarantees.
 - 3) An allowance for loans to borrowers other than the above is provided based on the borrowers' balance multiplied by the historical average percentage of bad debt for a certain period.
An allowance for loans to borrowers whose future business results are expected to worsen in case of a sudden event that has a large impact on economic conditions is recognized based on the estimated amount of impact on credit risk that has not yet been reflected in the borrowers' financial information and other disclosures.
- (2) All credits are assessed by responsible sections in accordance with the Company's internal Asset Valuation Regulation. The assessments are verified by the independent Asset Auditing Department. The results of the assessments are reflected in the calculation of the allowance for doubtful accounts.
 - (3) The estimated uncollectible amount calculated by subtracting the amount of collateral value or the amount collectible by the execution of guarantees from the balance of loans is directly deducted from the balance of loans (including loans with credits secured and/or guaranteed) made to legally or substantially bankrupt borrowers. The estimated uncollectible amount was ¥1,969 million (including ¥60 million of credits secured and/or guaranteed) as of September 30, 2023.
7. To provide for losses on investments, an allowance for investment loss is recognized for stocks without market prices and measured at the amount of estimated losses that could arise in the future in accordance with the Company's internal Asset Valuation Regulation and Write-off/Provision Rule.
 8. Accrued bonuses for directors, and audit and supervisory board members are recognized based on amounts estimated to be paid.
 9. (1) Accrued retirement benefits are recognized based on the estimated amount of projected benefit obligations in excess of the fair value of pension plan assets as of March 31, 2024, for future severance payments to employee that have been accrued as of the balance sheet date.
 - (2) The accounting methods used for retirement benefit obligations and benefit costs are as follows:
 - 1) Attribution method for estimated retirement benefits: Benefit formula basis
 - 2) Period of amortizing actuarial gains/losses: Five years
 - 3) Period of amortizing prior service costs: Five years
 10. A reserve for program points is recognized based on the amount projected to be incurred for expenses from the use of points granted to policyholders.

11. A reserve for price fluctuations in investments in securities is recognized based on Article 115 of the Insurance Business Act.

12. Hedge accounting is applied based on the following methods:

1) The Company mainly applies the following hedge accounting methods:

- The exceptional accounting treatment (“*Tokurei-shori*”) is applied to interest rate swaps to hedge the cash flow volatility of certain loans denominated in foreign currencies;
- Deferred hedge accounting is applied to interest rate swaps to hedge the interest rate fluctuation exposures on certain insurance policies, based on the Industry Audit Committee Report No. 26, “Accounting and Auditing Treatments Related to Application of Accounting for Financial Instruments in the Insurance Industry” issued by the JICPA;
- Deferred hedge accounting and designated hedge accounting (“*Furiate-shori*”) are applied to currency swaps to hedge the cash flow volatility caused by foreign exchange rate fluctuations on certain foreign currency-denominated bonds, loans, and subordinated corporate bonds issued by the Company;
- Fair value hedge accounting is applied to foreign exchange forward contracts to hedge the price fluctuation exposures related to foreign exchange rate fluctuations on certain foreign currency-denominated bonds and other instruments; and
- Fair value hedge accounting is applied to equity forward contracts to hedge the price fluctuation exposures on certain domestic stocks.

2) Hedging instruments and hedged items

Hedging instruments

Interest rate swaps

Currency swaps

Foreign exchange forward contracts

Equity forward contracts

Hedged items

Foreign currency-denominated loans, and insurance policies

Foreign currency-denominated bonds, foreign currency-denominated loans, and foreign currency-denominated subordinated corporate bonds

Foreign currency-denominated bonds and other instruments

Domestic stocks

The Company has applied the special treatment set forth in “Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR” (ASBJ Practical Issues Task Force (PITF) No. 40, March 17, 2022) to certain interest rate swap transactions in connection with the replacement of interest rate indicators.

3) Effectiveness of hedging activities is mainly evaluated by a ratio analysis of fair value movement comparisons of the hedging instruments and hedged items in accordance with the Company’s internal risk management policies.

13. All transactions are accounted for exclusive of consumption taxes and local consumption taxes; however, consumption taxes paid on certain asset transactions, which are not deductible from consumption taxes withheld and are stipulated to be deferred under the Consumption Tax Act, are deferred as prepaid expenses and amortized over a five-year period on a straight-line basis. Consumption taxes other than deferred consumption taxes are expensed as incurred.
14. The Japanese Group Relief System is applied with the Company as the parent company of the Aggregation Group. As a result, the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (ASBJ Practical Issues Task Force (PITF) No. 42, August 12, 2021) has been followed for the accounting treatment of corporate tax and local corporate tax and the deferred tax accounting treatment related to those taxes.
15. Policy reserves are reserves set forth in accordance with Article 116 of the Insurance Business Act. These reserves are accumulated in order to prepare for payments of future obligations based on insurance policies. Insurance premiums reserves are recognized based on the following methodology.
- In accordance with Article 69, Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act, policy reserves include those that are reserved for certain individual annuity policies and for certain whole life insurance policies.
- 1) Reserves for policies subject to the standard policy reserve are computed in accordance with the method prescribed by the Commissioner of the Financial Services Agency (Ordinance No. 48 issued by the Ministry of Finance in 1996).
 - 2) Reserves for other policies are computed based on the net level premium method.

Effective from the fiscal year ended March 31, 2020, the Company has provided additional policy reserves to cover a possible deficiency in the reserve for paid-up insurance policies and similar policies among certain whole life insurance policies (including lump-sum payment policies). Moreover, effective from the fiscal year ended March 31, 2022, the Company has expanded the scope of whole life insurance policies (including lump-sum payment policies) for which additional policy reserves will be provided. For such policies with premiums that have been paid and similar policies (including lump-sum payment policies), the Company has decided to successively provide these additional policy reserves over the next five years. As a result, the policy reserves increased by ¥28,023 million, while ordinary profit and surplus before income taxes decreased by ¥28,023 million, compared with amounts that would have been recorded had the additional policy reserves not been provided in the six months ended September 30, 2023.

16. An appropriate amount of the reserve for incurred but not reported (IBNR) claims (insurance claims and benefits whose reasons for payment have not yet been reported, but whose reasons for payment stipulated by insurance policies are deemed to have already occurred) cannot be calculated pursuant to the calculation based on Article 1, Paragraph 1, Principles of the Ministry of Finance Public Notice No. 234 of 1998 (hereinafter, “the IBNR Notice”) due to the end of special treatment from May 8, 2023. Under these special treatment, payment was made for hospitalization and related benefits in cases where the insured was diagnosed with COVID-19 and recuperated at a lodging facility or at home under the supervision of a physician or other medical personnel (hereinafter, “deemed hospitalization”). Accordingly, the Company has recorded an amount calculated using the following method under the provision of Article 1, Paragraph 1 of the IBNR Notice.

(Outline of calculation method)

The reserve amount is calculated using the same method as that set forth in Article 1, Paragraph 1, Principles of the IBNR Notice, after excluding the amounts related to deemed hospitalization from the required amount of provisions to reserve for IBNR claims over all periods under Article 1, Paragraph 1, Principles of the IBNR Notice and the amount of payments for insurance claims and benefits under said notice. As of March 31, 2023, the Company had calculated reserve amounts by classifying them as a reserve for IBNR claims related to deemed hospitalization and a reserve for IBNR claims related to reasons other than deemed hospitalization. However, as a result of ending the special treatment for hospitalization and related benefits in cases of deemed hospitalization during the six months ended September 30, 2023, the Company has shifted to a method of calculating the reserve for IBNR claims related to deemed hospitalization as zero.

17. The corporate tax, inhabitant tax, and income tax adjustments for the six months ended September 30, 2023, are calculated based on the assumption of accumulations and reversals of the reserve for reduction entry of real estate and the reserve for dividends to policyholders due to the appropriation of surplus in the current fiscal year.

18. Matters concerning the fair value of financial instruments and related items are as follows:

Notes have been omitted for financial instruments whose fair values approximate their book values due to their short-term settlement.

- (1) Balance sheet amounts and fair values of major financial instruments, and their differences are as follows:

(Million Yen)

	Balance sheet amount (*1)	Fair value (*2)	Difference
Monetary receivables purchased:	125,138	125,466	327
Policy-reserve-matching bonds	101,429	101,756	327
Available-for-sale securities	23,709	23,709	—
Investments in securities (*3, *4, *5):	64,579,046	63,974,007	(605,038)
Trading securities	790,911	790,911	—
Policy-reserve-matching bonds	27,478,957	26,677,620	(801,337)
Investments in subsidiaries and affiliates	128,615	324,914	196,299
Available-for-sale securities	36,180,561	36,180,561	—
Loans (*6):	8,053,697	7,973,512	(80,184)
Policy loans	429,449	429,449	—
Industrial and consumer loans	7,624,247	7,544,062	(80,184)
Derivative financial instruments (*7):	(1,351,645)	(1,351,645)	—
Hedge accounting not applied	(369)	(369)	—
Hedge accounting applied	(1,351,275)	(1,351,275)	—
Corporate bonds (*6 and *8)	(1,400,719)	(1,378,729)	(21,989)
Loans payable (*8)	(1,016,302)	(977,899)	(38,402)

(*1) For transactions for which an allowance for doubtful accounts was recorded, the amounts are presented net of the allowance.

(*2) For securities for which impairment losses were recognized in the six months ended September 30, 2023, the fair value is the balance sheet amount, net of the impairment losses recognized.

(*3) Stocks without market prices, such as unlisted stocks, are not included in the above table. The amounts presented in the nonconsolidated balance sheet by holding purpose were ¥983,548 million for investments in subsidiaries and affiliates, and ¥55,179 million for available-for-sale securities as of September 30, 2023.

(*4) The balance of investments in partnerships and other entities is not included in the above table based on application of Paragraph 24-16 of the Fair Value Measurement Accounting Standard Implementation Guidance. The amount of such investments in partnerships and other entities presented in the nonconsolidated balance sheet was ¥719,561 million as of September 30, 2023.

(*5) The above table includes investment trusts to which Paragraph 24-3 or Paragraph 24-9 of the Fair Value Measurement Accounting Standard Implementation Guidance has been applied.

(*6) The fair values of derivative financial instruments that are interest rate swaps to which exceptional accounting treatment (“*Tokurei-shori*”) is applied or currency swaps to which designated hedge accounting (“*Furiate-shori*”) is applied are included in the fair values of loans and corporate bonds because they are accounted for as an integral part of the loans and corporate bonds that are the hedged items.

(*7) Receivables and payables generated by derivative financial instruments are offset and presented in net amounts. Net payables are presented in parentheses.

(*8) Corporate bonds and loans payable are recorded in liabilities and presented in parentheses.

- (2) Matters regarding securities and others by holding purpose are as follows:

1) Trading securities

Investment in securities for separate accounts are classified as trading securities. Valuation losses of those investments included in profit and loss were ¥16,081 million for the six months ended September 30, 2023.

2) Held-to-maturity debt securities

There were no balances as of September 30, 2023.

3) Policy-reserve-matching bonds

Balance sheet amounts and fair values, and their differences by type are as follows:

(Million Yen)

	Type	Balance sheet amount	Fair value	Difference
Fair value exceeds the balance sheet amount	Monetary receivables purchased	73,552	74,919	1,366
	Domestic bonds	13,021,085	14,098,330	1,077,245
	Foreign securities	11,499	12,026	527
	Subtotal	13,106,137	14,185,276	1,079,139
Fair value does not exceed the balance sheet amount	Monetary receivables purchased	27,876	26,837	(1,039)
	Domestic bonds	14,296,893	12,434,287	(1,862,605)
	Foreign securities	149,479	132,974	(16,504)
	Subtotal	14,474,249	12,594,100	(1,880,149)
Total		27,580,386	26,779,376	(801,010)

4) Available-for-sale securities

Acquisition cost or amortized cost, and balance sheet amounts, and their differences by type are as follows:

(Million Yen)

	Type	Acquisition cost or amortized cost	Balance sheet amount	Difference
Balance sheet amount exceeds acquisition cost or amortized cost	Monetary receivables purchased	1,986	2,058	72
	Domestic bonds	1,259,168	1,353,490	94,322
	Domestic stocks	3,693,870	11,030,784	7,336,913
	Foreign securities	8,781,250	11,348,010	2,566,759
	Other securities	628,424	738,762	110,337
	Subtotal	14,364,701	24,473,105	10,108,404
Balance sheet amount does not exceed acquisition cost or amortized cost	Monetary receivables purchased	22,655	21,651	(1,004)
	Domestic bonds	2,079,170	1,941,355	(137,814)
	Domestic stocks	264,190	228,070	(36,120)
	Foreign securities	8,302,899	7,615,313	(687,585)
	Other securities	2,082,990	1,924,774	(158,215)
	Subtotal	12,751,906	11,731,166	(1,020,740)
Total		27,116,608	36,204,271	9,087,663

* Stocks without market prices of ¥55,179 million and the balance of investments in partnerships and other entities of ¥185,377 million are not included in the table above.

Impairment losses of ¥1,076 million were recognized for securities during the six months ended September 30, 2023.

Regarding stocks (including foreign stocks), impairment losses are recognized for stocks whose fair value had declined significantly from the acquisition cost based on market prices and other valuations on the last day of September.

The criteria by which the fair value of a stock is deemed to have declined significantly are as follows:

- a. A security for which the average fair value in the month preceding September 30, 2023, is 50% or less of the acquisition cost.
- b. A security that meets both of the following criteria:
 - i). The average fair value in the month preceding September 30, 2023, exceeds 50%, but equal to or less than 70% of the acquisition cost.
 - ii). The historical market price, the business conditions of the issuing company, and other aspects are subject to certain requirements.

19. (1) Matters concerning the breakdown of financial instruments by fair value level are as follows:

The fair value of financial instruments is classified into the following three levels according to the observability and significance of inputs used to measure fair value.

Fair Value Level 1: Fair value is measured using unadjusted quoted prices in active markets for identical assets or liabilities.

Fair Value Level 2: Fair value is measured using directly or indirectly observable inputs other than Level 1 inputs.

Fair Value Level 3: Fair value is measured using significant unobservable inputs.

If multiple inputs that have a significant effect on a fair value measurement are used, the fair value is classified as the level that is least significant to the fair value measurement from among the levels into which each of the inputs is classified.

