OFFERING CIRCULAR **CONFIDENTIAL**

朝日生命

U.S.$375,000,000
ASAHI MUTUAL LIFE INSURANCE COMPANY

(a mutual company incorporated in Japan)

6.90 per cent. Step-up Callable Perpetual Subordinated Bonds

The U.S.$375,000,000 6.90 per cent. Step-up Callable Perpetual Subordinated Bonds (the "Bonds") of Asahi Mutual Life Insurance Company ("Asahi Life") will be issued in the denomination of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.

The Bonds will constitute irrevocable, direct and unsecured obligations of Asahi Life which are conditional and subordinated. Upon the occurrence of a Subordination Event (as defined in the Conditions (which term itself is defined in "Terms and Conditions of the Bonds")), and so long as it continues, the obligations of Asahi Life pursuant to the Bonds will be subordinated in right of payment to all Senior Indebtedness (as defined in the Conditions) of Asahi Life. See "Terms and Conditions of the Bonds — 2. Status and Subordination".

The Bonds will bear interest at a fixed rate of 6.90 per cent. per annum, payable semi-annually in arrear on each Interest Payment Date (as defined below), commencing 26 July 2023 until 26 January 2028 (the "First Call Date"). "Interest Payment Date" means 26 January and 26 July in each year. The rate of interest of the Bonds will be reset on the First Call Date, and on every Interest Payment Date which falls five, or a multiple of five, years thereafter (the First Call Date and each such Interest Payment Date, being a "Reset Date"), until all Bonds are fully redeemed. The Bonds will bear interest from and including each Reset Date to but excluding the next following Reset Date or the date on which the Bonds are finally redeemed, whichever is earlier (each a "Reset Interest Period") (subject to Condition 3(e)), at the rate per annum equal to the "Reset Interest Rate", which is the sum of the applicable 5-year U.S. Treasury Rate (as defined in the Conditions) and 4.24 per cent. per annum. Such interest is payable semi-annually in arrear in equal instalments on each Interest Payment Date relating to the applicable Reset Interest Period, beginning on 26 July 2028. See "Terms and Conditions of the Bonds — 3. Interest". Payments of interest on the Bonds may be deferred at the option of Asahi Life or upon the occurrence of certain events, as described in "Terms and Conditions of the Bonds — 4. Deferral of Payments".

The Bonds will have no final maturity date. The Bonds will be subject to redemption in whole but not in part, (i) at the option and sole discretion of Asahi Life on the First Call Date and on any Interest Payment Date falling thereafter, at their principal amount, (ii) in the event of certain changes in Japanese tax laws, at any time at their principal amount or (iii) in the event of a Capital Disqualification Event (as defined in the Conditions), a Tax Deductibility Event (as defined in the Conditions) or a Rating Agency Event (as defined in the Conditions), at any time on or prior to the First Call Date at their principal amount together with interest accrued to but excluding the date fixed for redemption and all Arrears of Interest, in each case subject to compliance with applicable regulatory requirements, including the prior consent of the Financial Services Agency of Japan (the "FSA") (where required), as described in "Terms and Conditions of the Bonds — 5. Redemption and Purchase".

Payments by Asahi Life in respect of the Bonds shall be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by, or on behalf of, Japan or any political subdivision thereof or of any taxing authority therein, unless such withholding or deduction is required by law. See "Terms and Conditions of the Bonds — 7. Taxation".

Payment of principal of and interest on the Bonds may be accelerated only in the case of liquidation, bankruptcy, reorganisation, civil rehabilitation or other equivalent proceedings of Asahi Life. There is no right of acceleration of the payment of the principal of the Bonds upon a default in the payment of principal or interest or in the performance of any covenant by Asahi Life.

It is expected that the Bonds will be assigned a rating of BBB by Fitch Ratings Japan Limited ("Fitch"). A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

See "Investment Considerations" beginning on page 14 for a discussion of certain factors to be considered in connection with an investment in the Bonds.

ISSUE PRICE: 100 per cent.

Approval in-principle has been received for the listing and quotation of the Bonds on the Singapore Exchange Securities Trading Limited (the "SGX-ST"). The SGX-ST assumes no responsibility for the correctness of any of the statements made, or opinions expressed or reports contained in this Offering Circular. Approval in-principle from the SGX-ST, admission of the Bonds to the Official List of the SGX-ST and the quotation of the Bonds on the SGX-ST are not to be taken as an indication of the merits of Asahi Life or the Bonds.

This Offering Circular does not constitute an offer of, or solicitation of an offer to buy or subscribe for the Bonds in any jurisdiction in which such offer or solicitation is unlawful. In particular, the Bonds have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") and, subject to certain exceptions, may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S ("Regulation S") under the Securities Act). In addition, the Bonds have not been, and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended) (the "FIEA") and, may not be sold within Japan unless otherwise permitted by the FIEA. For a summary of certain restrictions on the sale and transfer of the Bonds and distribution of this Offering Circular, see "Subscription and Sale".

Upon issue, the Bonds will be evidenced by a global certificate (the "Global Certificate") in registered form deposited with, and registered in the name of or in the name of a nominee for, a common depositary for Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking S.A. ("Clearstream, Luxembourg") on or about 26 January 2023 for the accounts of their respective accountholders.

Joint Bookrunners and Joint Lead Managers

Citigroup **Mizuho** **Morgan Stanley**

Co-Managers

Barclays **Nomura**

The date of this Offering Circular is 17 January 2023.

Asahi Life accepts responsibility for the information contained in this Offering Circular. To the best of the knowledge and belief of Asahi Life (which has taken all reasonable care to ensure that such is the case), the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

Asahi Life, having made all reasonable enquiries, confirms that this Offering Circular contains all information with respect to Asahi Life, its consolidated and non-consolidated subsidiaries and the Bonds which is material in the context of the issue and offering of the Bonds, the statements contained in it are in every material particular true and accurate and not misleading, the opinions and intentions expressed in this Offering Circular are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions, there are no other facts the omission of which would, in the context of the issue and offering of the Bonds, make any statement in this Offering Circular misleading and all reasonable enquiries have been made by Asahi Life to ascertain such facts and to verify the accuracy of all such information and statements.

This Offering Circular does not constitute an offer of, or solicitation of an offer to buy or subscribe for the Bonds in any jurisdiction in which such offer or solicitation is unlawful. The distribution of this Offering Circular and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by Asahi Life and the Managers (as defined in "Subscription and Sale") to inform themselves about and to observe any such restrictions. For a description of certain further restrictions on offers and sales of the Bonds and the distribution of this Offering Circular, see "Subscription and Sale".

No person is authorised in connection with the issue, offering, subscription or sale of the Bonds to give any information or to make any representation not contained in this Offering Circular and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of Asahi Life or the Managers. The delivery of this Offering Circular at any time does not imply that the information contained in it is correct as at any time subsequent to its date.

To the fullest extent permitted by law, none of the Managers, the Trustee (as defined in the Conditions), the Calculation Agent (as defined in the Conditions) or the Agents (as defined in the Conditions) or any of their respective affiliates, directors, employees, agents, representatives, officers or advisers accepts any responsibility whatsoever for the contents of this Offering Circular or for any other statement made or purported to be made by Asahi Life or any of Asahi Life's consolidated and non-consolidated subsidiaries, or in relation to the offering. Accordingly, each Manager, the Trustee, the Calculation Agent and each Agent and each of their respective affiliates, directors, employees, agents, representatives, officers and advisers disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Offering Circular or any such statement. Each Bondholder (as defined in the Conditions) shall be solely responsible for making and continuing to make its own independent appraisal and investigation into the financial condition, creditworthiness, condition, affairs, status and nature of Asahi Life, and the Trustee, the Calculation Agent and the Agents shall not at any time have any responsibility for the same and each Bondholder shall not rely on the Trustee, the Calculation Agent or any Agent in respect thereof.

No action is being taken to permit a public offering of the Bonds or the distribution of this Offering Circular in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Bonds and the circulation of documents relating thereto in certain jurisdictions, including the United States, Japan, the European Economic Area, the United Kingdom, Hong Kong and Singapore and to persons connected therewith. See "Subscription and Sale".

MiFID II product governance / Professional investors and ECPs only target market: Solely for the product governance requirements of Directive 2014/65/EU (as amended, "MiFID II") the target market assessment in respect of the Bonds has led to the conclusion that: (i) the target market for the Bonds is eligible counterparties and professional clients only, each as defined in MiFID II and (ii) all channels for distribution of the Bonds to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Bonds (a "distributor") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Bonds (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

UK MiFIR product governance / Professional investors and ECPs only target market: Solely for the product governance requirements, the target market assessment in respect of the Bonds has led to the conclusion that: (i) the target market for the Bonds is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("COBS"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("UK MiFIR") and (ii) all channels for distribution of the Bonds to eligible counterparties and professional clients are appropriate. Any distributor should take into consideration the manufacturers' target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "UK MiFIR Product Governance Rules") is responsible for undertaking its own target market assessment in respect of the Bonds (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

Prohibition of sales to EEA retail investors: The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the "EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended, the "Prospectus Regulation"). Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Prohibition of sales to UK retail investors: The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (the "UK"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018; or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "FSMA") and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018; or (iii) not a qualified investor as defined in the Prospectus Regulation as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018. Consequently, no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "UK PRIIPs Regulation") for offering or selling the Bonds or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

The Bonds are only being offered and sold in offshore transactions to non-U.S. persons outside the United States in reliance on Regulation S.

The Bonds have not been and will not be registered under the FIEA and are subject to the Act on Special Measures Concerning Taxation of Japan (Act No. 26 of 1957, as amended) (the "Act on Special Taxation Measures"). The Bonds may not be offered or sold in Japan or to, or for the benefit of, any person resident in Japan, or to others for reoffering or resale, directly or indirectly, in Japan or to, or for the benefit of, a person resident in Japan, for Japanese securities law purposes (including any corporation or other entity organised under the laws of Japan) except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and governmental guidelines of Japan. In addition, the Bonds may not, as part of the initial distribution by the Managers under the subscription agreement relating to the Bonds, at any time be directly or indirectly offered or sold to, or for the benefit of, any person other than a beneficial owner that is, (i) for Japanese tax purposes, neither (a) an individual resident of Japan or a Japanese corporation, nor (b) an individual non-resident of Japan or a non-Japanese corporation that in either case is a person having a special relationship with Asahi Life as described in Article 6, Paragraph (4) of the Act on Special Taxation Measures (a "specially-related person of the issuer") (excluding an underwriter designated in Article 6, Paragraph (12), item 1 of the Act on Special Taxation Measures which purchases unsubscribed portions of the Bonds from the other underwriters) or (ii) a Japanese financial institution, designated in Article 3-2-2, Paragraph (29) of the Cabinet Order (Cabinet Order No. 43 of 1957, as amended) (the "Cabinet Order"), relating to the Act on Special Taxation Measures.

BY SUBSCRIBING FOR THE BONDS, AN INVESTOR WILL BE DEEMED TO HAVE REPRESENTED THAT IT IS A PERSON WHO FALLS INTO THE CATEGORY OF (i) OR (ii) ABOVE.

Interest payments on the Bonds will be subject to Japanese withholding tax unless it is established that the Bonds are held by or for the account of a beneficial owner that is (i) for Japanese tax purposes, neither an individual resident of Japan or a Japanese corporation, nor an individual non-resident of Japan or a non-Japanese corporation that in either case is a specially-related person of the issuer, or (ii) a Japanese financial institution designated in Article 3-2-2, Paragraph (29) of the Cabinet Order which complies with the requirement for tax exemption under Article 6, Paragraph (11) of the Act on Special Taxation Measures or (iii) a Japanese public corporation, a Japanese financial institution or a Japanese financial instruments business operator, etc. which has received such payments through a payment handling agent in Japan, as provided in Article 3-3, Paragraph (6) of the Act on Special Taxation Measures, in compliance with the requirement for tax exemption under that paragraph.

Interest payments on the Bonds to an individual resident of Japan, to a Japanese corporation not described in the preceding paragraph, or to an individual non-resident of Japan or a non-Japanese corporation that in either case is a specially-related person of the issuer will be subject to deduction in respect of Japanese income tax.

Singapore SFA product classification: Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act 2001 of Singapore (the "SFA"), Asahi Life has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the Bonds are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018).

IN CONNECTION WITH THIS ISSUE, CITIGROUP GLOBAL MARKETS LIMITED (THE "STABILISING MANAGER") (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) MAY, SUBJECT TO ALL APPLICABLE LAWS AND REGULATIONS, OVER-ALLOT OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE PRICE OF THE BONDS AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, STABILISATION MAY NOT OCCUR. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE BONDS IS MADE AND, IF BEGUN, MAY CEASE AT ANY TIME, BUT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE BONDS OR 60 DAYS AFTER THE ALLOTMENT OF THE BONDS.

FORWARD-LOOKING STATEMENTS

This Offering Circular includes "forward-looking statements". All statements other than statements of historical facts included in this Offering Circular, including, without limitation, those regarding Asahi Life's financial position, business strategy, plans and objectives of management for future operations, are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of Asahi Life, or the economy or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding Asahi Life's present and future business strategies and the environment in which Asahi Life will operate in the future. Among the important factors that could cause Asahi Life's actual results, performance or achievements to differ materially from those in the forward-looking statements include, but are not limited to, those discussed under the section titled "Investment Considerations". These forward-looking statements speak only as of the date of this Offering Circular. Asahi Life expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in Asahi Life's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Financial Information

The financial year end of Asahi Life is 31 March. Asahi Life's financial statements are prepared in accordance with the Insurance Business Act of Japan (Act No. 105 of 1995, as amended) (the "Insurance Business Act") and related rules and regulations applicable to the mutual life insurance industry (the "Insurance Business Accounting Principles") and accounting principles generally accepted in Japan ("Japanese GAAP"), which differ in certain respects from accounting principles generally accepted in certain other countries. Potential investors should consult their own professional advisers for an understanding of the difference between the combination of Insurance Business Accounting Principles and Japanese GAAP, and International Financial Reporting Standards, or generally accepted accounting principles in other jurisdictions and an understanding of how those differences might affect the financial information contained in this Offering Circular.

In accordance with applicable Japanese legal requirements, for each fiscal year, Asahi Life prepares audited annual consolidated and non-consolidated financial statements and unaudited interim consolidated and non-consolidated financial statements in Japanese, all in accordance with the Insurance Business Accounting Principles and Japanese GAAP.

The following financial statements are contained in this Offering Circular: (i) the audited annual consolidated balance sheets as of 31 March 2022 and 2021 and the related audited annual consolidated statements of income and comprehensive income, changes in net assets and cash flows for the years then ended and the notes thereto, (ii) the audited annual consolidated balance sheets as of 31 March 2021 and 2020 and the related audited annual consolidated statements of income and comprehensive income, changes in net assets and cash flows for the years then ended and the notes thereto, (iii) the audited annual non-consolidated balance sheets as of 31 March 2022 and 2021 and the related audited annual non-consolidated statements of income, changes in net assets and proposed appropriation of surplus (loss) for the years then ended and the notes thereto, (iv) the audited annual non-consolidated balance sheets as of 31 March 2021 and 2020 and the related audited annual non-consolidated statements of income, changes in net assets and proposed appropriation of surplus (loss) for the years then ended and the notes thereto, (v) the unaudited interim consolidated balance sheet as of 30 September 2022 and the related unaudited interim consolidated statements of income and comprehensive income, cash flows and changes in net assets for each of the six-month periods ended 30 September 2022 and 2021 and the notes thereto, and (vi) the unaudited interim non-consolidated balance sheet as of 30 September 2022 and the related unaudited interim non-consolidated statements of income and changes in net assets for each of the six-month periods ended 30 September 2022 and 2021 and the notes thereto.

Except as otherwise specified, (i) the discussion and analysis of the financial condition and results of operations and all financial information set forth in the section titled "Recent Business" are provided on a consolidated basis, and (ii) financial information other than the specified parts of the "Recent Business" section is presented on a non-consolidated basis. In addition, where specified, certain financial information is presented on a combined basis, representing non-consolidated financial information for Asahi Life combined with non-consolidated information for Nanairo Life Insurance Co., Ltd. ("Nanairo Life").

In this Offering Circular, "Asahi Life" refers to Asahi Life and its consolidated subsidiaries or, as the context may require, Asahi Life on a non-consolidated basis.

Unless otherwise specified or the context requires, references in this Offering Circular to "U.S.$", "dollars" and "U.S. dollars" are to United States dollars, all references to "Euro" and "€" are to the lawful currency of the member states of the European Union and all references to "yen" and "¥" are to Japanese yen.

In this Offering Circular, where information is presented in millions or billions of yen, amounts of less than one million or one hundred million, as the case may be, have been truncated (rounded down) unless otherwise specified. All percentages have been rounded to the nearest per cent., one-tenth of one per cent. or one-hundredth of one per cent., as the case may be. In some cases, figures and percentages presented in tables in this Offering Circular may not total due to such truncating or rounding.

Economic value-based Solvency Ratio ("ESR")

In this Offering Circular, Asahi Life discloses ESR data as of 31 March 2022 on a consolidated basis and as of 31 March 2021 and 2022 on a non-consolidated basis, calculated for internal management purposes only, based on the framework which it has developed. Asahi Life believes that the ESR framework developed by it to date is in line with, and that the figures for consolidated and non-consolidated ESR data in this Offering Circular are substantially consistent with, the new framework indicated in the FSA ESR Document 2022 (as defined in "Investment Considerations — As a Japanese insurance company, Asahi Life is subject to extensive oversight of its business practices and must maintain a solvency margin ratio at or above required levels"). However, the FSA's new ESR framework has not been finalised and when finalised, there may be differences between the finalised ESR framework and the framework developed by Asahi Life, based on which the consolidated and non-consolidated ESR data in this Offering Circular was calculated. As such, the ESR data in this Offering Circular should not be relied upon as being formulated on the FSA's ESR framework in its final implemented format. **Asahi Life cautions potential investors against placing undue reliance on such information in making any decision to purchase the Bonds.**

See "Investment Considerations — As a Japanese insurance company, Asahi Life is subject to extensive oversight of its business practices and must maintain a solvency margin ratio at or above required levels".

Statistical and Industry Information Based on Third Party Publications

In this Offering Circular, Asahi Life makes references to certain statistical and industry data based on information from certain third party publications, including the Nationwide Field Survey on Life Insurance (December 2021) published by Japan Institute of Life Insurance, which provides statistical data relating to, among others, the household subscription of life insurance products in Japan based on a survey of 4,000 general households (comprising of two or more persons) in Japan between April and May 2021.

Industry publications generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information are not guaranteed. Asahi Life has not verified the accuracy of statistical or industry data contained in this Offering Circular that were taken or derived from such industry publications. It should be noted in particular that results of surveys are not necessarily exact reflections of the state of the relevant market.

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SUMMARY

The following summary is qualified in its entirety by, and is subject to, the detailed information and financial statements contained elsewhere in this Offering Circular. For a discussion of certain matters that should be considered by prospective investors in the Bonds, see "Investment Considerations".

ASAHI MUTUAL LIFE INSURANCE COMPANY

Overview

Asahi Life is one of the major domestic life insurance companies in Japan as measured by non-consolidated total assets as of 31 March 2022. Asahi Life's non-consolidated total assets as of 31 March 2022 and 30 September 2022 amounted to ¥5,504 billion and ¥5,322 billion, respectively, while its non-consolidated income from insurance premiums for the fiscal year ended 31 March 2022 and the six-month period ended 30 September 2022 amounted to ¥385 billion and ¥188 billion, respectively.

Asahi Life's core business is life insurance for individuals in Japan, with a specific strategic focus on offering protection-type products, including medical and nursing care products which Asahi Life believes can provide stable profits despite market fluctuations. Asahi Life's principal product lines include modular life insurance product suites named "*Hoken-ou Plus*", a flexible life insurance product which allows customers to choose from a portfolio of insurance products to create a customised insurance plan, a similar flexible modular life insurance product designed specifically for women called "*Yasashisa Plus*", and a combined coverage product (medical and death protection insurance) with less underwriting requirement called "*Kanaeru Plus*" sold by sales representatives. Asahi Life also has strength in its nursing care insurance product line-up called "*Anshin-Kaigo*". "*Nanairo*" medical insurance products are provided by Nanairo Life, a wholly-owned subsidiary of Asahi Life which commenced operations in April 2021 and product sales in October 2021, focusing on the independent agency channel for individual customers. A lump-sum payment insurance for dementia and a lump-sum payment insurance for lifestyle-related diseases are sold exclusively online. Asahi Life also offers group medical insurance products.

Insurance and annuity product sales activities are primarily carried on by Asahi Life and Nanairo Life, with Asahi Life's other consolidated and non-consolidated subsidiaries providing ancillary and operational services such as asset management, investment advisory, software development, property management, and insurance consulting and insurance shops. Asahi Life's sales activities have centred primarily around life insurance products marketed through sales representatives, but in recent years, with the launch of Nanairo Life's operations, Asahi Life has been accelerating its multi-channel strategy by also focusing on sales through channels such as insurance shops, telemarketing and tax accountants; further, with the expectation that digital channels will become increasingly important, Asahi Life has begun expanding its offering of insurance products sold exclusively through the Internet.

Asahi Life has been enhancing and aims to further enhance its financial soundness through accumulation of surplus and recapitalisation measures. As of 31 March 2022 and 30 September 2022, Asahi Life had consolidated solvency margin ratios of 982.2 per cent. and 876.3 per cent., respectively, and non-consolidated solvency margin ratios of 954.9 per cent. and 836.6 per cent., respectively. As of 31 March 2022, the consolidated and non-consolidated ESR of Asahi Life (prepared for internal management purposes only) was 239.0 per cent. and 235.7 per cent., respectively.

As of the date of this Offering Circular, Asahi Life has insurer financial strength ratings of A– (Stable Outlook) from Fitch, A– (Stable Outlook) from Rating and Investment Information, Inc. ("R&I") and BBB+ (Positive Outlook) from Japan Credit Rating Agency, Ltd. ("JCR").

The registered head office of Asahi Life is located at 6-1, Yotsuya 1-chome, Shinjuku-ku, Tokyo 160-8570, Japan.

THE BONDS

Issuer	Asahi Mutual Life Insurance Company
Securities Offered	U.S.$375,000,000 aggregate principal amount of 6.90 per cent. Step-up Callable Perpetual Subordinated Bonds.
Issue Price	100 per cent.
Form and Denomination	The Bonds will be issued in registered form in the denomination of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.
Interest	*Prior to the First Call Date:* From and including 26 January 2023 to but excluding the First Call Date, the Bonds will bear interest at a fixed rate of 6.90 per cent. per annum payable semi-annually in arrear on each Interest Payment Date, commencing 26 July 2023 until the First Call Date. *On and after the First Call Date:* The rate of interest of the Bonds will be reset on each Reset Date until all Bonds are fully redeemed. The Bonds will bear interest in each Reset Interest Period at the Reset Interest Rate. Such interest is payable semi-annually in arrear in equal instalments on each Interest Payment Date relating to the applicable Reset Interest Period, beginning on 26 July 2028. The Reset Interest Rate in respect of each Reset Interest Period shall be determined by the Calculation Agent on the relevant Reset Interest Rate Determination Date (as defined in the Conditions) in respect of such Reset Interest Period. See Condition 3. Payments of interest on the Bonds may be deferred at the option of Asahi Life or upon the occurrence of certain events, as described below.
Interest Deferral	*Optional Deferral:* Asahi Life may, at its sole discretion, elect to defer all (but not some only) of the accrued interest that would otherwise be due to be paid on an Interest Payment Date (subject to certain requirements and restrictions) by giving written notice of such election to the Trustee and to the Bondholders no later than two Business Days (as defined in the Conditions) prior to the relevant Interest Record Date (as defined in the Conditions). *Mandatory Deferral:* In the event that (i) a Capital Deficiency Event (as defined in the Conditions) has occurred and is continuing, or (ii) any payment in relation to any *Pari Passu* Securities (as defined in the Conditions) has been deferred and continues to be in deferral, in either case, as of the date that is five Business Days prior to (and including) an Interest Record Date, then Asahi Life shall be required to defer all (but not some only) of the accrued interest that would otherwise be due to be paid on such Interest Payment Date. Asahi Life will provide prior written notice of a mandatory deferral of interest to the Trustee and to the Bondholders no later than two Business Days prior to the relevant Interest Record Date.

Arrears of Interest .... Any interest that is deferred shall, so long as it remains unpaid, constitute Arrears of Interest (as defined in the Conditions). See Condition 4.

Arrears of Interest on the Bonds shall accrue on a cumulative basis and remain payable for so long as they remain unpaid. Interest on Arrears of Interest deferred at Asahi Life's option shall compound semi-annually at 6.90 per cent. per annum to but excluding the First Call Date, and at the applicable Reset Interest Rate for each Interest Period thereafter. Arrears of Interest mandatorily deferred shall bear no interest.

Arrears of Interest on the Bonds may at the option of Asahi Life be paid in whole or in part at any time upon giving not less than five nor more than fifteen Business Days' written notice to such effect to the Trustee and to the Bondholders (which notice shall specify the amount of such Arrears of Interest to be paid), provided that such payments (i) shall be subject to any applicable regulatory requirements or consents, (ii) shall be conditional upon a Capital Deficiency Event not having occurred and continuing to occur as of the time of such notice and (iii) shall be conditional upon a deferral of any payment in relation to *Pari Passu* Securities not having occurred and continuing to be in deferral as of the time of such notice.

Where no Subordination Event has occurred and is continuing and Arrears of Interest on the Bonds are paid in part, each such payment shall be applied in or towards satisfaction of the full amount of the Arrears of Interest on the Bonds in respect of the earliest Interest Payment Date in respect of which Arrears of Interest on the Bonds have not been paid in full.

Payment Stoppage .... If Asahi Life has given notice to defer payment of interest and such Arrears of Interest have not been paid in whole, or if any other payment in relation to the Bonds has been deferred and continues to be in deferral, Asahi Life shall not, and it shall cause its Subsidiaries (as defined in the Conditions) not to, make any payment of principal of, or interest or premium (if any) on, or repay, purchase or redeem any *Pari Passu* Securities or Junior Indebtedness (as defined in the Conditions).

Provided, however, such restriction on payments will not prohibit or restrict in any manner: (i) a payment of interest in respect of any *Pari Passu* Securities if payment of interest in respect of the Bonds is deferred solely due to (a) deferral of payment in respect of such *Pari Passu* Securities, or (b) deferral of payment in respect of other *Pari Passu* Securities due to deferral of payment in respect of such *Pari Passu* Securities, and (ii) the ability of any Subsidiary of Asahi Life to declare or pay dividends or make any distributions to Asahi Life or Asahi Life's ability to make distributions to its policyholders *(shain haitou),* to make payments on foundation funds *(kikin)* or, for the avoidance of doubt, to make payments on Liquidation Parity Indebtedness (as defined in the Conditions) other than *Pari Passu* Securities.

Compulsory Interest Payments .... Subject to compliance with applicable regulatory requirements, including the prior consent of the Relevant Supervisory Authority (as defined in the Conditions) (if then required) and unless a Capital Deficiency Event has occurred and is continuing, Asahi Life will be required to pay interest on any Interest Payment Date where in the period of six months prior to such Interest Payment Date:

(i) any dividend or distribution is declared payable or a payment of interest is made on any *Pari Passu* Securities, save where such dividend, distribution or payment is mandatory in accordance with the terms and conditions of such security;

(ii) any repurchase, redemption or acquisition by Asahi Life or any of its Subsidiaries of *Pari Passu* Securities, save where Asahi Life or, as the case may be, the relevant Subsidiary is not able to defer, pass or eliminate the payment or other obligation in respect of such repurchase, redemption or acquisition;

(iii) any dividend or distribution is declared payable or a payment of interest is made on any Junior Indebtedness, save where such dividend, distribution or payment (A) is mandatory in accordance with the terms and conditions of such indebtedness or (B) relates to Asahi Life's payments on foundation funds *(kikin);* or

(iv) any repurchase, redemption or acquisition by Asahi Life or any of its Subsidiaries of Junior Indebtedness, save where (A) Asahi Life or, as the case may be, the relevant Subsidiary is not able to defer, pass or eliminate the payment or other obligation in respect of such repurchase, redemption or acquisition or (B) such redemption relates to any redemption of foundation funds *(kikin).*

Redemption .... The Bonds will have no fixed redemption date and the holders will have no rights to require Asahi Life to redeem the Bonds at any time.

Optional Redemption:

Subject to compliance with applicable regulatory requirements, including the prior consent of the Relevant Supervisory Authority (if then required), and subject to the satisfaction of a Redemption Condition (as identified in the Conditions), the Bonds may be redeemed at the option and sole discretion of Asahi Life in whole, but not in part, on the First Call Date or any Interest Payment Date thereafter, and Asahi Life shall give not less than 30 nor more than 60 days' written notice of such redemption to the Trustee and to the Bondholders (which notice shall be irrevocable). Such redemption of the Bonds shall be at their principal amount together with interest accrued to but excluding the date fixed for redemption and all Arrears of Interest, together with any Additional Amounts (as defined in the Conditions).

Redemption for Taxation reasons:

If (i) on the occasion of the next payment in respect of the Bonds, Asahi Life would be unable to make such payment without being required to pay Additional Amounts (as defined in the Conditions) and such an event arises by reason of a change in, or amendment to, the laws, regulations or rulings of Japan or any political sub-division thereof or of any taxing authority therein or a change in the official interpretation or application thereof or a change in any applicable double taxation treaty or convention (including a holding, judgment or order by a court of competent jurisdiction), which change becomes effective on or after 17 January 2023 and (ii) such requirement cannot be avoided by Asahi Life taking reasonable measures available to it, Asahi Life may, subject to compliance with applicable regulatory requirements, including the prior consent of the Relevant Supervisory Authority (if then required) and subject to the satisfaction of a Redemption Condition, and having given not less than 30 nor more than 60 days' written notice to the Trustee and to the Bondholders (which notice shall be irrevocable), redeem all, but not some only, of the Bonds at any time at the principal amount of the Bonds, together with interest accrued to but excluding the date fixed for redemption and all Arrears of Interest.

Optional Redemption due to Capital Disqualification Event, Tax Deductibility Event or Rating Agency Event:

Subject to the satisfaction of a Redemption Condition and to compliance with applicable regulatory requirements, including the prior consent of the Relevant Supervisory Authority (if then required) and having given not less than 30 nor more than 60 days' written notice to the Trustee and to the Bondholders (which notice shall be irrevocable), the Bonds may be redeemed at any time on or prior to the First Call Date upon the occurrence of any of a Capital Disqualification Event, a Tax Deductibility Event or a Rating Agency Event at their principal amount together with interest accrued to but excluding the date fixed for redemption and all Arrears of Interest, together with any Additional Amounts. See Condition 5.

A Redemption Condition means that either (a) Asahi Life's Solvency Margin Ratio (as defined in the Conditions) after giving effect to the intended redemption is expected to remain at an adequate level within the meaning of the Insurance Business Act (as defined in the Conditions) and any applicable regulations, public notices or guidelines thereunder then in force or (b) Asahi Life procures qualifying financing in an amount not less than the amount of the intended redemption.

Status and Subordination of the Bonds .... The obligations of Asahi Life in respect of the Bonds constitute irrevocable, direct and unsecured obligations of Asahi Life which are conditional and subordinated. Claims in respect of the Bonds shall at all times rank *pari passu* and without any preference among themselves, and (i) rank *pari passu* with all Liquidation Parity Indebtedness and (ii) in priority to claims of holders of Junior Indebtedness.

Upon the occurrence of a Subordination Event, and so long as it continues, the obligations of Asahi Life pursuant to the Bonds will be subordinated in right of payment to all Senior Indebtedness. See Condition 2.

Limited Rights of Acceleration .... The Bonds may not be accelerated upon a default in the payment of principal of or interest on the Bonds, upon the non-performance of any covenant of Asahi Life in relation to the Bonds or upon the happening of any other event in relation to the Bonds other than a Subordination Event, which would only occur in the event that liquidation, bankruptcy, reorganisation or civil rehabilitation proceeding shall have commenced with respect to Asahi Life or Asahi

	Life shall have become subject to other equivalent proceedings pursuant to any applicable law of any jurisdiction other than Japan, and in such cases, payment on the Bonds would remain subject to subordination. See Condition 9.
Demutualisation Event..........................	Certain provisions of the Bonds will be amended automatically, and without the consent of Bondholders, in the event that Asahi Life conducts a demutualisation under the Insurance Business Act or any similar applicable law or regulations and become a joint-stock corporation, as described in the "Terms and Conditions of the Bonds".
Trustee..	The Bank of New York Mellon, London Branch.
Principal Paying Agent and Calculation Agent..................................	The Bank of New York Mellon, London Branch.
Registrar and Transfer Agent..............	The Bank of New York Mellon SA/NV, Luxembourg Branch
Payment and Settlement	Payment for the Bonds will be made on or about 26 January 2023. Upon issue, the Bonds will be evidenced by the Global Certificate in registered form deposited with, and registered in the name of a nominee for, a common depositary for Euroclear and Clearstream, Luxembourg.
Use of Proceeds	Asahi Life intends to use the net proceeds from the offering of the Bonds for general corporate purposes, and/or towards the repayment of, principally, the 2018 Perpetual Bonds (as defined in the Conditions), which is subject to regulatory and other approvals.
Rating of the Bonds...............................	It is expected that the Bonds will be assigned a rating of BBB by Fitch. Security ratings are not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
Listing..	Approval in-principle has been received for the listing and quotation of the Bonds on the SGX-ST.
ISIN code..	XS2538738175.
Common code	253873817.
Legal Entity Identifier ("LEI") for Asahi Life	549300ZTKF2W3KCEJ782.

INVESTMENT CONSIDERATIONS

Prior to making an investment decision, prospective investors should carefully consider, along with other matters set out elsewhere in this Offering Circular, the following:

Risks Related to Asahi Life's Business

Asahi Life's businesses and profitability are subject to inherent and indirect risks arising from macroeconomic conditions in Japan in particular, but also globally.

Asahi Life engages in asset liability management ("ALM"), taking into consideration the characteristics of liabilities and aligning classification of assets to liabilities in an effort to ensure stable returns. Such stable returns are important in order to manage Asahi Life's investment assets in a manner appropriate in light of its liabilities, which arise from the insurance policies Asahi Life underwrites. Any significant changes in market conditions beyond what Asahi Life's ALM could reasonably address or any failure in its ALM processes may have a material adverse effect on Asahi Life's financial condition and results of operations. In particular, because Asahi Life's liabilities to policyholders generally have a longer duration than Asahi Life's investment assets, the inability to match the duration of assets to liabilities makes ALM more challenging. The recent and persistent acceleration of inflation in Japan, the United States and elsewhere globally, which has been triggered by a number of factors including interruptions to the global supply chain and rising energy costs caused by Russia-Ukraine conflict, as well as the rapid weakening of the Japanese yen, could adversely impact the ALM activities of Asahi Life. The acceleration of inflationary pressures and the weakening Japanese yen could also reduce disposable incomes, which may lead to increases in surrenders or lapses of policies and decreases in demand for insurance and annuity products.

Further, after some periods of declining interest rates in response to the COVID-19 crisis, various central banks in the world have recently exited from their highly accommodative monetary policies, ceased monetary easing activities, and raised interest rates. The Bank of Japan also decided to modify its ultra-easy monetary policy in December 2022, which was followed by a fluctuation of foreign exchange rates and a significant fall in stock prices. While the increased investment yields could lead to increased returns on Asahi Life's investment portfolio, surrenders of policies may also increase as policyholders seek investments with higher returns. In addition, a rise in interest rates in any given fiscal year will have a negative impact on Asahi Life's net assets in that fiscal year due to a decrease in the fair value of Asahi Life's existing fixed income assets (being domestic bonds, loans, foreign bonds and monetary claims bought) and any unexpected change in yield curves could adversely affect the value of Asahi Life's bond and interest rate derivative positions. Fixed income assets represented 72.7 per cent. and 72.2 per cent. of the assets in Asahi Life's general account as of 31 March 2022 and 30 September 2022, respectively. In particular, Japanese government bonds ("JGBs") represented 41.8 per cent. and 43.5 per cent. of the fixed income assets in Asahi Life's general account as of 31 March 2022 and 30 September 2022, respectively. Rapid increases in interest rates and other financial market uncertainty and volatility may also adversely affect various economies around the world, and lead to slowdowns or reversals in economic growth. Any of these factors may adversely affect the value of Asahi Life's investments. As a result, increases in interest rates may have a material adverse effect on Asahi Life's financial condition and profitability.

Unlike other countries, in Japan, the Bank of Japan's policy board had been maintaining its ultra-easy monetary policy and has been trying to keep interest rates low although it decided to modify such ultra-easy monetary policy in December 2022 to allow the range of 10-year JGB yield fluctuations to widen. Some interest rates in Japan have been increasing slightly despite the Bank of Japan's monetary measures, although the trend is much more limited than those seen overseas, in particular, in the United States. Asahi Life's average rate of return on investments declines from maturing investments, as well as bonds and loans that can be redeemed or prepaid to take advantage of the lower interest rate environment, are replaced with new investments that provide lower returns. Assumed rates of return for outstanding policies other than group annuities cannot be changed except in particular circumstances and thus policyholders expect the assumed rates of return on their policies not to be altered. During the ongoing protracted period of ultra-low or negative interest rates in Japan, actual rates of return on investments have fallen below the assumed rates of return used in calculating premiums, a phenomenon known as "negative spread", on a portion of Asahi Life's outstanding policies. Asahi Life recorded non-consolidated negative spread of ¥48.3 billion and ¥33.9 billion for the fiscal years ended 31 March 2020 and 2021 respectively, and, on a combined basis for Asahi Life and Nanairo Life, ¥28.6 billion for the fiscal year ended 31 March 2022. Asahi Life has successfully reduced negative spread in recent years. However, there can be no assurance that Asahi Life will continue to be successful in reducing or eliminating its negative spread. Any combination of higher assumed rates of return, unexpected drop in investment yields, or other external factors, as well as certain changes in rules relating to the calculation of fundamental profit with effect from the beginning of the current fiscal year ending 31 March 2023 (see the calculation method set out in "Glossary — Negative spread"), may result in an increase in negative spread, which in turn may have a material adverse effect on Asahi Life's results of operations and financial condition.

Furthermore, recent months have seen a trend of very rapid depreciation of the Japanese yen followed by fluctuations in foreign exchange rates, the modification of the ultra-easy monetary policy by the Bank of Japan in December 2022 being one of the factors. As Asahi Life's insurance products are denominated in yen, such depreciation of the yen could increase surrenders of policies as policyholders seek investments in other currencies to mitigate the effect of unfavourable currency movements against the yen. Rapid fluctuations of exchange rates may also adversely affect the economies of Japan and globally. Any of these factors may adversely affect Asahi Life's businesses and profitability.

The negative effects of COVID-19 may have a material adverse effect on Asahi Life's results of operations.

Asahi Life's business, financial condition and results of operations are materially affected by financial markets and economic conditions in Japan and elsewhere.

With the COVID-19 pandemic and measures taken by the Japanese central and local governments to contain the pandemic, including recommendations to restrict travel, temporary business closures and cancellations of gatherings and events, the Japanese economy has been significantly impacted negatively, and financial markets have seen periods of material volatility. The highly contagious nature of COVID-19 variants shows that new and even more harmful variants of COVID-19 may continue to adversely impact public health and the economy for the foreseeable future. Furthermore, other countries are at varying stages of the pandemic, and any further deterioration in macroeconomic conditions (both globally and in Japan) as a result of COVID-19 and any restrictions imposed to address COVID-19 related developments, could continue to adversely affect Asahi Life's results of operations, financial condition or prospects for a number of years.

The global COVID-19 pandemic continues to cause widespread disruption to normal patterns of business activity. Measures taken to contain the health impact of the COVID-19 pandemic have resulted in an adverse impact on economic activity across the world and the duration of these measures remains uncertain. Longer-term impacts of change in monetary policies by central banks are unclear from a viewpoint of, among others, consumer demand and behaviours, inflation, interest rates, credit spreads, foreign exchange rates and commodity, stock and bond prices.

Emergency measures to slow the spread of COVID-19 across the world have brought about rapid deterioration in economic growth across all countries and regions, directly impacting Japan adversely through many channels, including trade and capital flows. This is likely to have a lasting negative impact on the future path of global GDP, through its impact on human and physical capital accumulation, and supply chain disruption. Japan experienced a deep contraction in economic activity during 2020 and 2021 as a result of the COVID-19 pandemic, both private and public sector debt have risen significantly. If damage from the economic downturn were to be prolonged significantly by an inability to control the spread of COVID-19, public finances in various countries would likely continue to deteriorate and could result in a sovereign downgrade that could also impact the value of investments of Asahi Life. In addition, economic downturns generally result in lower interest yields and declines in equity prices, which can negatively affect Asahi Life's net investment income.

The COVID-19 pandemic has significantly impacted Asahi Life's business and operations. In consideration of the situation around the spread of COVID-19, Asahi Life simplified certain claims procedures and, pursuant to the guidelines of the Life Insurance Association of Japan (the "Life Insurance Association") revised to respond to the rapid and serious COVID-19 spread, put in place special treatments such as making benefit payments upon "deemed", rather than actual, hospitalisations (such as treating persons receiving medical treatment for COVID-19 at home or in hotels as being hospitalised), which led to an increase in claims. In the fiscal year ended 31 March 2022, mortality and morbidity claims related to COVID-19 within Asahi Life's customer base on a non-consolidated basis increased from ¥0.70 billion to ¥1.61 billion and from ¥0.40 billion to ¥3.22 billion, respectively, compared to the previous year. On the other hand, in the fiscal year ended 31 March 2022, total mortality claims for Asahi Life on a non-consolidated basis decreased from ¥84.1 billion to ¥83.3 billion and total morbidity claims increased from ¥22.4 billion to ¥25.2 billion compared to the previous year. In the six-month period ended 30 September 2022, mortality claims related to COVID-19 within Asahi Life's customer base remained relatively flat on a non-consolidated basis at ¥1.00 billion compared to ¥1.03 billion in the same six-month period in the previous year, while morbidity claims related to COVID-19 within Asahi Life's customer base increased from ¥0.90 billion in the six-month period ended 30 September 2021 to ¥16.32 billion in the six-month period ended 30 September 2022. With respect to the scheme for making benefit payments upon "deemed" hospitalisations, while continuing to apply such scheme for people with diagnoses given on or before 25 September 2022, Asahi Life has now limited the application of such scheme in respect of diagnoses given after such date, in accordance with the revised policy published by the Life Insurance Association, to people who are 65 years old or older, pregnant, in need of actual hospitalisation, or at risk of serious illness and whom a doctor has judged in need of COVID-19 medication or oxygenation. Nevertheless, claims related to COVID-19 may still increase due to the further spread of COVID-19 cases in Japan, which could increase costs and adversely affect Asahi Life's results of operations and financial condition.

Mortality and morbidity claims may still increase as a result of increases in health issues or mortality rates, or, due to reduction in household and individual incomes, policyholders may choose to defer paying insurance premiums, cancel their insurance policies or otherwise stop paying insurance premiums altogether. Asahi Life may also otherwise experience an elevated incidence of claims (owing to, among other things, a rise in fraudulent and opportunistic claims which typically increase during an economic downturn and a rise in unemployment and sickness claims resulting from higher unemployment rates) and surrenders or lapses of policies. For the duration of the Japanese government's emergency measures taken towards containing COVID-19, Asahi Life reduced face-to-face sales activities and shifted to digital communication, and while in-person sales activities have resumed, such shift towards digital channels is expected to continue. Asahi Life believes the acceleration of digital transformation in its business operations, especially in sales activities, has been showing success. However, investments in digital infrastructure require significant ongoing maintenance and development costs in addition to initial deployment costs. Accordingly, adverse or worsening economic conditions in Japan or elsewhere could adversely affect Asahi Life's business, financial condition and results of operations.

Asahi Life is exposed to a number of risks related to its investment portfolio.

Asahi Life is subject to the risk of loss on its investments resulting from a number of factors, including changes in stock and other security prices, as well as certain other risks, including credit risk, foreign exchange risk, real estate investment risk and liquidity risk:

- *Credit risk.* Asahi Life is subject to the risk of incurring losses when the value of assets, primarily bonds and loans, declines or impairs due to deterioration of the financial condition of a party to whom credit has been extended. As of 31 March 2022, loans, domestic bonds and foreign bonds represented 5.7 per cent., 47.9 per cent. and 18.8 per cent., respectively, of the balance sheet amount of Asahi Life's general account assets, and as of 30 September 2022, loans, domestic bonds and foreign bonds represented 5.5 per cent., 50.7 per cent. and 15.5 per cent., respectively, of the balance sheet amount of Asahi Life's general account assets. As of 31 March 2022, domestic bonds with a credit rating of A, AA and AAA (or equivalent) (on the basis of bond ratings by Fitch where available and using the lowest available rating for bonds which have no Fitch ratings) constituted approximately 93.3 per cent., 0.6 per cent. and 2.7 per cent., respectively, of all domestic bonds held by Asahi Life in its general account. Failures of borrowers or issuers of bonds could lead to losses that may have a material adverse effect on Asahi Life's results of operations and financial condition. Asahi Life is also subject to counterparty credit risk with respect to other kinds of transactions, including derivative transactions such as foreign exchange forward contracts and stock option contracts. Failures by counterparties to honour the terms of such transactions with Asahi Life may have a material adverse effect on Asahi Life's results of operations and financial condition. Asahi Life provides for an allowance for doubtful accounts based on evaluations and estimates regarding counterparties; however, actual losses could exceed the amount of such allowances and, in the event of failures or a deterioration of the creditworthiness of counterparties, Asahi Life may be required to increase allowance amounts. Uncertainty, fluctuations or negative trends in global and domestic macro-economic conditions, caused by factors such as rapid inflationary pressures, higher global energy prices, changes in monetary policies or increased levels of geopolitical risk, may deteriorate the credit and the valuation of Asahi Life's invested credit portfolio. In addition, the recent initiatives of many economies around the world towards transitioning to a lower carbon economy, the timing and speed of which is uncertain, may also result in greater uncertainty, fluctuations or negative trends in asset valuations, particularly for carbon intensive sectors, and may have a bearing on inflation levels. Failures of issuers of bonds and borrowers, or downgrades in their credit ratings, could lead to losses that may have an adverse effect on Asahi Life's results of operations and financial condition.
- *Foreign exchange risk.* Asahi Life's exposure to fluctuations in foreign exchange rates results mainly from its holdings of securities denominated in currencies other than the yen, in

particular, the U.S. dollar and to a certain extent the Australian dollar and the euro. As of 31 March 2022 and 30 September 2022, 27.2 per cent. and 25.8 per cent., respectively, of Asahi Life's general account assets was denominated in foreign currencies; while Asahi Life had previously been working to increase its portfolio of foreign bonds as part of its strategy to deal with the continued ultra-low and negative interest rate environment in Japan with a view to achieving higher returns, it has recently been placing less emphasis on such assets in its investment management strategy. As of 31 March 2022 and 30 September 2022, 21.8 per cent. and 36.4 per cent., respectively, of Asahi Life's general account investments denominated in currencies other than yen were not hedged against foreign exchange rate fluctuations. The foreign exchange markets have been experiencing significant volatility over the last year or so, in particular following the recent trend of wider differences in interest rates in Japan and the United States, with the yen weakening from ¥108.83 against the U.S. dollar as of 31 March 2020 to ¥144.81 as of 30 September 2022 (source: telegraphic transfer middle rate of MUFG Bank, Ltd.). Significant volatility of foreign exchange rates may have a material adverse effect on values of assets of Asahi Life and its capital position and solvency margin ratio.

- *Equity securities risk.* Japanese equity securities represented 8.5 per cent. and 8.4 per cent. of the assets in Asahi Life's general account as of 31 March 2022 and 30 September 2022, respectively. As of 31 March 2022 and 30 September 2022 net unrealised gains on Japanese equity securities amounted to ¥246.3 billion and ¥206.6 billion, respectively. Unrealised gains and losses on equity securities can comprise an important component of a life insurance company's capital and solvency margin. Global equity markets, including the Japanese equity markets, have experienced significant volatility over the preceding years. In particular, the Nikkei 225 Index experienced a period of rapid increase from 2013, partly in response to the monetary easing policies adopted by the Bank of Japan and the fiscal stimulus measures of the Japanese government, and having experienced a level of over ¥30,000 in September 2021, it has seen a rapid downturn in recent months due to factors such as the rising interest rates, reaching a low of below ¥25,000. Such volatility results in difficulties in assessing future fluctuations in equity securities. The reserve for price fluctuation established by Asahi Life, which is also reflected in the calculation of solvency margin, could offset the effect of future price fluctuations of securities, including Japanese equity securities, but there can be no assurance that such reserves will be adequate for such purposes. Asahi Life's ability to offset the impact of rapid changes in the value of equities and other securities through the accumulation of retained earnings may also be limited. A significant decline in the prices of equity securities may lead to Asahi Life recording significant losses on valuation of securities in the general account, which in turn may have a material adverse effect on Asahi Life's results of operations and financial condition.

- *Fixed income securities risk:* Fixed income assets represented 72.7 per cent. and 72.2 per cent. of the assets in Asahi Life's general account as of 31 March 2022 and 30 September 2022, respectively, as the core of its asset portfolio. The recent trend of rising interest rates could cause the value of Asahi Life's fixed income portfolio to fall and negatively affect Asahi Life's financial condition and, in particular, its solvency margin ratio.

- *Real estate investment risk.* As of 31 March 2022 and 30 September 2022, real estate represented 6.6 per cent. and 6.8 per cent., respectively, of the balance sheet amount of the assets in Asahi Life's general account. Asahi Life is subject to the risk that its real estate-related income may decrease due to declines in market rents, failure to lease available properties, or other factors. COVID-19 has accelerated the trend towards remote working, which may result in reduced demand for commercial real estate, including office floor space, which may result in lower occupancy rates and rental income. Rent level fluctuations and downward pressures on real estate prices could cause a material adverse effect on Asahi Life's results of operations and financial condition.

- *Liquidity risk.* Many of the products offered by Asahi Life allow policyholders to withdraw their funds. While Asahi Life holds a significant amount of liquid assets, it also invests in certain assets, such as real estate and loans, which are generally illiquid. If Asahi Life requires significant amounts of cash on short notice in excess of its normal cash requirements, for example, due to high numbers of policy surrenders (whether as a result of the negative effects on individual income caused by COVID-19 or otherwise) or a major catastrophe or natural disaster, Asahi Life may have difficulties in selling these investments at its intended prices in a timely manner. Difficulties due to illiquidity may also arise due to any general turmoil occurring in the financial markets irrespective of the liquidity of the assets Asahi Life holds. If Asahi Life is forced to dispose of such investments on unfavourable terms, its results of operations and financial condition may be materially and adversely affected.

- *Risks relating to the Russia-Ukraine conflict.* Following the commencement of military conflict between Russia and Ukraine in February 2022, various states and international bodies have implemented sanctions, export and import controls, asset freezes and other restrictive measures against persons and entities connected with the conflict, including in particular, persons and entities with connections to Russia. The value of the euro has also been declining due to its geopolitical proximity to conflict areas. In addition, the military conflict has disrupted the supply of fuel and other critical commodities from Russia and Ukraine, causing turmoil in the related markets, and fuel project developments as well as fuel supply and trading have been affected due to the increase in fuel procurement competition around the world following such disruption. Moves by the Russian government to expropriate foreign interests in large energy projects may also further disrupt fuel supply and trading, as well as negatively affect the values of companies (in particular, Japanese companies) heavily invested in such projects. These factors have been causing widespread volatility in the related markets such as the foreign exchange markets, stock markets and credit markets. Such market turmoil may have a significant impact on the value of Asahi Life's assets, and may adversely affect Asahi Life's results of operations and financial condition. As states and international bodies take various steps to restrict dealings between Russia and Russian entities and the global economic system, it is possible that significant consequences for the global economy, and individual national economies (including Japan) may follow. It is not yet possible to predict precisely what those consequences may be, but they may include financial market turmoil, increases in fuel prices and energy costs, disruptions in supply systems, increased inflationary pressure (and consequent negative effects on the economy), increases in consumer prices and possible recessions in states that are directly impacted by the restrictions. Taken together, the conflict between Russia and Ukraine and its ancillary effects could lead to a substantial slowdown in the global and national economies, and diminish Asahi Life's ability to generate revenues and the profitability on certain portfolios, as well as result in higher-than-expected credit losses and losses on investment securities. Any of these factors may materially adversely affect the Asahi Life's business, results of operations and financial condition.

Reliance on sales representatives could limit profitability and market share, which could adversely affect Asahi Life's business, financial condition and results of operations.

Asahi Life has traditionally relied upon sales representatives (a significant proportion of which are women over the age of 50) to market its insurance products. Asahi Life has in recent years been promoting its multi-channel strategy by also focusing on sales through channels such as insurance shops, telemarketing and tax accountants; for example, in January 2021, Asahi Life acquired the issued shares of NHS Insurance Group Inc., an independent agency which provides telemarketing and insurance consulting services and which is the holding company of four insurance agencies operating a "hybrid" sales model combining telemarketing and visits to customers (NHS Inc., Sokisha Inc., FEA Inc. and Life Navi Partners Inc.). In April 2021, Nanairo Life, a newly established wholly-owned subsidiary of Asahi Life, started its operations with an aim to play a role to further strengthen the independent agency channel (see "Business — Strengths and Strategy — Strategy — Promotion of Multi-channel Strategy"). However, the sales representative channel has to date been the core distribution channel for Asahi Life. For the fiscal year ended 31 March 2022, 71.0 per cent. of total sales of protection type products (presented on a combined basis for Asahi Life and Nanairo Life) were sold through sales representatives. Such reliance could reduce operational efficiency. In addition, Asahi Life has been making efforts to strengthen succession planning for its sales representatives, to ensure a smooth handover of business in the case of retirement of sales representatives. In the future, if changes in regulations or business environment result in the ascent of other distribution channels, or if recruitment for sales representatives becomes highly competitive, or if Asahi Life is unable to hire the originally intended number of sales representatives resulting in the reduction of its sales force, or if it is not successful in ensuring succession of business from retiring sales representatives to younger sales representatives, it may face challenges in maintaining its competitive position, profitability and market share. Any of these factors could have a material adverse effect on Asahi Life's business, results of operations and financial condition.

Going forward, with the expectation that digital channels will become increasingly and rapidly important, Asahi Life intends to accelerate its digital transformation to adapt to the "post-COVID-19" era, including expanding its product lines offered through the Internet channel. However, the digital channel has its own challenges, including being a channel (given the limitations in interaction and information exchange with customers) that is more suited to offer simpler products rather than more complicated products (which tend to require more detailed consultation and tailoring offered by the face-to-face channels). If Asahi Life is unable to adapt to changes in sales channels (both in terms of the channels themselves and the product lines) effectively and in a timely manner, its business, competitive position, results of operations and financial condition may be materially adversely affected.

Starting new business operation through Nanairo Life and sales channel development therefor may lead to increases in operating costs.

The business of Nanairo Life, since its commencement of operation in April 2021 (and commencement of product sales in October 2021), has grown rapidly, which could result in an increase in Asahi Life's operating costs and accounting losses. Asahi Life intends to continue to invest in Nanairo Life and support its business expenses, mainly on sales commissions for products sold through the agency channel, which are expected to cause a continuing net loss for Nanairo Life during the development stages of the business. If, despite substantial investments, Asahi Life and Nanairo Life are unable to achieve results from the investments and research and development as anticipated, or if another kind of channel that is more favourable than Asahi Life's current selection becomes prevalent, Asahi Life's business strategy, results of operations and financial condition may be materially and adversely affected.

Demand for and surrenders of insurance and annuity products may materially affect Asahi Life's results of operations and financial condition.

A variety of factors affect the demand for life insurance and annuity products generally, including levels of employment and household income in Japan, public perception of the relative financial strength of insurance companies or the financial strength of the insurance industry as a whole, changes in laws and regulations relating to insurance products, demographic trends affecting the composition of Japan's population and the relative attractiveness of alternative savings and investment products. In particular, the market for mortality insurance has continued to shrink in line with Japan's declining population. Further, changes in tax laws may materially affect demand for life insurance products (see "— Risks Related to the Life Insurance Industry — Future changes in laws and regulations applicable to Asahi Life could adversely affect its business, financial condition and results of operations"). Additionally, the acceleration of inflationary pressures and the weakening Japanese yen could also reduce disposable incomes, which may lead to increases in surrenders or lapses of policies and decreases in demand for insurance and annuity products. Changes in these and other factors could result in a decrease in sales of new life insurance policies and annuity products, an increase in policy surrenders or a decrease in the profitability of Asahi Life's products, any of which may have a material adverse effect on Asahi Life's business, financial condition and results of operations.

Differences between future and actual claims and the actuarial assumptions used in pricing and establishing reserves for insurance and annuity products may materially and adversely affect Asahi Life's earnings, profitability and financial condition.