1) Financial instruments whose amounts presented in the nonconsolidated balance sheet as of September 30, 2023, are measured by fair value

(Million Yen)				
	Level 1	Level 2	Level 3	Total
Monetary receivables purchased	—	14,956	8,752	23,709
Available-for-sale securities	—	14,956	8,752	23,709
Securities (*1)	17,489,219	17,438,195	438,196	35,365,611
Trading securities	358,578	432,332	—	790,911
Available-for-sale securities	17,130,641	17,005,862	438,196	34,574,699
Domestic bonds	2,266,430	1,028,415	—	3,294,846
National government bonds	2,266,430	—	—	2,266,430
Local government bonds	—	67,909	—	67,909
Corporate bonds	—	960,506	—	960,506
Domestic stocks	11,143,338	115,516	—	11,258,854
Foreign securities	3,717,813	13,225,950	438,196	17,381,960
Foreign bonds	2,714,379	7,788,237	438,196	10,940,813
Foreign stocks and other securities	1,003,433	5,437,713	—	6,441,146
Other securities	3,059	2,635,979	—	2,639,038
Derivative financial instruments (*2)	(111)	(1,351,533)	0	(1,351,645)
Interest rate-related	—	(371,410)	0	(371,410)
Currency-related	—	(981,088)	—	(981,088)
Others	(111)	965	—	854

(*1) The above table does not include investment trusts to which Paragraph 24-3 or Paragraph 24-9 of the Fair Value Measurement Accounting Standard Implementation Guidance has been applied. The amounts of such investment trusts presented in the nonconsolidated balance sheet were ¥1,563,999 million for investment trusts whose investment trust assets are financial instruments, and ¥42,792 million for investment trust whose investment trust assets are real estate. The reconciliation of balances at the beginning of the current fiscal year and the balances as of September 30, 2023 is as follows:

(*2) Receivables and payables generated by derivative financial instruments are offset and presented in net amounts. Net payables are presented in parentheses.

(Million Yen)

	Investment trusts whose investment trust assets are financial instruments (*3)	Investment trusts whose investment trust assets are real estate	Total
Balance at the beginning of the current fiscal year	1,379,977	39,600	1,419,577
Profit or loss for the six months ended September 30, 2023	144,182	1,191	145,373
Recognized in net surplus (loss) (*4)	20,379	740	21,120
Recognized in valuations, conversions, and others (*5)	123,802	450	124,253
Purchases, sales, and redemptions	39,840	2,000	41,840
Transactions for which the application of Implementation Guidance Paragraph No. 24-3 or No. 24-9 has begun	—	—	—
Transactions for which the application of Implementation Guidance Paragraph No. 24-3 or No. 24-9 has been discontinued	—	—	—
Balance as of September 30, 2023	1,563,999	42,792	1,606,791
Unrealized gain or loss on investment trusts held as of September 30, 2023, recognized in profit or loss for the six months ended September 30, 2023 (*4)	—	—	—

(*3) The amount of these investment trusts presented in the nonconsolidated balance sheet was ¥1,541,248 million as of September 30, 2023, mainly as the cancellation of some investment trusts is restricted after one month.

(*4) These amounts are included in investment income and investment expenses on the nonconsolidated statement of income for the six months ended September 30, 2023.

(*5) These amounts are included in net unrealized gains on available-for-sale securities under total valuations, conversions, and others in the nonconsolidated balance sheet as of September 30, 2023.

- 2) Financial instruments whose amounts presented in the nonconsolidated balance sheet as of September 30, 2023, are not measured by fair value

(Million Yen)

	Level 1	Level 2	Level 3	Total
Monetary receivables purchased:	—	—	101,756	101,756
Policy-reserve-matching bonds	—	—	101,756	101,756
Investments in securities:	24,923,025	2,077,815	517	27,001,358
Policy-reserve-matching bonds	24,923,025	1,754,077	517	26,677,620
Domestic bonds	24,850,022	1,682,078	517	26,532,618
Foreign securities	73,002	71,998	—	145,001
Investments in subsidiaries and affiliates	—	323,738	—	323,738
Loans:	—	—	7,973,512	7,973,512
Policy loans	—	—	429,449	429,449
Industrial and consumer loans	—	—	7,544,062	7,544,062
Corporate bonds (*6)	—	(1,378,729)	—	(1,378,729)
Loans payable (*6)	—	(886,686)	(91,213)	(977,899)

(*6) Corporate bonds and loans payable are recorded in liabilities and presented in parentheses.

- (2) Explanation of major valuation techniques and inputs used to measure the fair value of financial instruments is as follows.

- 1) Financial instruments classified as securities and monetary receivables purchased that are treated as securities based on ASBJ Statement No. 10

Financial instruments measurable by unadjusted quoted prices in active markets are classified as Fair Value Level 1. These instruments mainly include listed stocks, national government bonds, and listed investment trusts. When financial instruments are measured using published quoted prices from inactive markets, such financial instruments are classified as Fair Value Level 2. These instruments mainly include local government bonds and corporate bonds. When published quoted prices are not available, fair value is measured mainly based on valuations obtained from external information vendors. For unlisted investment trusts, fair value is measured mainly based on net asset value computed by management companies. When unobservable inputs are not used or their effect is insignificant, or when there are no significant restrictions on cancellations and other procedures for investment trusts, financial instruments are classified as Fair Value Level 2, and when significant unobservable inputs are used, they are classified as Fair Value Level 3.

2) Loans

a. Policy loans

Policy loans are classified as Level 3. Book value is used as the fair value of policy loans, as the fair value is deemed to approximate their book value due to expected repayment periods, interest rate requirements, and other conditions. These loans have no repayment date based on characteristics, such as the loan amount being limited to the extent of the surrender benefit.

b. Industrial and consumer loans

Book value is used as the fair value of variable interest rate loans, as the fair value is deemed to approximate their book value unless there are major changes in the credit status of the borrower after loan execution because market interest rates are reflected in future cash flows over the short term. Meanwhile, with regard to fixed interest rate loans, the fair value, by loan category based on the type of loan, internal rating, and maturity term, is determined by discounting future cash flows to the present value using a discount rate reflecting market interest rates, which are adjusted for credit risk and other factors. In addition, this fair value is reflected in loans subject to designated hedge accounting (“*Furiate-shori*”) for currency swaps and exceptional accounting treatment (“*Tokurei-shori*”) for interest rate swaps.

For loans to bankrupt or substantially bankrupt borrowers, or borrowers who are not currently legally bankrupt but have a high probability of bankruptcy, fair value is measured by deducting an estimated uncollectible amount determined by factors, such as the present value of future cash flows or the estimated collectible amount based on collateral or guarantees, from the book value directly before it is written down.

Each of the measured fair values is classified as Level 3.

3) Derivative financial instruments

Derivative financial instruments for which unadjusted quoted prices are available in active markets are classified as Fair Value Level 1. These instruments mainly include bond futures and equity index futures. When published quoted prices are not available, fair value is measured mainly based on valuations obtained from external information vendors. When unobservable inputs are not used or their effect is insignificant, derivative financial instruments are classified as Fair Value Level 2, and when significant unobservable inputs are used, these instruments are classified as Fair Value Level 3.

4) Corporate bonds

Corporate bonds issued by the Company are classified as Level 2, with market prices used as the fair value. In addition, this fair value is reflected in corporate bonds subject to designated hedge accounting (“*Furiate-shori*”) for currency swaps.

5) Loans payable

Book value is used as the fair value of variable interest rate loans payable. The fair value is deemed to approximate book value as there have been no major changes in the credit status of the Company after loan execution, and because market interest rates are reflected in future cash flows over the short term. Variable interest rate loans payable are classified as Level 3. Meanwhile, the fair value of fixed interest rate loans payable is determined by discounting future cash flows to the present value using a discount rate reflecting interest rates that would be offered for similar borrowings, adjusted for the Company's credit risk. Fixed interest rate loans payable are classified as Fair Value Level 3; however, loans payable financed by means of public offerings employing securitization schemes are classified as Fair Value Level 2. The market prices of the corporate bonds issued to back such loans payable are used as fair value.

(3) Information on financial instruments classified as Level 3 whose amounts presented in the nonconsolidated balance sheet as of September 30, 2023, are measured by fair value

1) Quantitative information on significant unobservable inputs used in measuring fair value

This note is omitted because the Company does not estimate inputs that it cannot observe independently.

2) Reconciliation of balances at the beginning of the current fiscal year and balances as of September 30, 2023, and unrealized gain or loss recognized in profit or loss for the six months ended September 30, 2023.

(Million Yen)

	Monetary receivables purchased Other securities	Available-for-sale securities Other securities	Derivative financial instruments Interest-related
Balance at the beginning of the current fiscal year	765	182,698	112
Profit or loss for the six months ended September 30, 2023	104	20,543	(112)
Recognized in net surplus (loss) (*1)	301	25,611	(112)
Recognized in valuations, conversions, and others (*2)	(197)	(5,067)	—
Purchases, sales, issuances, and settlements	7,883	234,954	—
Transfers to Fair Value Level 3 (*3)	—	—	—
Transfers from Fair Value Level 3 (*4)	—	—	—
Balance as of September 30, 2023	8,752	438,196	0
Unrealized gain or loss on financial instruments held as of September 30, 2023, recognized in profit or loss for the six months ended September 30, 2023 (*1)	—	—	(112)

(*1) These amounts are included in investment income and investment expenses in the nonconsolidated statement of income for the six months ended September 30, 2023.

(*2) These amounts are included in net unrealized gains on available-for-sale securities under total valuations, conversions, and others in the nonconsolidated balance sheet as of September 30, 2023.

3) Explanation of the valuation process for fair value

The Company measures fair value based on a policy on fair value measurement determined internally. The Company ensures the suitability of the valuation techniques and inputs used to measure fair value, and the appropriateness of the fair value level classifications prescribed by the policy.

In determining fair value, the Company uses valuation models that can most appropriately reflect the features, characteristics, and risks of individual financial instruments. In addition, even when using quoted prices obtained from third parties, the Company verifies the suitability of such prices using appropriate methods, such as ensuring the appropriateness of the valuation techniques and inputs being used, and comparing those with fair values provided by other vendors.

(4) Explanation of impact on fair value in case of change in significant unobservable inputs

This note is omitted because the Company does not estimate inputs that it cannot observe independently.

20. As of September 30, 2023, there were no significant changes in the balance sheet amounts and fair values of investment and rental properties from the end of the previous fiscal year.

21. (1) The total amount of bankrupt and quasi-bankrupt loans, doubtful loans, loans that are delinquent for over three months, and restructured loans, which were included in nonperforming assets, was ¥30,750 million as of September 30, 2023. The details of those balances were as follows:

- 1) The balance of bankrupt and quasi-bankrupt loans was ¥11,433 million as of September 30, 2023. Bankrupt and quasi-bankrupt loans are nonperforming assets and similar loans to debtors that have fallen into bankruptcy due to certain reasons, including initiation of bankruptcy proceedings, start of reorganization proceedings, or submission of an application to start rehabilitation proceedings.
- 2) The balance of doubtful loans was ¥17,865 million as of September 30, 2023. Doubtful loans are nonperforming assets with a strong likelihood that loan principal cannot be recovered or interest cannot be received according to the loan contract because of difficulties in the financial condition and business performance of debtors who are not yet legally bankrupt, and do not fall under bankrupt and quasi-bankrupt loans.
- 3) There were no loans delinquent for over three months as of September 30, 2023. Loans that are delinquent for over three months are loans with principal or interest unpaid for over three months beginning one day after the due date based on the loan agreement, other than the loans classified as bankrupt and quasi-bankrupt loans, and doubtful loans.
- 4) The balance of restructured loans was ¥1,451 million as of September 30, 2023. Restructured loans are loans that provide certain concessions favorable to the borrower with the intent of supporting the borrower's restructuring, such as by reducing or exempting interest, postponing

principal or interest payments, releasing credits, or providing other benefits to the borrowers, and do not fall under bankrupt and quasi-bankrupt loans, doubtful loans, and loans that are delinquent for over three months.

- (2) Direct write-offs of the estimated uncollectible amounts of loans decreased the balance of bankrupt and quasi-bankrupt loans by ¥1,969 million as of September 30, 2023.
22. The amount of accumulated depreciation of tangible fixed assets was ¥1,236,126 million as of September 30, 2023.
23. Separate account assets as provided in accordance with Article 118, Paragraph 1 of the Insurance Business Act were ¥1,189,102 million as of September 30, 2023, and a corresponding liability is recorded in the same amount.
24. Changes in the reserve for dividends to policyholders for the six months ended September 30, 2023, were as follows:

	Million Yen
	Six months ended September 30, 2023
a. Balance at the beginning of the current fiscal year	1,071,945
b. Transfer to reserve from surplus for the previous fiscal year	181,910
c. Dividends paid to policyholders during the current six-month period	95,907
d. Increase in interest	10,494
e. Balance at the end of the current six-month period (a+b-c+d)	1,168,442

25. Corporate bonds within liabilities are subordinated corporate bonds with special provisions that subordinate the fulfillment of obligations on the bonds to all other debt obligations.

The Company's corporate bond issuance dates and callable dates for currency swaps under designated hedge accounting are as follows:

Issue date	Callable date
October 2014	Tenth anniversary date after the issue date and on each fifth anniversary date thereafter
January 2016	Tenth anniversary date after the issue date and on each fifth anniversary date thereafter
September 2017	Tenth anniversary date after the issue date and on each fifth anniversary date thereafter
January 2020	Tenth anniversary date after the issue date and on each fifth anniversary date thereafter
January 2021	Tenth anniversary date after the issue date and on each fifth anniversary date thereafter
September 2021	Tenth anniversary date after the issue date and on each fifth anniversary date thereafter
September 2023	Tenth anniversary date after the issue date and on each fifth anniversary date thereafter

26. Other liabilities include subordinated loans payable of ¥1,001,000 million with special provisions that the fulfillment of obligations on the loans payable is subordinate to all other debt obligations.
27. Assets pledged as collateral in the form of investments in securities as of September 30, 2023 were ¥4,423,622 million. The total amount of liabilities covered by the assets pledged was ¥2,603,861 million as of September 30, 2023.
These amounts included ¥2,405,845 million of sale of securities under repurchase agreements and ¥2,603,809 million of payables under repurchase agreements as of September 30, 2023.
28. The total amount of stocks and investments in subsidiaries and affiliates was ¥1,646,347 million as of September 30, 2023.
On January 24, 2023, the Company resolved to make an investment of up to \$1.0 billion in an investment limited partnership that invests in Resolution Life Group Holdings Ltd. With the conclusion of regulatory approvals, the Company invested a partial amount of \$742 million (¥111,251 million) in Resolution Life Group Holdings Ltd. on October 2, 2023.
29. The amount of securities lent under lending agreements was ¥1,383,178 million as of September 30, 2023.
30. Assets that the Company has a free disposal right to sell or re-pledge are marketable securities borrowed under lending agreements. These assets were held without being sold or re-pledged and totaled ¥139,055 million at fair value as of September 30, 2023.
31. The unused amount of commitments related to loans and similar loans agreements was ¥380,176 million as of September 30, 2023.
32. Revaluation of land used in the operations is performed based on the Act on Revaluation of Land. The tax effect of the amount related to the valuation difference between the book value and the revalued amount for land revaluation is recognized as a deferred tax liability within the liability section. The valuation differences are recognized as land revaluation losses within the net assets section.
- | | |
|-------------------------|--|
| Revaluation date | March 31, 2002 |
| Revaluation methodology | The amount is calculated by using the listed value of the land and road rate as prescribed by Article 2, Items 1 and 4 of the Order for Enforcement of the Act on Revaluation of Land. |
33. The amount of policy reserves provided for the portion of reinsurance (the “policy reserves for ceded reinsurance”) as defined in Article 71, Paragraph 1 of the Ordinance for Enforcement of the Insurance Business Act was ¥150 million as of September 30, 2023.