Asahi Life's earnings depend significantly upon the extent to which actual claims and benefits are consistent with the assumptions used in setting the prices for products and establishing the reserves in Asahi Life's financial statements for obligations for future policy claims and benefits. Assumptions include future mortality rates, rates of investment returns, expenses and policy persistency, as well as macroeconomic factors such as market interest rates and inflation. These assumptions are made by management based on a variety of data. Actual results may deviate from these assumptions, and, as a result, Asahi Life cannot precisely determine the amounts which it will ultimately be required to pay to settle these liabilities or when these payments will need to be made. These amounts may vary from the estimated amounts, particularly when those payments may not occur until well into the future.

In recent years, Asahi Life has increased its sales efforts with respect to products that insure non-traditional risks, including "third sector" insurance products (see "Glossary of Certain Insurance Terms"). The assumptions used in pricing new products involve a higher level of uncertainty, as they are often based on limited experience when compared to assumptions used in existing products or product lines. To the extent that trends in actual claims are less favourable than underlying assumptions used in establishing these reserves, and these trends continue in the future, Asahi Life could be required to increase its reserves. Any such increase could have a material adverse effect on Asahi Life's profitability and financial condition.

Financial condition and results of operations of Asahi Life could be negatively affected if Asahi Life is required to reduce its deferred tax assets.

Pursuant to Japanese GAAP, with respect to each consolidated subsidiary, Asahi Life establishes deferred tax assets for tax benefits that are expected to be realised during a period that is reasonably foreseeable, net of deferred tax liabilities. Since the calculation of deferred tax assets is based on various assumptions, including assumptions regarding future taxable income, the actual taxable income could differ. Changes in economic conditions, accounting standards, the applicable tax rate or tax regime or Asahi Life's estimate of future taxable income, among other factors, could lead to the reduction of deferred tax assets by Asahi Life. As a result, Asahi Life would recognise additional income tax expense and its results of operations could be materially and adversely affected.

Implementation of Asahi Life's strategies are subject to a number of uncertainties.

Asahi Life is currently pursuing its mid-term management plan covering the three fiscal years ending 31 March 2024. See "Business — Strengths and Strategy". The success of the implementation of any of Asahi Life's strategies is subject to various internal and external factors, including the interest rate environment, demographic and general economic and market conditions in which Asahi Life operates, the level of competition and demand for Asahi Life's products, as well as the other risks and uncertainties set out in "Investment Considerations". In particular, a variety of external factors, such as the market fluctuations triggered by Russia-Ukraine conflict, acceleration in inflation, rapid rise of interest rates overseas, increasing energy prices and continued impact of COVID-19, subject the success of Asahi Life's business and strategies to higher uncertainties. There can be no assurance that Asahi Life's strategies will be implemented successfully, that the implementation of such strategies will have its intended effect, that targets (whether quantitative or qualitative) set in any such strategy will be met in time or at all, or that such targets and aims will not be changed in the future by Asahi Life's management.

Asahi Life may not be able to hire and retain a sufficient number of qualified sales representatives and contract with effective independent sales agents, and any misconduct by sales representatives and independent sales agents is difficult to detect and deter and could harm Asahi Life's business.

Like many of its competitors in the Japanese life insurance industry, Asahi Life's business depends to a significant extent on its ability to hire and retain qualified sales representatives and competition to attract qualified sales representatives is intense. If Asahi Life is unable to hire and retain qualified sales representatives, its business could be materially and adversely affected. In addition, Asahi Life had contracts with approximately 2,500 independent sales agents as of 31 March 2022. Competition for effective independent sales agents is intense and Asahi Life may be forced to increase the compensation levels for its independent sales agents in order to attract the agents it needs.

A large proportion of these sales representatives and independent sales agents operate with a high degree of autonomy. Misconduct by sales representatives and independent sales agents could result in violations of law by Asahi Life, regulatory sanctions or reputational and/or financial harm. Asahi Life's sales representatives and independent sales agents have direct contact with customers and knowledge of their personal and financial information. Misconduct can include, among others, violation of laws or regulations concerning the offer and sale of insurance products, engaging in fraudulent or otherwise improper activity, hiding unauthorised or unsuccessful activities resulting in unknown and unmanaged risks or losses, improperly using or disclosing personal or confidential information. Asahi Life takes precautionary measures to prevent and detect employee and agent misconduct, but these measures may not be effective in all cases.

Declines in Asahi Life's pension assets or revisions in actuarial assumptions could increase Asahi Life's pension obligations.

Asahi Life has faced in the past, and may face in the future, losses relating to its pension plans from changes in the market value of plan assets, a decline in returns on its pension plan assets or changes in the assumptions and investment return on which the calculation of the projected pension benefit obligation is based. Asahi Life may also experience unrecognised prior service costs in the future resulting from amendments to its pension plans.

Asahi Life's risk management and internal reporting systems, policies and procedures may not be fully effective and may leave Asahi Life exposed to unidentified or unanticipated risks, which could materially and adversely affect its businesses or result in losses.

Asahi Life's risk management and internal reporting systems, and its policies and procedures to identify, monitor and manage risks may not be fully effective. Many of its methods of managing risks and exposures are based upon use of observed historical market behaviour or statistics based on historical models. As a result, these methods may not be effective to predict future exposures, which could be significantly greater than what the historical measures indicate. Other risk management methods depend upon the evaluation of publicly available information regarding markets, customer demands or other matters, which may not always be accurate, complete, up-to-date or properly evaluated. In addition, these risk management and internal reporting systems depend in part on the consolidation of information gathered from the branch offices and other sources, and errors may be introduced during the process of gathering and compiling information. Further, following the onset of the COVID-19 pandemic, office workers of Asahi Life have been allowed to choose to work in the office or remotely; it has also embraced communication methods such as usage of video conferencing services and the use of other digital tools. Remote working arrangements, and/or increased usage of digital communication with customers, could strain Asahi Life's risk management and internal control systems and introduce greater operational risks, such as through leakage of personal information (whether through failure of information security systems or otherwise), less effective supervision and fraud by its employees or customers. Failure or ineffectiveness of these policies or procedures could materially and adversely affect Asahi Life's business or result in losses.

Asahi Life depends heavily on information technology in conducting its business, and any failure of Asahi Life's information technology systems may have an adverse effect on its business.

Asahi Life relies heavily on information technology ("IT") systems, including those of third-party service providers, in conducting its business. IT systems are used to manage customer policies, manage investments in assets, record and maintain statistics and personal information of its customers and in other areas of its operations. As Asahi Life expands its operations and product offerings, Asahi Life's IT systems may require additional investments and expenses. With the increased focus on virtual communication and remote working since the onset of the COVID-19 pandemic, building and maintaining a robust IT infrastructure has become an increasingly important focal issue. Further, the increasing sophistication of cyber criminals and the importance of digital interaction with Asahi Life's customers mean the inherent risk of failure of its operations due to the malicious acts of third parties is expected to increase, exacerbated by the Russia-Ukraine conflict which has the potential to lead to state sponsored attacks on the cyber security of companies holding large numbers of personal data, including Asahi Life and its subsidiaries.

Asahi Life's IT systems could fail due to various causes, including problems affecting the Internet generally or damage to equipment, software or networks as a result of accidents, fires, natural disasters, power loss, high user volume, human error, sabotage, hacking, employee misconduct, software and hardware defects and malfunctions, viruses or network intrusions. Any such failure could disrupt the services that Asahi Life provides to customers, its payments and collections, the management of its assets or the use of tablet devices by Asahi Life's sales representatives, among other things. Such failures could also have other adverse consequences, including reputational damage, customer dissatisfaction or a loss of customer confidence, which could result in increased policy surrenders, a decrease in new policy sales and legal or regulatory sanctions, which could have an adverse effect on Asahi Life's results of operations. In addition, as most of Asahi Life's operations, IT and other systems, as well as those of third-party service providers are concentrated in and around the greater Tokyo area, an earthquake or other disaster affecting the greater Tokyo area could significantly disrupt its operations. There can be no assurance that Asahi Life or its third-party providers would be able to resume services in a timely fashion, or at all, in the event of any such earthquake or other disasters. Further, if one or more of the third parties to whom Asahi Life outsources its important IT systems and infrastructures were to experience operational difficulties, it may affect Asahi Life's ability to continue its business operations in a seamless manner. Any of these factors may materially adversely affect Asahi Life's business, results of operations and financial condition.

Misuse of customers' personal or financial information could adversely affect Asahi Life's business.

Asahi Life makes use of online services and centralised data processing, including through third-party service providers, and the tablet devices carried by Asahi Life's sales representatives handle and transmit personal information of Asahi Life's customers. Further, Asahi Life has embraced various virtual communication methods in its sales activities, including the use of online meeting applications. Secure maintenance and transmission of confidential information is therefore a critical element of Asahi Life's operations. Asahi Life has implemented security measures and policies in order to prevent misuse of or loss of customers' personal or financial information (in particular, the tablet devices use palm veins authentication system and data stored in the devices can be deleted by remote access should any device be lost, with the aim of keeping customer information secure). However, such measures or any other security measures that are implemented by Asahi Life's independent sales agents and its third-party service providers may be insufficient to prevent the loss, accidental disclosure or misappropriation of customer information, or the compromise of information and communications systems. Online meeting applications have also been the target of disruptive intrusion. Further, large companies, particularly those which retain a significant amount of personal information such as Asahi Life, are increasingly becoming targets for cyber-crime and are at the risk of cyber-attacks (with attacks likely to have increased as a result of the Russia-Ukraine conflict).

Inadvertent loss, disclosure or misappropriation of customer information by Asahi Life's own employees would subject it to similar risks. Japanese media, regulators and consumers have intensified their scrutiny of incidents involving the loss, disclosure or misappropriation of personal information in recent years. In addition, the Act on Protection of Personal Information of Japan (Act No. 57 of 2003, as amended) (the "Act on Protection of Personal Information") imposes stringent regulatory requirements applicable to Asahi Life's handling of customers' personal information. Further, pursuant to the Act on the Use of Numbers to Identify a Specific Individual in the Administrative Procedure of Japan (Act No. 27 of 2013) (the "Act on the Use of Numbers to Identify a Specific Individual in the Administrative Procedure") that came into effect in October 2015, residents in Japan have each been issued a unique number (a "My Number"), which identifies them for specific administrative procedures related to social security and taxation. Asahi Life now holds My Number information of its customers, as well as its management and employees. The handling of specific personal information, including My Number information, requires more stringent protection measures than for general personal information. If Asahi Life were to lose customers' personal information or if a third party were able to penetrate its network security, or that of its independent sales agents, service providers (including but not limited to those relating to online meeting application) or business partners, or otherwise misappropriate personal information of its customers, Asahi Life could be subject to reputational harm, legal claims or sanctions by regulatory authorities.

Asahi Life is involved in litigation involving its insurance operations on an ongoing basis, which could result in financial losses or harm its businesses.

Asahi Life is involved in litigation involving its insurance operations on an ongoing basis. While Asahi Life cannot predict the outcome of any pending or future litigation, it believes that any pending legal proceedings will not have a material adverse effect on Asahi Life's business, financial condition or results of operations. However, given the inherent unpredictability of litigation, it is possible that an adverse outcome could have a material adverse effect on operating results or cash flows.

Asahi Life may be subject to regulatory sanctions, damages and additional payments to policyholders in connection with misconduct, improper or fraudulent operations, non-payments and underpayments of claims and benefits or other regulatory irregularities.

In the past, numerous life insurance companies in Japan, including (in 2008) Asahi Life, have been sanctioned by, or received a business improvement order from, the FSA for non-payments and underpayments of claims and benefits in circumstances where the relevant policyholder should have been entitled to payment. Asahi Life has since strengthened its compliance functions and made improvements to its governance and internal audit policies and procedures to prevent non-payments and underpayments in the future. However, there is no assurance that such measures adopted by Asahi Life will be fully effective. In the event that the FSA deems that the development of the management structure for payments is insufficient for any reason, Asahi Life's reputation could be harmed and its business and results of operations could be adversely affected.

Life insurance companies in Japan including Asahi Life may face other compliance and internal control challenges. For example, in December 2019, the FSA ordered a three-month suspension of insurance sales by Japan Post Insurance Co., Ltd. ("Japan Post Insurance"), as Japan Post Insurance agents, reportedly due to challenging sales targets, had been engaging in improper sales practices, including delaying cancellation of insurance contracts of customers who had switched contracts in order to inflate sales performance, resulting in double-payments of premiums by customers. In addition, several other life insurance companies have over the past several years admitted to a number of cases of fraudulent practices undertaken by its sales representatives, while one of the life insurance companies operating in Japan was issued with a business improvement order from the FSA in July 2022 in respect of certain misconduct in sales of insurance products for management personnel. Asahi Life recently discovered and disclosed certain misconduct by one of its former sales representatives, who had fraudulently obtained cash from customers through false explanations of insurance products, and reported the matter to the competent authority and the police (and compensated the relevant customers for damages). Should Asahi Life's compliance and internal control systems prove not to be fully effective and result in the recurrence of this type of behaviour or other improper practices, Asahi Life may face regulatory sanctions and damages claims, its reputation could be harmed and its business and results of operations could be adversely affected.

A perceived reduction in Asahi Life's financial strength, including as a result of a downgrade in Asahi Life's credit ratings or a reduction in Asahi Life's solvency margin ratio, as well as negative events related to Asahi Life or the Japanese life insurance industry, could increase policy surrenders and hinder new sales.

Developments that have the effect of reducing Asahi Life's actual or perceived financial strength could result in increases in policy surrenders and withdrawals, increased funding costs or decreases in new policy sales and other difficulties with respect to its investment, funding and capital raising activities. Two important measures of financial strength that customers generally consider are an insurer's ratings by credit rating agencies and its solvency margin ratio. As of the date of this Offering Circular, Asahi Life has insurer financial strength ratings of A– (Stable Outlook) from Fitch, A– (Stable Outlook) from R&I and BBB+ (Positive Outlook) from JCR. As of 31 March 2022 and 30 September 2022, Asahi Life had consolidated solvency margin ratios of 982.2 per cent. and 876.3 per cent., respectively, and non-consolidated solvency margin ratios of 954.9 per cent. and 836.6 per cent., respectively. A rating downgrade, or the potential for such a downgrade, of Asahi Life or a reduction in its solvency margin ratio could have an adverse effect on Asahi Life's business because such development may, among other things, increase the number of policy surrenders and hinder new policy sales.

Disclosure requirements for financial and other information applicable to mutual companies differ in certain significant respects from those applicable to Japanese public companies.

Disclosure requirements for financial and other information applicable to Japanese mutual companies such as Asahi Life differ in certain significant respects from those applicable to Japanese public companies, whose securities are listed on Japanese stock exchanges and are required to comply with the continuous disclosure requirements of the FIEA and Japanese stock exchanges. For example, mutual companies currently are not subject to requirements applicable to such Japanese public companies to prepare quarterly consolidated financial statements or to make timely disclosure of material corporate developments and events. Although Asahi Life believes that its current disclosure practices do not differ materially from those required of Japanese public companies, Asahi Life is not obliged to continue such practices in the future.

Any potential future reorganisation from a mutual company to a joint-stock corporation may not produce the intended benefits.

Asahi Life is a mutual company owned through membership interests held by participating policyholders and holders of its insurance and annuity products with rights to receive policyholder dividends. Accordingly, it has no share capital and cannot raise capital through equity offerings or conduct mergers or acquisitions utilising stock. In the future, Asahi Life may determine that a greater degree of flexibility to raise capital and implement acquisitions provided by reorganising as a joint-stock corporation, also known as "demutualisation", is advantageous to it and its stakeholders. However, there is no assurance that the demutualisation would be carried out successfully. Even if carried out, the demutualisation process may take more time than initially expected. There is also no assurance that Asahi Life would be able to successfully take advantage of such perceived benefits of demutualisation. Even if it succeeds in utilising its common stock as consideration for future mergers and acquisitions, there is no assurance that the transactions it undertakes will be successful. In addition, demutualisation may in certain circumstances (such as if the demutualisation is carried out at the same time as obtaining an equity listing) make Asahi Life subject to additional reporting and compliance obligations, including adherence to corporate governance codes and timely disclosure. Depending on the form in which any such demutualisation takes, it may lead to increases in Asahi Life's operating expenses.

Any failure to understand and respond effectively to the risks associated with environmental, social or governance ("ESG") factors could adversely affect Asahi Life's business and future prospects.

The business environment in which Asahi Life and its subsidiaries are operating is continually changing, and sustainability is becoming increasingly important to Asahi Life's success and that of its investee companies. A failure to address and embed consideration of sustainability within Asahi Life's products, business and operating model could adversely impact Asahi Life's business.

Asahi Life has, as part of its sustainability management, set certain mid-term and long-term goals with regard to the reduction of its own carbon emissions as well as those of its investment portfolio. There is a risk, however, that Asahi Life may be unable to manage its operational energy demand needs and the carbon footprint of its investments and underwriting exposures within its sustainability aims. In addition, Asahi Life and Nanairo Life may be unable to meet the growing expectations of regulators, customers and other stakeholders to play a positive role in society and contribute to addressing environmental, social and business challenges. Such inability to manage sustainability demands and challenges could have a significant impact on Asahi Life's reputation, business, financial condition, results of operations and future prospects.

Risks Related to the Life Insurance Industry

Demographic trends in Japan may adversely affect Asahi Life's business.

Since the mid-1970s, Japan's total fertility rate has generally been on a gradual decline. Since 2005, this trend has reversed but the modest recovery in the total fertility rate is slowing down. As a result of the declining birth-rate over the long-term, the number of people aged between 15 and 64 declined by 13.7 per cent. from 86.3 million as of 1 October 2000 to 74.5 million as of 1 October 2021 (source: current population provisional estimates published by the Statistics Bureau, Ministry of Internal Affairs and Communications). This age group is considered to be the country's potential workforce population and covers in any given year the overwhelming majority of Asahi Life's customers purchasing insurance products, Asahi Life's core product group. The National Institute of Population and Social Security Research projects that the number of people aged between 15 and 64 will decrease further to an estimated 68.7 million in 2030 (according to medium-fertility and medium-mortality assumptions) and will continue to decline for decades thereafter. Asahi Life believes the above demographic trend is one of the primary factors contributing to the general decline in the amount of policies in force in the Japanese life insurance industry. If these demographic trends continue and lead to reduced demand for life insurance products, the scale of Asahi Life's insurance business may diminish and Asahi Life's financial condition and results of operations may be materially and adversely affected.

Asahi Life's strength in the so-called "third sector", which lies between the traditional life insurance and non-life insurance sectors (including policies specifically designed to supplement national healthcare programmes and include policies for insurance against cancer, hospitalisation, nursing care needs and personal accidents) may offset some of the effects of the overall decline in demand for insurance products, as the market for "third sector" insurance has generally been growing in recent years and is expected to continue to grow due to the ageing of Japan's population and a corresponding increase in overall medical expenses. However, there can be no assurance that an increase in demand for "third sector" insurance will materialise or that Asahi Life will be able to capitalise on such increase in demand.

In addition, mortality and morbidity rates may increase as a result of increases in the average age of Asahi Life's policyholders. Asahi Life views these increases as being too small to have a material effect on its aggregate claims and other payments. Furthermore, the assumed mortality and morbidity rates used by Asahi Life in calculating the premiums for its products are estimated conservatively and Asahi Life makes provision for a contingency reserve to cover unforeseen liabilities. Nevertheless, there can be no assurances that a continued ageing and the corresponding structural change of Japan's demography will not cause mortality and morbidity rates to rise above Asahi Life's expectations. Such changes may have a material adverse effect on Asahi Life's results of operations and financial condition. See "Recent Business — Risk Management".

Competition in the financial services industry in Japan is increasing, and if Asahi Life does not compete effectively its business may be harmed.

Asahi Life faces intense competition in the Japanese life insurance market from both domestic and foreign-owned life insurance companies and from large domestic financial service providers that either have their own insurance subsidiaries or enter into co-operative arrangements with major insurance companies. In particular, competition has increased in the Japanese life insurance market in recent years due to industry deregulation, an overall decline in demand for insurance products with death benefits and increased competition from foreign-owned insurance companies, among other factors. Some of these competitors may have advantages over Asahi Life, including greater financial resources and financial strength ratings, greater brand awareness, more extensive marketing and sales networks, more competitive pricing, larger customer bases, higher policyholder dividends and a wider range of products and services. Also, in recent years, some life insurers have diversified their distribution channels and product offerings by establishing subsidiaries, such as Nippon Life Insurance Company with Hanasaku Life Insurance Co., Ltd. and Sumitomo Life Insurance Company with

Medicare Life Insurance Co., Ltd., to accommodate broadening customer demands. This trend may result in increased competition in the sale of a variety of life insurance products by one group of companies through different distribution channels.

Further, Japan Post Insurance continues to enjoy competitive advantages in the Japanese insurance market due to its large existing customer base and nationwide network of post office branches. Japan Post Insurance currently remains subject to limitations on the type of and amount of insurance coverage it may provide; such limitations are expected to remain in place until such time as the Japanese government considers that the lifting of such limitations will not impede an appropriate competitive environment with other financial institutions. If these limitations are eased or eliminated in the future, competition in Japan's life insurance market could further intensify. In addition, Japan Post Insurance has entered into a strategic alliance with, and acquired a minority stake in Aflac Incorporated ("AFLAC"), under which, among other things, Japan Post Insurance offers AFLAC cancer insurance policies. This may serve to further intensify competition in the "third sector" insurance products, one of Asahi Life's focal product lines.

Asahi Life also faces competition from various co-operative associations *(kyosai)* such as the National Mutual Insurance Federation of Agricultural Cooperatives, the National Federation of Workers and Consumers Kyosai Cooperatives and the Japanese Consumers' Co-operative Union, all of which offer competing life insurance products.

Deregulatory measures enacted in 1998 and 2007 have permitted from those years, securities companies and banks (respectively) to engage in sales of all types of life insurance and annuity products. Any future deregulatory measures that favour large, established financial conglomerates could result in additional consolidation in Japan's financial services industry. In addition, any future deregulatory measures that further relax the regulatory barriers between different financial services industries in Japan could intensify competition within these industries. Further, and in particular spurred by the focus on digital sales channels following the onset of the COVID-19 pandemic, competition from Japanese life insurance companies that rely on the Internet as their primary distribution channel (the so-called online life insurers) and operate with a low cost structure has also been increasing recently and is expected to intensify.

Increased competitive pressures resulting from these and other factors may cause Asahi Life's new policy sales to decline and policy surrenders to increase, which could have a material adverse effect on Asahi Life's business, financial condition and results of operations.

As a Japanese insurance company, Asahi Life is subject to extensive oversight of its business practices and must maintain a solvency margin ratio at or above required levels.

As a Japanese insurance company, Asahi Life is subject to extensive oversight, including comprehensive regulation by the FSA under the Insurance Business Act and related regulations. The Insurance Business Act intends to protect policyholders, not security holders. The law places restrictions on the types of businesses in which Asahi Life may engage, imposes limits on the types of investments that Asahi Life may make and requires Asahi Life to maintain specified reserves and a minimum solvency margin ratio. The Insurance Business Act also gives the Commissioner of the FSA broad regulatory powers over Asahi Life's insurance business, including the authority to grant or, under certain conditions, revoke operating licences and to request information regarding Asahi Life's business or financial condition and conduct rigorous on-site inspections of books and records. In addition, Asahi Life generally must also receive the FSA's approval for the sale of new products and new pricing terms.

Currently, Asahi Life is required to maintain a solvency margin ratio (a measure of capital adequacy), of at least 200 per cent. on a consolidated basis as well as on a non-consolidated basis. If Asahi Life fails to maintain its solvency margin ratio and other indicators of financial soundness at or above required levels, the Commissioner of the FSA could require it to take a variety of corrective actions. Although Asahi Life's consolidated and non-consolidated solvency margin ratio significantly exceeds the regulatory minimum requirements, future regulatory changes and a deterioration in Asahi Life's capital may result in the need for additional capital. It should be noted that the current capital requirements under the Insurance Business Act are different from that imposed on insurance companies overseas; as such, these solvency margin ratios are not comparative to those disclosed by insurance companies in other jurisdictions, and should not be so compared.

With a view to harmonising capital regulations internationally, the International Association of Insurance Supervisors (the "IAIS"), of which the FSA is a member, has been promoting new international standards for solvency assessment based on economic value. The IAIS's Common Framework for the Supervision of Internationally Active Insurance Groups, a set of international supervisory requirements focusing on the effective group-wide supervision of internationally active insurance groups ("IAIGs"), is expected to include a risk-based global insurance capital standard, with the current plan to have full implementation in 2025 after testing and refinement with supervisors and IAIGs through confidential reporting. Since June 2010, the FSA had been conducting studies on an economic value-based solvency regime through field tests covering all Japanese insurance companies and working towards the adoption of a specific framework concerning the economic value-based solvency regime.

Following such study, in June 2022, the FSA released its tentative conclusions and basic direction regarding the regulatory framework for ESR (the "FSA ESR Document 2022"). The FSA ESR Document 2022 also gave indications as to the timing for adoption in Japan, namely that preparations and studies will continue to be progressed based on the current assumption that the new regulations will be introduced in 2025. The adoption of such new regime may pose a significant impact on the operations and asset management of the Japanese life insurance industry given the responsive nature of such regime to fluctuations in interest rates.

In this Offering Circular, Asahi Life discloses ESR data as of 31 March 2022 on a consolidated basis and as of 31 March 2021 and 2022 on a non-consolidated basis, calculated for internal management purposes only, based on the framework which it has developed. Asahi Life believes that the ESR framework developed by it to date is in line with, and that the figures for consolidated and non-consolidated ESR data in this Offering Circular are substantially consistent with, the new framework indicated in the FSA ESR Document 2022. However, the FSA's new ESR framework has not been finalised and when finalised, there may be differences between the finalised ESR framework and the framework developed by Asahi Life, based on which the consolidated and non-consolidated ESR data in this Offering Circular was calculated. As such, the ESR data in this Offering Circular should not be relied upon as being formulated on the FSA's ESR framework in its final implemented format. Asahi Life's ESR framework may also differ from, and accordingly may not be directly comparable to, ESR frameworks voluntarily adopted by other insurance companies in Japan. Further, the details of the calculation method, in particular the degree of risk-weighting, could be different from, or be at a lower level than, those to be implemented under the EU Solvency II Directive (2009/138/EEC) (or its UK equivalent) or other overseas regimes, and therefore Asahi Life's ESR data should not be directly compared to those of insurance companies overseas. In addition, Asahi Life may review its ESR framework from time to time and may revise its ESR framework based on further updates to the new ESR framework in Japan. Asahi Life's ESR data is also subject to change based on changes to the market environment, including interest rates, especially on bonds with very long maturities, and Asahi Life's business and other risks. Further, any additional requirements that may be proposed in the future could result in significant changes to the solvency margin regulations, and restrictions included in any such new regulations could result in new limitations on Asahi Life's business or investment activities and/or have a material negative effect on its business, results of operations, financial condition or solvency margin. In addition, in order to adapt to the new regulations, Asahi Life may need to incur increasing costs for introducing internal structures and implementing personnel increases in order to develop the internal models further, or to establish an internal body to be in charge of making decisions regarding the assumptions made in calculating insurance liabilities and risks.

Future changes in laws and regulations applicable to Asahi Life could adversely affect its business, financial condition and results of operations.

Changes in laws and regulations, and changes in government policies regarding their enforcement, regulatory actions against Asahi Life and other life insurance companies, and the regulatory trend related to the expansion of the product line-up that Asahi Life offers, could adversely affect Asahi Life's new policy sales, lead to increased compliance risk and increased expenses required to strengthen and improve compliance, increase the level of competition Asahi Life faces or otherwise adversely affect Asahi Life's business. Examples of such legal and regulatory changes are described below.

As a result of amendments to the Insurance Business Act that became effective in 2007, rules applicable to sales of certain insurance products with investment characteristics became more stringent, similar to those applicable to sales and solicitation of financial instruments; and amendments to the Insurance Business Act that became effective on 29 May 2016 have resulted in stricter requirements with regard to obtaining the potential policyholder's intentions as well as providing customers with product information and other necessary information during insurance solicitation. In October 2016, major financial institutions (including banks acting as sales agents for insurance companies) voluntarily decided to disclose to their customers the amount of their sales commissions for certain types of insurance products with market risk (although this trend in disclosing sales commissions did not materially affect Asahi Life as it does not offer insurance products with market risk through its agency channels). In the case of any similar or other major changes in applicable laws and regulations, Asahi Life's third-party sales agents and sales representatives may encounter difficulties in adjusting their sales practices to comply with future regulatory changes. In addition, Asahi Life may face increased compliance risk as a result of regulatory actions against it or Asahi Life's competitors or in connection with future expansions of Asahi Life's product offerings and related regulatory initiatives, any of which could adversely affect Asahi Life's business, financial condition and results of operations or require significant additional expenses for training, improved compliance or remediation.

Current Japanese income tax laws permit individuals to deduct for income tax purposes all or a portion of the premium payments on almost all of the insurance and annuity products offered by Asahi Life. These and other favourable tax provisions enhance the appeal of Asahi Life's insurance products to Asahi Life's customers. Corporate and small business policyholders had previously been permitted to deduct as a business expense, subject to certain conditions, all or a portion of the costs of premiums on certain types of life insurance products, such as term life insurance, and on endowment products. However, after recent changes in Japanese tax laws, the amount of deductible expense has become more limited, as a result of which Asahi Life saw a significant decline in annualised net premiums for new policies with regard to corporate customers in the fiscal year ended 31 March 2020. Any further changes in Japanese tax laws or regulations that could negatively affect the tax treatment of premiums on Asahi Life's insurance products may adversely affect Asahi Life's new policy sales. Further, changes in or application of new tax laws or regulations (including laws and regulations such as the legislation referred to as Foreign Account Tax Compliance Act ("FATCA") enacted in the United States) applicable to Asahi Life may make payments to Asahi Life subject to withholding, or increase Asahi Life's compliance costs (if, for example, new compliance procedures are required in order to receive payments without withholding). Any such developments may have a material adverse effect on Asahi Life's financial condition and results of operations.

In March 2012, the FSA tightened capital adequacy rules for internationally active banks and certain financial institutions, reflecting proposals made under Basel III on raising the quality, consistency and transparency of the capital base and enhancing risk coverage. Further, in December 2017, finalised reforms to Basel III were published; such reforms seek to restore credibility in the calculation of risk-weighted assets and improve the comparability of banks' capital ratios, and include an increase in the risk weighting of certain securities held by banks. Such heightened capital requirements, and other potential future regulatory changes, including potential restrictions on holdings of the securities of other Japanese financial institutions by Japanese banks and bank holding companies, could make investments in Asahi Life's foundation funds and subordinated debt or securitised products relating to Asahi Life's foundation funds less attractive to Japanese banks and bank holding companies, which could adversely affect Asahi Life's ability to raise capital.

Certain rules relating to the calculation of fundamental profit have undergone changes with effect from the beginning of the current fiscal year ending 31 March 2023. Hedging costs for foreign exchange transactions are to be newly included in the calculation, while gains and losses on cancellation of investment trusts, foreign exchange fluctuations of securities redemption gains and losses and certain gains and losses in respect of re-insurance are to be excluded in the calculation of fundamental profit. Due to these changes, there is a possibility that the level of fundamental profit will decrease compared with the previous disclosure method, and that such decrease may be greater.

Changes to accounting standards relating to the calculation of policy reserves and other regulatory and accounting changes could have a material adverse effect on Asahi Life's reported financial condition and results of operations.

The Insurance Business Act and related regulations and guidelines set forth the standards under which policy reserves are calculated. Changes to such standards that would require Asahi Life to increase its policy reserves could have a material adverse effect on Asahi Life's reported financial condition and results of operations. For example, the International Accounting Standards Board, which develops International Financial Reporting Standards ("IFRS"), has published a new standard, IFRS17 Insurance Contracts, which has been implemented for accounting years beginning on or after 1 January 2023, with earlier adoption permitted under certain conditions. The new standard requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. Adopting the standards published by IFRS is not mandatory in Japan. However, if economic value accounting for liabilities is adopted under Japanese GAAP in the future, Asahi Life would be required to calculate policy reserves based on the current fair value of policy obligations taking into account factors such as current interest rate levels, which could increase the volatility of its reported financial condition and results of operations as compared to currently applicable accounting standards. The relevant regulatory authorities keep under constant review the current accounting and regulatory rules, particularly those relating to changes to policy reserves standard for foreign currency insurance and the calculation of the fundamental profit. Although Asahi Life will not be affected by any change to policy reserves standard for foreign currency insurance in light of the fact that it does not offer foreign currency insurance products, changes to the calculation of fundamental profit may result in Asahi Life recording a reduced fundamental profit which could have a material adverse effect on its reported financial condition and results of operation.

Failure of other Japanese life insurance companies could require Asahi Life to increase its contributions to industry-wide policyholder protection funds and could undermine consumer confidence.

Asahi Life, along with other life insurers in Japan, is required to support policyholders of failed life insurance companies through payments to the Life Insurance Policyholders Protection Corporation of Japan (the "LIPPC"). The LIPPC provides funds upon acceptance and assumption by a successor life insurance company of the insurance policies of a failed life insurance company and also performs certain other specified functions. See "Regulation of the Japanese Life Insurance Industry — Insurance Business Act — Regulations for the Protection of Policyholders — Life Insurance Policyholders Protection Corporation of Japan". The proportion of required contributions allocated to Asahi Life could increase if its income from insurance premiums and policy reserves increase relative to other life insurance companies in Japan. In the event of future failures of Japanese life insurance companies or if the legal requirements for contributing to the LIPPC change, Asahi Life may be required to make additional contributions to the LIPPC and its financial condition and results of operations could be adversely affected.

The failure of other Japanese life insurance companies could also damage the reputation of the Japanese life insurance industry and undermine consumer confidence in Japanese life insurers in general, which could lead to a decrease in Asahi Life's sales of new policies or an increase in lapses or surrenders of existing policies.

Catastrophes could materially reduce Asahi Life's earnings and cash flows.

Catastrophes caused by various events, including earthquakes, tsunamis, fires, typhoons and other natural disasters, terrorist attacks and epidemics (such as avian or swine flu), could materially reduce Asahi Life's earnings and cash flows (particularly through the necessity for immediate substantial claims payments), and may materially adversely affect its business, results of operations and financial condition. In addition, although Asahi Life maintains a contingency reserve consistent with applicable regulations, the reserve may not be adequate to cover actual claim liabilities. Asahi Life has been proactive in expediting and simplifying the insurance claims and pay-out process for customers in affected regions and has waived applicable exemption clauses for earthquakes, to ensure full pay-outs. While Asahi Life currently expects its reserves to be sufficient to deal with remaining risks, there is no assurance that Asahi Life will not need to increase such reserves in the future.

The impacts of transition risks associated with climate change could adversely affect Asahi Life's business.

Asahi Life faces risks related to the transition to a lower carbon economy as climate change continues to move up the agenda of many regulators, governments, non-governmental organisations and investors. Governmental and corporate efforts to transition to a low carbon economy in the coming decades could have an adverse impact on global investment assets. In particular, there is a risk that this transition, including the related changes to technology, laws and regulations and policies and the speed of their implementation, could result in some sectors (such as, but not limited to, the fossil fuel industry) facing significantly higher costs and a disorderly adjustment to their asset values. There is also a risk that certain climate change risk factors have not yet been fully priced in by financial markets, with the risk that sudden government policy action in response to a failure to achieve emission goals could lead to unanticipated and potentially large shifts in asset valuations for industries required to rapidly move to a net zero emissions position. If climate considerations are not effectively integrated into Asahi Life's investment decisions and fiduciary and stewardship duties, this could adversely impact on the value and the future performance of its investment assets. Asahi Life's business could be adversely affected by this, because where Asahi Life's investment horizons are long term, the relevant assets are potentially more exposed to the long-term impact of climate change and any future changes in policy.

Developments related to LIBOR and other benchmarks may affect the operations of financial institutions including Asahi Life.

Asahi Life has significant contractual rights and obligations referenced to the London Inter-Bank Offered Rate ("LIBOR") of the U.S. dollar and other benchmark rates. Discontinuance of, or changes to, benchmark rates as a result of these developments or other initiatives have required adjustments to agreements that are referenced to current benchmarked rates by Asahi Life, its clients and other market participants as well as to Asahi Life's systems and processes. There are also uncertainties surrounding the operation of alternative reference rates. Accordingly, it is difficult to predict the full impact of the transition away from LIBOR on Asahi Life's assets or liabilities, as well as contractual rights and obligations, whose value is tied to LIBOR. The value or profitability of these products and instruments may be adversely affected.

Certain financial and other information included in this Offering Circular is unaudited.

This Offering Circular contains Asahi Life's interim consolidated and non-consolidated financial statements as of 30 September 2022 and for the six-month periods ended 30 September 2022 and 2021 as well as certain data derived from Asahi Life's interim consolidated and non-consolidated financial statements as of 30 September 2022 and for the six-month periods ended 30 September 2022 and 2021, which are not required to be, and have not been, audited by Asahi Life's independent auditor. The interim consolidated and non-consolidated financial statements and data contained in this Offering Circular are not wholly comparable with the annual financial statements and data contained in this Offering Circular and should not be so compared. Certain adjustments, accruals and deferrals which are made in the audited annual financial statements have been estimated or are not made in respect of such interim financial statements. In addition, this Offering Circular includes non-consolidated financial information presented on a combined basis for Asahi Life and Nanairo Life, and such financial information is not required to be, and have not been, audited or reviewed by Asahi Life's independent auditor. **Asahi Life cautions potential investors against placing undue reliance on such information in making any decision to purchase the Bonds.**

Risks Related to the Bonds

Subordination of the Bonds could hinder investors' ability to receive payment.

Upon the occurrence of a Subordination Event, and so long as it continues, any amounts payable under the Bonds (except for such amounts as shall have become due and payable, other than solely by way of acceleration, prior to the date on which a Subordination Event shall have occurred) will be subordinated in right of payment to all Senior Indebtedness of Asahi Life. Senior Indebtedness means all policy payments and other liabilities (including, for the avoidance of doubt, statutory subordinated bankruptcy claims *(retsugoteki hasan saiken)* as defined in the Bankruptcy Act (as defined in the Conditions)) of Asahi Life, other than (i) the Bonds, (ii) Liquidation Parity Indebtedness, and (iii) Junior Indebtedness. Asahi Life expects from time to time to incur additional indebtedness and other obligations that will constitute Senior Indebtedness and the Trust Deed does not contain any provisions restricting its ability to incur Senior Indebtedness.

There are only limited rights of acceleration under the terms of the Bonds.

The principal amount of the Bonds may not be accelerated upon a default in the payment of principal of or interest on the Bonds, upon the non-performance of any covenant in relation to the Bonds or upon the occurrence of any other event in relation to the Bonds other than a Subordination Event, which would only occur in the event that liquidation, bankruptcy, reorganisation or civil rehabilitation proceedings shall have commenced with respect to Asahi Life or in the event that Asahi Life shall have become subject to other equivalent proceedings pursuant to any applicable law of any jurisdiction other than Japan, and in such cases, payment on the Bonds would remain subject to subordination. See "Terms and Conditions of the Bonds — 9. Limited Rights of Acceleration".

Asahi Life has the right and under certain circumstances will be required to defer interest payments on the Bonds for an indefinite period of time.

Asahi Life has the right, in its sole discretion, to defer payment of all (and no less than all) of the interest accrued that would otherwise be due on an Interest Payment Date, so long as such Interest Payment Date is not a date on which interest is required to be paid pursuant to the Conditions. Furthermore, Asahi Life will be required to defer payment of all (and no less than all) of the accrued interest that would otherwise be due on an

Interest Payment Date upon the occurrence of certain mandatory interest deferral events, which include any failure to meet certain regulatory capital requirements, as well as a payment deferral on any *Pari Passu* Securities (as defined in the Conditions). During any such deferral, holders of the Bonds will receive no payments on the Bonds, and will have no remedies against Asahi Life for non-payment. Potential investors in the Bonds should note that pursuant to the Conditions, mandatory deferral of interest on the Bonds will be triggered as a consequence of any interest payment deferral on *Pari Passu* Securities, but not the deferral of any other Liquidation Parity Indebtedness. Similarly, in the event that Asahi Life defers any interest payment on the Bonds, and such deferred interest remains unpaid, Asahi Life will be required not to pay principal of, or interest or premium (if any) on, or repay, purchase or redeem any *Pari Passu* Securities but is not restricted in any way with respect to any other Liquidation Parity Indebtedness. Further, the Bonds do not restrict Asahi Life's ability to make payments on foundation funds *(kikin)* or distributions to its policyholders. See "Terms and Conditions of the Bonds — 4. Deferral of Payments" for a further description of the deferral provisions. *Pari Passu* Securities outstanding as of the date of this Offering Circular consist of the U.S.$430,000,000 6.50 per cent. Step-up Callable Perpetual Subordinated Bonds (ISIN: XS1852563086) issued in September 2018 and the U.S.$380,000,000 4.10 per cent. Step-up Callable Perpetual Subordinated Bonds (ISIN: XS2282238083) issued in January 2021 and ¥15,000,000,000 1.50 per cent. Step-up Callable Subordinated Bonds due 2057 (ISIN: JP90B005B6P1) issued in February 2022; Liquidation Parity Indebtedness other than *Pari Passu* Securities outstanding as of the date of this Offering Circular consists of perpetual subordinated loans extended to Asahi Life with an aggregate outstanding principal amount of ¥39 billion and dated subordinated loans extended to Asahi Life with an aggregate outstanding principal amount of ¥5 billion.

Asahi Life may redeem the Bonds in whole but not in part, at the option and sole discretion of Asahi Life on the First Call Date and on any Interest Payment Date falling thereafter, at their principal amount, in the event of certain changes in Japanese tax laws, at any time at their principal amount or in the event of a Capital Disqualification Event, a Tax Deductibility Event or a Rating Agency Event, at any time on or prior to the First Call Date at their principal amount together with interest accrued to but excluding the date fixed for redemption and all Arrears of Interest.

Asahi Life will have the option to redeem the Bonds in whole but not in part, at the option and sole discretion of Asahi Life on the First Call Date and on any Interest Payment Date falling thereafter at their principal amount, subject to compliance with applicable regulatory requirements. In addition, Asahi Life will have the option to redeem the Bonds in whole but not in part in the event of certain changes in Japanese tax laws, at any time at their principal amount. Further, Asahi Life will have the option to redeem the Bonds in whole but not in part in the event of a Capital Disqualification Event, a Tax Deductibility Event or a Rating Agency Event, at any time on or prior to the First Call Date at their principal amount together with interest accrued to but excluding the date fixed for redemption and all Arrears of Interest. Any redemption of the Bonds will be subject to the Conditions described under "Terms and Conditions of the Bonds — 5. Redemption and Purchase". If the Bonds are redeemed, holders of the Bonds may not be able to reinvest the money received upon such redemption at the same rate of return.

The Bonds are perpetual securities, and holders will have no right to call for their redemption.

The Bonds are perpetual securities and have no fixed maturity date or redemption date. Asahi Life is under no obligation to redeem the Bonds at any time, and holders will have no rights to call for their redemption.

Deferral of interest payments and other characteristics of the Bonds could adversely affect the market price of the Bonds.

The Bonds contain provisions that permit Asahi Life to defer interest payments on the Bonds at its election or obligate it to defer interest payments on the Bonds under certain specified circumstances. Asahi Life does not currently intend to exercise its right to defer payments of interest on the Bonds. However, as a result of these optional and mandatory deferral provisions, the market price of the Bonds may be more volatile than the market price of other securities that are not subject to such provisions. Further, if interest payments on the Bonds are deferred due to the exercise of such right or due to the occurrence of certain specified events, the market price of the Bonds is likely to be affected. If interest is deferred and the holder elects to sell Bonds during the period of that deferral, it may not receive the same return on its investment as a holder that continues to hold its Bonds until Asahi Life pays such deferred interest. Interest that has been deferred, if paid, will be paid to the holder of record at the time of payment, not the holder of record at the time of deferral. The Bonds are unlike traditional subordinated debt securities, not only with respect to the possible optional or mandatory deferral of interest, but also in that holders will have limited remedies. In addition, because Asahi Life is a mutual company, the payment stoppage provision of the Bonds does not restrict its ability to make payments on foundation funds, which rank junior to the Bonds as to priority of liquidation payment. The payment stoppage provision also does not restrict its ability to make payments on existing or future Liquidation Parity Indebtedness that are not *Pari Passu* Securities or to make distributions to its policyholders. Investor demand for securities with the characteristics of the Bonds may change as these characteristics are assessed by market participants, regulators, rating agencies and others. Accordingly, the Bonds that an investor purchases, whether pursuant to the offer made by this Offering Circular or in the secondary market, may trade at a significant discount to the price that it paid.

Ratings of the Bonds could be lowered or withdrawn.

It is expected that the Bonds will be assigned a rating of BBB by Fitch. A downgrade or potential downgrade in such rating or the assignment of new ratings that are lower than the existing rating could reduce the population of potential investors in the Bonds and adversely affect the price and liquidity of the Bonds. There is no assurance that such ratings will remain in effect for any given period of time or that such ratings will not be lowered, suspended, reduced or withdrawn entirely by the rating agencies, if, in each rating agency's judgment, circumstances so warrant. Security ratings are based upon information furnished by Asahi Life or obtained by the rating agency from its own sources. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Market for the Bonds may be limited.

Prior to the offering, there has been no trading market for the Bonds. A market for the Bonds may not develop or, if it does develop, it may not provide holders or beneficial owners of the Bonds with sufficient liquidity of investment or continue for the life of the Bonds. Although approval in-principle has been received for the listing and quotation of the Bonds on the SGX-ST, there can be no assurance that any liquid markets for the Bonds will ever develop or be maintained. Furthermore, there can be no assurance as to the liquidity of any markets that may develop for the Bonds or the prices at which a holder will be able to sell its Bonds, if at all. In addition, the market value of the Bonds may fluctuate. Consequently, any sale by holders of the Bonds in any secondary market may be at a discount from the original purchase price of the Bonds.

Changes in Asahi Life's capital structure and the terms of the Bonds resulting from a future demutualisation do not require Bondholder consent and may adversely affect holders of the Bonds.

Asahi Life may determine that demutualisation is advantageous to it and its stakeholders. However, demutualisation would result in changes in its capital structure, which may or may not be beneficial for holders of the Bonds. For example, as a result of demutualisation, Asahi Life's common stock which would be issued and serve as a capital buffer that is junior to the Bonds while its foundation funds would be redeemed or contributed in kind for shares of the reorganised company prior to the effectiveness of the demutualisation pursuant to the Insurance Business Act. While certain procedural safeguards are in place, such as approval of an entity conversion plan by a three-quarter majority vote of attending representative policyholders at a board of representative policyholders and authorisation by the FSA, the redemption of Asahi Life's foundation funds may result in its capital being significantly lower than prior to demutualisation. In addition, upon demutualisation, the terms of the Bonds will be automatically revised, without the consent of the Bondholders, to remove the payment stoppage provision of the Bonds such that Asahi Life may make payments of interest or principal on, or repay or redeem *Pari Passu* Securities or Junior Indebtedness, even if any payment on the Bonds has been deferred and continues to be in deferral.

While Asahi Life does not have any current plan or intention to demutualise, if it determines to demutualise while the Bonds are still outstanding, rights of holders of the Bonds may be adversely affected.

FATCA Withholding

Pursuant to certain provisions of FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("foreign passthru payments") to persons that fail to meet certain certification, reporting, or related requirements. The United States and Japan have entered into a statement of mutual cooperation and understanding regarding FATCA (the "Statement"). Pursuant to the Statement, Asahi Life may be required to enter into an agreement with the U.S. taxing authorities to provide certain information about its account holders, as that term is used by FATCA, to the United States. Other financial institutions through which payments on or with respect to the Bonds are made may be subject to the Statement, to an agreement between the jurisdiction in which they are acting and the United States or to an agreement that such financial institutions have made directly with the United States regarding FATCA. Certain aspects of the application of the FATCA provisions and the Statement to instruments such as the Bonds, including whether withholding would ever be required pursuant to FATCA or the Statement with respect to payments on instruments such as the Bonds, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or the Statement with respect to payments on instruments such as the Bonds, such withholding would not apply earlier than two years after final regulations are published in the Federal Register. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Bonds. In the event any withholding would be required pursuant to FATCA or the Statement with respect to payments on the Bonds, no person will be required to pay additional amounts as a result of the withholding.

The Trustee may request holders of the Bonds to provide an indemnity and/or security and/or prefunding to its satisfaction.

In certain circumstances (including without limitation taking any action pursuant to Condition 9(b) or Condition 9(e)), the Trustee may (as its sole discretion) request holders of the Bonds to provide an indemnity and/or security and/or prefunding to its satisfaction before it takes actions on behalf of such holders. The Trustee shall not be obliged to take any such actions if not first indemnified and/or secured and/or prefunded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or prefunding can be a lengthy process and may impact on when such actions can be taken. The Trustee may not be able to take actions, notwithstanding the provision of an indemnity or security or prefunding to it, in breach of the terms of the Trust Deed and in such circumstances, or where there is uncertainty or dispute as to the applicable laws or regulations, to the extent permitted by the agreements and the applicable laws and regulations, it will be for the holders of the Bonds to take such actions directly.

Modifications and waivers may be made in respect of the Conditions and the Trust Deed by the Trustee or less than all of the holders of the Bonds and decisions may be made on behalf of all of the holders of the Bonds that may be adverse to the interests of the individual holders of the Bonds.

The Conditions will contain provisions for convening meetings of Bondholders to consider matters affecting their interests generally. These provisions will permit defined majorities to bind all Bondholders including those Bondholders who did not attend and vote at the relevant meeting and those Bondholders who voted in a manner contrary to the majority. There is a risk that the decisions of the majority of holders of the Bonds may be adverse to the interests of individual holders of the Bonds.

The Conditions will also provide that the Trustee may, without the consent of Bondholders, agree (i) to any modification of the Trust Deed or the Conditions (other than for certain reserved matters) which in the opinion of the Trustee will not be materially prejudicial to the interests of Bondholders and (ii) to any modification of the Conditions or the Trust Deed which in the opinion of the Trustee is of a formal, minor or technical nature, is made to correct a manifest error or to comply with any applicable law.

In addition, the Trustee may, without the consent of the Bondholders, waive or authorise any breach or proposed breach by Asahi Life of the Conditions or the Trust Deed (other than a proposed breach or a breach relating to the subject of certain reserved matters) if, in the opinion of the Trustee, the interests of the Bondholders will not be materially prejudiced thereby.

Potential investors should be aware that changes to the terms and conditions of the Bonds and the Trust Deed arising from demutualisation are automatic and would not require Bondholder consent.

TERMS AND CONDITIONS OF THE BONDS

The following Conditions, subject to modification and save for the paragraphs in italics, will be endorsed on the Certificates (as defined in the Conditions) evidencing the Bonds (as defined in the Conditions).

Please note that, upon the occurrence of a Demutualisation Event (as defined in the Conditions), certain provisions of the Bonds will automatically be amended as described in the Conditions. Unless otherwise described in the Conditions, the amended provisions will form part of the terms and conditions of the Bonds upon the effectiveness of a Demutualisation Event.

The U.S.$375,000,000 aggregate principal amount of 6.90 per cent. Step-up Callable Perpetual Subordinated Bonds (the "Bonds") of Asahi Mutual Life Insurance Company ("Asahi Life") are constituted by a trust deed dated 26 January 2023 (the "Trust Deed") made between Asahi Life and The Bank of New York Mellon, London Branch (the "Trustee", which expression shall include all persons for the time being appointed as trustee or trustees under the Trust Deed) as trustee for the Bondholders (as defined below). These terms and conditions (the "Conditions") include summaries of, and are subject to, the detailed provisions of the Trust Deed. Payments under the Bonds will be made in accordance with the agency agreement dated 26 January 2023 (the "Agency Agreement") made between Asahi Life, the Trustee, The Bank of New York Mellon, London Branch as principal paying agent (the "Principal Paying Agent", which expression includes the Principal Paying Agent for the time being), The Bank of New York Mellon SA/NV, Luxembourg Branch as registrar (the "Registrar", which expression includes the Registrar for the time being) and as transfer agent (the "Transfer Agent", which expression includes the Transfer Agent for the time being) and the other agents appointed under the Agency Agreement (together with the Principal Paying Agent, the Registrar and the Transfer Agent, the "Agents") and The Bank of New York Mellon, London Branch as calculation agent (the "Calculation Agent", which expression includes the Calculation Agent for the time being).

Copies of the Trust Deed, incorporating the form of the Bonds, and copies of the Agency Agreement are available for inspection following prior written request and proof of holding and identity to the satisfaction of the Trustee, or as the case may be, the Principal Paying Agent, at all reasonable times during usual business hours (being between 9:00 a.m. and 3:00 p.m. (London time) Monday to Friday other than public holidays) at the principal office of the Trustee (being at the date of issue of the Bonds at 160 Queen Victoria Street, London, EC4V 4LA, United Kingdom) and at the specified office of the Principal Paying Agent. The Bondholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those provisions applicable to them of the Agency Agreement.

All capitalised terms that are not defined in these Conditions will have the meanings given to them in the Trust Deed.

1 *Form, Denomination, Title and Transfer of Bonds*

(a) Form and denomination

The Bonds are in registered form in the denomination of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof. A bond certificate (each, a "Certificate") will be issued in respect of each holding of Bonds. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register (the "Register") of holders of Bonds to be kept by the Registrar in accordance with Condition 1(c)(i). The Bonds are not issued in bearer form.

(b) Title

Title to the Bonds passes only by transfer and registration of title in the Register. The holder (as defined below) of any Bond will (except as otherwise required by law) be treated as, the absolute owner thereof for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, any writing on the Certificate representing it, or its theft or loss of the Certificate issued in respect of it) and no person shall be liable for so treating the holder. In these Conditions, "Bondholder" and "holder" mean the person in whose name the Bond is registered.

Upon issue, the Bonds will be evidenced by a Global Certificate deposited with, and registered in the name of a nominee for, a common depositary for Euroclear and Clearstream, Luxembourg. The Conditions applicable to the Bonds are modified by certain provisions contained in the Global

Certificate. Except in the limited circumstances described in the Global Certificate, owners of interests in Bonds represented by the Global Certificate will not be entitled to receive definitive certificates in respect of their individual holdings of Bonds. See "Summary of Provisions Relating to the Bonds while in Global Form".

(c) Transfer of Bonds

(i) ***The Register***: Asahi Life will cause to be kept at the specified office of the Registrar, and in accordance with the terms of the Agency Agreement, the Register on which shall be entered the names and addresses of the Bondholders and the particulars of the Bonds held by them and of all transfers and redemptions of the Bonds.

(ii) ***Transfers***: A Bond may be transferred upon the surrender (at the specified office of the Registrar or the Transfer Agent) of the Certificate representing such Bond, together with the form of transfer endorsed on such Certificate (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by Asahi Life), duly completed and executed and any other evidence as the Registrar and the Transfer Agent may require. No transfer of a Bond will be valid unless and until entered on the Register. Upon such transfer, a new Certificate will be issued to the transferee in respect of the Bond so transferred. Where some only of the Bonds in respect of which a Certificate is issued are transferred, a new Certificate in respect of the Bonds not so transferred will be issued. In the case of a transfer of Bonds to a person who is already a holder of Bonds, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding. No transfer may be made which would result in the principal amount of Bonds held by a holder and in respect of which a Certificate is to be issued being less than U.S.$200,000. All transfers of the Bonds and entries on the Register will be made subject to the detailed regulations concerning transfer of the Bonds scheduled to the Agency Agreement. The regulations may be changed by Asahi Life, with the prior written approval of the Registrar and the Trustee, and by the Registrar, with the prior written approval of the Trustee. A copy of the current regulations will be made available by the Registrar to any Bondholder following written request and proof of holding and identity satisfactory to the Registrar.

Transfers of interests in the Bonds represented by the Global Certificate will be effected in accordance with the rules of the relevant clearing systems, as described in "Summary of Provisions Relating to the Bonds while in Global Form".

(iii) ***Delivery of New Certificates***: Each new Certificate to be issued pursuant to Condition 1(c)(ii) shall be available for delivery within three Transfer Business Days (as defined below) of receipt of the duly completed and signed form of transfer and surrender of the original Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Registrar or the Transfer Agent to whom delivery or surrender of such form of transfer and Certificate shall have been made, or if so requested in the form of transfer, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address so specified (at Asahi Life's expense), unless such holder requests otherwise and pays in advance to the Registrar or the Transfer Agent (as the case may be) the costs of such other method of delivery and/or such insurance as it may specify.

In these Conditions, "Transfer Business Day" means a day, other than Saturday or Sunday, on which banks are open for business in the place of the specified office of the Registrar or the Transfer Agent (as the case may be).

(iv) ***Formalities Free of Charge***: Registration of a transfer of Bonds, together with the issuance of Certificates in relation thereto shall be effected without charge by or on behalf of Asahi Life, the Registrar or the Transfer Agent, but upon (A) payment of any tax, duty or other governmental charges that may be imposed in relation to it (or the giving of such indemnity and/or security as the Registrar or the Transfer Agent may require); and (B) Asahi Life and the Registrar or the Transfer Agent being satisfied that the regulations concerning transfer of Bonds having been satisfied.

(v) ***No Registration of Transfer***: No Bondholder may require the transfer of a Bond to be registered (A) after a notice of redemption has been given pursuant to Condition 5, or (B) during the period commencing on (and including) any Interest Record Date (as defined in Condition 6(a)) and ending on the immediately following Interest Payment Date (as defined in Condition 3(d)).