5. Nonconsolidated Statements of Income

(Million Yen)

	Six months ended September 30, 2023	Six months ended September 30, 2022
Ordinary income:	3,836,204	3,624,862
Revenues from insurance and reinsurance:	2,604,372	2,217,117
Insurance premiums	2,603,791	2,216,562
Investment income:	1,174,336	1,357,680
Interest, dividends, and other income	790,283	800,325
Gain on sales of securities	221,401	475,467
Gain on separate accounts, net	41,109	—
Other ordinary income	57,495	50,064
Ordinary expenses:	3,610,790	3,503,664
Benefits and other payments:	2,102,748	2,013,854
Death and other claims	538,031	514,648
Annuity payments	386,489	375,667
Health and other benefits	382,681	425,318
Surrender benefits	677,460	627,193
Other refunds	117,256	70,151
Provision for policy reserves:	674,182	576,448
Provision for reserve for outstanding claims	—	73,234
Provision for policy reserves	663,687	492,571
Provision for interest on reserve for dividends to policyholders	10,494	10,642
Investment expenses:	429,632	524,714
Interest expenses	19,901	19,474
Loss on sales of securities	236,468	423,212
Loss on valuation of securities	1,896	4,995
Loss on derivative financial instruments, net	130,707	8,393
Loss on separate accounts, net	—	26,816
Operating expenses	286,656	283,389
Other ordinary expenses	117,570	105,258
Ordinary profit	225,413	121,197
Extraordinary gains:	5,369	2,077
Gain on disposals of fixed assets	5,369	2,077
Extraordinary losses:	30,683	25,642
Loss on disposals of fixed assets	5,264	3,113
Impairment losses	3,400	2,980
Provision for reserve for price fluctuations in investments in securities	19,018	15,436
Loss on tax purpose reduction entry of real estate	—	1,111
Contributions for assisting social public welfare	3,000	3,000
Surplus before income taxes	200,099	97,633
Income taxes - current	1,949	4,192
Income taxes - deferred	20,271	1,291
Total income taxes	22,220	5,483
Net surplus	177,879	92,150

Notes to the Nonconsolidated Statement of Income for the Six Months Ended September 30, 2023

1. Previously, gain on cancellation of investment trusts was included in interest, dividends, and other income under investment income. However, gain on cancellation of investment trusts is substantially the same as gain on sales of securities such as stocks and bonds. Accordingly, from the six months ended September 30, 2023, when system upgrades were completed, the Company decided to include gain on cancellation of investment trusts in gain on sales of securities under investment income in order to present financial results more appropriately. As a result, gain on cancellation of investment trusts of ¥120,458 million, which had previously been included in interest, dividends, and other income on the nonconsolidated statement of income for the six months ended September 30, 2022, has been restated as gain on sales of securities.
2. The Company uses the following methods to record revenues from insurance and reinsurance, and benefits and other payments.
 - (1) Revenues from insurance and reinsurance (excluding revenues from reinsurance) are recorded as the amount of payments that have been received, in principle.
 - (2) Benefits and other payments (excluding reinsurance premiums) are recorded as the amount of payments made with respect to policies for which an event that is a reason for payment of claims or benefits has occurred based on the policy clauses and the amount determined based on those policy clauses was paid.
3. Gain on sales of securities includes gains on sales of domestic bonds, including national government bonds, domestic stocks, and foreign securities of ¥37,464 million, ¥87,323 million, and ¥96,612million, respectively, for the six months ended September 30, 2023.
4. Loss on sales of securities includes losses on sales of domestic bonds, including national government bonds, domestic stocks and other securities, and foreign securities of ¥141,363 million, ¥44,347 million, and ¥50,757 million, respectively, for the six months ended September 30, 2023.
5. Loss on valuation of securities includes loss on valuation of domestic stocks and other securities of ¥1,896 million.
6. Provision for policy reserves for ceded reinsurance that was added to the calculation of provision for policy reserves was ¥24 million for the six months ended September 30, 2023.

7. Breakdown of interest, dividends, and other income for the six months ended September 30, 2023, is as follows:

	Million Yen
	Six months ended September 30, 2023
Interest on deposits and savings	3,411
Interest on securities and dividends	646,334
Interest on loans	77,377
Real estate rental income	57,277
Other income	5,880
Total	790,283

8. Impairment losses are as follows:

1) Method for grouping the assets

Real estate for rental use and other assets and idle properties are classified as one asset group per property. Assets utilized for insurance business operations are classified into one asset group for each operation.

2) Recognition of impairment losses

When a significant decrease in profitability or fair value of a certain asset group is noted, the book value is reduced to the recoverable amount, recognizing an impairment loss under extraordinary losses.

3) Breakdown of asset groups for which impairment losses were recognized for the six months ended September 30, 2023, is as follows:

	Million Yen		
Purpose of use	Land	Buildings	Total
Real estate for rental use	1,206	1,112	2,318
Idle properties	524	557	1,082
Total	1,730	1,669	3,400

4) Measurement of recoverable amount

The recoverable amount is based on either the value in use or net selling price of the asset depending on the type of asset.

In principle, the value in use is determined as the discounted future cash flows using a discount rate of 3.0%. Net selling price is determined based on appraisals performed in accordance with the “Real Estate Appraisal Standards” or standard land prices.

6. Nonconsolidated Statements of Changes in Net Assets

For the six months ended September 30, 2023

(Million Yen)

	(Million Yen)											
	Foundation funds and others											
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Surplus								Total surplus
Legal reserve for deficiencies				Other surplus reserves								
	Reserve for social public welfare assistance	Reserve for financial stability	Reserve for reduction entry of real estate	Reserve for reduction entry of real estate to be purchased	Other reserves	Unappropriated surplus						
Beginning balance	100,000	1,350,000	651	21,282	351	221,917	73,248	2,961	170	186,354	506,285	1,956,936
Increase/decrease:												
Additions to reserve for dividends to policyholders										(181,910)	(181,910)	(181,910)
Additions to legal reserve for deficiencies				573						(573)	—	—
Interest on foundation funds										(265)	(265)	(265)
Net surplus										177,879	177,879	177,879
Additions to reserve for social public welfare assistance					3,000					(3,000)	—	—
Reversal of reserve for social public welfare assistance					(3,000)					3,000	—	—
Additions to reserve for reduction entry of real estate							4,927			(4,927)	—	—
Reversal of reserve for reduction entry of real estate							(1,359)			1,359	—	—
Reversal of reserve for reduction entry of real estate to be purchased								(2,961)		2,961	—	—
Reversal of land revaluation losses										(6,923)	(6,923)	(6,923)
Net change, excluding foundation funds and others												
Net change	—	—	—	573	—	—	3,567	(2,961)	—	(12,399)	(11,219)	(11,219)
Ending balance	100,000	1,350,000	651	21,855	351	221,917	76,815	—	170	173,955	495,065	1,945,716

6. Nonconsolidated Statements of Changes in Net Assets (Continued)

For the six months ended September 30, 2023

(Million Yen)

	Valuations, conversions, and others				Total net assets
	Net unrealized gains on available-for-sale securities	Deferred losses on derivatives under hedge accounting	Land revaluation losses	Total valuations, conversions, and others	
Beginning balance	5,297,929	(376,317)	(56,264)	4,865,347	6,822,283
Increase/decrease:					
Additions to reserve for dividends to policyholders					(181,910)
Additions to legal reserve for deficiencies					—
Interest on foundation funds					(265)
Net surplus					177,879
Additions to reserve for social public welfare assistance					—
Reversal of reserve for social public welfare assistance					—
Additions to reserve for reduction entry of real estate					—
Reversal of reserve for reduction entry of real estate					—
Additions to reserve for reduction entry of real estate					—
Reversal of land revaluation losses					(6,923)
Net change, excluding foundation funds and others	1,307,854	(474,500)	6,923	840,277	840,277
Net change	1,307,854	(474,500)	6,923	840,277	829,057
Ending balance	6,605,783	(850,817)	(49,340)	5,705,625	7,651,341

6. Nonconsolidated Statements of Changes in Net Assets (Continued)

For the six months ended September 30, 2022

(Million Yen)

	(million Yen)												
	Foundation funds and others												
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Surplus								Total surplus	Total foundation funds and others
				Legal reserve for deficiencies	Other surplus reserves								
Contingency funds	Reserve for social public welfare assistance	Reserve for financial stability	Reserve for reduction entry of real estate		Reserve for reduction entry of real estate to be purchased	Other reserves	Unappropriated surplus						
Beginning balance	100,000	1,350,000	651	19,988	71,917	351	—	71,839	1,007	170	357,789	523,063	1,973,714
Increase/decrease:													
Additions to reserve for dividends to policyholders											(199,868)	(199,868)	(199,868)
Additions to legal reserve for deficiencies				1,294							(1,294)	—	—
Interest on foundation funds											(265)	(265)	(265)
Net surplus											92,150	92,150	92,150
Reversal of contingency funds					(71,917)						71,917	—	—
Additions to reserve for social public welfare assistance						3,000					(3,000)	—	—
Reversal of reserve for social public welfare assistance						(3,000)					3,000	—	—
Additions to reserve for financial stability							221,917				(221,917)	—	—
Additions to reserve for reduction entry of real estate								2,718			(2,718)	—	—
Reversal of reserve for reduction entry of real estate								(1,309)			1,309	—	—
Additions to reserve for reduction entry of real estate									1,953		(1,953)	—	—
Reversal of land revaluation losses											(2,862)	(2,862)	(2,862)
Net change, excluding foundation funds and others													
Net change	—	—	—	1,294	(71,917)	—	221,917	1,408	1,953	—	(265,501)	(110,844)	(110,844)
Ending balance	100,000	1,350,000	651	21,282	—	351	221,917	73,248	2,961	170	92,288	412,218	1,862,869

6. Nonconsolidated Statements of Changes in Net Assets (Continued)

For the six months ended September 30, 2022

(Million Yen)

	Valuations, conversions, and others				Total net assets
	Net unrealized gains on available-for-sale securities	Deferred losses on derivatives under hedge accounting	Land revaluation losses	Total valuations, conversions, and others	
Beginning balance	6,112,896	(374,361)	(60,363)	5,678,172	7,651,886
Increase/decrease:					
Additions to reserve for dividends to policyholders					(199,868)
Additions to legal reserve for deficiencies					—
Interest on foundation funds					(265)
Net surplus					92,150
Reversal of contingency funds					—
Additions to reserve for social public welfare assistance					—
Reversal of reserve for social public welfare assistance					—
Additions to reserve for financial stability					—
Additions to reserve for reduction entry of real estate					—
Reversal of reserve for reduction entry of real estate					—
Additions to reserve for reduction entry of real estate					—
Reversal of land revaluation losses					(2,862)
Net change, excluding foundation funds and others	(1,265,580)	(142,559)	2,862	(1,405,277)	(1,405,277)
Net change	(1,265,580)	(142,559)	2,862	(1,405,277)	(1,516,122)
Ending balance	4,847,316	(516,920)	(57,501)	4,272,894	6,135,764

7. Details of Ordinary Profit (Core Operating Profit)

(Million Yen)

	Six months ended September 30, 2023	Six months ended September 30, 2022
Core operating profit (A)	339,661	267,492
Capital gains:	460,194	624,018
Gain on proprietary trading securities	—	—
Gain from assets held in trust, net	—	—
Gain on trading securities	—	—
Gain on sales of securities	221,401	475,467
Gain on derivative financial instruments, net	—	—
Foreign exchange gains, net	113,994	75,378
Other capital gains	124,798	73,171
Capital losses:	506,442	586,512
Loss on proprietary trading securities	—	—
Loss from assets held in trust, net	—	—
Loss on trading securities	—	—
Loss on sales of securities	236,468	423,212
Loss on valuation of securities	1,896	4,995
Loss on derivative financial instruments, net	130,707	8,393
Foreign exchange losses, net	—	—
Other capital losses	137,369	149,911
Net capital gains (losses) (B)	(46,247)	37,505
Core operating profit, including net capital gains (losses) (A+B)	293,414	304,997
Nonrecurring gains:	6,200	5,836
Reinsurance revenue	—	—
Reversal of contingency reserve	—	—
Reversal of specific allowance for doubtful accounts	—	—
Other nonrecurring gains	6,200	5,836
Nonrecurring losses:	74,201	189,635
Reinsurance premiums	—	—
Provision for contingency reserve	45,926	64,926
Provision for specific allowance for doubtful accounts	252	3,757
Provision for allowance for specific overseas loans	—	—
Write-offs of loans	—	—
Other nonrecurring losses	28,023	120,952
Net nonrecurring losses (C)	(68,000)	(183,799)
Ordinary profit (A+B+C)	225,413	121,197

Note: For the six months ended September 30, 2022, gain on cancellation of investment trusts has been restated as gain on sales of securities.

(Reference) Breakdown of “Other” items

(Million Yen)

	Six months ended September 30, 2023	Six months ended September 30, 2022
Core operating profit	12,570	76,739
Interest income and expenses related to swap transactions for foreign currency-denominated insurance products and swap transactions for hedging purposes	8,545	7,339
Impact of market exchange rate movements related to foreign currency-denominated insurance policies	128,823	142,571
Impact of movements in surrender benefits related to market value adjustment	(4,299)	(21,758)
Hedge cost related to foreign exchange	(120,499)	(51,413)
Other capital gains	124,798	73,171
Interest income related to swap transactions for foreign currency-denominated insurance products and swap transactions for hedging purposes	—	—
Impact of market exchange rate movements related to foreign currency-denominated insurance policies	—	—
Impact of movements in surrender benefits related to market value adjustment	4,299	21,758
Hedge cost related to foreign exchange	120,499	51,413
Other capital losses	137,369	149,911
Interest expenses related to swap transactions for foreign currency-denominated insurance products and swap transactions for hedging purposes	8,545	7,339
Impact of market exchange rate movements related to foreign currency-denominated insurance policies	128,823	142,571
Impact of movements in surrender benefits related to market value adjustment	—	—
Hedge cost related to foreign exchange	—	—
Other nonrecurring gains	6,200	5,836
Reversal of allowance for investment loss	6,200	5,836
Other nonrecurring losses	28,023	120,952
Provision for allowance for investment loss	—	—
Provision for policy reserves pursuant to Article 69 Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act in Japan	28,023	120,952

8. Status of Nonperforming Assets Based on the Insurance Business Act

(Million Yen, %)

	As of September 30, 2023	As of March 31, 2023
Bankrupt and quasi-bankrupt loans	11,433	10,041
Doubtful loans	17,865	18,064
Loans that are delinquent for over three months	—	50
Restructured loans	1,451	1,481
Subtotal	30,750	29,637
[Percentage of total, %]	[0.32]	[0.33]
Normal loans	9,504,437	8,991,864
Total	9,535,187	9,021,502

Notes: 1. Bankrupt and quasi-bankrupt loans are nonperforming assets and similar loans that have fallen into bankruptcy due to certain reasons, including initiation of bankruptcy proceedings, start of reorganization proceedings, or submission of an application to start rehabilitation proceedings.
2. Doubtful loans are nonperforming assets with a strong likelihood that loan principal and/or interest cannot be recovered according to the loan contract because of difficulties in the financial condition and business performance of debtors who are not yet legally bankrupt. (excluding 1. in the notes above).
3. Loans that are delinquent for over three months are loans with principal or interest unpaid for over three months beginning one day after the due date based on the loan agreement (excluding 1. and 2. in the notes above).
4. Restructured loans are loans that provide certain concessions favorable to the borrower with the intent of supporting the borrower's restructuring. Examples of such concessions include reducing or exempting interest, postponing principal or interest payments, releasing credits, or providing other benefits to borrowers (excluding 1. to 3. in the notes above).
5. Normal loans are loans that do not fall under the classifications for 1. to 4. in the notes above and where the debtor has no financial or business performance problems.