2 Status and Subordination

(a) Status of the Bonds

The obligations of Asahi Life in respect of the Bonds constitute irrevocable, direct and unsecured obligations of Asahi Life which are conditional and subordinated (as described in these Conditions). Claims in respect of the Bonds shall at all times rank *pari passu* and without any preference among themselves, and (i) rank *pari passu* with all Liquidation Parity Indebtedness and (ii) in priority to claims of holders of Junior Indebtedness.

Upon the occurrence of a Demutualisation Event (as defined in Condition 2(b)(i)), the immediately preceding paragraph shall be amended to read as follows:

The obligations of Asahi Life in respect of the Bonds constitute irrevocable, direct and unsecured obligations of Asahi Life which are conditional and subordinated (as described in these Conditions). Claims in respect of the Bonds shall at all times rank *pari passu* and without any preference among themselves, and (i) rank *pari passu* with all Liquidation Parity Indebtedness and (ii) in priority to claims of holders of Junior Indebtedness and claims of holders of common stock and preferred stock (including the most senior preferred stock) of Asahi Life.

(b) Subordination

(i) Upon the occurrence of a Subordination Event (as defined in this Condition 2(b)(i)), and so long as such Subordination Event shall continue, the obligations of Asahi Life pursuant to the Bonds shall be subordinated in right of payment to all Senior Indebtedness (as defined in this Condition 2(b)(i)) of Asahi Life and, so long as the Subordination Event continues, no payment will be made under the Bonds (except for such amounts which shall have become due and payable, other than solely by way of acceleration, prior to the date on which a Subordination Event shall have occurred) unless and until (each of the following a "Condition for Liquidation Payment"):

(a) in the case of a Japanese Liquidation Event (as defined in this Condition 2(b)(i)), the total amount of any and all Senior Indebtedness of Asahi Life, claims in respect of which having been filed within the prescribed period in the liquidation proceedings or of which Asahi Life has knowledge shall have been paid or provided for in full in the liquidation proceedings pursuant to the relevant law;

(b) in the case of a Japanese Bankruptcy Event (as defined in this Condition 2(b)(i)), the total amount of any and all Senior Indebtedness of Asahi Life listed on the final distribution list, as amended, submitted to the court in the bankruptcy proceedings shall have been paid or provided for in full (including discharge by deposit of funds with the competent authority) pursuant to the relevant law;

(c) in the case of a Japanese Reorganisation Event (as defined in this Condition 2(b)(i)), the total amount of any and all Senior Indebtedness which is listed in the reorganisation plan of Asahi Life approved by the court in a final and conclusive manner shall have been paid or provided for in full in such reorganisation proceedings to the extent that such liabilities shall have been fixed;

(d) in the case of a Japanese Civil Rehabilitation Event (as defined in this Condition 2(b)(i)), the total amount of any and all Senior Indebtedness which is listed in the rehabilitation plan of Asahi Life at the time when the court's approval of the rehabilitation plan becomes final and conclusive shall have been paid or provided for in full in the rehabilitation proceedings to the extent that the liabilities shall have been fixed; or

(e) in the case of a Foreign Event (as defined in this Condition 2(b)(i)), conditions equivalent to those set forth in (a), (b), (c) or (d) of this Condition 2(b)(i) have been fulfilled (provided that if the imposition of any such condition is not allowed under such proceedings, any amount which becomes due under the Bonds shall become payable in accordance with the terms of the Trust Deed and shall not be subject to such condition).

The following definitions apply to these Conditions:

"Bankruptcy Act" means the Bankruptcy Act of Japan (Act No. 75 of 2004, as amended) or any successor legislation thereto.

"Civil Rehabilitation Act" means the Civil Rehabilitation Act of Japan (Act No. 225 of 1999, as amended) or any successor legislation thereto.

"Companies Act" means the Companies Act of Japan (Act No. 86 of 2005, as amended) or any successor legislation thereto.

"Consent Rehabilitation Order" means a decision of a court of competent jurisdiction under Article 217, paragraph 1 of the Civil Rehabilitation Act to the effect that the procedures for the investigation and confirmation of civil rehabilitation claims as defined in Article 84 of the Civil Rehabilitation Act, and the resolution of a civil rehabilitation plan, shall be omitted.

"Corporate Reorganisation Act" means the Corporate Reorganisation Act of Japan (Act No. 154 of 2002, as amended) or any successor legislation thereto.

"Demutualisation Event" means a demutualisation, under the Insurance Business Act or any similar applicable law or regulations, by which Asahi Life becomes a joint-stock corporation.

"Insurance Business Act" means the Insurance Business Act of Japan (Act No. 105 of 1995, as amended) or any successor legislation thereto.

"Junior Indebtedness" means all present and future unsecured obligations of Asahi Life which are (or are expressed as being) subordinated as to the priority of liquidation payment to claims under the Bonds and/or any Liquidation Parity Indebtedness, and which include but are not limited to Asahi Life's foundation funds (*kikin*) and/or any present and future unsecured obligations, whether dated or perpetual, of Asahi Life which are (or are expressed as being) *pari passu* with, or junior to, Asahi Life's foundation funds (*kikin*).

Upon the occurrence of a Demutualisation Event, the above definition of "Junior Indebtedness" shall be amended to read as follows:

"Junior Indebtedness" means all present and future unsecured obligations of Asahi Life which are (or are expressed as being) subordinated as to the priority of liquidation payment to claims under the Bonds and/or any Liquidation Parity Indebtedness.

"Liquidation Parity Indebtedness" means all present and future unsecured and subordinated obligations of Asahi Life which rank (or are expressed to rank) *pari passu* with the Bonds as to the priority of liquidation payment.

Asahi Life's outstanding Liquidation Parity Indebtedness as at the date of this Offering Circular (together, the "Existing Liquidation Parity Indebtedness") consists of perpetual subordinated loans with an aggregate outstanding principal of ¥39,000,000,000 (the "Existing Perpetual Subordinated Loans"), dated subordinated loans with an aggregate outstanding principal of ¥5,000,000,000 (the "Existing Dated Subordinated Loans"), the U.S.$430,000,000 6.50 per cent. step-up Callable Perpetual Subordinated Bonds (ISIN: XS1852563086) issued in September 2018 (the "2018 Perpetual Bonds"), the U.S.$380,000,000 4.10 per cent. Step-up Callable Perpetual Subordinated Bonds (ISIN: XS2282238083) issued in January 2021 (the "2021 Perpetual Bonds") and ¥15,000,000,000 1.50 per cent. Step-up Callable Subordinated Bonds due 2057 (ISIN: JP90B005B6P1) issued in February 2022 (the "2022 Dated Subordinated Bonds", which, together with the 2018 Perpetual Bonds and the 2021 Perpetual Bonds, comprise Pari Passu Securities as of the date of this Offering Circular). There is no assurance that all future unsecured and subordinated obligations of Asahi Life will rank pari passu with the Bonds as to the priority of liquidation payment.

If Asahi Life becomes subject to liquidation proceedings, bankruptcy proceedings, reorganisation proceedings or rehabilitation proceedings under Japanese law, or any equivalent proceedings in accordance with laws other than Japanese law, the Existing Liquidation Parity Indebtedness shall become subordinated to all Senior Indebtedness of Asahi Life. Claims in respect of the Bonds will rank pari passu with the Existing Liquidation Parity Indebtedness.

The Existing Perpetual Subordinated Loans and Existing Dated Subordinated Loans (and any deferral or payment in respect thereof) will not be relevant to or impacted by the application of Condition 4, which provides for deferral of interest, arrears of interest, payment stoppage and compulsory interest payments on the Bonds.

"*Pari Passu* Securities" means all Liquidation Parity Indebtedness in the form of, or represented or evidenced by, bonds, debentures, notes or other similar securities and which are for the time being, or are capable of being, quoted, listed, ordinarily dealt in or traded on any stock exchange or over-the-counter or other similar securities market.

"Reorganisation Act" means the Act on Special Treatment of Corporate Reorganisation Proceedings and Other Insolvency Proceedings of Financial Institutions, Etc. of Japan (Act No. 95 of 1996, as amended) or any successor legislation thereto.

"Senior Indebtedness" means all policy payments and other liabilities (including, for the avoidance of doubt, statutory subordinated bankruptcy claims (*retsugoteki hasan saiken*) as defined in the Bankruptcy Act) of Asahi Life, other than (i) the Bonds, (ii) Liquidation Parity Indebtedness and (iii) Junior Indebtedness.

"Subordination Event" means any one of the following events:

(1) a liquidation proceeding (including the voluntary liquidation proceeding (*tsujo seisan*) or special liquidation proceeding (*tokubetsu seisan*)) shall have commenced with respect to Asahi Life pursuant to the Insurance Business Act (a "Japanese Liquidation Event");

(2) a court of competent jurisdiction in Japan shall have adjudicated Asahi Life to be subject to bankruptcy proceedings pursuant to the provisions of the Bankruptcy Act (a "Japanese Bankruptcy Event");

(3) a court of competent jurisdiction in Japan shall have adjudicated Asahi Life to be subject to reorganisation proceedings pursuant to the provisions of the Reorganisation Act (a "Japanese Reorganisation Event");

(4) a court of competent jurisdiction in Japan shall have adjudicated Asahi Life to be subject to civil rehabilitation proceedings pursuant to the provisions of the Civil Rehabilitation Act (a "Japanese Civil Rehabilitation Event"); provided that if (i) the court's final and conclusive approval of a Summary Rehabilitation Order or a Consent Rehabilitation Order is obtained or (ii) the rehabilitation proceedings are cancelled or discontinued by the court in a final and conclusive manner, Asahi Life shall be deemed never to have been subject to a Japanese Civil Rehabilitation Event, and accordingly, the Bonds shall not have become subordinated obligations of Asahi Life; and

(5) Asahi Life shall have become subject to liquidation, bankruptcy, reorganisation, civil rehabilitation or other equivalent proceedings pursuant to any applicable law of any jurisdiction other than Japan, which proceedings have an equivalent effect to those set out in (1), (2), (3) or (4) above (a "Foreign Event").

Upon the occurrence of a Demutualisation Event, references to the "Insurance Business Act" and the "Reorganisation Act" in subparagraphs (1) and (3) of the definition of "Subordination Event" above shall be changed to the "Companies Act" and the "Corporate Reorganisation Act", respectively.

"Summary Rehabilitation Order" means a decision of a court of competent jurisdiction under Article 211, paragraph 1 of the Civil Rehabilitation Act to the effect that the procedures for the investigation and confirmation of civil rehabilitation claims as defined in Article 84 of the Civil Rehabilitation Act shall be omitted.

(ii) The rights of the holders of the Bonds will be reinstated with respect to any payments made to holders that are subsequently avoided in the liquidation, bankruptcy, reorganisation or civil rehabilitation of Asahi Life, or other equivalent proceedings pursuant to any applicable law of any jurisdiction other than Japan, as though such payments had not been made.

(iii) A holder of a Bond by acceptance of the Bond agrees that (a) subject to an exception for payments from money held in trust under the Trust Deed by the Trustee for the payment of principal of and premium and interest including Arrears of Interest (as defined in Condition 4) on the Bonds and any Additional Amounts (as defined in Condition 7), if any payment on the Bond is made to the holder after the occurrence of a Subordination Event and the amount of the payment shall exceed the amount, if any, that should have been paid to the holder upon the proper application of the subordination provisions of the Bond, the payment of the excess amount shall be deemed null and void and the holder shall be obliged to return the amount of the excess payment within 10 days after receiving notice in writing from Asahi Life of the excess payment, and (b) upon the occurrence of a Subordination Event and so long as the Subordination Event shall be continuing, the holder shall not exercise any right to set off any liabilities of Asahi Life under the Bond (except for such amounts which shall have become due and payable, other than solely by way of acceleration, prior to the date on which a Subordination Event shall have occurred) against any liabilities of the holder owed to Asahi Life unless, until and only in the amount as the liabilities of Asahi Life under the Bond become payable pursuant to the proper application of the subordination provisions in these Conditions.

(iv) The Trust Deed provides that no amendment or modification may be made to the subordination provisions contained in this Condition 2 or the Trust Deed unless such an amendment or modification is not prejudicial to any present or future creditor in respect of any Senior Indebtedness of Asahi Life as specified in Condition 11. No such amendment or modification prejudicial to any present or future creditor in respect of any Senior Indebtedness of Asahi Life shall in any event be effective.

None of the Trustee, the Agents or the Calculation Agent shall be required to monitor or to take any steps to ascertain whether a Subordination Event or any event which could lead to a Subordination Event has occurred or may occur, and none of them shall be liable to the Bondholders, Asahi Life or any other person for not doing so.

3 Interest

(a) Prior to the First Call Date

The Bonds bear interest from and including 26 January 2023 (the "Interest Commencement Date") to but excluding the First Call Date (as defined in Condition 5(b)) (subject to Condition 3(e)) at the rate of 6.90 per cent. per annum. Such interest is payable semi-annually in arrear on each Interest Payment Date up to and including the First Call Date in equal instalments of U.S.$34.50 per U.S.$1,000 in principal amount of the Bonds (the "Calculation Amount").

(b) On and after the First Call Date

The rate of interest of the Bonds will be reset on the First Call Date, and on every Interest Payment Date which falls five, or a multiple of five, years thereafter (the First Call Date and each such Interest Payment Date, being a "Reset Date"), until all Bonds are fully redeemed.

The Bonds will bear interest from and including each Reset Date to but excluding the next following Reset Date or the date on which the Bonds are finally redeemed, whichever is earlier (each a "Reset Interest Period") (subject to Condition 3(e)), at the rate per annum equal to the "Reset Interest Rate", which is the sum of the applicable 5-year U.S. Treasury Rate and 4.24 per cent. per annum. Such interest is payable semi-annually in arrear in equal instalments on each Interest Payment Date relating to the applicable Reset Interest Period, beginning on 26 July 2028. The amount of interest on each Interest Payment Date per Calculation Amount will be rounded to the nearest cent (half a cent being rounded upwards).

The Reset Interest Rate in respect of each Reset Interest Period shall be determined by the Calculation Agent on the relevant Reset Interest Rate Determination Date in respect of such Reset Interest Period.

(c) Calculation of Interest

If interest is required to be calculated for a period of less than a complete Interest Period, the relevant day-count fraction will be determined on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

Interest in respect of any Bond shall be calculated per Calculation Amount. The amount of interest payable per Calculation Amount for any period shall, save as provided above in relation to equal instalments, be equal to the product of (prior to the First Call Date) 6.90 per cent. or (on and after the First Call Date) the relevant Reset Interest Rate, as the case may be, the Calculation Amount and the day-count fraction for the relevant period, rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

The Calculation Agent shall cause the Reset Interest Rate for each Reset Interest Period to be notified in writing to the Principal Paying Agent, the other Agents, the Trustee and Asahi Life as soon as practicable after the determination but in no event later than the second Business Day after such determination. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent shall (in the absence of manifest error) be final and binding upon all parties.

If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Reset Interest Rate, or to comply with any other requirement, Asahi Life shall (with prior written notice to the Trustee) appoint a leading bank or investment banking firm to act as such in its place. The Calculation Agent may not resign its duties without the appointment of a successor having become effective as aforesaid.

(d) Definitions

For the purposes of these Conditions:

"Business Day" means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments and are open for business in New York City, London and Tokyo.

"Comparable Treasury Issue" means, with respect to any Reset Interest Period, the U.S. Treasury security or securities selected by an Independent Investment Banker with a maturity date on or about the last day of such Reset Interest Period and that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities denominated in U.S. dollars and having a maturity of five years.

"Comparable Treasury Price" means, with respect to any Reset Date, (i) the arithmetic average as calculated by the Calculation Agent of the Reference Treasury Dealer Quotations for such Reset Date (calculated on the Reset Interest Rate Determination Date preceding such Reset Date), after excluding the highest and lowest such Reference Treasury Dealer Quotations, or (ii) if fewer than five such Reference Treasury Dealer Quotations are received by the Independent Investment Banker and the Calculation Agent, the arithmetic average as calculated by the Calculation Agent of all such quotations so received, or (iii) if fewer than two such Reference Treasury Dealer Quotations are received by the Independent Investment Banker and the Calculation Agent, or if no such Reference Treasury Dealer Quotations are so received, then such Reference Treasury Dealer Quotation as quoted in writing to the Calculation Agent by an Independent Investment Banker.

"Independent Investment Banker" means one of the Reference Treasury Dealers to be selected and appointed by Asahi Life.

"Interest Payment Date" means 26 January and 26 July in each year, commencing on 26 July 2023.

"Interest Period" means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date.

"New York City Banking Day" means a day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which commercial banking institutions are authorised or required by law, regulation or executive order to close in New York City.

"Reference Treasury Dealer" means each of up to five banks selected by Asahi Life, or the affiliates of such banks, which are (i) primary U.S. Treasury securities dealers, and their respective successors, or (ii) market makers in pricing corporate bond issues denominated in U.S. dollars.

"Reference Treasury Dealer Quotations" means with respect to each Reference Treasury Dealer and any Reset Date, the arithmetic average, as determined by the Calculation Agent, of the bid and offered prices for the applicable Comparable Treasury Issue as quoted at the request of an Independent Investment Banker to the Independent Investment Banker and the Calculation Agent, expressed in each case as a percentage of its principal amount, at 11:00 a.m. (New York City time), on the Reset Interest Rate Determination Date.

"Reset Interest Rate Determination Date" means the day two New York City Banking Days before the relevant Reset Date.

"5-year U.S. Treasury Rate" means, with respect to any Reset Date for which such rate applies, the rate per annum equal to: (1) the yield, under the heading which represents the average for the week immediately prior to the Reset Interest Rate Determination Date, appearing in the most recently published statistical release designated "H.15", or any successor publication that is published by the Board of Governors of the Federal Reserve System that establishes yields on actively traded U.S. Treasury securities adjusted to constant maturity, under the caption "Treasury Constant Maturities", for the maturity of five years; or (2) if such release (or any successor release) is not published during the week immediately prior to the Reset Interest Rate Determination Date or does not contain such yields, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, calculated using a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such Reset Date.

If the 5-year U.S. Treasury Rate cannot be determined, for whatever reason, as described under (1) or (2) above, "5-year U.S. Treasury Rate" means the rate in percentage per annum as notified by the Calculation Agent to Asahi Life equal to the yield on U.S. Treasury securities having a maturity of five years as set forth in the most recently published statistical release designated "H.15 (519)" under the caption "Treasury constant maturities" (or any successor publication that is published weekly by the Board of Governors of the Federal Reserve System and that establishes yields on actively traded U.S. Treasury securities adjusted to constant maturity under the caption "Treasury constant maturities" for the maturity of five years) at 5:00 p.m. (New York City time) on the last available date preceding the Reset Interest Rate Determination Date on which such rate was set forth in such release (or any successor release).

The 5-year U.S. Treasury Rate shall be calculated by the Calculation Agent. The Calculation Agent shall not be responsible to Asahi Life, the Bondholders or any third party for any failure of the Reference Treasury Dealers to provide quotations as requested of them by the Independent Investment Banker or as a result of the Calculation Agent having acted on any quotation or other information given by any Reference Treasury Dealers which subsequently may be found to be incorrect or inaccurate in any way.

(e) Accrual of Interest

Each Bond will cease to bear interest from the date for redemption (which shall be the earlier date for redemption pursuant to Conditions 5(b), 5(c), 5(d), 5(e) or 5(f)) unless, upon surrender of the Certificate, payment is improperly withheld or refused, in which event it shall continue to bear interest (both before and after judgment) at the rate and in the manner provided in this Condition 3 to the Relevant Date (as defined in Condition 7).

4 Deferral of Payments

(a) Optional Deferral of Payments

Asahi Life may, at its sole discretion, elect to defer all (but not some only) of the accrued interest that would otherwise be due to be paid on an Interest Payment Date (so long as the provisions of Condition 4(b) do not also apply on such Interest Payment Date and unless it is a Compulsory Interest Payment Date) by giving written notice of such election to the Trustee and to the Bondholders in accordance with Condition 13 no later than two Business Days prior to the relevant Interest Record Date. Any interest that is deferred pursuant to this Condition 4(a) shall, so long as it remains unpaid, constitute Arrears of Interest.

Provided, however, that if an Interest Payment Date is a Compulsory Interest Payment Date or the payment of interest is mandatorily deferred pursuant to Condition 4(b), any notice given under this Condition 4(a) shall have no force or effect.

(b) Mandatory Deferral of Interest

In the event that (i) a Capital Deficiency Event has occurred and is continuing, or (ii) any payment in relation to any *Pari Passu* Securities has been deferred and continues to be in deferral, in either case, as of the date that is five Business Days prior to (and including) an Interest Record Date, then Asahi Life shall be required to defer all (but not some only) of the accrued interest that would otherwise be due to be paid on such Interest Payment Date. Asahi Life will provide prior written notice of such mandatory deferral of interest to the Trustee and to the Bondholders in accordance with Condition 13 no later than two Business Days prior to the relevant Interest Record Date. Any interest that is deferred pursuant to this Condition 4(b) shall, so long as it remains unpaid, constitute Arrears of Interest.

Upon the occurrence of a Demutualisation Event, the phrases "(i)" and ", or (ii) any payment in relation to any *Pari Passu* Securities has been deferred and continues to be in deferral, in either case," in the first sentence of the immediately preceding paragraph shall be deleted.

In these Conditions:

"Capital Adequacy Condition" means Asahi Life's Solvency Margin Ratio meets or exceeds the Regulatory Minimum Capital Requirements, and a deferral of interest is not required under the then applicable regulatory requirements in Japan (or an official application or interpretation of such regulations, including a decision of a court or a tribunal in Japan).

"Capital Deficiency Event" means, as of the relevant date, (i) the Capital Adequacy Condition is not met or (ii) the Relevant Supervisory Authority has issued any order of prompt corrective action *(souki zesei sochi)* in relation to regulatory capital requirements to Asahi Life and such order remains in effect.

"Regulatory Minimum Capital Requirements" means, as of any date, the then applicable regulatory capital level (or the equivalent term then employed by the applicable regulatory requirements) required to be maintained under the Insurance Business Act and related regulations, falling below which level could trigger a prompt corrective action by the Relevant Supervisory Authority.

"Relevant Supervisory Authority" means any regulator having jurisdiction over Asahi Life (being, at the date of the Trust Deed, the Financial Services Agency of Japan).

"Solvency Margin Ratio" means the solvency margin ratio (or any equivalent ratio then employed by the applicable regulatory requirements), on any particular date, calculated in accordance with the Insurance Business Act and related guidelines and administrative directives.

For the purpose of this Condition 4(b), notwithstanding the foregoing or Condition 4(d), even if any payment in relation to any *Pari Passu* Securities has been deferred and continues to be in deferral, Asahi Life may make payments of all or any portion of the interest on the Bonds that shall have accrued as of any Interest Payment Date, if Asahi Life also makes or declares a *pro rata* payment of interest and arrears of interest that shall have accrued as of such time on such *Pari Passu* Securities, it being understood that such payment on the *Pari Passu* Securities may be made substantially concurrently or on the next applicable interest payment date for such *Pari Passu* Securities.

Upon the occurrence of a Demutualisation Event, the phrase "or Condition 4(d)" in the immediately preceding paragraph shall be deleted.

If any Capital Deficiency Event occurs after the occurrence of a Demutualisation Event, Asahi Life intends to take such action as may be appropriate in order to facilitate a restoration of its regulatory capital position, which may include but is not limited to the following:

(i) *not to propose a dividend, distribution or other payment on any class of shares at the general meeting of shareholders of Asahi Life or to declare a dividend, distribution or other payment on any class of shares at the meeting of the board of directors of Asahi Life or make any payment of interest (including any arrears of interest) on any Pari Passu Securities; and*

(ii) *not to redeem, repurchase or otherwise acquire any preferred stock, common stock, or any Pari Passu Securities of Asahi Life.*

Please note that this intention will not form part of the Conditions, even upon the occurrence of a Demutualisation Event.

(c) Arrears of Interest

Any interest that is deferred pursuant to Conditions 4(a) and 4(b) shall, so long as it remains unpaid, constitute "Arrears of Interest". Arrears of Interest on the Bonds shall accrue on a cumulative basis and remain payable for so long as they remain unpaid, and, for the avoidance of doubt, any claims thereon shall rank *pari passu* with the Bonds. Interest on Arrears of Interest deferred pursuant to Condition 4(a) shall compound semi-annually at 6.90 per cent. per annum to but excluding the First Call Date, and at the applicable Reset Interest Rate for each Interest Period thereafter, and otherwise in accordance with Condition 3 (and reference in these Conditions to Arrears of Interest shall include such interest amounts). Arrears of Interest deferred pursuant to Condition 4(b) shall bear no interest.

Arrears of Interest on the Bonds may at the option of Asahi Life be paid in whole or in part at any time upon giving not less than five nor more than fifteen Business Days' written notice to such effect to the Trustee and to the Bondholders in accordance with Condition 13 (which notice shall specify the amount of such Arrears of Interest to be paid), provided that such payments (i) shall be subject to any applicable regulatory requirements or consents, (ii) shall be conditional upon a Capital Deficiency Event not having occurred and continuing to occur as of the time of such notice, and (iii) shall be conditional upon a deferral of any payment in relation to *Pari Passu* Securities not having occurred and continuing to be in deferral as of the time of such notice. None of the Trustee, the Calculation Agent or any Agent shall be responsible for determining or verifying the amount of such Arrears of Interest, and shall not be liable to any Bondholder or any other person for any loss arising from its failure to do so.

For the purpose of this Condition 4(c), notwithstanding the foregoing or Condition 4(d), even if any payment in relation to any *Pari Passu* Securities has been deferred and continues to be in deferral, Asahi Life may make payments of all or any portion of the Arrears of Interest on the Bonds that shall have accrued, if Asahi Life also makes or declares a *pro rata* payment of interest and arrears of interest that shall have accrued as of such time on such *Pari Passu* Securities, it being understood that such payment on the *Pari Passu* Securities may be made substantially concurrently or on the next applicable interest payment date for such *Pari Passu* Securities.

Upon the occurrence of a Demutualisation Event, the phrase "or Condition 4(d)" in the first sentence of the immediately preceding paragraph shall be deleted.

Where no Subordination Event has occurred and is continuing and Arrears of Interest on the Bonds are paid in part, each such payment shall be applied in or towards satisfaction of the full amount of the Arrears of Interest on the Bonds in respect of the earliest Interest Payment Date in respect of which Arrears of Interest on the Bonds have not been paid in full.

(d) Payment Stoppage

If Asahi Life has given notice to defer payment of interest pursuant to either Condition 4(a) or Condition 4(b) and such Arrears of Interest have not been paid in whole, or if any other payment in relation to the Bonds has been deferred and continues to be in deferral, Asahi Life shall not, and it shall cause its Subsidiaries not to, make any payment of principal of, or interest or premium (if any) on, or repay, purchase or redeem any *Pari Passu* Securities or Junior Indebtedness, provided, however, this Condition 4(d) shall not prohibit or restrict in any manner:

(i) a payment of interest in respect of any *Pari Passu* Securities if payment of interest in respect of the Bonds is deferred pursuant to Condition 4(b) solely due to (a) deferral of payment in respect of such *Pari Passu* Securities, or (b) deferral of payment in respect of other *Pari Passu* Securities due to deferral of payment in respect of such *Pari Passu* Securities; and

(ii) the ability of any Subsidiary (as defined in Condition 4(f)) of Asahi Life to declare or pay dividends or make any distributions to Asahi Life, or Asahi Life's ability to make distributions to its policyholders (*shain haitou*), to make payments on foundation funds (*kikin*) or, for the avoidance of doubt, to make payments on Liquidation Parity Indebtedness other than *Pari Passu* Securities.

Upon the occurrence of a Demutualisation Event, this "Payment Stoppage" provision set forth above shall be deleted.

(e) No Default upon Deferral of Interest

Notwithstanding any other provision in these Conditions or the Trust Deed, any payment of interest which for the time being is not made by virtue of Condition 4(a) or Condition 4(b) or otherwise accrued but not becoming due on any Interest Payment Date shall not constitute a default for any purpose (including, but without limitation, Condition 9(a)) on the part of Asahi Life.

(f) Compulsory Interest Payments

Subject to compliance with applicable regulatory requirements, including the prior consent of the Relevant Supervisory Authority (if then required), Asahi Life shall be required to pay accrued interest (and any Arrears of Interest then outstanding) on each Interest Payment Date that is a compulsory Interest Payment Date (a "Compulsory Interest Payment Date").