Supplemental information on nonperforming assets based on the Insurance Business Act

- Classifications and calculation methods used in this table are based on the Ordinance for Enforcement of the Insurance Business Act. The table includes guaranteed private offering loans of financial institutions, loans, securities lending, accrued interest, suspense payments, and customers' liability for acceptances and guarantees.
- For bankrupt and quasi-bankrupt loans, the estimated uncollectible amount calculated by subtracting the amount of collateral value or the amount collectible by the execution of guarantees from the balance of loans is directly deducted from the total loan amount. The estimated uncollectible amounts as of September 30, 2023, and March 31, 2023, were ¥1,969 million and ¥1,975 million, respectively.

9. Breakdown of Allowance for Doubtful Accounts

(Million Yen)

	Six months ended September 30, 2023	Year ended March 31, 2023	Difference
(1) Breakdown of allowance for doubtful accounts			
(A) General allowance for doubtful accounts	1,625	2,891	(1,266)
(B) Specific allowance for doubtful accounts	5,897	5,638	258
(C) Allowance for specific overseas loans	—	—	—
(2) Specific allowance for doubtful accounts			
(A) Provision	7,866	7,614	252
(B) Reversal	7,614	3,737	3,876
[excluding reversals with write-offs]			
(C) Net provision	252	3,876	(3,624)
(3) Allowance for specific overseas loans			
(A) Number of countries	—	—	—
(B) Loan amount	—	—	—
(C) Provision	—	—	—
(D) Reversal	—	—	—
(4) Write-offs	—	—	—

10. Solvency Margin Ratio

(Million Yen)

	As of September 30, 2023	As of March 31, 2023
Solvency margin gross amount (A):	18,840,447	17,319,118
Foundation funds (<i>kikin</i>) and other reserve funds:	5,967,714	5,733,080
Foundation funds and others	1,945,716	1,774,760
Reserve for price fluctuations in investments in securities	1,603,446	1,584,428
Contingency reserve	2,176,284	2,130,358
General allowance for doubtful accounts	1,625	2,891
Others	240,640	240,640
Net unrealized gains on available-for-sale securities (before tax) and deferred losses on derivatives under hedge accounting (before tax) × 90%	7,485,131	6,297,574
Net unrealized gains on real estate × 85%	609,919	603,932
Excess of continued Zillmerized reserve	2,590,975	2,623,073
Qualifying subordinated debt	2,401,719	2,184,265
Excess of continued Zillmerized reserve and qualifying subordinated debt not included in margin calculations	—	—
Deduction clause	(210,097)	(210,043)
Others	(4,914)	87,236
Total amount of risk (B):		
$\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$	3,766,507	3,395,990
Underwriting risk (R ₁)	105,924	107,314
Underwriting risk of third-sector insurance (R ₈)	89,697	90,993
Anticipated yield risk (R ₂)	249,869	248,517
Minimum guarantee risk (R ₇)	5,231	5,256
Investment risk (R ₃)	3,428,628	3,065,938
Business management risk (R ₄)	77,587	70,360
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	1,000.4%	1,019.9%

Notes: 1. The amounts and figures in the table above are calculated based on the provisions of Article 86 and Article 87 of the Ordinance for Enforcement of the Insurance Business Act and the Ministry of Finance Public Notice No. 50 of 1996.

2. The standard method is used for the calculation of the amount equivalent to minimum guarantee risk

11. Status of Separate Accounts

(1) Balance of Separate Account Assets

(Million Yen)

	As of September 30, 2023	As of March 31, 2023
Individual variable insurance	106,992	100,199
Individual variable annuities	15,084	15,533
Group annuities	1,067,025	1,030,855
Separate account total	1,189,102	1,146,588

(2) Policies in Force

- Individual Variable Insurance

	As of September 30, 2023		As of March 31, 2023	
	Number of policies	Amount of policies (million yen)	Number of policies	Amount of policies (million yen)
Variable insurance (defined term type)	9,529	8,588	9,685	6,667
Variable insurance (whole life type)	28,745	396,406	29,122	400,930
Total	38,274	404,995	38,807	407,598

- Individual Variable Annuities

	As of September 30, 2023		As of March 31, 2023	
	Number of policies	Amount of policies (million yen)	Number of policies	Amount of policies (million yen)
Individual variable annuities	7,164	15,084	9,311	15,532

12. Status of the Company, Subsidiaries, and Affiliates

(1) Selected Financial Data for Major Operations

(100 Million Yen)

	Six months ended September 30, 2023	Six months ended September 30, 2022
Ordinary income	60,565	49,931
Ordinary profit	1,459	713
Net surplus attributable to the parent company	1,015	436
Comprehensive income	9,743	(15,049)

	As of September 30, 2023	As of March 31, 2023
Total assets	923,679	876,335
Solvency margin ratio	1,034.9%	1,073.2%

(2) Scope of Consolidation and Application of the Equity Method

	As of September 30, 2023
Number of consolidated subsidiaries	15
Number of subsidiaries not consolidated but accounted for under the equity method	0
Number of affiliates accounted for under the equity method	15
Changes in significant subsidiaries and affiliates during the period	Please see (3) Policies for Preparing the Consolidated Financial Statements for the Six Months Ended September 30, 2023

(3) Policies for Preparing the Consolidated Financial Statements for the Six Months Ended September 30, 2023

1) Consolidated subsidiaries

Number of consolidated subsidiaries: 15 entities

Major consolidated subsidiaries:

Nissay Credit Guarantee Co., Ltd. (Japan)

Nissay Leasing Co., Ltd. (Japan)

Nissay Capital Co., Ltd. (Japan)

Nissay Asset Management Corporation (Japan)

Nissay Information Technology Co., Ltd. (Japan)

TAIJU LIFE INSURANCE COMPANY LIMITED (Japan)

Nippon Wealth Life Insurance Company Limited (Japan)

HANASAKU LIFE INSURANCE Co., Ltd. (Japan)

Nissay Plus SSI Company Inc. (Japan)

Nippon Life Insurance Company of America (U.S.A.)

Nippon life Americas, Inc. (U.S.A.)

MLC Limited (Australia)

Nippon Life India Asset Management Limited (India)

Unconsolidated subsidiaries have minimal balances or amounts of total assets, revenue, net income, and surplus for the six months ended September 30, 2023, which are immaterial enough to be excluded from consolidation given that they would not affect reasonable judgments to be made on the financial position and financial results of Nippon Life Group.

2) Equity method affiliates

Number of unconsolidated equity method affiliates: None

Number of affiliates accounted for under the equity method: 15 entities

Major affiliates accounted for under the equity method:

The Master Trust Bank of Japan, Ltd. (Japan)

Corporate-Pension Business Service Co., Ltd. (Japan)

Great Wall Changsheng Life Insurance Co., Ltd. (China)

Bangkok Life Assurance Public Company Limited (Thailand)

Reliance Nippon Life Insurance Company Limited (India)

Post Advisory Group, LLC (U.S.A.)

PT Sequis (Indonesia)

PT Asuransi Jiwa Sequis Life (Indonesia)

The TCW Group, Inc. (U.S.A.)

Grand Guardian Nippon Life Insurance Company Limited (Myanmar)

Unconsolidated subsidiaries, including Nippon Life Global Investors Americas, Inc. and Nissay Trading Corporation, as well as affiliates other than those listed above, such as SL Towers Co., Ltd., are not accounted for under the equity method as respective and aggregate effects of such companies on the Company's consolidated net income and surplus for the six months ended September 30, 2023, are immaterial.

3) Reporting date for consolidated subsidiaries

The interim reporting dates for consolidated overseas subsidiaries are June 30 and September 30. In preparing the interim consolidated financial statements, consolidated overseas subsidiaries with interim reporting date of June 30 are consolidated using the interim financial statements as of and for the interim period ended June 30, and necessary adjustments are made to reflect significant transactions that occurred between June 30 and September 30, the Company's interim reporting date.

(4) Consolidated Balance Sheets

(Million Yen)

	As of September 30, 2023	As of March 31, 2023
Assets:		
Cash and deposits	1,696,372	1,590,868
Call loans	358,719	426,706
Monetary receivables purchased	233,367	244,146
Investments in securities	76,303,941	72,332,848
Loans	8,886,486	8,636,099
Tangible fixed assets	1,864,073	1,858,492
Intangible fixed assets	380,104	368,478
Reinsurance receivables	47,594	4,193
Other assets	2,449,819	2,043,086
Net defined benefit asset	1,322	1,276
Deferred tax assets	92,334	74,510
Customers' liability for acceptances and guarantees	62,736	62,523
Allowance for doubtful accounts	(8,942)	(9,728)
Total assets	92,367,930	87,633,501
Liabilities:		
Policy reserves and other reserves:	73,233,207	71,499,497
Reserve for outstanding claims	253,822	261,387
Policy reserves	71,762,641	70,115,117
Reserve for dividends to policyholders (mutual company)	1,168,442	1,071,945
Reserve for dividends to policyholders (limited company)	48,300	51,046
Reinsurance payables	21,022	20,475
Corporate bonds	1,516,319	1,378,865
Other liabilities	7,070,396	5,337,931
Accrued bonuses for directors, and audit and supervisory board members	141	439
Net defined benefit liability	437,222	437,909
Accrued retirement benefits for directors, and audit and supervisory board members	637	634
Reserve for program points	8,939	8,444
Reserve for price fluctuations in investments in securities	1,706,980	1,684,717
Deferred tax liabilities	457,631	139,712
Deferred tax liabilities for land revaluation	99,157	99,350
Acceptances and guarantees	62,736	62,523
Total liabilities	84,614,391	80,670,503

(4) Consolidated Balance Sheets (Continued)

(Million Yen)

	As of September 30, 2023	As of March 31, 2023
Net assets:		
Foundation funds	100,000	100,000
Reserve for redemption of foundation funds	1,350,000	1,350,000
Reserve for revaluation	651	651
Consolidated surplus	502,921	590,126
Total foundation funds and others	1,953,572	2,040,777
Net unrealized gains on available-for-sale securities	6,465,683	5,176,583
Deferred losses on derivatives under hedge accounting	(850,436)	(375,789)
Land revaluation losses	(49,340)	(56,264)
Foreign currency translation adjustments	103,823	54,741
Remeasurement of defined benefit plans	(4,651)	(5,938)
Total accumulated other comprehensive income	5,665,078	4,793,332
Share acquisition rights	1,891	1,921
Noncontrolling interests	132,996	126,966
Total net assets	7,753,538	6,962,997
Total liabilities and net assets	92,367,930	87,633,501

1. The Australian Accounting Standards Board has issued the accounting standard Insurance Contracts (hereinafter, “AASB 17”). AASB 17 has been applied to MLC Limited, the Company’s consolidated subsidiary, from the six months ended September 30, 2023. This accounting standard establishes principles for the recognition, measurement, and presentation, etc. of insurance contracts. The relevant changes in accounting policies are retrospectively applied. Therefore, the consolidated financial statements for the year ended March 31, 2023 and the six months ended September 30, 2022, have been retrospectively adjusted. As a result, ordinary profit and surplus before income taxes on the consolidated statement of income for the six months ended September 30, 2022 increased by ¥30,954 million each, compared with amounts that would have been recorded before retrospective adjustment. In addition, on the consolidated statement of cash flows for the six months ended September 30, 2022, surplus before income taxes increased by ¥30,954 million, while others, net under the subtotal for cash flows from operating activities decreased by ¥30,954 million.

Furthermore, the cumulative effect of these changes was reflected in net assets at the beginning of the fiscal year ended March 31, 2023. As a result, the beginning balance of consolidated surplus decreased by ¥79,546 million.

2. (1) Securities of the Company and its certain consolidated subsidiaries (including items such as deposits and monetary receivables purchased which are treated as securities based on the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10)) are valued as follows:
 - 1) Trading securities are stated at fair value at the balance sheet date. The moving average method is used for calculating cost of securities sold.
 - 2) Held-to-maturity debt securities are measured at amortized cost using the moving average method. The cost of securities is amortized on a straight-line basis.
 - 3) Policy-reserve-matching bonds are measured at amortized cost using the moving average method. The cost of bonds is amortized on a straight-line basis in accordance with the Industry Audit Committee Report No. 21, “Temporary Treatment of Accounting and Auditing Concerning Policy-Reserve-Matching Bonds in the Insurance Industry,” issued by the JICPA.
 - 4) Investments in subsidiaries and affiliates that are neither consolidated nor accounted for under the equity method (stocks issued by subsidiaries prescribed in Article 2, Paragraph 12 of the Insurance Business Act or subsidiaries prescribed in Article 13-5-2, Paragraph 3 of the Order for Enforcement of the Insurance Business Act and stocks issued by affiliates prescribed in Article 13-5-2, Paragraph 4 of the Order for Enforcement of the Insurance Business Act) are stated at cost using the moving average method.

5) Available-for-sale securities

- a. Securities are measured at fair value based mainly on market prices on the last day of September (cost of securities sold is calculated using the moving average method, and bonds (including foreign bonds) for which the difference between the purchase price and face value is due to an interest rate adjustment are measured at amortized cost using the moving average method, which is amortized on a straight-line basis).
- b. Stocks and other securities of which market prices are not available are measured at cost based on moving averages.

(2) Unrealized gains/losses of available-for-sale securities are recorded as a separate component of net assets.

3. Securities that are held for the purpose of matching the duration of outstanding liabilities within the subgroups classified by insurance type, payment method, maturity period, currency, and investment policy are classified as policy-reserve-matching bonds in accordance with the Industry Audit Committee Report No. 21, “Temporary Treatment of Accounting and Auditing Concerning Policy-Reserve-Matching Bonds in the Insurance Industry,” issued by the JICPA.

The Company has specified the following types of insurance policies and set those as subcategories:

(1) The Company

- 1) All insurance policies for products other than single payment products and group annuities
- 2) All insurance policies for single payment products (denominated in yen) other than variable assumed rate-type insurance
- 3) All insurance policies for group annuities other than guaranteed fixed-term rate products
- 4) All single payment products (denominated in U.S. dollars) other than the foregoing
- 5) All single payment products (denominated in Australian dollars) other than the foregoing
- 6) All single payment products (denominated in euros) other than the foregoing

Additionally, in an effort to promote further ALM based on economic value, the Company has modified its calculation method for policy reserve duration to conform to valuation methods based on economic value beginning with the fiscal year ended March 31, 2023. This modification had no impact on the consolidated balance sheets and the consolidated statements of income.