An Interest Payment Date shall be a Compulsory Interest Payment Date if a Compulsory Interest Payment Event shall have occurred in the period of six months prior to such Interest Payment Date, unless a Capital Deficiency Event has occurred and is continuing as at such Interest Payment Date.

A "Compulsory Interest Payment Event" means:

(i) any dividend or distribution is declared payable or a payment of interest is made on any *Pari Passu* Securities, save where such dividend, distribution or payment is mandatory in accordance with the terms and conditions of such security;

(ii) any repurchase, redemption or acquisition by Asahi Life or any of its Subsidiaries of *Pari Passu* Securities, save where Asahi Life or, as the case may be, the relevant Subsidiary is not able to defer, pass or eliminate the payment or other obligation in respect of such repurchase, redemption or acquisition;

(iii) any dividend or distribution is declared payable or a payment of interest is made on any Junior Indebtedness, save where such dividend, distribution or payment (A) is mandatory in accordance with the terms and conditions of such indebtedness or (B) relates to Asahi Life's payments on foundation funds (*kikin*); or

(iv) any repurchase, redemption or acquisition by Asahi Life or any of its Subsidiaries of Junior Indebtedness, save where (A) Asahi Life or, as the case may be, the relevant Subsidiary is not able to defer, pass or eliminate the payment or other obligation in respect of such repurchase, redemption or acquisition or (B) such redemption relates to any redemption of foundation funds (*kikin*).

Upon the occurrence of a Demutualisation Event, the above definition of "Compulsory Interest Payment Event" shall be amended to read as follows:

A "Compulsory Interest Payment Event" means:

(i) any dividend or distribution is declared payable or a payment of interest is made on any *Pari Passu* Securities, save where such dividend, distribution or payment is mandatory in accordance with the terms and conditions of such security;

(ii) any repurchase, redemption or acquisition by Asahi Life or any of its Subsidiaries of *Pari Passu* Securities, save where Asahi Life or, as the case may be, the relevant Subsidiary is not able to defer, pass or eliminate the payment or other obligation in respect of such repurchase, redemption or acquisition;

(iii) any dividend or distribution is declared payable or a payment of interest is made on any Junior Indebtedness, common stock or preferred stock of Asahi Life, save in the case of Junior Indebtedness where such dividend, distribution or payment is mandatory in accordance with the terms and conditions of such indebtedness; or

(iv) any repurchase, redemption or acquisition by Asahi Life or any of its Subsidiaries of Junior Indebtedness, common stock or preferred stock of Asahi Life, save where (A) in the case of Junior Indebtedness, Asahi Life or, as the case may be, the relevant Subsidiary is not able to defer, pass or eliminate the payment or other obligation in respect of such repurchase, redemption or acquisition or (B) in the case of common stock or preferred stock, such repurchase, redemption or acquisition constitutes a Permitted Purchase (as defined below).

"Permitted Purchase" means any of the following:

(i) any repayment, redemption, purchase or other acquisition which is required under the Companies Act;

(ii) any purchase or acquisition which occurs as a result of a merger, amalgamation, consolidation or any other corporate reorganisation; or

(iii) any purchase or acquisition in connection with any incentive plan for employees, officers or directors, including any stock option plan or employee stock ownership plan.

"Subsidiary" means a company more than 50 per cent. of the outstanding voting rights of which is at any given time owned by Asahi Life, by one or more other Subsidiaries or by Asahi Life and one or more other Subsidiaries or otherwise a company controlled by Asahi Life in accordance with generally accepted accounting principles in Japan (and, for this purpose, "voting rights" means the voting power attached to stocks or shares for the election of directors, managers or trustees of such company, other than voting powers attached to stocks or shares outstanding having such power by reason of the happening of a contingency).

None of the Trustee, the Agents or the Calculation Agent shall be required to monitor or to take any steps to ascertain whether a Capital Deficiency Event, a Compulsory Interest Payment Event, a

Demutualisation Event or any event which could lead to a Capital Deficiency Event, a Compulsory Interest Payment Event or a Demutualisation Event has occurred or may occur, and none of them shall be liable to the Bondholders, Asahi Life or any other person for not doing so.

5 Redemption and Purchase

(a) No Maturity Date

The Bonds have no fixed redemption date and the holders have no rights to require Asahi Life to redeem the Bonds at any time. The Bonds will only be redeemable or repayable in accordance with the following provisions of this Condition 5 and Condition 9.

(b) Redemption at the Option of Asahi Life

Subject to compliance with applicable regulatory requirements, including the prior consent of the Relevant Supervisory Authority (if then required), and subject to the satisfaction of a Redemption Condition identified in Condition 5(g), the Bonds may be redeemed at the option and sole discretion of Asahi Life in whole, but not in part, on any Interest Payment Date falling on or after 26 January 2028 (the "First Call Date"), and Asahi Life shall give not less than 30 nor more than 60 days' written notice of such redemption to the Trustee and to the Bondholders in accordance with Condition 13 (which notice shall be irrevocable).

Any such redemption of Bonds shall be at their principal amount together with interest accrued to but excluding the date fixed for redemption and all Arrears of Interest, together with any Additional Amounts.

(c) Redemption for Taxation Reasons

If (i) Asahi Life satisfies the Trustee (immediately prior to the giving of notice referred to below) that on the occasion of the next payment in respect of the Bonds Asahi Life would be unable to make such payment without being required to pay Additional Amounts and such an event arises by reason of a change in, or amendment to, the laws, regulations or rulings of Japan (or, in the event of any permitted merger, consolidation, sale or disposition to a corporation, entity or person in a jurisdiction other than Japan, such other jurisdiction) or any political sub-division thereof or of any taxing authority therein or a change in the official interpretation or application thereof or a change in any applicable double taxation treaty or convention (including a holding, judgment or order by a court of competent jurisdiction), which change becomes effective on or after 17 January 2023 (or, in the event of any permitted merger, consolidation, sale or disposition to a corporation, entity or person in a jurisdiction other than Japan, the date of such transaction) and (ii) such requirement cannot be avoided by Asahi Life taking reasonable measures (such measures not involving any material additional payments by, or expense for, Asahi Life) available to it, Asahi Life may, subject to compliance with applicable regulatory requirements, including the prior consent of the Relevant Supervisory Authority (if then required) and subject to the satisfaction of a Redemption Condition identified in Condition 5(g), and having given not less than 30 nor more than 60 days' written notice to the Trustee and to the Bondholders in accordance with Condition 13 (which notice shall be irrevocable) provided that the notice shall not be given earlier than 90 days prior to the earliest date on which Asahi Life would become required to pay such Additional Amounts, redeem all, but not some only, of the Bonds at any time at the principal amount of the Bonds, together with interest accrued to but excluding the date fixed for redemption and all Arrears of Interest.

Prior to the giving of any notice of redemption pursuant to this Condition 5(c), Asahi Life shall deliver to the Trustee (A) a certificate in English signed by a Representative Director of Asahi Life stating that the conditions precedent to the right of Asahi Life to so redeem under (ii) of this Condition 5(c) have occurred and (B) an opinion addressed to the Trustee of independent tax or legal advisers of recognised standing to the effect that Asahi Life has or will become obliged to pay such Additional Amounts as a result of such change or amendments. The Trustee shall be entitled to accept and rely upon such certificate alone, or at its discretion such certificate and opinion, as sufficient evidence that such conditions precedent have been satisfied, in which event the same shall be conclusive and binding on the Bondholders.

(d) Optional Redemption due to Capital Disqualification Event

If Asahi Life satisfies the Trustee immediately prior to the giving of the notice referred to below that a Capital Disqualification Event (as defined below) has occurred, subject to satisfaction of a Redemption Condition identified in Condition 5(g) and to compliance with applicable regulatory requirements, including the prior consent of the Relevant Supervisory Authority (if then required) and having given not less than 30 nor more than 60 days' written notice to the Trustee and to the Bondholders in accordance with Condition 13 (which notice shall be irrevocable) provided that the notice shall not be given earlier than 90 days prior to the earliest date on which the disqualification would actually become effective with respect to the Bonds, Asahi Life may redeem all, but not some only, of the Bonds at any time on or prior to the First Call Date.

Any such redemption of the Bonds shall be at their principal amount together with interest accrued to but excluding the date fixed for redemption and all Arrears of Interest, together with any Additional Amounts.

For the purposes of these Conditions:

"Capital Disqualification Event" means any amendment or change to the Insurance Business Act or related regulations, or any official administrative pronouncement or judicial decision interpreting or applying such laws or regulations, that is publicly announced after 17 January 2023 and that results or will result in the Bonds no longer qualifying as specified subordinated debt (*tokutei fusaisei shihon*) under the Insurance Business Act or as a similar class of capital under any similar applicable regulatory requirement in the future, and such disqualification cannot be avoided by Asahi Life taking reasonable measures (such measures not involving any material additional payments by, or expense for, Asahi Life) available to it.

(e) Optional Tax Deductibility Redemption

If Asahi Life satisfies the Trustee immediately prior to the giving of the notice referred to below that a Tax Deductibility Event (as defined below) has occurred, and subject to satisfaction of a Redemption Condition identified in Condition 5(g) Asahi Life may, subject to compliance with applicable regulatory requirements, including the prior consent of the Relevant Supervisory Authority (if then required) and having given not less than 30 nor more than 60 days' written notice to the Trustee and to the Bondholders in accordance with Condition 13 (which notice shall be irrevocable) provided that the notice shall not be given earlier than 90 days prior to the earliest date on which the non-deductibility would actually apply to Asahi Life's interest payments on the Bonds, redeem all, but not some only, of the Bonds at any time on or prior to the First Call Date.

Any such redemption of the Bonds shall be at their principal amount together with interest accrued to but excluding the date fixed for redemption and all Arrears of Interest, together with any Additional Amounts.

A "Tax Deductibility Event" means that interest payable by Asahi Life on the Bonds is not, or will not be, deductible by Asahi Life, in whole or in part, for Japanese tax purposes (or, in the case of a successor person, such other jurisdiction of the successor person, as applicable), as a result of (i) any change (including any officially announced proposed changes) in, or amendment to, the laws or regulations (or rulings promulgated thereunder) of Japan (or, in the case of a successor person, such other jurisdiction of the successor person, as applicable) or any political subdivision or any authority thereof or therein having power to tax, that becomes effective on or after 17 January 2023, or (ii) any administrative decision, judicial decision, administrative action or other official pronouncement interpreting or applying such laws, regulations or rulings that is announced on or after 17 January 2023, and, in each case, such non-deductibility cannot be avoided by Asahi Life taking reasonable measures (such measures not involving any material additional payments by, or expense for, Asahi Life) available to it.

(f) Optional Rating Agency Redemption

If Asahi Life satisfies the Trustee immediately prior to the giving of the notice referred to below that a Rating Agency Event (as defined below) has occurred, and subject to satisfaction of a Redemption Condition identified in Condition 5(g) Asahi Life may, subject to compliance with applicable regulatory requirements, including the prior consent of the Relevant Supervisory Authority (if then required) and having given not less than 30 nor more than 60 days' written notice to the Trustee and to the Bondholders in accordance with Condition 13 (which notice shall be irrevocable) provided that the notice shall not be given earlier than 90 days prior to the earliest date on which the amendment, clarification or change would actually apply with respect to the Bonds, redeem all, but not some only, of the Bonds at any time on or prior to the First Call Date.

Any such redemption of the Bonds shall be at their principal amount together with interest accrued to but excluding the date fixed for redemption and all Arrears of Interest, together with any Additional Amounts.

A "Rating Agency Event" means Fitch Ratings Japan Limited (including any successor to its rating business) amending, clarifying or changing its equity credit criteria, guidelines or methodology and announcing publicly, or notifying Asahi Life, that (a) such amendment, clarification or change results or will result in a lower equity credit for the Bonds than the equity credit assigned by such rating agency on 17 January 2023 or (b) such amendment, clarification or change results or will result in no equity credit arising from the Bonds.

(g) Redemption Conditions

Prior to the giving of a notice of redemption pursuant to any of Conditions 5(b), 5(c), 5(d), 5(e) or 5(f), and as a condition to any such redemption, Asahi Life shall deliver to the Trustee a certificate in English signed by a Representative Director of Asahi Life stating that a Redemption Condition has been satisfied (and the Trustee shall be entitled to accept such certificate as sufficient evidence of such satisfaction).

A "Redemption Condition" means that either (a) Asahi Life's Solvency Margin Ratio after giving effect to the intended redemption is expected to remain at an adequate level within the meaning of the Insurance Business Act and any applicable regulations, public notices or guidelines thereunder then in force or (b) Asahi Life procures qualifying financing in an amount not less than the amount of the intended redemption. The term "qualifying financing" when used in these Conditions includes issuance of foundation funds (*kikin*) and subordinated debt financing.

Upon the occurrence of a Demutualisation Event, the last sentence of the immediately preceding paragraph shall be amended to read as follows:

The term "qualifying financing" when used in these Conditions includes issuance of shares and subordinated debt financing.

(h) No Liability

None of the Trustee, the Calculation Agent or any Agent shall be responsible for monitoring or ascertaining whether any Tax Deductibility Event, any Rating Agency Event or any other event or circumstance entitling the giving of a notice of redemption pursuant to any of Conditions 5(b), 5(c), 5(d), 5(e) or 5(f) has occurred or whether a Redemption Condition has been satisfied pursuant to any of Conditions 5(b), 5(c), 5(d), 5(e) or 5(f), and none of them shall be liable to any Bondholder or any other person for any loss arising from its failure to do so.

(i) Notice of Redemption

All Bonds in respect of which any notice of redemption is given under this Condition 5 shall be redeemed on the date specified in such notice in accordance with this Condition 5.

(j) Purchases

Subject to compliance with applicable regulatory requirements, including the prior consent of the Relevant Supervisory Authority (if then required), Asahi Life or any of its Subsidiaries may at any time purchase Bonds in the open market or otherwise at any price, if (a) Asahi Life's Solvency Margin Ratio after giving effect to the intended purchase is expected to remain at an adequate level within the meaning of the Insurance Business Act and any applicable regulations, public notices or guidelines thereunder then in force or (b) Asahi Life procures qualifying financing in an amount not less than the amount of the intended purchase. Any such Bonds purchased by Asahi Life or any of its Subsidiaries may at the option of Asahi Life or any such Subsidiary be held, resold or surrendered by Asahi Life, or any such Subsidiary, as the case may be, to the Registrar, the Transfer Agent or any other Agent for cancellation. The Bonds so purchased, while held by or on behalf of Asahi Life or any of its Subsidiaries, shall not entitle the holder to vote at any meeting of the Bondholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Bondholders or for the purposes of Conditions 9 and 10, and for certain other purposes as specified in the Trust Deed.

(k) Cancellation

All Certificates in respect of Bonds redeemed will be, and any Certificates in respect of Bonds purchased may be at the option of Asahi Life, cancelled and thereafter may not be re-issued or resold.

6 Payments

(a) *Method of Payment*

Payment of principal and interest and premium in respect of the Bonds will be made by transfer to the Registered Account (as defined in this Condition 6(a)) of the Bondholder. Payment of principal will only be made after surrender of the relevant Certificate at the specified office of the Principal Paying Agent.

Interest on Bonds due on an Interest Payment Date will be paid on the due date for the payment of interest to the holder shown on the Register at the close of business on the fifteenth calendar day before the due date for the payment of interest (the "Interest Record Date").

Arrears of Interest will be paid in the manner provided in this Condition 6(a) to the holder shown on the Register at the close of business on the fifth calendar day before the date for the relevant payment pursuant to Condition 4(c).

In this Condition 6(a), "Registered Account" means a U.S. dollar account maintained by the payee with a bank in New York City, details of which appear on the Register at the close of business on the sixth calendar day before the due date of payment.

So long as the Bonds are represented by the Global Certificate and such Bonds are held on behalf of the clearing system, each payment, including Arrears of Interest, will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment (and Interest Record Date will be construed accordingly, including for the purposes of Condition 4), where "Clearing System Business Day" means Monday to Friday inclusive except 25 December and 1 January.

(b) *Payments Subject to Laws*

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 7. No commission or expenses shall be charged to the Bondholders in respect of such payments.

(c) *Appointment of Agents and Calculation Agent*

The initial Agents and Calculation Agent and their respective initial specified offices are listed below. Subject to the provisions of the Agency Agreement, the Principal Paying Agent, the other Agents and the Calculation Agent act solely as agents of Asahi Life and do not assume any obligation or relationship of agency or trust for or with any holder of Bonds. Asahi Life reserves the right at any time with prior written notice to the Trustee to vary or terminate the appointment of any Agent or the Calculation Agent and appoint additional or other Agents, provided that it will maintain (i) a Principal Paying Agent, (ii) a Registrar, (iii) an Agent having a specified office in Singapore, so long as the Bonds are listed on the Singapore Exchange Securities Trading Limited and the rules of that exchange so require, (iv) a Calculation Agent and (v) such other agents as may be required by any stock exchange on which the Bonds may be listed, in each case, with prior written approval of the Trustee. Notice of any change in the Agents or Calculation Agent or their specified offices will promptly be given to the Bondholders by Asahi Life in accordance with Condition 13.

(d) *Payments on non-Business Days*

If any date for payment in respect of any Bond is not a Payment Business Day, the holder shall not be entitled to payment until the next following Payment Business Day nor to any interest or other sum in respect of such postponed payment. In this Condition 6, "Payment Business Day" means a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the place in which the specified office of the Principal Paying Agent is located, and in New York City, London and Tokyo.

7 Taxation

All payments of principal, premium and interest including Arrears of Interest, and other amounts, in respect of the Bonds by or on behalf of Asahi Life will be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Japan or any political subdivision thereof or of any taxing authority therein unless such withholding or deduction is required by law. In such event, Asahi Life will pay such additional amounts

("Additional Amounts") as shall be necessary in order that the net amounts received by the holders of the Bonds after such withholding or deduction shall equal the respective amounts of principal, premium and interest (including Arrears of Interest), as the case may be, which would otherwise have been receivable in respect of the Bonds in the absence of such withholding or deduction, except that no such Additional Amounts shall be payable with respect to any Bond:

(a) to, or to a third party on behalf of, a holder (i) who is for Japanese tax purposes treated as an individual resident of Japan or a Japanese corporation or who is not an individual resident of Japan or a Japanese corporation but is a person having a special relationship with Asahi Life as specified in Article 6, Paragraph (4) of the Act on Special Measures Concerning Taxation of Japan (Act No. 26 of 1957, as amended) (the "Act on Special Taxation Measures") or (ii) who is subject to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of his having some connection with Japan other than the mere holding or ownership of such Bond; or

(b) to, or to a third party on behalf of, a holder who fails to comply with the Japanese law requirements in respect of the exemption from such withholding or deduction; or

(c) where the Certificate in respect of the Bond is presented for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such Additional Amounts on presenting it for payment on the thirtieth day.

Notwithstanding any other provision of these Conditions, any amounts to be paid on the Bonds by or on behalf of Asahi Life, will be paid net of any deduction or withholding imposed or required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any fiscal or regulatory legislation, rules or practices implementing such an intergovernmental agreement) (any such withholding or deduction, a "FATCA Withholding"). Neither Asahi Life nor any other person will be required to pay any additional amounts in respect of FATCA Withholding.

For the purposes of these Conditions, "Relevant Date" means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Principal Paying Agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received by the Principal Paying Agent, notice to that effect is duly given to the Bondholders in accordance with Condition 13.

References to these Conditions to principal, premium, interest and/or any other amount shall be deemed to include any Additional Amounts that may be payable under this Condition 7.

8 Prescription

Claims in respect of principal, premium and interest including Arrears of Interest in respect of the Bonds will become void unless made as required by Condition 6 within a period of 10 years (in the case of principal and premium) and 5 years (in the case of interest including Arrears of Interest) from the appropriate Relevant Date.

9 Limited Rights of Acceleration

(a) Acceleration Event

An event of acceleration (each an "Acceleration Event") with respect to the Bonds means the occurrence of a Subordination Event in respect of Asahi Life.

(b) Declaration of Acceleration

If an Acceleration Event shall occur and be continuing, then the Trustee may, or if so requested in writing by the holders of not less than 25 per cent. in aggregate principal amount of the Bonds then outstanding or so directed by Extraordinary Resolution (as defined in the Trust Deed) shall, subject in any such case to it being indemnified and/or secured and/or prefunded to its satisfaction, by written notice to Asahi Life declare the principal of and all interest then accrued on the Bonds including all Arrears of Interest, to be forthwith due and payable. Immediately upon delivery of such notice, the Bonds shall become immediately due and payable at their principal amount plus all interest then accrued on the Bonds, including all Arrears of Interest subject to the subordination provisions under Condition 2. At any time after such a declaration of acceleration has been made and before a judgment or decree for payment of the money due has been obtained by the Trustee pursuant to the provisions of the Trust Deed, the holders of more than 50 per cent. in aggregate principal amount of the Bonds then outstanding may, by written notice to the Trustee, direct the Trustee to (and the Trustee shall) give notice to Asahi Life rescinding and annulling the declaration of acceleration and its consequences in accordance with the Trust Deed.

(c) ***Rescission or Annulment of a Declaration of Acceleration***

If the holders of more than 50 per cent. in aggregate principal amount of the Bonds then outstanding direct the Trustee to rescind and annul a declaration of acceleration and the Trustee shall have given such notice of rescission and annulment to Asahi Life or if (i) a court of competent jurisdiction shall rescind or terminate a liquidation proceedings with respect to Asahi Life without a distribution of assets pursuant to the Insurance Business Act, (ii) a court of competent jurisdiction shall rescind or terminate a bankruptcy proceedings with respect to Asahi Life without a distribution of assets pursuant to the Bankruptcy Act, (iii) a court of competent jurisdiction shall rescind or terminate a reorganisation proceeding with respect to Asahi Life whether having approved or without approving the reorganisation plan pursuant to the Reorganisation Act, (iv) a court of competent jurisdiction shall rescind or terminate a civil rehabilitation proceeding with respect to Asahi Life whether having approved or without approving the civil rehabilitation plan pursuant to the Civil Rehabilitation Act, (v) a court of competent jurisdiction shall rescind or terminate any proceedings giving rise to an Acceleration Event due to the occurrence of a Foreign Event, which rescission or termination having an equivalent effect to that set forth in the foregoing clauses (i), (ii), (iii) or (iv) of this Condition 9(c), as applicable, or (vi) if an Acceleration Event with respect to the Bonds shall otherwise be rescinded or terminated, then the Acceleration Event shall have the same effect as if it had not occurred.

Upon the occurrence of a Demutualisation Event, references to the "Insurance Business Act" and the "Reorganisation Act" in subparagraphs (i) and (iii) of the immediately preceding paragraph shall be changed to the "Companies Act" and the "Corporate Reorganisation Act," respectively.

(d) ***No Other Right of Acceleration***

Except as expressly provided in this Condition 9, neither the Trustee nor any holder of Bonds will have any right to accelerate any payment of principal or interest in respect of the Bonds.

(e) ***Action on Acceleration***

The only action the Trustee or the Bondholders may take against Asahi Life on acceleration of the Bonds is to petition for the winding up of Asahi Life in Japan or to prove in the winding up of Asahi Life or participate in bankruptcy, reorganisation, civil rehabilitation proceedings in Japan or other equivalent proceedings in any jurisdictions other than Japan.

None of the Trustee, the Agents or the Calculation Agent shall have any obligation to monitor or to take any steps to ascertain whether an Acceleration Event or any event which could lead to an Acceleration Event has occurred or may occur, and none of them shall be liable to the Bondholders, Asahi Life or any other person for not doing so.

10 Consolidation, Merger and Sales of Assets

The Trust Deed provides that Asahi Life may not, without the consent of the holders of Bonds representing more than 50 per cent. in aggregate principal amount of Bonds then outstanding, consolidate or amalgamate with, merge into or transfer its assets substantially in their entirety in a single transaction or a number of transactions to any person, except for a consolidation, amalgamation or merger in which Asahi Life is the surviving party, unless:

(i) the surviving person of or the person formed by such consolidation, amalgamation or merger, or the third-person transferee of or successor to the assets of Asahi Life, assumes all of the obligations of Asahi Life under the Bonds and the Trust Deed; and

(ii) after giving effect thereto, no Acceleration Event with respect to the Bonds shall have occurred and be continuing with respect to the surviving person or any member of its consolidated group.

11 Meeting of Bondholders, Amendments and Modifications

(a) ***Meetings of Bondholders***

The Trust Deed contains provisions for convening meetings of Bondholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of these Conditions or any provision of the Trust Deed. Such a meeting may be convened by Asahi

Life or the Trustee and shall be convened by the Trustee if requested by two or more Bondholders holding not less than 10 per cent. in aggregate principal amount of the Bonds then outstanding and subject to the Trustee being indemnified and/or secured and/or prefunded to its satisfaction against all costs and expenses.

The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing more than 50 per cent. in aggregate principal amount of the Bonds then outstanding, or at any adjourned meeting two or more persons being or representing Bondholders whatever the aggregate principal amount of the Bonds held or represented, subject to the applicability of Condition 11(b).

The Trustee shall be entitled to rely on any direction, request or resolution of Bondholders given by Bondholders holding the requisite principal amount of Bonds outstanding or passed at a meeting of Bondholders convened and held in accordance with the Trust Deed.

(b) Meetings Requiring Special Quorum Consent

Notwithstanding anything herein to the contrary, if the business of any meeting includes consideration of proposals, *inter alia* (i) to amend the date of redemption or any date for payment of interest on the Bonds, (ii) to reduce or cancel the principal amount or any premium in respect of the Bonds, (iii) to reduce the rate of interest in respect of the Bonds or to vary the method or basis of calculating the rate or amount of interest or the basis for calculating the interest in respect thereof, (iv) to vary the currency of payment or denomination of the Bonds, (v) to take any steps which as specified herein may only be taken following approval by an Extraordinary Resolution to which the special quorum provisions apply, or (vi) to modify the provisions concerning the quorum required at any meeting of Bondholders or the majority required to pass the Extraordinary Resolution, then the necessary quorum shall be two or more persons holding or representing not less than 75 per cent., or at any adjourned meeting not less than 25 per cent., in aggregate principal amount of the Bonds then outstanding.

(c) Extraordinary Resolutions

Any Extraordinary Resolution duly passed shall be binding on all Bondholders (whether or not they were present at the meeting at which such resolution was passed). The Trust Deed provides that a resolution in writing signed by or on behalf of persons holding or representing not less than 90 per cent. in aggregate principal amount of the Bonds who for the time being are entitled to receive notice of a meeting shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of such Bondholders.

(d) Amendments and Modifications

No amendment shall be made to the provisions of Condition 2 and Clause 2 of the Trust Deed (in each case as to subordination) which would be, in the opinion of Asahi Life, in any way prejudicial to any present or future creditor in respect of any Senior Indebtedness.

The Trustee may, but shall not be obliged to, without the consent of the Bondholders, at any time and from time to time concur with Asahi Life in making any modification to these Conditions or the Trust Deed if, in the opinion of the Trustee, any provisions of these Conditions or the Trust Deed authorises the Trustee so to concur. Furthermore, the Trustee may, but shall not be obliged to, without the consent of the Bondholders, agree (i) to any modification (except as mentioned in the Trust Deed) of these Conditions or the Trust Deed or to any waiver or authorisation of any breach or proposed breach by Asahi Life of the provisions of the Bonds or the Trust Deed which, in the opinion of the Trustee, is not materially prejudicial to the interests of the Bondholders (except for any modification, or waiver or authorisation of any breach or proposed breach, of a provision of Condition 2 or Clause 2 of the Trust Deed, in each case as to subordination), or (ii) to any modification of these Conditions or the Trust Deed which is in the opinion of the Trustee of a formal, minor or technical nature, is made to correct a manifest error or to comply with any applicable law. Any such modification, authorisation or waiver shall be binding on the Bondholders and unless the Trustee otherwise agrees, such modification, authorisation or waiver shall be notified to the Bondholders by Asahi Life in accordance with Condition 13 as soon as practicable.

(e) Substitution

The Trust Deed contains provisions permitting (but not obliging) the Trustee to agree, subject to such amendment of the Trust Deed and such other conditions as the Trustee may in its discretion require, but without the consent of the Bondholders, to the substitution of certain other entities in place of Asahi Life, or of any previous substituted company, as principal debtor under the Trust Deed and the Bonds.

(f) ***Entitlement of the Trustee***

In connection with the exercise of its functions, rights, powers and discretions (including but not limited to those referred to in this Condition 11), the Trustee shall have regard to the interests of the Bondholders as a class and shall not have regard to the consequences of such exercise for individual Bondholders and the Trustee shall not be entitled to require, nor shall any Bondholder be entitled to claim, from Asahi Life or the Trustee any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders.

Whenever the Trustee is required or entitled to exercise any discretion or power, take any action, make any decision or give any direction, the Trustee is entitled, prior to exercising any such discretion or power, taking any such action, making any such decision or giving any such direction, to seek directions from the Bondholders by way of Extraordinary Resolution, and the Trustee shall not be responsible for any loss or liability incurred by Asahi Life, the Bondholders or any other person as a result of any delay in it exercising such discretion or power, taking such action, making such decision or giving such direction as a result of seeking such direction from the Bondholders or in the event that no direction is given to the Trustee by the Bondholders. The Trustee shall not be liable to Asahi Life or any other person for any action taken on the instructions or at the direction of the Bondholders (whether given by Extraordinary Resolution or otherwise as contemplated or permitted by the Trust Deed and/or the Bonds).

12 Replacement of Certificates

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Registrar or the Transfer Agent subject to all applicable laws and stock exchange or other relevant authority requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as Asahi Life or the Registrar or the Transfer Agent, as the case may be, may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

13 Notices

Notices to Bondholders will be valid if mailed to them at their respective addresses in the Register and published in one leading newspaper having general circulation in London (which is expected to be the Financial Times) or, if such publication shall not be practicable, in an English language newspaper of general circulation in Europe. Any such notice shall be deemed to have been given on the later of (i) the seventh day after being so mailed and (ii) the date of such publication or, if published more than once, on the first date on which publication is made.

So long as the Bonds are represented by the Global Certificate and such Bonds are held on behalf of a clearing system, notices to Bondholders shall be given by delivery of the relevant notice to the relevant clearing system for communication by it to entitled accountholders in substitution for mailing and publication required by these Conditions.

14 Enforcement

At any time after the Bonds become due and payable, subject to Conditions 9(d) and 9(e), the Trustee may, at its discretion and without further notice, institute such proceedings against Asahi Life as it may think fit to enforce the terms of the Trust Deed and the Bonds, but it need not take any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Bondholders holding at least 25 per cent. in aggregate principal amount of the Bonds then outstanding, and (b) it shall have been indemnified and/or secured and/or prefunded to its satisfaction. No Bondholder may proceed directly against Asahi Life unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

None of the Trustee, the Agents or the Calculation Agent shall be responsible for the performance by Asahi Life and any other person appointed by Asahi Life in relation to the Bonds of the duties and obligations on their part expressed in respect of the same or under the Trust Deed and the Agency Agreement and, unless it has express written notice from Asahi Life to the contrary, each of the Trustee, the Agents and the Calculation Agent shall be entitled to assume that the same are being duly performed.

15 Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility. The Trustee is entitled to enter into business transactions with Asahi Life and any entity related to Asahi Life without accounting for any profit.

The Trustee may accept and rely without liability to Bondholders or any other person on any information, certificate, confirmation or report from or any opinion or advice of any accountants, lawyers, valuers, auctioneers, surveyors, brokers, financial advisers, financial institution or any other expert, whether or not addressed to the Trustee and whether or not their liability in respect thereof is limited (by its terms or by any engagement letter relating thereto or in any other manner) by reference to a monetary cap, methodology or otherwise, in which case such report, information, confirmation, certificate, opinion or advice shall be binding on Asahi Life and the Bondholders.

16 Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999.

17 Governing Act and Jurisdiction

(a) Governing Law

The Trust Deed, the Agency Agreement, the Bonds and any non-contractual obligations arising out of or in connection with them are governed by and shall be construed in accordance with English law.

(b) Jurisdiction

The courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Bonds and accordingly any legal action or proceedings arising out of or in connection with the Bonds ("Proceedings") may be brought in such courts. Asahi Life has irrevocably submitted to the jurisdiction of such courts and waives any objection to Proceedings in such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. This Condition 17(b) is for the benefit of the Trustee and each of the Bondholders and shall not limit the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

(c) Service of Process

Asahi Life has irrevocably appointed Hackwood Secretaries Limited presently at One Silk Street, London EC2Y 8HQ to receive, for it and on its behalf, service of process in any Proceedings in England. If for any reason Hackwood Secretaries Limited ceases to be able to act as such or no longer has an address in England, Asahi Life shall forthwith appoint a substitute process agent and immediately notify the Trustee of the new agent's acceptance of such appointment. Nothing herein or in the Trust Deed shall affect the right to serve process in any other manner permitted by law.

SUMMARY OF PROVISIONS RELATING TO THE BONDS WHILE IN GLOBAL FORM

Amendment to Conditions

The Trust Deed and the Global Certificate contain provisions which apply to the Bonds in respect of which the Global Certificate is issued, some of which modify the effect of the Conditions. The following is a summary of certain of those provisions:

Payments

Payments of principal, premium and interest in respect of the Bonds evidenced by the Global Certificate will be made without the requirement for it to be a Payment Business Day in the location of the specified office of the Principal Paying Agent.

All payments in respect of Bonds represented by the Global Certificate will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the record date which shall be the Clearing System Business Day immediately prior to the date for payment, where "Clearing System Business Day" means Monday to Friday inclusive except 25 December and 1 January.

Notices

So long as the Bonds are evidenced by the Global Certificate and the Global Certificate is registered in the name of a nominee of a common depositary for Euroclear and/or Clearstream, Luxembourg or any other clearing system, notices to Bondholders, including notices of redemption, shall be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg or, as the case may be, such other clearing system, for communication by it to accountholders entitled to the Bonds in substitution for mailing as required by the Conditions. Such notices shall be deemed to have been given in accordance with the Conditions on the date of delivery to the relevant clearing system.

Meetings

The holder of the Bonds in respect of which the Global Certificate is issued shall be treated as being two persons for the purposes of any quorum requirements of a meeting of the Bondholders and, at any such meeting, as having one vote in respect of each U.S.$1,000 in nominal amount of Bonds in respect of which the Global Certificate is issued.

Trustee's Powers

In considering the interests of Bondholders while the Global Certificate is registered in the name of a nominee of a common depositary for Euroclear and/or Clearstream, Luxembourg or any other clearing system, the Trustee may have regard to and rely upon any information provided to it by or on behalf of such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to the Bonds in respect of which the Global Certificate is issued and may consider such interests as if such accountholders were the holders of the Bonds in respect of which the Global Certificate is issued.

Written Resolution/Electronic Consent

While the Global Certificate is registered in the name of any nominee for, or a nominee for any common depositary for, a clearing system, then (a) approval of a resolution proposed by Asahi Life or the Trustee (as the case may be) given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures by or on behalf of the holders of not less than 90 per cent. in nominal amount of the Bonds then outstanding (an "Electronic Consent" as defined in the Trust Deed) shall, for all purposes (including matters that would otherwise require an Extraordinary Resolution to be passed at a meeting for which the special quorum provisions of the Trust Deed was applicable), take effect as an Extraordinary Resolution passed at a meeting of Bondholders duly convened and held, and shall be binding on all Bondholders whether or not they participated in such Electronic Consent; and (b) where Electronic Consent is not being sought, for the purpose of determining whether a Written Resolution (as defined in the Trust Deed) has been validly passed, Asahi Life and the Trustee shall be entitled to rely on consent or instructions given in writing to Asahi Life and/or the Trustee, as the case may be, (a) by accountholders in the clearing system with entitlements to the Global Certificate and communicated through the electronic communications systems of the relevant clearing system(s) and/or (b) where the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person identified by that accountholder as the person for whom such entitlement is held. Any resolution passed in such manner shall be binding on all Bondholders, even if the relevant consent or instruction proves to be defective. For the purpose of establishing the entitlement to give any such consent or instruction, Asahi Life and the Trustee shall be entitled to rely on any certificate or other document issued by, in the case of (a) above, the relevant clearing system and, in the case of (b) above, the relevant clearing system and the person identified by such relevant clearing system for the purpose of (b) above. Any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear's EUCLID or Clearstream, Luxembourg's Xact Web Portal system) in accordance with its usual procedures and in which the accountholder of a particular principal or nominal amount of the Bonds is clearly identified together with the amount of such holding. Neither Asahi Life nor the Trustee shall be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by any such person and subsequently found to be forged or not authentic.

USE OF PROCEEDS

The net proceeds from the offering of the Bonds, after deducting commissions and expenses relating to the issue of the Bonds, is expected to amount to approximately U.S.$370 million. Asahi Life intends to use the net proceeds from the offering of the Bonds for general corporate purposes, and/or towards the repayment of, principally, the 2018 Perpetual Bonds (as defined in the Conditions), which is subject to regulatory and other approvals.

CAPITALISATION AND INDEBTEDNESS

The following table sets forth the consolidated capitalisation and indebtedness of Asahi Life as of 30 September 2022, which has been extracted without material adjustment from Asahi Life's unaudited interim consolidated financial statements as of the same date, and as adjusted to give effect to the issue of the Bonds (but without taking into effect any potential repayment (if any) of existing subordinated bonds from the proceeds of the issue of the Bonds). The following table should be read in conjunction with the financial statements and the notes thereto included elsewhere in this Offering Circular.

	As of 30 September 2022	
	Actual	**As adjusted**
	(millions of yen)	
Indebtedness:		
Subordinated loans	¥ 44,000	¥ 44,000
Subordinated bonds[1]	102,424	102,424
The Bonds now being issued[2]	—	54,303
Total indebtedness[1]	146,424	200,727
Net assets:		
Foundation funds	51,000	51,000
Reserve for redemption of foundation funds	206,000	206,000
Reserve for revaluation	281	281
Consolidated surplus	77,097	77,097
Total foundation funds and others	334,379	334,379
Net unrealised gains on available-for-sale securities, net of tax	106,085	106,085
Land revaluation differences	(47,047)	(47,047)
Accumulated remeasurements of defined benefit plans	(1,826)	(1,826)
Total accumulated other comprehensive income	57,210	57,210
Non-controlling interests	69	69
Total net assets	391,659	391,659
Total capitalisation and indebtedness[1]	¥ 538,083	¥ 592,387

Notes:

(1) For the purpose of this table, no adjustment has been made to take into account any potential repayment of existing subordinated bonds from the proceeds of the issue of the Bonds.

(2) For the purpose of this table, the yen equivalent of the Bonds has been translated at the rate of U.S.$1.00 = ¥144.81, the approximate rate of exchange prevailing as of 30 September 2022. This rate of exchange bears no relationship to the rate(s) at which amounts relating to the Bonds will be converted into yen for accounting purposes.

(3) Save as disclosed above, there has been no material change in the capitalisation, indebtedness, contingent liabilities or guarantees of the Asahi Life and its subsidiaries since 30 September 2022.

SUMMARY FINANCIAL DATA AND OTHER INFORMATION

The following summary financial and other data should be read in conjunction with the financial statements and other information of Asahi Life appearing elsewhere in this Offering Circular. The summary financial and other data is derived from the audited annual consolidated and non-consolidated financial statements of Asahi Life as of and for the fiscal years ended 31 March 2018, 2019, 2020, 2021 and 2022 and the unaudited interim consolidated and non-consolidated financial statements of Asahi Life as of and for the six-month periods ended 30 September 2021 and 2022 and from Asahi Life's internal records.

	For the fiscal year ended 31 March					For the six-month period ended 30 September	
	2018	2019	2020	2021	2022	2021	2022
	(millions of yen)						
CONSOLIDATED FINANCIAL AND OTHER DATA							
Statements of Income Data:							
Ordinary income:							
Premium and other income	¥ 384,953	¥ 396,726	¥ 393,639	¥ 391,410	¥ 395,434	¥ 192,500	¥ 205,245
Investment income	166,318	152,045	139,494	146,309	144,550	71,587	80,307
Other ordinary income	105,698	93,865	93,228	66,577	70,423	35,864	57,925
Total ordinary income	656,971	642,637	626,362	604,297	610,408	299,953	343,479
Ordinary expenses:							
Claims and other payments	438,966	418,245	406,561	385,384	382,521	183,528	201,627
Provision for policy reserves and other reserves	1,008	3	1,801	3	3,456	5	6,391
Investment expenses	38,542	56,239	42,703	34,559	36,655	14,431	36,826
Operating expenses	106,653	110,327	110,795	115,565	123,403	60,589	66,250
Other ordinary expenses	33,712	33,288	33,458	33,833	35,050	16,754	18,396
Total ordinary expenses	618,883	618,104	595,321	569,347	581,087	275,309	329,492
Ordinary profit	38,088	24,532	31,040	34,950	29,321	24,643	13,986
Extraordinary gains	194	3,433	115	275	2,928	340	242
Extraordinary losses	5,446	10,995	4,728	8,605	6,561	1,916	1,908
Surplus before income taxes	32,836	16,970	26,427	26,620	25,687	23,067	12,320
Total income taxes	6,628	910	6,093	5,152	5,950	5,461	1,325
Net surplus attributable to the Parent Company	¥ 26,168	¥ 16,018	¥ 20,294	¥ 21,430	¥ 19,685	¥ 17,581	¥ 10,968
Statements of Change in Net Assets Data:							
Total net assets							
Beginning balance	¥ 358,404	¥ 388,486	¥ 376,650	¥ 389,420	¥ 521,014	¥ 521,014	¥ 494,480
Changes in the fiscal year:							
Issuance of foundation funds	—	—	—	—	—	—	—
Additions to reserve for dividends to policyholders	(1,519)	(1,963)	(2,173)	(1,794)	(2,153)	(2,153)	(2,121)
Payment of interest on foundation funds	(5,499)	(6,266)	(4,116)	(4,081)	(4,089)	(4,089)	(4,040)
Net surplus attributable to the Parent Company	26,168	16,018	20,294	21,430	19,685	17,581	10,968
Redemption of foundation funds	—	(35,000)	—	—	—	—	(40,000)
Reversal of land revaluation differences	617	(1,819)	622	171	1,384	257	308
Net changes, excluding foundation funds and others	10,314	17,194	(1,857)	115,868	(41,360)	8,585	(67,936)
Net changes in the fiscal year	30,081	(11,835)	12,770	131,593	(26,533)	20,181	(102,821)
Ending balance	¥ 388,486	¥ 376,650	¥ 389,420	¥ 521,014	¥ 494,480	¥ 541,195	¥ 391,659

	As of 31 March					As of 30 September	
	2018	2019	2020	2021	2022	2021	2022
	(millions of yen, except percentages)						
CONSOLIDATED FINANCIAL AND OTHER DATA							
Balance Sheet Data:							
Total assets	¥ 5,397,841	¥ 5,357,677	¥ 5,390,941	¥ 5,540,449	¥ 5,502,292	¥ 5,523,306	¥ 5,321,803
Securities	4,185,104	4,252,984	4,369,302	4,598,851	4,536,365	4,584,484	4,398,619
Loans	484,169	426,804	377,913	303,451	311,416	300,247	292,608
Tangible fixed assets	401,061	388,875	382,776	378,046	369,142	375,147	366,133
Total liabilities	5,009,355	4,981,027	5,001,521	5,019,435	5,007,812	4,982,110	4,930,144
Policy reserves and other reserves	4,682,246	4,605,062	4,529,448	4,477,995	4,426,229	4,450,551	4,382,928
Reinsurance payables	311	397	563	680	776	330	382
Loans payable	97,000	51,000	51,000	41,000	41,000	41,000	44,000
Total net assets	388,486	376,650	389,420	521,014	494,480	541,195	391,659
Foundation funds	126,000	91,000	91,000	91,000	91,000	91,000	51,000
Reserve for redemption of foundation funds	131,000	166,000	166,000	166,000	166,000	166,000	206,000
Consolidated surplus	95,832	66,801	81,429	97,154	111,982	108,751	77,097
Other Data:							
Solvency margin ratio (per cent.)	815.4%	865.7%	948.7%	992.4%	982.2%	1,029.4%	876.3%
ESR[(1)] (per cent.)	—	—	—	—	239.0%	—	—

Note:

(1) Calculated for Asahi Life's internal-management purpose only. See "Investment Considerations — As a Japanese insurance company, Asahi Life is subject to extensive oversight of its business practices and must maintain a solvency margin ratio at or above required levels." and "Recent Business — Economic Solvency Ratio".

	As of and for the fiscal year ended 31 March					As of and for the six-month period ended 30 September	
	2018	2019	2020	2021	2022	2021	2022
	(millions of yen, except percentages and number of employees)						
NON-CONSOLIDATED FINANCIAL AND OTHER DATA							
Statements of Income Data:							
Ordinary income:							
Premium and other income	¥ 384,953	¥ 396,726	¥ 393,639	¥ 391,410	¥ 387,134	¥ 192,500	¥ 188,630
Investment income	166,597	152,631	139,776	146,534	144,983	71,818	80,711
Other ordinary income	100,674	89,044	88,678	62,767	65,792	33,484	56,168
Total ordinary income	652,225	638,402	622,094	600,713	597,910	297,802	325,510
Ordinary expenses:							
Claims and other payments	438,966	418,245	406,561	385,384	381,466	183,528	197,201
Provision for policy reserves and other reserves	1,008	3	1,801	3	3,449	5	4,573
Investment expenses	38,542	56,239	42,702	34,559	36,655	14,431	36,826
Operating expenses	102,337	105,845	106,323	110,323	110,388	56,901	52,214
Other ordinary expenses	33,827	33,431	33,647	33,812	33,646	16,592	16,613
Total ordinary expenses	614,681	613,765	591,037	564,083	565,605	271,460	307,429
Ordinary profit	37,543	24,636	31,056	36,629	32,305	26,342	18,080
Extraordinary gains	194	3,433	115	275	2,928	340	242
Extraordinary losses	5,446	10,995	4,727	8,602	6,561	1,916	1,908
Surplus before income taxes	32,291	17,074	26,444	28,302	28,671	24,767	16,415
Total income taxes	6,303	853	6,031	5,038	5,747	5,491	2,987
Net surplus	¥ 25,988	¥ 16,221	¥ 20,412	¥ 23,263	¥ 22,924	¥ 19,276	¥ 13,427
Balance Sheet Data:							
Total assets	¥ 5,396,507	¥ 5,356,358	¥ 5,388,655	¥ 5,539,404	¥ 5,504,161	¥ 5,525,390	¥ 5,322,608
Securities	4,188,869	4,257,457	4,373,776	4,612,320	4,565,837	4,601,352	4,444,794
Loans	484,169	426,804	377,913	303,451	311,416	300,247	292,608
Tangible fixed assets	401,011	388,821	382,722	377,849	368,550	374,835	365,585
Total liabilities	5,008,412	4,977,531	4,997,112	5,014,899	5,002,238	4,979,162	4,921,271
Policy reserves and other reserves	4,682,246	4,605,062	4,529,448	4,477,995	4,425,731	4,450,551	4,379,859
Reinsurance payables	311	397	563	680	752	330	313
Loans payable	97,000	51,000	51,000	41,000	41,000	41,000	44,000
Total net assets	388,095	378,826	391,543	524,505	501,923	546,228	401,337
Foundation funds	126,000	91,000	91,000	91,000	91,000	91,000	51,000
Reserve for redemption of foundation funds	131,000	166,000	166,000	166,000	166,000	166,000	206,000
Surplus	95,901	67,073	81,819	99,378	117,444	112,668	85,019
Other Data:							
Total policy amount in force[(1)]	¥20,468,555	¥19,171,162	¥17,871,060	¥16,763,129	¥15,671,227	¥ 16,198,574	¥ 15,185,927
Interest, dividends and other income	109,978	107,892	108,705	118,111	120,531	60,008	61,896
Of which, interest on domestic bonds	47,172	44,807	42,601	41,348	39,877	19,958	20,800
Of which, dividends on domestic stocks	7,034	8,762	8,908	8,525	10,609	4,729	6,160
Of which, interest and dividend on foreign securities	25,063	27,045	31,784	42,126	41,997	20,171	23,050
Of which, interest on loans	8,371	7,096	5,949	4,639	4,241	2,078	2,417
Of which, rent revenue from real estate	16,354	16,637	16,606	16,543	16,339	8,128	8,046
Of which, other interest and dividends	5,982	3,542	2,854	4,926	7,465	4,941	1,421
Interest expenses	4,449	4,700	4,526	4,470	4,876	2,586	1,834
Interest on foundation funds (*kikin*)	6,266	4,116	4,081	4,089	4,040	—	—

	As of and for the fiscal year ended 31 March					As of and for the six-month period ended 30 September	
	2018	2019	2020	2021	2022	2021	2022
	(millions of yen, except percentages and number of employees)						
Fundamental profit[2]	30,139	24,258	29,641	46,539	47,782	22,649	7,895
Mortality and morbidity gains	84,285	79,148	78,334	83,673	79,789	41,530	22,217
Expense margins	3,641	(203)	(363)	(3,193)	(3,360)	(2,883)	819
Negative spread amount	(57,787)	(54,686)	(48,328)	(33,939)	(28,647)	(15,997)	(15,141)
Net capital gains (losses)	27,927	833	2,025	712	(79)	3,969	(5,594)
Book value of domestic stocks of general account	170,964	180,761	189,399	210,411	218,328	212,729	238,152
Average assumed rate of return (percent.)	3.45%	3.39%	3.32%	3.25%	3.19%	—	—
Actual rate of return (per cent.)	2.16%	2.15%	2.21%	2.46%	2.51%	—	—
Annualised net premiums for new policies[3]:							
Individual life insurance	¥ 32,432	¥ 41,819	¥ 25,326	¥ 25,392	¥ 23,303	¥ 13,276	¥ 10,399
Individual annuities	(336)	(326)	(304)	(197)	(98)	(48)	(40)
Total annualised net premiums for new policies	32,095	41,492	25,021	25,195	23,204	13,227	10,358
Of which, medical and nursing care products	21,557	17,458	20,712	20,988	19,341	11,285	8,425
Annualised net premiums for policies in force[3]:							
Individual life insurance	381,330	395,388	391,613	388,933	383,002	387,305	378,287
Individual annuities	151,153	145,124	139,130	132,272	124,224	128,773	120,464
Total annualised net premiums for policies in force	532,484	540,513	530,744	521,206	507,226	516,078	498,751
Of which, medical and nursing care products	206,342	210,245	215,758	221,434	224,019	224,331	223,653
Annualised net premiums for new policies in respect of protection-type products by distribution channel[4]:							
Sales representative channel[5]	17,135	15,844	17,899	17,849	18,995	9,710	9,846
Agency channel	4,433	4,837	6,708	6,958	3,971	3,476	415
Total protection-type products	21,568	20,681	24,607	24,808	22,967	13,187	10,261
Surrender and lapse of protection-type products[4][6]	16,251	16,472	16,568	16,023	17,501	9,038	9,349
Annualised net premiums for policies in force in respect of protection-type products by distribution channel[4]:							
Sales representative channel[5]	287,694	284,054	282,950	282,815	283,122	282,778	282,963
Agency channel	11,151	14,268	18,785	22,872	23,072	24,676	21,739
Total protection-type products	298,846	298,323	301,735	305,687	306,194	307,454	304,703
Annualised net premiums for surrender and lapse of policies[3][6]	21,264	22,016	23,450	21,961	23,121	11,887	12,211
Surrender and lapse ratio[3][6] (per cent.)	4.0%	4.1%	4.3%	4.1%	4.4%	—	—
Persistency rate[3] (per cent.):							
13 months (continue to second year)	94.3%	94.0%	93.1%	93.9%	94.4%	—	—
25 months (continue to third year)	87.5%	88.5%	87.4%	87.4%	88.3%	—	—
General account assets	¥ 5,367,186	¥ 5,328,808	¥ 5,364,268	¥ 5,511,274	¥ 5,475,924	¥ 5,496,915	¥ 5,296,263
Components of general account assets (per cent.):							
Cash, deposits and call loans	3.6%	3.3%	2.0%	2.7%	2.7%	2.7%	1.9%
Domestic bonds	53.0%	52.0%	50.7%	49.1%	47.9%	48.6%	50.7%
Loans	9.0%	8.0%	7.0%	5.5%	5.7%	5.5%	5.5%
Domestic stocks	6.0%	5.8%	5.3%	8.0%	8.5%	8.2%	8.4%
Foreign bonds	12.9%	16.8%	19.8%	18.9%	18.8%	18.7%	15.5%
Other foreign securities	4.2%	3.5%	4.1%	5.7%	6.5%	6.3%	7.5%
Real estate	7.4%	7.2%	7.0%	6.8%	6.6%	6.7%	6.8%
Others	3.9%	3.5%	3.9%	3.3%	3.4%	3.3%	3.6%
Average annual yield of general account assets[7] (per cent.)	2.35%	1.80%	1.86%	2.04%	2.04%	—	—
Solvency margin ratio (per cent.)	808.5%	861.1%	942.8%	972.0%	954.9%	1,010.4%	836.6%
ESR[8] (per cent.)	—	—	—	214.1%	235.7%	—	—
Number of employees	15,935	15,799	16,583	18,049	18,345	18,417	18,506
Sales representatives	11,696	11,667	12,485	14,002	14,241	14,272	14,308
Administrative personnel	4,239	4,132	4,098	4,047	4,104	4,145	4,198

Notes:

(1) Total policy amount in force consists of policy amounts in force of individual life insurance, individual annuities and group insurance. Policy amounts for individual annuities are equal to the funds to be held at the time annuity payments are to commence for an annuity for which annuity payments have not yet commenced and the amount of policy reserves for an annuity for which payments have commenced.

(2) Certain rules relating to the calculation of fundamental profit have undergone changes with effect from the beginning of the current fiscal year ending 31 March 2023. If calculated based on the new fundamental profit calculation method, fundamental profit for the fiscal year ended 31 March 2022 and for the six-month period ended 30 September 2021 would have been ¥44,922 million and ¥18,147 million, respectively. If calculated based on the old fundamental profit calculation method, fundamental profit for the six-month period ended 30 September 2022 would have been ¥12,171 million.

(3) These figures relate to individual life insurance and individual annuities only.

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

(5) Including independent agencies for corporate customers and the digital marketing channel.
(6) Surrender and lapse of policies are measured as cancellation plus expiration and reduction less revival.
(7) Average annual yield of general account assets is calculated using the net amount of investment income and investment expenses (but excluding gains and losses related to separate account assets) as the numerator and the daily average of the book value of general account assets as the denominator.
(8) Calculated for Asahi Life's internal-management purpose only. See "Investment Considerations — As a Japanese insurance company, Asahi Life is subject to extensive oversight of its business practices and must maintain a solvency margin ratio at or above required levels". and "Recent Business — Economic Solvency Ratio".

Nanairo Life

Nanairo Life (a wholly-owned subsidiary of Asahi Life), a new insurance company catering to independent agencies, commenced operations in April 2021 and product sales in October 2021. The following table sets forth selected financial and other data in respect of Nanairo Life on a non-consolidated basis for the periods and dates indicated. The data set out below are derived from Asahi Life's internal records, and have not been audited or reviewed:

	As of and for the fiscal year ended 31 March 2022[1]	As of and for the six-month period ended 30 September 2022
	(millions of yen)	
NON-CONSOLIDATED FINANCIAL AND OTHER DATA		
Balance Sheet Data:		
Total assets	¥22,083	¥39,797
Total net assets	20,015	34,588
Other Data:		
Annualised net premiums for new policies[1][2]:		
Individual life insurance	3,802	6,372
Individual annuities	—	—
Total annualised net premiums for new policies	3,802	6,372
Of which, medical and nursing care products	3,802	6,372
Annualised net premiums for policies in force[2]:		
Individual life insurance	3,710	9,738
Individual annuities	—	—
Total annualised net premiums for policies in force	3,710	9,738
Of which, medical and nursing care products	3,710	9,738
Fundamental profit[3]	(2,899)	(3,583)
Mortality and morbidity gains	(6)	(1,814)
Expense margins	(2,892)	(1,768)
Negative spread amount	(0)	(0)

Notes:
(1) The fiscal year ended 31 March 2022 comprises of the period from 1 October 2021 to 31 March 2022.
(2) These figures relate to individual life insurance and individual annuities only. Nanairo Life does not offer group insurance products.
(3) Certain rules relating to the calculation of fundamental profit have undergone changes with effect from the beginning of the current fiscal year ending 31 March 2023. The fundamental profit of Nanairo Life does not differ whether calculated based on the old or new calculation method.