(2) TAIJU LIFE INSURANCE COMPANY LIMITED

- 1) Whole life insurance and annuity insurance (up to 40 years) (the component of future cash flows generated from whole life insurance (including whole life insurance with term rider) and annuity insurance for up to 40 years)
- 2) Insured contributory pension plans (up to 27 years) (future cash flows generated from insured contributory pension plans for the period up to 27 years)
- 3) Subcategory 1 for foreign currency-denominated single payment endowment insurance (U.S. dollar) (foreign currency-denominated single payment endowment insurance (U.S. dollar) commencing from October 1, 2015, to September 30, 2019)
- 4) Subcategory 2 for foreign currency-denominated single payment endowment insurance (U.S. dollar) (foreign currency-denominated single payment endowment insurance (U.S. dollar) commencing on or after October 1, 2019)
- 5) Subcategory 1 for foreign currency-denominated single-payment endowment insurance (Australian dollar) (foreign currency-denominated single payment endowment insurance (Australian dollar) commencing from October 1, 2015, to September 30, 2019)
- 6) Subcategory 2 for foreign currency-denominated single payment endowment insurance (Australian dollar) (foreign currency-denominated single payment endowment insurance (Australian dollar) commencing on or after October 1, 2019)

(3) Nippon Wealth Life Insurance Company Limited

- 1) Individual insurance and individual annuity products (certain types of insurance are excluded)
- 2) Whole life cancer insurance and endowment insurance products
- 3) Single payment whole life insurance (fixed accumulation value type) products
- 4) Yen-denominated single payment products other than the above (excluding single payment fixed annuities commencing on or after April 1, 2006, and for which the insured was 80 years of age or older as of the date the policy was concluded).
- 5) U.S. dollar-denominated products other than the above (certain types of insurance are excluded)
- 6) Australian dollar-denominated single payment annuity products other than the above

(4) HANASAKU LIFE INSURANCE Co., Ltd.

All insurance policy groups are classified as a single subcategory, and securities that are held for the purpose of matching the duration of these outstanding insurance liabilities are classified as policy-reserve-matching bonds.

4. Derivative financial instruments are stated at fair value based on quoted market prices.
5. (1) Tangible fixed assets are depreciated based on the following methods:
- a. Tangible fixed assets (except for lease assets)
 - (i) Buildings
Straight-line method.
 - (ii) Assets other than the above
Primarily the declining-balance method.
Certain other tangible fixed assets with an acquisition cost of less than ¥200,000 of the Company and its certain consolidated subsidiaries are depreciated over three years on a straight-line basis.
 - b. Lease assets
 - (i) Lease assets related to financial leases that transfer ownership of the leased property to the lessee
The same depreciation method applied to self-owned fixed assets.
 - (ii) Lease assets other than the above
Straight-line method over the lease term
- (2) Software, which is included in intangible fixed assets, is amortized using the straight-line method.
6. Assets and liabilities denominated in foreign currencies are translated into Japanese yen in accordance with the “Accounting Standards for Foreign Currency Transactions” (Business Accounting Council).

Foreign currency-denominated available-for-sale securities of the Company with exchange rates that have significantly fluctuated and where those recoveries are not expected are converted to Japanese yen using either the rate at the balance sheet date or the one-month average rate prior to the balance sheet date, whichever indicates a weaker yen. The translation difference is recorded as a loss on valuation of securities.

Translation differences related to bonds included in translation differences of foreign currency-denominated available-for-sale securities held by certain consolidated subsidiaries are recorded as foreign exchange gains/losses in net, while translation differences related to other foreign currency-denominated available-for-sale securities are recorded as a separate component of net assets.

- 7.(1) An allowance for doubtful accounts for the Company is recognized in accordance with the Company's internal Asset Valuation Regulation and Write-off/Provision Rule as follows:
- 1) An allowance for loans to borrowers who are legally or substantially bankrupt, such as being bankrupt or being in the process of civil rehabilitation proceedings, is recognized based on the amount of credit remaining after directly deducting amounts expected to be collected through the disposal of collateral or the execution of guarantees from the balance of loans (as mentioned at (4) below).
 - 2) An allowance for loans to borrowers who are not currently legally bankrupt, but have a high possibility of bankruptcy is recognized at the amounts deemed necessary considering the borrowers' overall solvency and the amounts remaining after deduction of amounts expected to be collected through the disposal of collateral or the execution of guarantees.
 - 3) An allowance for loans to borrowers other than the above is provided based on the borrowers' balance multiplied by the historical average percentage of bad debt for a certain period.
- (2) All credits extended by the Company are assessed by responsible sections in accordance with the Company's internal Asset Valuation Regulation. The assessments are verified by the independent Asset Auditing Department. The results of the assessments are reflected in the calculation of the allowance for doubtful accounts.
- (3) For consolidated subsidiaries, the Company and its consolidated subsidiaries record allowance for doubtful accounts deemed necessary mainly in accordance with the Company's internal Asset Valuation Regulation and Write-off/Provision Rule.
- (4) The estimated uncollectible amount calculated by subtracting the amount of collateral value or the amount collectible by the execution of guarantees from the balance of loans is directly deducted from the balance of loans (including loans with credits secured and/or guaranteed) made to legally or substantially bankrupt borrowers. The estimated uncollectible amount was ¥2,001 million (including ¥60 million of credits secured and/or guaranteed) as of September 30, 2023.
8. Accrued bonuses for directors, and audit and supervisory board members are recognized based on amounts estimated to be paid.

9. (1) Net defined benefit liability is recognized based on the estimated amount of projected benefit obligations in excess of the fair value of pension plan assets as of September 30, 2023, for future payment of employee retirement benefits that have been accrued.
- (2) Basis used for accounting for retirement benefits of the Company and its certain consolidated subsidiaries is as follows:
 - 1) Attribution method for estimated retirement benefits: Benefit formula basis
 - 2) Amortizing period for actuarial gains/losses: Five years
 - 3) Amortizing period for prior service costs: Five years
10. Accrued retirement benefits for directors are recorded as estimated payment amounts under internal rules in order to prepare for payment of accrued benefits to directors including those at a subset of consolidated subsidiaries and subsidiary corporations.
11. A reserve for program points is recognized based on the amount projected to be incurred for expenses from the use of points granted to policyholders.
12. A reserve for price fluctuations in investments in securities is recognized based on Article 115 of the Insurance Business Act.
13. In finance leases where the Company's consolidated subsidiary is the lessor that do not transfer ownership of the leased property to the lessee, the consolidated subsidiary recognizes sales revenue and cost of sale at the time of receiving the lease payments.

14. Hedge accounting is applied by the Company and its certain consolidated subsidiaries based on the following methods:

- 1) The Company and its consolidated subsidiaries mainly apply the following hedge accounting methods:
- The exceptional accounting treatment (“*Tokurei-shori*”) is applied to interest rate swaps to hedge the cash flow volatility of certain loans denominated in foreign currencies;
 - Deferred hedge accounting is applied to interest rate swaps to hedge the interest rate fluctuation exposures on certain insurance policies, based on the Industry Audit Committee Report No. 26, “Accounting and Auditing Treatments Related to Application of Accounting for Financial Instruments in the Insurance Industry” issued by the JICPA;
 - Deferred hedge accounting and designated hedge accounting (“*Furiate-shori*”) are applied to currency swaps to hedge the cash flow volatility caused by foreign exchange rate fluctuations on certain foreign currency-denominated bonds, loans, and subordinated corporate bonds issued by the Company and its consolidated subsidiaries;
 - Fair value hedge accounting is applied to foreign exchange forward contracts to hedge the price fluctuation exposures related to foreign exchange rate fluctuations on certain foreign currency-denominated bonds and other instruments; and
 - Fair value hedge accounting is applied to equity forward contracts to hedge the price fluctuation exposures on certain domestic stocks.

2) Hedging instruments and hedged items

<u>Hedging instruments</u>	<u>Hedged items</u>
Interest rate swaps	Loans, foreign currency-denominated loans, and insurance policies
Currency swaps	Foreign currency-denominated bonds, foreign currency-denominated loans, and foreign currency-denominated subordinated corporate bonds
Foreign exchange forward contracts	Foreign currency-denominated bonds and other instruments
Equity forward contracts	Domestic stocks

The Company and its certain consolidated subsidiaries have applied the special treatment set forth in “Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR” (ASBJ Practical Issues Task Force (PITF) No. 40, March 17, 2022) to certain interest rate swap transactions in connection with the replacement of interest rate indicators.

- 3) Effectiveness of hedging activities is mainly evaluated by a ratio analysis of fair value movement comparisons of the hedging instruments and hedged items in accordance with the internal risk management policies of the Company and its certain consolidated subsidiaries.

15. All transactions are accounted for exclusive of consumption taxes and local consumption taxes of the Company and its certain consolidated subsidiaries; however, consumption taxes paid on certain asset transactions, which are not deductible from consumption taxes withheld and are stipulated to be deferred under the Consumption Tax Act, are deferred as prepaid expenses and amortized over a five-year period on a straight-line basis. Consumption taxes other than deferred consumption taxes are expensed as incurred in the six months ended September 30, 2023.
16. The Company and certain subsidiaries have transitioned from the Consolidated Taxation System to the Group Tax Sharing System, with the Company serving as the tax sharing parent company. As a result, the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (ASBJ PITF No. 42, August 12, 2021) has been followed for the accounting treatment of corporate tax and local corporate tax and the deferred tax accounting treatment related to those taxes.
17. (1) Policy reserves of the Company and its consolidated subsidiaries that are domestic life insurance companies are reserves set forth in accordance with Article 116 of the Insurance Business Act. These reserves are accumulated in order to prepare for payments of future obligations based on insurance policies. Insurance premium reserves are recognized based on the following methodology.
- In accordance with Article 69, Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act, policy reserves include those that are reserved for certain individual annuity policies and for certain whole life insurance policies.
- 1) Reserves for policies subject to the standard policy reserve are calculated in accordance with the method prescribed by the Commissioner of the Financial Services Agency (Ordinance No. 48 issued by the Ministry of Finance in 1996).
 - 2) Reserves for other policies are calculated based on the net level premium method.
- In addition, the Company and its certain consolidated life insurance companies in Japan provided additional policy reserves in the six months ended September 30, 2023. As a result, policy reserves increased by ¥32,037 million, while ordinary profit and surplus before income taxes decreased by ¥32,037 million.

a) The Company

Effective from the fiscal year ended March 31, 2020, the Company has provided additional policy reserves to cover a possible deficiency in the reserve for paid-up insurance policies and similar policies among certain whole life insurance policies (including lump-sum payment policies). Moreover, effective from the fiscal year ended March 31, 2022, the Company has expanded the scope of whole life insurance policies (including lump-sum payment policies) for which additional policy reserves will be provided. For such policies with premiums that have been paid and similar policies (including lump-sum payment policies), the Company has decided to successively provide these additional policy reserves over the next five years. As a result, policy reserves increased by ¥28,023million, while ordinary profit and surplus before income taxes decreased by ¥28,023 million, compared with amounts that would have been recorded if the additional policy reserve amounts had not been reserved in the six months ended September 30, 2023.

b) TAIJU LIFE INSURANCE COMPANY LIMITED

TAIJU LIFE INSURANCE COMPANY LIMITED has provided additional policy reserves to cover a possible deficiency in the reserve for certain individual annuity policyholders. As a result, policy reserves increased by ¥4,014 million, while ordinary profit decreased by ¥4,014 million and deficit before income taxes increased by ¥4,014 million, compared with amounts that would have been recorded had the additional policy reserve amounts not been provided in the six months ended September 30, 2023.

- (2) Policy reserves of consolidated overseas life insurance companies are recorded as the amounts calculated in accordance with the accounting standards of each country, such as Australian accounting standards.
18. The Company and its certain consolidated subsidiaries cannot calculate an appropriate amount of the reserve for incurred but not reported (IBNR) claims (insurance claims and benefits whose reasons for payment have not yet been reported, but whose reasons for payment stipulated by insurance policies are deemed to have already occurred) pursuant to the calculation based on Article 1, Paragraph 1, Principles of the Ministry of Finance Public Notice No. 234 of 1998 (hereinafter, “the IBNR Notice”) due to the end of special treatment from May 8, 2023. Under these special treatment, payment was made for hospitalization and related benefits in cases where the insured was diagnosed with COVID-19 and recuperated at a lodging facility or at home under the supervision of a physician or other medical personnel (hereinafter, “deemed hospitalization”). Accordingly, the

Company and its certain subsidiaries have recorded an amount calculated using the following method under the provision of Article 1, Paragraph 1, of the IBNR Notice.

(Outline of calculation method)

The Company and its certain subsidiaries calculated the reserve amount using the same method as that set forth in Article 1, Paragraph 1, Principles of the IBNR Notice, after excluding the amounts related to deemed hospitalization from the required amount of provisions to reserve for IBNR claims over all periods under Article 1, Paragraph 1, Principles of the IBNR Notice and the amount of payments for insurance claims and benefits under said notice. As of March 31, 2023, the Company and its certain subsidiaries had calculated reserve amounts by classifying them as a reserve for IBNR claims related to deemed hospitalization and a reserve for IBNR claims related to reasons other than deemed hospitalization. However, as a result of ending the special treatment for hospitalization and related benefits in cases of deemed hospitalization during the six months ended September 30, 2023, the Company and its certain subsidiaries have shifted to a method of calculating the reserve for IBNR claims related to deemed hospitalization as zero.

19. The corporate tax, inhabitant tax, and income tax adjustments of the Company for the six months ended September 30, 2023, are calculated based on the assumption of accumulations and reversals of the reserve for reduction entry of real estate and the reserve for dividends to policyholders (mutual company) due to the appropriation of surplus in the current fiscal year.

20. Matters concerning the fair value of financial instruments and related items are as follows:
Notes have been omitted for financial instruments whose fair values approximate their book values due to their short-term settlement.

- (1) Consolidated balance sheet amounts and fair values of major financial instruments and their differences are as follows:

(Million Yen)

	Consolidated balance sheet amount (*1)	Fair value (*2)	Difference
Monetary receivables purchased:	233,367	233,062	-305
Held-to-maturity debt securities	19,024	18,376	-647
Policy-reserve-matching bonds	157,057	157,399	342
Available-for-sale securities	57,286	57,286	—
Investments in securities (*3, *4, and *5):	75,235,278	74,036,671	-1,198,606
Trading securities	1,599,639	1,599,639	—
Held-to-maturity debt securities	475,374	449,850	-25,524
Policy-reserve-matching bonds	33,143,253	31,962,659	-1,180,594
Investments in subsidiaries and affiliates	44,387	51,900	7,512
Available-for-sale securities	39,972,622	39,972,622	—
Loans (*6):	8,879,856	8,780,143	-99,713
Policy loans	469,396	469,396	—
Industrial and consumer loans	8,410,460	8,310,746	-99,713
Derivative financial instruments (*7):	(1,427,452)	(1,427,452)	—
Hedge accounting not applied	(76,120)	(76,120)	—
Hedge accounting applied	(1,351,332)	(1,351,332)	—
Corporate bonds (*6 and *8)	(1,516,319)	(1,493,197)	(-23,121)
Loans payable (*8)	(1,138,398)	(1,099,777)	(-38,620)

- (*1) For transactions for which an allowance for doubtful accounts was recorded, the amounts are presented net of the allowance.
- (*2) For securities for which impairment losses were recognized in the six months ended September 30, 2023, the fair value is the consolidated balance sheet amount net of the impairment losses recognized.
- (*3) Stocks without market prices, such as unlisted stocks, are not included in the above table. The amount presented in the consolidated balance sheet was ¥239,843 million as of September 30, 2023.
- (*4) The balance of investments in partnerships and other entities is not included in the above table based on application of Paragraph 24-16 of the Fair Value Measurement Accounting Standard Implementation Guidance. The amount of such investments in partnerships and other entities presented in the consolidated balance sheet was ¥828,820 million as of September 30, 2023.
- (*5) The above table includes investment trusts to which Paragraph 24-3 or Paragraph 24-9 of the Fair Value Measurement Accounting Standard Implementation Guidance has been applied.
- (*6) The fair values of derivative financial instruments that are interest rate swaps to which exceptional accounting treatment (“*Tokurei-shori*”) is applied or currency swaps to which designated hedge accounting (“*Furiate-shori*”) is applied are included in the fair values of loans and corporate bonds because they are accounted for as an integral part of the loans and corporate bonds that are the hedged items.
- (*7) Receivables and payables generated by derivative financial instruments are offset and presented in net amounts. Net payables in total are presented in parentheses.
- (*8) Corporate bonds and loans payable are recorded in liabilities and presented in parentheses.

(2) Matters regarding securities and others by holding purpose are as follows:

1) Trading securities

Investments in securities for separate accounts and certain other securities are classified as trading securities.

Valuation gains of those instruments included in profit and loss were ¥36,929 million for the six months ended September 30, 2023.

2) Held-to-maturity debt securities

Consolidated balance sheet amounts and fair values, and their differences by type are as follows:

(Million Yen)

	Type	Consolidated balance sheet amount	Fair value	Difference
Fair value exceeds the consolidated balance sheet amount	Monetary receivables purchased	2,039	2,134	94
	Domestic bonds	9,185	9,298	113
	Foreign securities	42,505	43,443	937
	Subtotal	53,730	54,876	1,145
Fair value does not exceed the consolidated balance sheet amount	Monetary receivables purchased	16,984	16,241	(742)
	Domestic bonds	93,735	92,309	(1,426)
	Foreign securities	329,948	304,799	(25,148)
	Subtotal	440,668	413,350	(27,317)
Total		494,399	468,226	(26,172)

3) Policy-reserve-matching bonds

Consolidated balance sheet amounts and fair values, and their differences by type are as follows:

(Million Yen)

	Type	Consolidated balance sheet amount	Fair value	Difference
Fair value exceeds the consolidated balance sheet amount	Monetary receivables purchased	103,709	106,018	2,308
	Domestic bonds	14,840,341	16,073,109	1,232,767
	Foreign securities	40,021	41,887	1,866
	Subtotal	14,984,073	16,221,016	1,236,942
Fair value does not exceed the consolidated balance sheet amount	Monetary receivables purchased	53,347	51,381	(1,966)
	Domestic bonds	15,743,661	13,713,753	(2,029,908)
	Foreign securities	2,519,227	2,133,908	(385,319)
	Subtotal	18,316,237	15,899,042	(2,417,194)
Total		33,300,310	32,120,058	(1,180,252)

4) Available-for-sale securities

Acquisition cost or amortized cost, and consolidated balance sheet amounts, and their differences by type are as follows:

(Million Yen)

	Type	Acquisition cost or amortized cost	Consolidated balance sheet amount	Difference
Consolidated balance sheet amount exceeds acquisition cost or amortized cost	Monetary receivables purchased	7,820	7,989	169
	Domestic bonds	1,533,712	1,647,507	113,794
	Domestic stocks	3,915,552	11,437,980	7,522,427
	Foreign securities	9,764,542	12,430,408	2,665,865
	Other securities	664,815	782,365	117,549
	Subtotal	15,886,443	26,306,250	10,419,807
Consolidated balance sheet amount does not exceed acquisition cost or amortized cost	Monetary receivables purchased	51,894	49,297	(2,597)
	Domestic bonds	2,601,654	2,431,656	(169,998)
	Domestic stocks	373,512	306,201	(67,311)
	Foreign securities	9,775,704	8,937,299	(838,405)
	Other securities	2,169,427	1,999,203	(170,224)
	Subtotal	14,972,194	13,723,657	(1,248,536)
Total		30,858,637	40,029,908	9,171,271

* Stocks without market prices of ¥62,619 million and the balance of investments in partnerships and other entities of ¥289,474 million are not included in the table above.

Impairment losses of ¥1,076 million were recognized during the six months ended September 30, 2023.

Regarding stocks (including foreign stocks) with fair values of the Company and certain consolidated subsidiaries, impairment losses are recognized for stocks whose fair value has declined significantly from the acquisition cost based on market prices and other valuations on the last day of September.

The criteria by which the fair value of a stock is deemed to have declined significantly are as follows:

- A security for which the average fair value in the month preceding September 30, 2023, is 50% or less of the acquisition cost.
- The average fair value in the month preceding September 30, 2023, exceeds 50%, but equal to or less than 70% of the acquisition cost.

21. (1) Matters concerning the breakdown of financial instruments by fair value level are as follows:

The fair value of financial instruments is classified into the following three levels according to the observability and significance of inputs used to measure fair value.

Fair Value Level 1: Fair value is measured using unadjusted quoted prices in active markets for identical assets or liabilities.

Fair Value Level 2: Fair value is measured using directly or indirectly observable inputs other than Level 1 inputs.

Fair Value Level 3: Fair value is measured using significant unobservable inputs.

If multiple inputs that have a significant effect on a fair value measurement are used, the fair value is classified as the level that is least significant to the fair value measurement from among the levels into which each of the inputs is classified.

a. Financial instruments whose amounts presented in the consolidated balance sheet as of September 30, 2023, are measured by fair value

(Million Yen)

	Level 1	Level 2	Level 3	Total
Monetary receivables purchased	—	14,956	42,329	57,286
Available-for-sale securities	—	14,956	42,329	57,286
Securities (*1)	19,281,207	20,145,955	527,309	39,954,472
Trading securities	694,812	904,827	—	1,599,639
Available-for-sale securities	18,586,394	19,241,128	527,309	38,354,832
Domestic bonds	2,591,627	1,487,537	—	4,079,164
National government bonds	2,591,627	—	—	2,591,627
Local government bonds	—	99,737	—	99,737
Corporate bonds	—	1,387,800	—	1,387,800
Domestic stocks	11,622,619	121,562	—	11,744,181
Foreign securities	4,354,682	14,892,684	527,047	19,774,415
Foreign bonds	3,318,078	9,287,771	527,047	13,132,898
Foreign stocks and other securities	1,036,603	5,604,913	—	6,641,517
Other securities	17,465	2,739,343	261	2,757,070
Derivative financial instruments (*2)	(104)	(1,428,276)	927	(1,427,452)
Interest rate-related	125	(393,502)	0	(393,377)
Currency-related	—	(1,037,368)	(391)	(1,037,759)
Others	(230)	2,594	1,319	3,683

(*1) The above table does not include investment trusts to which Paragraph 24-3 or Paragraph 24-9 of the Fair Value Measurement Accounting Standard Implementation Guidance has been applied. The amounts of such investment trusts presented in the consolidated balance sheet were ¥1,575,927 million for investment trusts whose investment trust assets are financial instruments, and ¥42,792 million for investment trusts whose investment trust assets are real estate. The reconciliation of balances at the beginning of the current fiscal year and the balances as of September 30, 2023 is as follows:

(*2) Receivables and payables generated by derivative financial instruments are offset and presented in net amounts. Net payables are presented in parentheses

(Million Yen)

	Investment trusts whose investment trust assets are financial instruments (*3)	Investment trust assets whose investment trust assets are real estate	Total
Balance at the beginning of the current fiscal year	1,388,433	39,600	1,428,033
Profit or loss for the six months ended September 30, 2023	145,443	1,191	146,634
Recognized in net surplus (loss)(*4)	20,388	740	21,129
Recognized in other comprehensive income (*5)	125,055	450	125,505
Purchases, sales, and redemptions	42,050	2,000	44,051
Transactions for which the application of Implementation Guidance Paragraph No. 24-3 or No. 24-9 has begun	—	—	—
Transactions for which the application of Implementation Guidance Paragraph No. 24-3 or No. 24-9 has been discontinued	—	—	—
Balance as of September 30, 2023	1,575,927	42,792	1,618,720
Unrealized gain or loss on investment trusts held as of September 30, 2023, recognized in profit or loss for the six months ended September 30, 2023(*4)	—	—	—

(*3) The amount of these investment trusts presented in the consolidated balance sheet was ¥1,553,177million as of September 30, 2023, mainly as the cancellation of some investment trusts is restricted after one month.

(*4) These amounts are included in investment income and investment expenses on the consolidated statement of income for the six months ended September 30, 2023.

(*5) These amounts are included in net unrealized gains on available-for-sale securities under other comprehensive income in the consolidated statement of comprehensive income for the six months ended September 30, 2023.

b. Financial instruments whose amounts presented in the consolidated balance sheet as of September 30, 2023, are not measured by fair value

(Million Yen)

	Level 1	Level 2	Level 3	Total
Monetary receivables purchased	—	—	175,775	175,775
Held-to-maturity debt securities	—	—	18,376	18,376
Policy-reserve-matching bonds	—	—	157,399	157,399
Investments in securities:	28,293,913	4,129,139	40,179	32,463,233
Held-to-maturity debt securities	46,324	363,863	39,662	449,850
Domestic bonds	651	100,956	—	101,608
Foreign securities	45,673	262,906	39,662	348,242
Policy-reserve-matching bonds	28,247,589	3,714,552	517	31,962,659
Domestic bonds	27,639,905	2,146,440	517	29,786,862
Foreign securities	607,683	1,568,112	—	2,175,796
Investments in subsidiaries and affiliates	—	50,723	—	50,723
Loans:	—	—	8,780,143	8,780,143
Policy loans	—	—	469,396	469,396
Industrial and consumer loans	—	—	8,310,746	8,310,746
Corporate bonds (*6)	—	(1,467,272)	(25,924)	(1,493,197)
Loans payable (*6)	—	(886,686)	(213,091)	(1,099,777)

(*6) Corporate bonds and loans payable are recorded in liabilities and presented in parentheses.

- (2) Explanation of major valuation techniques and inputs used by the Company and its certain subsidiaries to measure the fair value of financial instruments is as follows:

- 1) Financial instruments classified as securities and monetary receivables purchased that are treated as securities based on ASBJ Statement No. 10

Financial instruments measurable by unadjusted quoted prices in active markets are classified as Fair Value Level 1. These instruments mainly include listed stocks, national government bonds, and listed investment trusts. When financial instruments are measured using published quoted prices from inactive markets, such financial instruments are classified as Fair Value Level 2. These instruments mainly include local government bonds and corporate bonds. When published quoted prices are not available, fair value is measured mainly based on valuations obtained from external information vendors or on net asset value per unit computed by management companies. When unobservable inputs are not used or their effect is insignificant, financial instruments are classified as Fair Value Level 2, and when significant unobservable inputs are used, they are classified as Fair Value level 3. However, for investment trusts that have no published quotation prices, unlisted investment trusts without significant restrictions on cancellation or other terms are classified as Fair Value Level 2.

- 2) Loans

- a. Policy loans

Policy loans are classified as Level 3. Book value is used as the fair value of policy loans, as the fair value is deemed to approximate their book value due to expected repayment periods, interest rate requirements, and other conditions. These loans have no repayment date based on characteristics, such as the loan amount being limited to the extent of the surrender benefit.

- b. Industrial and consumer loans

Book value is used as the fair value of variable interest rate loans, as the fair value is deemed to approximate their book value unless there are major changes in the credit status of the borrower after loan execution because market interest rates are reflected in future cash flows over the short term. Meanwhile, with regard to fixed interest rate loans, the fair value, by loan category based on the type of loan, internal rating, and maturity term, is determined by discounting future cash flows to the present value using a discount rate reflecting market interest rates, which are adjusted for credit risk and other factors. In addition, this fair value is reflected in loans subject to designated hedge accounting (*“Furiate-shori”*) for currency swaps and exceptional accounting treatment (*“Tokurei-shori”*) for interest rate swaps.

For loans to bankrupt or substantially bankrupt borrowers, or borrowers who are not currently legally bankrupt but have a high probability of bankruptcy, fair value is measured by deducting an estimated uncollectible amount determined by factors, such as the present value of future cash flows or the estimated collectible amount based on collateral or guarantees, from the book value directly before it is written down.

Each of the measured fair values is classified as Level 3.

3) Derivative financial instruments

Derivative financial instruments for which unadjusted quoted prices are available in active markets are classified as Fair Value Level 1. These instruments mainly include bond futures and equity index futures. When published quoted prices are not available, valuations mainly obtained from external information vendors or valuations determined by the Company itself are used. When unobservable inputs are not used or their effect is insignificant, derivative financial instruments are classified as Fair Value Level 2, and when significant unobservable inputs are used, these instruments are classified as Fair Value Level 3.

4) Corporate bonds

Corporate bonds that use market prices as fair value are classified as Fair Value Level 2. Meanwhile, fixed interest rate corporate bonds whose fair value is determined by discounting future cash flows to the present value using a discount rate according to the expected remaining terms of the bonds are classified as Fair Value Level 3. In addition, this fair value is reflected in corporate bonds subject to designated hedge accounting ("*Furiate-short*") for currency swaps.

5) Loans payable

Book value is used as the fair value of variable interest rate loans payable. The fair value is deemed to approximate book value as there have been no major changes in the credit status of the Company after loan execution, and because market interest rates are reflected in future cash flows over the short term. Variable interest rate loans payable are classified as Level 3. Meanwhile, the fair value of fixed interest rate loans payable is determined by discounting future cash flows to the present value using a discount rate reflecting interest rates that would be offered for similar borrowings, adjusted for the Company's credit risk. Fixed interest rate loans payable are classified as Fair Value Level 3; however, loans payable financed by means of public offerings employing securitization schemes are classified as Fair Value Level 2. The market prices of the corporate bonds issued to back such loans payable are used as fair value.

(3) Information on financial instruments classified as Level 3 whose amounts presented in the consolidated balance sheet as of September 30, 2023, are measured by fair value

1) Quantitative information on significant unobservable inputs used in measuring fair value

This note is omitted because the Company does not estimate inputs that it cannot observe independently.

2) Reconciliation of balances at the beginning of the current fiscal year and balances as of September 30, 2023, and unrealized gain or loss recognized in profit or loss for the six months ended September 30, 2023:

(Million Yen)

	Monetary receivables purchased Other securities	Available-for- sale securities Other securities	Derivative financial instruments Interest-related	Derivative financial instruments Currency-related	Derivative financial instruments Others
Balance at the beginning of the current fiscal year	37,089	272,702	112	—	907
Profit or loss for the six months ended September 30, 2023	(506)	24,532	(112)	(391)	332
Recognized in net surplus (loss) (*1)	253	35,371	(112)	(391)	332
Recognized in other comprehensive income (*2)	(759)	(10,838)	—	—	—
Purchases, sales, issuances, and settlements	5,745	232,054	—	—	79
Transfers to Fair Value Level 3 (*3)	—	—	—	—	—
Transfers from Fair Value Level 3 (*4)	—	(1,980)	—	—	—
Balance as of September 30, 2023	42,329	527,309	0	(391)	1,319
Unrealized gain or loss on financial instruments held as of September 30, 2023, recognized in profit or loss for the six months ended September 30, 2023 (*1)	—	10,458	(112)	(391)	(20)

(*1) These amounts are included in investment income and investment expenses in the consolidated statement of income for the six months ended September 30, 2023.

(*2) These amounts are included in net unrealized gains on available-for-sale securities under other comprehensive income in the consolidated balance sheet as of September 30, 2023.

(*3) There were no transfers from Fair Value Level 1 or Fair Value Level 2 to Fair Value Level 3.

(*4) These transfers are from Fair Value Level 3 to Fair Value Level 1 or Fair Value Level 2 and resulted from changes in the observability of inputs used to measure fair value. These transfers were carried out at the beginning of the six months ended September 30, 2023.

3) Explanation of the valuation process for fair value

The Company and its certain subsidiaries measure fair value based on a policy on fair value measurement determined internally. The Company and its certain subsidiaries ensure the suitability of the valuation techniques and inputs used to measure fair value, and the appropriateness of the fair value level classifications prescribed by the policy.

In determining fair value, the Company and its certain subsidiaries use valuation models that can most appropriately reflect the features, characteristics, and risks of individual financial instruments. In addition, even when using quoted prices obtained from third parties, the Company and its certain subsidiaries verify the suitability of such prices using appropriate methods, such as ensuring the appropriateness of the valuation techniques and inputs being used, and comparing those with fair values supplied by other vendors.

4) Explanation of impact on fair value in case of a change in significant unobservable inputs

This note is omitted because the Company does not estimate inputs that it cannot observe independently.

22. As of September 30, 2023, there were no significant changes in the consolidated balance sheet amounts and fair values of investment and rental properties from the end of the previous fiscal year.

23. (1) The total amount of bankrupt and quasi-bankrupt loans, doubtful loans, loans that are delinquent for over three months, and restructured loans, which were included in nonperforming assets, was ¥30,794 million as of September 30, 2023. The details of those balances were as follows:

- 1) The balance of bankrupt and quasi-bankrupt loans were ¥11,441 million, as of September 30, 2023. Bankrupt and quasi-bankrupt loans are nonperforming assets and similar loans to debtors that have fallen into bankruptcy due to certain reasons, including initiation of bankruptcy proceedings, start of reorganization proceedings, or submission of an application to start rehabilitation proceedings.
- 2) The balance of doubtful loans was ¥17,901 million as of September 30, 2023. Doubtful loans are nonperforming assets with a strong likelihood that loan principal cannot be recovered or interest cannot be received according to the loan contract because of difficulties in the financial condition and business performance of debtors who are not yet legally bankrupt, and do not fall under bankrupt and quasi-bankrupt loans.
- 3) There are no loans that are delinquent for over three months.

Loans that are delinquent for over three months are loans with principal or interest unpaid for over three months beginning one day after the due date based on the loan agreement, other than the loans classified as bankrupt and quasi-bankrupt loans, and doubtful loans.

- 4) The balance of restructured loans was ¥1,451 million as of September 30, 2023.

Restructured loans are loans that provide certain concessions favorable to borrowers with the intent of supporting the borrowers' restructuring, such as by reducing or exempting interest, postponing principal or interest payments, releasing credits, or providing other benefits to the borrowers, and do not fall under bankrupt and quasi-bankrupt loans, doubtful loans, and loans delinquent for over three months.

- (2) Direct write-offs of the estimated uncollectible amounts of loans decreased the balance of bankrupt and quasi-bankrupt loans by ¥2,001 million, as of September 30, 2023.

24. The amount of accumulated depreciation of tangible fixed assets was ¥1,288,020 million as of September 30, 2023.

25. Separate account assets as provided in accordance with Article 118, Paragraph 1 of the Insurance Business Act were ¥1,426,291 million as of September 30, 2023, and a corresponding liability is recorded in the same amount.

26. Changes in the reserve for dividends to policyholders (mutual company) for the six months ended September 30, 2023, were as follows:

	Million Yen
	Six months ended September 30, 2023
a. Balance at the beginning of the current fiscal year	1,071,945
b. Transfer to reserve from surplus for the previous fiscal year	181,910
c. Dividends paid to policyholders (mutual company) during the current six-month period	95,907
d. Increase in interest	10,494
e. Balance at the end of the current six-month period (a+b-c+d)	1,168,442

27. Changes in the reserve for dividends to policyholders (limited company) for the six months ended September 30, 2023, were as follows:

	Million Yen
	Six months ended September 30, 2023
a. Balance at the beginning of the current fiscal year	51,046
b. Dividends paid to policyholders (limited company) during the current six-month period	8,475
c. Increase in interest	3
d. Provision for reserve for dividends to policyholders (limited company)	5,725
e. Balance at the end of the current six-month period (a-b+c+d)	48,300

28. Corporate bonds within liabilities are subordinated corporate bonds with special provisions that subordinate the fulfillment of obligations on the bonds to all other debt obligations.

The corporate bonds are callable at the discretion of the issuer, subject to the pre-approval of the regulatory authorities and other conditions.

The Company's corporate bond issuance dates and callable dates for currency swaps under designated hedge accounting are as follows:

Issue date	Callable date
October 2014	Tenth anniversary date after the issue date and on each fifth anniversary date thereafter
January 2016	Tenth anniversary date after the issue date and on each fifth anniversary date thereafter
September 2017	Tenth anniversary date after the issue date and on each fifth anniversary date thereafter
January 2020	Tenth anniversary date after the issue date and on each fifth anniversary date thereafter
January 2021	Tenth anniversary date after the issue date and on each fifth anniversary date thereafter
September 2021	Tenth anniversary date after the issue date and on each fifth anniversary date thereafter
September 2023	Tenth anniversary date after the issue date and on each fifth anniversary date thereafter

29. Other liabilities include subordinated loans payable of ¥1,011,000 million with special provisions that the fulfillment of obligations on the loans payable is subordinate to all other debt obligations.

30. Assets pledged as collateral in the form of cash and deposits, investments in securities, and lease receivables as of September 30, 2023, were ¥34 million, ¥5,057,301 million, ¥4,595 million, respectively. The total amount of liabilities covered by the assets pledged was ¥3,153,034 million as of September 30, 2023.

These amounts included ¥2,859,697 million of sale of securities under repurchase agreements and ¥3,061,919 million of payables under repurchase agreements, as well as ¥96,996 million in securities pledged and ¥87,461 million in cash received as collateral under securities lending transactions secured with cash as of September 30, 2023.

31. The total amount of stocks and investments in nonconsolidated subsidiaries and affiliates was ¥760,956 million. On January 24, 2023, the Company resolved to make an investment of up to \$1.0 billion in an investment limited partnership that invests in Resolution Life Group Holdings Ltd. With the conclusion of regulatory approvals, the Company invested a partial amount of \$742 million (¥111,251 million) in Resolution Life Group Holdings Ltd. on October 2, 2023.

32. Matters concerning stock options are as follows:

1) Stock option-related expenses and line items

	(Million Yen)
Operating expenses	98

2) Gains related to the forfeiture of unexercised stock options and line items

	(Million Yen)
Gain on reversal of share acquisition rights	15

33. The amount of securities lent under lending agreements was ¥1,795,585 million as of September 30, 2023.

34. Assets that the Company has a free disposal right to sell or re-pledge are marketable securities borrowed under lending agreements. These assets were held without being sold or re-pledged and totaled ¥139,055 million at fair value as of September 30, 2023.

35. The unused amount of commitments related to loans and similar loan agreements was ¥290,176 million as of September 30, 2023.

36. Revaluation of land used in the operations of the Company is performed based on the Act on Revaluation of Land. The tax effect of the amount related to the valuation difference between the book value and the revalued amount for land revaluation is recognized as a deferred tax liability within the liability section. The valuation differences are recognized as land revaluation losses within the net assets section.

Revaluation date	March 31, 2002
Revaluation methodology	The amount is calculated by using the listed value of the land and road rate as prescribed by Article 2, Items 1 and 4 of the Order for Enforcement of the Act on Revaluation of Land.

37. TAIJU LIFE INSURANCE COMPANY LIMITED and Nippon Wealth Life Insurance Company Limited, which are the Company's consolidated subsidiaries, have concluded modified coinsurance agreements.

TAIJU LIFE INSURANCE COMPANY LIMITED has concluded a modified coinsurance agreement covering foreign currency-denominated single payment endowment insurance (U.S. dollar/Australian dollar) and foreign currency-denominated single payment whole life insurance (U.S. dollar/Australian dollar). Through this modified coinsurance agreement, insurance risk has been transferred, and items including additional policy reserves or reversals associated with market price adjustments upon interest rate fluctuations are recorded as reinsurance revenue and presented in revenues from insurance and reinsurance. However, in cases where reinsurance revenue related to this modified coinsurance agreement is negative, the items are recorded as reinsurance premiums and presented as benefits and other payments. The outstanding balance of reinsurance payables related to these modified coinsurance agreements stood at ¥19,580 million as of September 30, 2023. The outstanding balance of the policy reserve component associated with the modified coinsurance agreements stood at ¥1,157,415 million as of September 30, 2023.

Nippon Wealth Life Insurance Company Limited records reinsurance revenue according to the timing of accrual of benefits and other payments for covered insurance products and to the ceding ratio for those products based on the reinsurance agreement. In addition, the ceding commission and policy reserve components are recorded according to the covered period and ceding ratio stipulated by the reinsurance agreement. These items are recorded as reinsurance premiums according to factors such as the timing of accrual of premiums for covered insurance products and the ceding ratio for those products based on the reinsurance agreement. The outstanding balance of unamortized ceding commissions related to reinsurance agreements under Article 1, Paragraph 5 of the Ministry of Finance Public Notice No. 50 of 1996 was ¥46,240 million as of September 30, 2023. In addition, the outstanding balance of reinsurance receivables related to these modified coinsurance agreements was ¥46,240 million as of September 30, 2023. Policy reserves include the reinsurance company's entrusted policy reserve of ¥396,022 million based on the modified coinsurance agreement.

(5) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

[Consolidated Statements of Income]

(Million Yen)

	Six months ended September 30, 2023	Six months ended September 30, 2022
Ordinary income:	6,056,503	4,993,158
Revenues from insurance and reinsurance	4,108,939	2,968,614
Investment income:	1,816,266	1,898,969
Interest, dividends, and other income	911,999	904,201
Gain on trading securities	19,124	—
Gain on sales of securities	239,144	507,768
Foreign exchange gains, net	587,464	486,282
Gain from separate accounts, net	57,361	—
Other ordinary income	131,297	125,574
Ordinary expenses:	5,910,566	4,921,819
Benefits and other payments:	3,061,515	2,717,492
Death and other claims	623,857	598,889
Annuity payments	482,187	470,098
Health and other benefits	472,852	545,284
Surrender benefits	780,403	766,255
Other refunds	119,435	109,599
Provision for policy reserves:	1,627,892	896,183
Provision for reserve for outstanding claims	—	74,155
Provision for policy reserves	1,617,394	811,381
Provision for interest on reserve for dividends to policyholders (mutual company)	10,494	10,642
Provision for interest on reserve for dividends to policyholders (limited company)	3	4
Investment expenses:	651,318	758,048
Interest expenses	22,645	20,334
Loss on trading securities	—	36,921
Loss on sales of securities	251,768	435,265
Loss on valuation of securities	1,946	8,410
Loss on derivative financial instruments, net	332,595	178,157
Loss on separate accounts, net	—	33,854
Operating expenses	393,864	375,236
Other ordinary expenses	175,975	174,858
Ordinary profit	145,937	71,338

[Consolidated Statements of Income] (Continued)

(Million Yen)

	Six months ended September 30, 2023	Six months ended September 30, 2022
Extraordinary gains:	5,387	2,616
Gain on disposals of fixed assets	5,371	2,612
Gain on reversal of share acquisition rights	15	4
Extraordinary losses:	33,988	29,029
Loss on disposals of fixed assets	5,319	3,509
Impairment losses	3,405	3,050
Provision for reserve for price fluctuations in investments in securities	22,263	18,358
Loss on tax purpose reduction entry of real estate	—	1,111
Contributions for assisting social public welfare	3,000	3,000
Provision for reserve for dividends to policyholders (limited company)	5,725	5,808
Surplus before income taxes	111,611	39,117
Income taxes—current	7,105	8,572
Income taxes—deferred	1,332	(18,711)
Total income taxes	8,437	(10,139)
Net surplus	103,173	49,256
Net surplus (deficit) attributable to noncontrolling interests	1,654	5,574
Net surplus attributable to the parent company	101,518	43,682

Notes to the Consolidated Statements of Income for the six months ended September 30, 2023

1. Previously, the Company and its certain consolidated subsidiaries included gain on cancellation of investment trusts in interest, dividends, and other income under investment income. However, gain on cancellation of investment trusts is substantially the same as gain on sales of securities such as stocks and bonds. Accordingly, from the three months ended September 30, 2023, when system upgrades were completed, the Company and its certain consolidated subsidiaries decided to include gain on cancellation of investment trusts in gain on sales of securities under investment income in order to present financial results more appropriately. As a result, gain on cancellation of investment trusts of ¥120,458 million, which had previously been included in interest, dividends, and other income on the consolidated statement of income for the three months ended September 30, 2023, has been restated as gain on sales of securities. In addition, on the consolidated statement of cash flow for the six months ended September 30, 2022, net cash provided by operating activities decreased by ¥120,458 million, while net cash used in investing activities increased by ¥120,458 million.
2. The following is a breakdown of ordinary income and ordinary expenses for the six months ended September 30, 2023.

(Million Yen)

Ordinary income items		Ordinary expenses items	
Ordinary income items	4,108,939	Benefits and other payments	3,061,515
Premiums	3,567,567	Death and other claims	623,857
Reinsurance revenue	541,371	Annuity payments	482,187
		Health and other benefits	472,852
		Surrender benefits	780,403
		Other refunds	119,435
		Reinsurance premiums	476,708
		Others	106,070

Additionally, as stated in Note 1 to the Consolidated Balance Sheets as of September 30, 2023, AASB 17 has been applied to MLC Limited, the Company's consolidated subsidiary, from the six months ended September 30, 2023. Insurance revenue recorded by MLC Limited is restated as a revenue amount and recorded in revenues from insurance and reinsurance.

3. The Company uses the following methods to record revenues from insurance and reinsurance, and benefits and other payments.

- (1) Revenues from insurance and reinsurance (excluding revenues from reinsurance) are recorded as the amount of payments that have been received, in principle.
- (2) Benefits and other payments (excluding reinsurance premiums) are recorded as the amount of payments made with respect to policies for which an event that is a reason for payment of claims or benefits has occurred based on the policy clauses and the amount determined based on those policy clauses was paid.

4. Impairment losses are as follows:

- 1) Method for grouping the assets
Real estate for rental use and idle properties of the Company and certain consolidated subsidiaries are classified as one asset group per property. Assets utilized for insurance business operations are classified into one asset group for each operation.
- 2) Recognition of impairment losses
When a significant decrease in profitability or fair value of a certain asset group is noted, the book value is reduced to the recoverable amount, recognizing an impairment loss under extraordinary losses.
- 3) Breakdown of asset groups for which impairment losses were recognized for the six months ended September 30, 2023, is as follows:

Purpose of use	Million Yen		Total
	Land	Buildings	
Real estate for rental use	1,210	1,112	2,322
Idle properties	524	557	1,082
Total	1,735	1,669	3,405

- 4) Measurement of recoverable amount
The recoverable amount is based on either the value in use or net selling price of the asset.

In principle, the value in use is determined as the discounted future cash flows using a discount rate of 2.4% to 3.0%. Net selling price is determined based on appraisals performed in accordance with the “Real Estate Appraisal Standards” or standard land prices.

5. Reinsurance revenue presented in revenues from insurance and reinsurance of TAIJU LIFE INSURANCE

COMPANY LIMITED, the Company's consolidated subsidiary, include reinsurance revenue of ¥110,935 million related to modified coinsurance agreements for foreign currency-denominated single payment endowment insurance (U.S. dollar and Australian dollar) and foreign currency-denominated single payment whole life insurance (U.S. dollar and Australian dollar). This reinsurance revenue includes adjustment to policy reserves for ceded reinsurance (excluding additional policy reserves (reversals) associated with market value adjustments and related items) of ¥81,481million and additional policy reserves (reversals) associated with market value adjustments and related items of ¥254 million.

Reinsurance revenue presented in revenues from insurance and reinsurance of Nippon Wealth Life Insurance Company Limited, the Company's consolidated subsidiary, includes a ¥403,453 million increase in unamortized ceding commissions related to reinsurance agreements under Article 1, Paragraph 5 of the Ministry of Finance Public Notice No. 50 of 1996. In addition, it includes ¥403,453 million in reinsurance revenue related to modified coinsurance agreements. This reinsurance revenue includes a ¥1,387 million increase in ceding commission and a ¥387,062 million increase in the policy reserve component (including a ¥41,166 million increase equivalent to additional provisions related to the standard policy reserve system). Reinsurance premiums presented in benefits and other payments include ¥361,142 million in reinsurance premiums related to modified coinsurance agreements.

Through these reinsurance items, ordinary profit and surplus before income taxes increased by ¥41,517 million each.

[Consolidated Statements of Comprehensive Income]

(Million Yen)

	Six months ended September 30, 2023	Six months ended September 30, 2022
Net surplus	103,173	49,256
Other comprehensive income:	871,145	(1,554,168)
Net unrealized gains on available-for-sale securities	1,287,962	(1,498,672)
Deferred gains (losses) on derivatives under hedge accounting	(474,666)	(142,660)
Foreign currency translation adjustments	39,354	65,713
Remeasurement of defined benefit plans	1,338	897
Share of other comprehensive loss of associates accounted for under the equity method	17,156	20,553
Comprehensive income:	974,318	(1,504,911)
Comprehensive income attributable to the parent company	966,340	(1,494,808)
Comprehensive income attributable to noncontrolling interests	7,978	(10,103)

(6) Consolidated Statements of Cash Flows

(Million Yen)

	Six months ended September 30, 2023	Six months ended September 30, 2022
I. Cash flows from operating activities:		
Surplus before income taxes	111,611	39,117
Depreciation of real estate for rental use and other assets	10,966	10,882
Depreciation	33,752	36,089
Impairment losses	3,405	3,050
Amortization of goodwill	2,544	2,544
Gain on bargain purchase	—	—
Net decrease in reserve for outstanding claims	(7,948)	74,294
Net increase in policy reserve	1,616,062	845,496
Provision for interest on reserve for dividends to policyholders (mutual company)	10,494	10,642
Provision for interest on reserve for dividends to policyholders (limited company)	3	4
Provision for reserve for dividends to policyholders (limited company)	5,725	5,808
Net increase in allowance for doubtful accounts	(808)	3,402
Net decrease in accrued bonuses for directors, and audit and supervisory board members	(297)	(287)
Net increase in net defined benefit liability	1,116	(769)
Net decrease in accrued retirement benefits for directors, and audit and supervisory board members	2	(22)
Net increase in reserve for price fluctuations in investments in securities	22,263	18,358
Interest, dividends, and other income	(911,999)	(904,201)
Net gains on investments in securities	14,539	64,124
Interest expenses	22,645	20,597
Net losses on tangible fixed assets	401	2,501
Gains from separate accounts	(57,361)	33,854
(Gain) loss on step acquisitions	—	—
Others, net	(288,215)	(267,860)
Subtotal	588,902	(130,621)
Interest, dividends, and other income received	869,907	792,462
Interest paid	(20,409)	(18,471)
Dividends paid to policyholders (mutual company)	(75,911)	(95,479)
Dividends paid to policyholders (limited company)	(8,475)	(5,967)
Others, net	(26,873)	(26,523)
Income taxes paid	80,125	(120,824)
Net cash provided by operating activities	1,407,265	394,574

(6) Consolidated Statements of Cash Flows (Continued)

(Million Yen)

	Six months ended September 30, 2023	Six months ended September 30, 2022
II. Cash flows from investing activities:		
Net (increase) decrease in deposits	(181)	529
Purchases of monetary receivables purchased	(8,918)	(2,015)
Proceeds from sales and redemptions of monetary receivables purchased	19,811	21,039
Purchases of securities	(5,888,080)	(6,032,771)
Proceeds from sales and redemptions of securities	4,848,517	6,832,190
Disbursements for loans	(999,415)	(855,213)
Proceeds from collections of loans	810,948	717,145
Others, net	(297,237)	(1,297,841)
Total of asset management activities	(1,514,555)	(616,936)
[Sum of operating activities and asset management activities]	(107,290)	(222,361)
Purchases of tangible fixed assets	(57,302)	(31,922)
Proceeds from sales of tangible fixed assets	21,136	6,891
Payments for acquisition of subsidiary's shares with change in scope of consolidation	—	—
Others, net	(23,653)	(18,612)
Net cash used in investing activities	(1,574,375)	(660,578)
III. Cash flows from financing activities:		
Proceeds from debt borrowing	119,400	234,060
Repayments of debt	(36,699)	(36,740)
Proceeds from issuance of corporate bonds	137,454	—
Redemption of corporate bonds	—	—
Proceeds from issuance of foundation funds	—	—
Redemption of foundation funds	—	—
Interest payments on foundation funds	(265)	(265)
Others, net	(14,251)	(1,010)
Net cash provided by financing activities	205,637	196,044
IV. Effect of exchange rate changes on cash and cash equivalents	27,442	66,395
V. Net (decrease) increase in cash and cash equivalents	65,970	(3,564)
VI. Cash and cash equivalents at the beginning of the period	2,139,794	2,544,383
VII. Net increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	—	2,128
VIII. Cash and cash equivalents at the end of the period	2,205,764	2,542,947

Notes to the Consolidated Statement of Cash Flows for the Six Months Ended September 30, 2023

1. Cash and cash equivalents

Cash and cash equivalents, for the purpose of reporting consolidated cash flows for the six months ended September 30, 2023, are composed of cash in hand, deposits held at call with banks, 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 insignificant risk of change in value.

(7) Consolidated Statements of Changes in Net Assets

For the six months ended September 30, 2023

(Million Yen)

	Foundation funds and others				
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Consolidated surplus	Total foundation funds and others
Beginning balance	100,000	1,350,000	651	590,126	2,040,777
Increase/decrease:					
Additions to reserve for dividends to policyholders (mutual company)				(181,910)	(181,910)
Interest on foundation funds				(265)	(265)
Net surplus attributable to the parent company				101,518	101,518
Reversal of land revaluation losses				(6,923)	(6,923)
Change in ownership interest of the parent due to transactions with noncontrolling interests				375	375
Net change, excluding foundation funds and others					
Net change	—	—	—	(87,205)	(87,205)
Ending balance	100,000	1,350,000	651	502,921	1,953,572

(7) Consolidated Statements of Changes in Net Assets (Continued)

For the six months ended September 30, 2023

(Million Yen)

	Accumulated other comprehensive income						Share acquisition rights	Non-controlling interests	Total net assets
	Net unrealized gains on available-for-sale securities	Deferred losses on derivatives under hedge accounting	Land revaluation losses	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Beginning balance	5,176,583	(375,789)	(56,264)	54,741	(5,938)	4,793,332	1,921	126,966	6,962,997
Increase/decrease:									
Additions to reserve for dividends to policyholders (mutual company)									(181,910)
Interest on foundation funds									(265)
Net surplus attributable to the parent company									101,518
Reversal of land revaluation losses									(6,923)
Change in ownership interest of the parent due to transactions with noncontrolling interests									375
Net change, excluding foundation funds and others	1,289,100	(474,646)	6,923	49,082	1,286	871,745	(29)	6,030	877,746
Net change	1,289,100	(474,646)	6,923	49,082	1,286	871,745	(29)	6,030	790,541
Ending balance	6,465,683	(850,436)	(49,340)	103,823	(4,651)	5,665,078	1,891	132,996	7,753,538

(7) Consolidated Statements of Changes in Net Assets (Continued)

For the six months ended September 30, 2022

(Million Yen)

	Foundation funds and others				
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Consolidated surplus	Total foundation funds and others
Beginning balance	100,000	1,350,000	651	740,576	2,191,227
Cumulative effect of changes in accounting policies				(79,546)	(79,546)
Beginning balance reflecting changes in accounting policies	100,000	1,350,000	651	661,030	2,111,681
Increase/decrease:					
Additions to reserve for dividends to policyholders (mutual company)				(199,868)	(199,868)
Interest on foundation funds				(265)	(265)
Net surplus attributable to the parent company				43,682	43,682
Reversal of land revaluation losses				(2,862)	(2,862)
Change in the scope of consolidation and application of the equity method				(390)	(390)
Change in ownership interest of the parent due to transactions with noncontrolling interests				230	230
Net change, excluding foundation funds and others					
Net change	—	—	—	(159,473)	(159,473)
Ending balance	100,000	1,350,000	651	501,557	1,952,208

(7) Consolidated Statements of Changes in Net Assets (Continued)

For the six months ended September 30, 2022

(Million Yen)

	Accumulated other comprehensive income						Share acquisition rights	Non-controlling interests	Total net assets
	Net unrealized gains on available-for-sale securities	Deferred losses on derivatives under hedge accounting	Land revaluation losses	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Beginning balance	6,124,915	(375,170)	(60,363)	17,362	(2,518)	5,704,225	1,671	155,930	8,053,054
Cumulative effect of changes in accounting policies								(19,886)	(99,432)
Beginning balance reflecting changes in accounting policies	6,124,915	(375,170)	(60,363)	17,362	(2,518)	5,704,225	1,671	136,043	7,953,622
Increase/decrease:									
Additions to reserve for dividends to policyholders (mutual company)									(199,868)
Interest on foundation funds									(265)
Net surplus attributable to the parent company									43,682
Change in the scope of consolidation and application of the equity method									(2,862)
Reversal of land revaluation losses									(390)
Change in ownership interest of the parent due to transactions with noncontrolling interests									230
Net change, excluding foundation funds and others	(1,479,183)	(141,915)	2,862	72,845	845	(1,544,546)	176	(14,355)	(1,558,724)
Net change	(1,479,183)	(141,915)	2,862	72,845	845	(1,544,546)	176	(14,355)	(1,718,197)
Ending balance	4,645,731	(517,085)	(57,501)	90,207	(1,672)	4,159,679	1,848	121,688	6,235,424

Notes to Statements of Changes in Net Assets for the Six Months Ended September 30, 2023

1. Matters concerning share acquisition rights

(Million Yen)

Classification	Breakdown of share acquisition rights	Balance as of September 30, 2023
Nippon Life India Asset Management Limited	Share acquisition rights provided as stock options	1,891

(8) Consolidated Solvency Margin Ratio

(Million Yen)

	As of September 30, 2023	As of March 31, 2023
Solvency margin gross amount (A):	19,498,026	18,065,212
Foundation funds (<i>kikin</i>) and other reserve funds:	6,187,575	6,013,434
Foundation funds and others	1,951,812	1,860,801
Reserve for price fluctuations in investments in securities	1,706,980	1,684,717
Contingency reserve	2,284,835	2,223,034
Extraordinary contingency reserve	—	—
General allowance for doubtful accounts	2,569	3,636
Others	241,377	241,244
Net unrealized gains on available-for-sale securities (before tax) and deferred losses on derivatives under hedge accounting (before tax) × 90%	7,391,466	6,231,568
Net unrealized gains on real estate × 85%	644,094	635,862
Total amount of unrecognized actuarial gains/losses and unrecognized prior service cost	(6,539)	(8,309)
Excess of continued Zillmerized reserve	2,860,320	2,884,069
Qualifying subordinated debt	2,527,319	2,309,865
Excess of continued Zillmerized reserve and qualifying subordinated debt not included in margin calculations	—	—
Deduction clause	(155,856)	(164,173)
Others	49,645	162,895
Total amount of risk (B): $\sqrt{(\sqrt{R_1^2 + R_5^2} + R_8 + R_9)^2 + (R_2 + R_3 + R_7)^2} + R_4 + R_6$	3,767,948	3,366,494
Underwriting risk (R_1)	179,434	179,782
General underwriting risk (R_5)	—	—
Huge disaster risk (R_6)	0	—
Underwriting risk of third-sector insurance (R_8)	103,403	104,336
Underwriting risk related to small amount and short-term insurance providers (R_9)	0	0
Anticipated yield risk (R_2)	340,670	326,402
Minimum guarantee risk (R_7)	8,251	8,341
Investment risk (R_3)	3,328,952	2,948,138
Business management risk (R_4)	79,214	71,340
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	1,034.9%	1,073.2%

Notes: 1. The amounts and figures in the table above are calculated based on the provisions of Article 86-2 and Article 88 of the Ordinance for Enforcement of the Insurance Business Act and the Financial Services Agency Public Notice No. 23 of 2011.
2. The standard method is used for the calculation of the amount equivalent to minimum guarantee risk.
3. Australian Accounting Standards Board standard AASB 17, applied to MLC Limited from fiscal 2023, was applied retrospectively at the end of fiscal 2022.

(9) Segment Information

For the six months ended September 30, 2023, the Company and its consolidated subsidiaries engaged in insurance business and insurance-related businesses (including asset management-related business and general administration-related business) in Japan and overseas. Segment information and its related information are omitted because there are no other significant segments to be reported.