Combined data

The following table sets forth certain non-consolidated financial information presented on a combined basis for Asahi Life and Nanairo Life for the periods and dates indicated. Information presented on a combined basis comprises: (i) in the case of the financial information for as of and for the fiscal year ended 31 March 2022, a simple addition of the non-consolidated data as of/for the 12-month period ended 31 March 2022 of Asahi Life and the non-consolidated data as of/for the six-month period ended 31 March 2022 of Nanairo Life, and (ii) in the case of the financial information for as of and for the six-month period ended 30 September 2022, a simple addition of the non-consolidated data as of/for the six-month period ended 30 September 2022 of Asahi Life and of Nanairo Life. The combined financial information set out below has been derived from Asahi Life's internal records and has not been audited or reviewed by Asahi Life's independent auditor:

	As of and for the fiscal year ended 31 March 2022	**As of and for the six-month period ended 30 September 2022**
	(millions of yen)	
COMBINED DATA		
Annualised net premiums for new policies[1]:		
Individual life insurance	¥ 27,105	¥ 16,772
Individual annuities	(98)	(40)
Total annualised net premiums for new policies	27,007	16,731
Of which, medical and nursing care products	23,143	14,798
Annualised net premiums for policies in force[1]:		
Individual life insurance	386,712	388,026
Individual annuities	124,224	120,464
Total annualised net premiums for policies in force	510,937	508,490
Of which, medical and nursing care products	227,730	233,392
Fundamental profit[2]	44,882	4,311
Mortality and morbidity gains	79,783	20,402
Expense margins	(6,252)	(949)
Negative spread amount	(28,647)	(15,142)
Annualised net premiums for new policies in respect of protection-type products by distribution channel[3]:		
Sales representative channel[4]	18,995	9,846
Agency channel	7,774	6,788
Total protection-type products	26,769	16,634
Surrender and lapse of protection-type products[3][5]	17,588	9,678
Annualised net premiums for policies in force in respect of protection-type products by distribution channel[3]:		
Sales representative channel[4]	283,122	282,963
Agency channel	26,783	31,478
Total protection-type products	309,905	314,442
Annualised net premiums for surrender and lapse of policies[1][5]	23,208	12,540

Notes:

(1) These figures relate to individual life insurance and individual annuities only.

(2) Certain rules relating to the calculation of fundamental profit have undergone changes with effect from the beginning of the current fiscal year ending 31 March 2023. If calculated based on the new fundamental profit calculation method, fundamental profit for the fiscal year ended 31 March 2022 would have been ¥42,023 million. If calculated based on the old fundamental profit calculation method, fundamental profit for the six-month period ended 30 September 2022 would have been ¥8,587 million.

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

(4) Including independent agencies for corporate customers and the digital marketing channel.

(5) Surrender and lapse of policies are measured as cancellation plus expiration and reduction less revival.

RECENT BUSINESS

The following discussion and analysis should be read in conjunction with Asahi Life's financial statements and the notes thereto included elsewhere in this Offering Circular. Unless otherwise specified, all financial information in this section is presented on a consolidated basis.

Overview

Asahi Life is one of the major domestic life insurance companies in Japan as measured by non-consolidated total assets as of 31 March 2022. Asahi Life's core business is life insurance for individuals in Japan, with a specific strategic focus on offering protection-type products, including medical and nursing care products which Asahi Life believes can provide stable profits despite market fluctuations. Asahi Life's principal product lines include modular life insurance product suites named "*Hoken-ou Plus*", a flexible life insurance product which allows customers to choose from a portfolio of insurance products to create a customised insurance plan, a similar flexible modular life insurance product designed specifically for women called "*Yasashisa Plus*", and a combined coverage product (medical and death protection insurance) with less underwriting requirement called "*Kanaeru Plus*" sold by sales representatives. Asahi Life also has strength in its nursing care insurance product line-up called "*Anshin-Kaigo*". "*Nanairo*" medical insurance products are provided by Nanairo Life, a wholly-owned subsidiary of Asahi Life which commenced operations in April 2021 and product sales in October 2021, focusing on the independent agency channel for individual customers. A lump-sum payment insurance for dementia and a lump-sum payment insurance for lifestyle-related diseases are sold exclusively online. Asahi Life also offers group medical insurance products.

Insurance and annuity product sales activities are primarily carried on by Asahi Life and Nanairo Life, with Asahi Life's other consolidated and non-consolidated subsidiaries providing ancillary and operational services such as asset management, investment advisory, software development, property management, and insurance consulting and insurance shops. Asahi Life's sales activities have centred primarily around life insurance products marketed through sales representatives, but in recent years, with the launch of Nanairo Life's operations, Asahi Life has been accelerating its multi-channel strategy by also focusing on sales through channels such as insurance shops, telemarketing and tax accountants; further, with the expectation that digital channels will become increasingly important, Asahi Life has begun expanding its offering of insurance products sold exclusively through the Internet.

Asahi Life has been enhancing and aims to further enhance its financial soundness through accumulation of surplus and recapitalisation measures. As of 31 March 2022 and 30 September 2022, Asahi Life had consolidated solvency margin ratios of 982.2 per cent. and 876.3 per cent., respectively, and non-consolidated solvency margin ratios of 954.9 per cent. and 836.6 per cent., respectively. As of 31 March 2022, the consolidated and non-consolidated ESR of Asahi Life, prepared for internal management purposes, was 239.0 per cent. and 235.7 per cent., respectively.

As of the date of this Offering Circular, Asahi Life has insurer financial strength ratings of A– (Stable Outlook) from Fitch, A– (Stable Outlook) from R&I and BBB+ (Positive Outlook) from JCR.

Business Environment and COVID-19

Business Environment

Asahi Life's business, financial condition and results of operations are materially affected by financial market and economic conditions in Japan and elsewhere.

In the fiscal year ended 31 March 2022, in Japan, the economy has shown a sign of recovery as the impact of COVID-19 had gradually eased. However, there was a slight stagnation in consumer consumption. Overseas economies were showing recovery particularly in the United States, under the signs of COVID-19 becoming more epidemic.

Since the commencement of the Russia-Ukraine conflict in February 2022, various economies around the world, including Japan and the United States, have been affected by inflationary pressures and turmoil in the energy and financial markets. Recent months have seen sharp increases in interest rates in the United States and a rapid weakening of the Japanese yen, as well as increases in energy prices. More recently, in December 2022, the Bank of Japan decided to modify its ultra-easy monetary policy. These factors are expected to affect discretionary spending patterns in Japan.

Recent economic indicators in Japan include the following:

- The Nikkei Stock Average, which is an average of the price of 225 major domestic stocks listed on the Tokyo Stock Exchange, experienced a period of rapid increase from 2013, partly in response to the monetary easing policies adopted by the Bank of Japan and the fiscal stimulus measures of the Japanese government, and having experienced a level of over ¥30,000 in September 2021, it has seen a rapid downturn in recent months due to factors such as the cessation of accommodative monetary policy overseas and the rising interest rates, reaching a low of below ¥25,000 in March 2022, with the closing price as of 30 September 2022 being ¥25,937.21.

- As a result of the Bank of Japan's continuation of quantitative and qualitative easing, long-term interest rates remained at around 0 per cent.; the yield on 10-year JGBs stood at 0.21 per cent. as of 31 March 2022, as compared to 0.12 per cent. as of 31 March 2021. As of 30 September 2022, the yield on 10-year JGBs was 0.240 per cent. However, in December 2022, the Bank of Japan decided to modify its ultra-easy monetary policy and allow the range of 10-year JGB yield fluctuations to widen from between around plus and minus 0.25 percentage points to between around plus and minus 0.5 percentage points.

- The foreign exchange markets have been experiencing significant volatility over the last year or so, especially following the recent trend of wider differences in interest rates in Japan and the United States, with the yen weakening from ¥108.83 against the U.S. dollar as of 31 March 2020 to ¥122.39 as of 31 March 2022 and to ¥144.81 as of 30 September 2022 (source: telegraphic transfer middle rate of MUFG Bank, Ltd.). However, very recently, the yen has seen a slight appreciation trend, due to factors such as the Bank of Japan's foreign exchange interventions and its modification of the ultra-easy monetary policy in December 2022.

- The seasonally adjusted unemployment rate in Japan, which was 2.5 per cent., 2.7 per cent. and 2.6 per cent. as of 31 March 2020, 2021 and 2022, respectively, has recently been at stable levels, being 2.6 per cent. as of 30 September 2022 according to the Statistics Bureau, the Ministry of Internal Affairs and Communications of Japan.

- The total finance assets of Japanese households increased from ¥1,815 trillion as of 31 March 2020 to ¥1,958 trillion as of 31 March 2021 and to ¥2,005 trillion as of 31 March 2022 (source: Bank of Japan, Flow of Funds Accounts).

- Japan's real GDP declined by 0.8 per cent. and 4.1 per cent. and increased by 2.5 per cent. year-on-year during the fiscal years ended 31 March 2020, 2021 and 2022, respectively, and it is estimated that Japan's real GDP increased at an annualised rate of 4.5 per cent. and decreased at an annualised rate of 0.8 per cent. during the three months ended 30 June 2022 and 30 September 2022, respectively, in each case according to the Cabinet Office of Japan.

- Real estate prices *(chika-koji-kakaku)* in three major metropolitan areas of Japan (Tokyo, Osaka and Nagoya metropolitan areas) increased during 2019, decreased in 2020, but increased again in 2021 according to the Ministry of Land, Infrastructure, Transport and Tourism of Japan.

Effect of COVID-19 pandemic on Asahi Life

In the fiscal year ended 31 March 2022, mortality and morbidity claims related to COVID-19 within Asahi Life's customer base on a non-consolidated basis increased from ¥0.70 billion to ¥1.61 billion and from ¥0.40 billion to ¥3.22 billion, respectively, compared to the previous year. On the other hand, in the fiscal year ended 31 March 2022, total mortality claims for Asahi Life on a non-consolidated basis decreased from ¥84.1 billion to ¥83.3 billion and total morbidity claims increased from ¥22.4 billion to ¥25.2 billion compared to the previous year. In the six-month period ended 30 September 2022, mortality claims related to COVID-19 within Asahi Life's customer base remained relatively flat on a non-consolidated basis at ¥1.00 billion compared to ¥1.03 billion in the same six-month period in the previous year, while morbidity claims related to COVID-19 within Asahi Life's customer base increased from ¥0.90 billion in the six-month period ended 30 September 2021 to ¥16.32 billion in the six-month period ended 30 September 2022. With respect to the scheme for making benefit payments upon "deemed" hospitalisations, while continuing to apply such scheme for people with diagnoses given on or before 25 September 2022, Asahi Life has now limited the application of such scheme in respect of diagnoses given after such date, in accordance with the revised policy published by the Life Insurance Association, to people who are 65 years old or older, pregnant, in need of actual hospitalisation, or at risk of serious illness and whom a doctor has judged in need of COVID-19 medication or oxygenation.

Under the COVID-19 pandemic which resulted in a strong encouragement of remote working and online meetings, Asahi Life's sales representatives also refrained from visiting customers. Asahi Life has gradually resumed face-to-face sales activities whilst taking preventative measures to reduce the risk of the COVID-19 infection. At the same time, Asahi Life also accelerated utilising means of digital communication. Driven by such measures and a rise in consumer needs for life and medical insurance products following the COVID-19 pandemic, sales of protection type products have gradually recovered, resulting in an increase of 7.9 per cent. on a combined basis for Asahi Life and Nanairo Life (excluding sales of insurance products for management personnel with surrender benefits ("*Grand Stage*", "*Prime Stage*" and "*Twin Stage*" with surrender benefits)) in the fiscal year ended 31 March 2022 compared to the fiscal year ended 31 March 2021. Asahi Life has been executing a digital transformation strategy, utilising information and communication technology ("ICT") in order to build a new distribution model to fit the new lifestyles in the "post-COVID" era. In April 2021, Asahi Life started accepting web applications to enable a thoroughly non face-to-face process from proposal to application. In July 2021, in order to improve sales efficiency, Asahi Life started using an AI driven "sales recommendation system", which analyses customer data and suggests which customers to reach out to.

Consolidated Results of Operations

The following table sets forth certain information relating to Asahi Life's results of operations for the fiscal years ended 31 March 2020, 2021 and 2022:

	For the fiscal year ended 31 March		
	2020	2021	2022
		(millions of yen)	
Ordinary income:			
Premium and other income	¥ 393,639	¥ 391,410	¥ 395,434
Investment income	139,494	146,309	144,550
Other ordinary income	93,228	66,577	70,423
Total ordinary income	626,362	604,297	610,408
Ordinary expenses:			
Claims and other payments	406,561	385,384	382,521
Provision for policy reserves and other reserves	1,801	3	3,456
Investment expenses	42,703	34,559	36,655
Operating expenses	110,795	115,565	123,403
Other ordinary expenses	33,458	33,833	35,050
Total ordinary expenses	595,321	569,347	581,087
Ordinary profit	31,040	34,950	29,321
Extraordinary gains	115	275	2,928
Extraordinary losses	4,728	8,605	6,561
Surplus before income taxes	26,427	26,620	25,687
Total income taxes	6,093	5,152	5,950
Net surplus	20,333	21,467	19,737
Net surplus attributable to non-controlling interests	38	37	51
Net surplus attributable to the Parent Company	¥ 20,294	¥ 21,430	¥ 19,685

The following table sets forth certain information relating to Asahi Life's results of operations for the six-month periods ended 30 September 2020, 2021 and 2022:

	For the six-month period ended 30 September		
	2020	2021	2022
		(millions of yen)	
Ordinary income:			
Premium and other income	¥ 193,212	¥ 192,500	¥ 205,245
Investment income	74,017	71,587	80,307
Other ordinary income	32,803	35,864	57,925
Total ordinary income	300,033	299,953	343,479
Ordinary expenses:			
Claims and other payments	184,573	183,528	201,627
Provision for policy reserves and other reserves	1	5	6,391
Investment expenses	18,193	14,431	36,826
Operating expenses	55,621	60,589	66,250
Other ordinary expenses	17,042	16,754	18,396
Total ordinary expenses	275,433	275,309	329,492
Ordinary profit	24,600	24,643	13,986
Extraordinary gains	33	340	242
Extraordinary losses	2,270	1,916	1,908
Surplus before income taxes	22,363	23,067	12,320
Total income taxes	5,232	5,461	1,325
Net surplus	17,131	17,606	10,994
Net surplus attributable to non-controlling interests	16	24	26
Net surplus attributable to the Parent Company	¥ 17,114	¥ 17,581	¥ 10,968

Consolidated Results for the Fiscal Year Ended 31 March 2022 Compared to the Fiscal Year Ended 31 March 2021

Ordinary Income

Asahi Life's ordinary income includes premium and other income, investment income and other ordinary income.

Total ordinary income increased by ¥6,110 million, or 1.0 per cent., to ¥610,408 million for the fiscal year ended 31 March 2022, from ¥604,297 million for the fiscal year ended 31 March 2021. This primarily reflected an increase in premium and other income.

Premium and Other Income

Premium and other income, which forms the core of Asahi Life's ordinary income, consists of insurance premiums from outstanding insurance policies and annuities and reinsurance revenue. During the fiscal year ended 31 March 2022, insurance premiums related to Asahi Life's individual life insurance products accounted for 87.6 per cent. of its insurance premiums (not including reinsurance revenue) while insurance premiums related to Asahi Life's individual annuities, group insurance products and group annuities accounted for 10.5 per cent. of its insurance premiums.

Premium and other income increased by ¥4,023 million, or 1.0 per cent., to ¥395,434 million for the fiscal year ended 31 March 2022, from ¥391,410 million for the fiscal year ended 31 March 2021.

Investment Income and Expenses

Asahi Life presents investment income and investment expenses separately in its statements of income. Certain categories of investment income and investment expenses, such as gains or losses on derivative financial instruments, are shown on a net basis as investment income or investment expenses, as the case may be, for the applicable period.

Interest, dividends and other income, particularly those from securities and loans, have been the largest components of Asahi Life's investment income. Interest, dividends and other income are affected by the prevailing interest rate levels, which affect the average rates of return on interest-earning assets.

Gains and losses on sales of securities are also major components of investment income and expenses and are affected by equity market and bond market as well as currency exchange rate levels.

Investment gains and investment losses on separate accounts may materially affect investment income and investment expenses as all separate account securities are marked to market each period. Investment gains and investment losses on separate accounts do not, however, materially affect Asahi Life's ordinary profit as such gains and losses are almost wholly offset by corresponding provisions for (or reversal of) policy reserves.

The following table sets forth a breakdown of Asahi Life's investment income and investment expenses for the periods indicated:

	For the fiscal year ended 31 March	
	2021	**2022**
	(millions of yen)	
Investment income:		
Interest, dividends and other income	¥ 117,912	¥ 120,142
Gains on sales of securities	15,249	11,950
Gains on redemption of securities	77	317
Foreign exchange gains	387	3,067
Other investment income	6,941	6,872
Investment gains on separate accounts	5,740	2,199
Total investment income	146,309	144,550
Investment expenses:		
Interest expenses	4,470	4,876
Losses on trading securities	485	1,133
Losses on sales of securities	5,520	11,177
Losses on valuation of securities	19	273
Losses on redemption of securities	65	48
Losses on derivative financial instruments	8,898	2,510
Provision for allowance for possible loan losses	10	141
Depreciation of rental real estate and other assets	5,503	5,511
Other investment expenses	9,584	10,981
Total investment expenses	34,559	36,655
Net investment income	¥ 111,750	¥ 107,895

Net investment income has shown steady movement and amounted to ¥107,895 million for the fiscal year ended 31 March 2022, compared to ¥111,750 million for the fiscal year ended 31 March 2021. This decrease reflected some decrease in gains on sales of securities and increase in losses on sales of securities.

On a non-consolidated basis, interest, dividends and other income for the fiscal year ended 31 March 2022 amounted to ¥120,531 million, compared to ¥118,111 million for the fiscal year ended 31 March 2021.

Other Ordinary Income

Other ordinary income primarily includes fund receipt from deposit of claims paid, reversal of policy reserves and reversal of reserve for outstanding claims. See "— Ordinary Expenses — Provision for Policy Reserves and Other Reserves". Fund receipt from deposit of claims paid are insurance claims due to policyholders which, at such policyholders' request, are withheld by and entrusted to Asahi Life and later paid to policyholders with accrued interest. Other ordinary income increased by ¥3,846 million, or 5.8 per cent., to ¥70,423 million for the fiscal year ended 31 March 2022, from ¥66,577 million for the fiscal year ended 31 March 2021.

Ordinary Expenses

Asahi Life's ordinary expenses include claims and other payments, provision for policy reserves and other reserves, investment expenses (see "— Ordinary Income — Investment Income and Expenses"), operating expenses and other ordinary expenses.

Total ordinary expenses increased by ¥11,740 million, or 2.1 per cent., to ¥581,087 million for the fiscal year ended 31 March 2022, from ¥569,347 million for the fiscal year ended 31 March 2021. This principally reflected increases in provision for policy reserves and other reserves and operating expenses.

Claims and Other Payments

Claims and other payments include payments of insurance claims, annuities, benefits, surrender benefits and other payments (including reinsurance premiums). For the fiscal year ended 31 March 2022, 65.8 per cent. of ordinary expenses consisted of claims and other payments.

Claims and other payments decreased by ¥2,863 million, or 0.7 per cent., to ¥382,521 million for the fiscal year ended 31 March 2022, from ¥385,384 million for the fiscal year ended 31 March 2021, primarily as a result of a decrease in payments made in respect of annuities.

Provision for Policy Reserves and Other Reserves

The provision for policy reserves and other reserves consists of the provision for policy reserves, as well as the provision for reserve for outstanding claims and interest on policyholders' dividend reserves. At the beginning of each fiscal year, the entire amount of the policy reserves/reserve for outstanding claims remaining as of the end of the previous fiscal year is reversed, and the provision for the current fiscal year is transferred to the reserve account. Differences that arise are recorded as provision for, or reversal of, policy reserves/reserve for outstanding claims.

The policy reserves are established for insurance claims and other payments related to Asahi Life's outstanding policies that are expected to be paid in the future, and consist of a premium reserve (other than unearned premiums), an unearned premium reserve and a contingency reserve. Under the Insurance Business Act, each year Asahi Life is required to set aside a "standard policy reserve", a certain minimum amount of liability reserve, to fund future claims payments. Asahi Life calculates the amount of the standard policy reserve using the net level premium method. Under this method, Asahi Life sets aside policy reserves on an assumption that the ratio of net premium to total premium paid remains constant over the payment term of the policy. The net premium is the portion of premiums covering insurance risk, which is determined based on various assumptions, including assumptions affected by external factors such as mortality and morbidity rates and yield on investments established by third parties. In general, the amount of provision for policy reserves varies in direct proportion to policy amount in force. However, because a portion of the provision for policy reserves represents the value of assets in Asahi Life's separate accounts, fluctuations in such value may cause the amount of provision for policy reserves to increase or decrease disproportionately to or conversely from the policy amount in force.

The reserve for outstanding claims is a reserve for claims incurred but not paid as of the end of the fiscal year or interim period, as the case may be. Asahi Life applies simplified procedures for recognising reserve for outstanding claims as of the end of an interim period, which may result in a certain amount of claims incurred but not paid as of the end of such interim period not being taken into account.

Provision for policy reserves and other reserves increased by ¥3,453 million, to ¥3,456 million for the fiscal year ended 31 March 2022, from ¥3 million for the fiscal year ended 31 March 2021. The provision for policy reserves and other reserves for the fiscal year ended 31 March 2021 consisted wholly of provision for interest on policyholders' dividend reserves, whereas the provision for policy reserves and other reserves for the fiscal year ended 31 March 2022 consisted primarily of provision for reserve for outstanding claims.

Operating Expenses

Operating expenses consist mainly of employee costs, including commissions and salaries to sales representatives, and general administrative expenses. A majority of compensation paid to sales representatives is in the form of sales commissions, as opposed to salary. Sales representatives receive a commission upon obtaining a new policy and periodic commissions in smaller amounts based on the amount outstanding on the policies obtained by such representatives. The commissions paid to an individual sales representative increase incrementally as such representative meets certain sales targets for number and amount of new policies.

Asahi Life recognises certain operating costs referred to as policy acquisition costs as an expense in the year in which such costs are incurred. Policy acquisition costs consist of sales-related expenses and costs related to the underwriting of new policies. Sales-related expenses primarily include commissions and salaries to sales representatives and independent sales agents, advertising expenses and expenses related to training its sales representatives and independent sales agents. Costs related to the underwriting of new policies primarily include research-related costs, policy confirmation costs, medical examination expenses and other administrative expenses related to the underwriting of new policies. These costs are significant and they are incurred primarily when the policy is sold. Japanese GAAP requires that policy acquisition costs be recognised as an expense as they are incurred.

Operating expenses increased by ¥7,837 million, or 6.8 per cent., to ¥123,403 million for the fiscal year ended 31 March 2022, from ¥115,565 million for the fiscal year ended 31 March 2021. This primarily reflected an increase in commissions to independent sales agents for individual customers.

Other Ordinary Expenses

Other ordinary expenses consist mainly of claim deposit payments, national and local taxes and depreciation (which excludes depreciation of real estate for rent). Claim deposit payments are payments made to policyholders who requested insurance claims due to them to be withheld by and entrusted to Asahi Life. National and local taxes include consumption taxes, enterprise taxes and fixed property taxes.

Other ordinary expenses increased by ¥1,217 million, or 3.6 per cent., to ¥35,050 million for the fiscal year ended 31 March 2022, from ¥33,833 million for the fiscal year ended 31 March 2021, primarily reflecting increases in depreciation and taxes.

Ordinary Profit

As a result of the foregoing, ordinary profit decreased by ¥5,629 million, or 16.1 per cent., to ¥29,321 million for the fiscal year ended 31 March 2022, from ¥34,950 million for the fiscal year ended 31 March 2021.

Extraordinary Gains and Losses

Extraordinary gains and losses for the fiscal years ended 31 March 2022 and 2021 mainly included gains and losses on disposal of fixed assets, impairment losses and provision for reserve for price fluctuation.

Extraordinary gains increased by ¥2,652 million, or 964.1 per cent., to ¥2,928 million for the fiscal year ended 31 March 2022, from ¥275 million for the fiscal year ended 31 March 2021, primarily due to an increase in gains on disposal of fixed assets. Extraordinary losses decreased by ¥2,043 million, or 23.8 per cent., to ¥6,561 million for the fiscal year ended 31 March 2022, from ¥8,605 million for the fiscal year ended 31 March 2021, primarily reflecting a decrease in impairment losses.

Surplus before Income Taxes and Net Surplus Attributable to the Parent Company

As a result of the foregoing, surplus before income taxes decreased by ¥932 million, or 3.5 per cent., to ¥25,687 million for the fiscal year ended 31 March 2022, from ¥26,620 million for the fiscal year ended 31 March 2021. Net surplus attributable to the Parent Company decreased by ¥1,745 million, or 8.1 per cent., to ¥19,685 million for the fiscal year ended 31 March 2022, from ¥21,430 million for the fiscal year ended 31 March 2021.

Unlike insurance companies incorporated as joint stock corporations, which recognise dividends to its policyholders as expenses, mutual life insurance companies like Asahi Life provide reserve for dividends to policyholders as an appropriation of net surplus for the year, reflecting the nature of policyholder dividends as distribution of profits to its members. See "— Policyholder Dividends".

Consolidated Results for the Fiscal Year ended 31 March 2021 Compared to the Fiscal Year ended 31 March 2020

Ordinary Income

Asahi Life's ordinary income consists of premium and other income, investment income and other ordinary income.

Total ordinary income decreased by ¥22,064 million, or 3.5 per cent., to ¥604,297 million for the fiscal year ended 31 March 2021, from ¥626,362 million for the fiscal year ended 31 March 2020, mainly reflecting a decrease in other ordinary income.

Premium and Other Income

During the fiscal year ended 31 March 2021, insurance premiums related to Asahi Life's individual life insurance products accounted for 87.1 per cent. of its insurance premiums (not including reinsurance revenue) while insurance premiums related to Asahi Life's individual annuities, group insurance products and group annuities accounted for 10.8 per cent. of its insurance premiums.

Premium and other income decreased by ¥2,228 million, or 0.6 per cent., to ¥391,410 million for the fiscal year ended 31 March 2021, from ¥393,639 million for the fiscal year ended 31 March 2020. This decrease was primarily due to decreases in insurance premiums related to Asahi Life's individual annuities.

Investment Income and Expenses

The following table sets forth a breakdown of Asahi Life's investment income and investment expenses for the periods indicated:

	For the fiscal year ended 31 March	
	2020	2021
	(millions of yen)	
Investment income:		
Interest, dividends and other income	¥ 108,447	¥ 117,912
Gains on sales of securities	23,854	15,249
Gains on redemption of securities	50	77
Foreign exchange gains	—	387
Other investment income	7,143	6,941
Investment gains on separate accounts	—	5,740
Total investment income	139,494	146,309
Investment expenses:		
Interest expenses	4,526	4,470
Losses on trading securities	—	485
Losses on sales of securities	2,810	5,520
Losses on valuation of securities	368	19
Losses on redemption of securities	140	65
Losses on derivative financial instruments	16,588	8,898
Foreign exchange losses	2,058	—
Provision for allowance for possible loan losses	8	10
Depreciation of rental real estate and other assets	5,327	5,503
Other investment expenses	9,761	9,584
Investment losses on separate accounts	1,111	—
Total investment expenses	42,703	34,559
Net investment income	¥ 96,791	¥ 111,750

Net investment income increased by ¥14,959 million, or 15.5 per cent., to ¥111,750 million for the fiscal year ended 31 March 2021, from ¥96,791 million for the fiscal year ended 31 March 2020. This primarily reflected an increase in interest, dividends and other income.

On a non-consolidated basis, interest, dividends and other income for the fiscal year ended 31 March 2021 amounted to ¥118,111 million and for the fiscal year ended 31 March 2020 amounted to ¥108,705 million.

Other Ordinary Income

Other ordinary income decreased by ¥26,650 million, or 28.6 per cent., to ¥66,577 million for the fiscal year ended 31 March 2021, from ¥93,228 million for the fiscal year ended 31 March 2020, primarily due to a decrease in reversal of policy reserves.

Ordinary Expenses

Total ordinary expenses decreased by ¥25,974 million, or 4.4 per cent., to ¥569,347 million for the fiscal year ended 31 March 2021, from ¥595,321 million for the fiscal year ended 31 March 2020. This mainly reflected a decrease in claims and other payments.

Claims and Other Payments

For the fiscal year ended 31 March 2021, 67.7 per cent. of ordinary expenses consisted of claims and other payments.

Claims and other payments decreased by ¥21,177 million, or 5.2 per cent., to ¥385,384 million for the fiscal year ended 31 March 2021, from ¥406,561 million for the fiscal year ended 31 March 2020, primarily due to a decrease in surrender benefit payments.

Provision for Policy Reserves and Other Reserves

Provision for policy reserves and other reserves decreased by ¥1,798 million, or 99.8 per cent., to ¥3 million for the fiscal year ended 31 March 2021, from ¥1,801 million for the fiscal year ended 31 March 2020.

Operating Expenses

Operating expenses increased by ¥4,770 million, or 4.3 per cent., to ¥115,565 million for the fiscal year ended 31 March 2021, from ¥110,795 million for the fiscal year ended 31 March 2020.

Other Ordinary Expenses

Other ordinary expenses increased by ¥375 million, or 1.1 per cent., to ¥33,833 million for the fiscal year ended 31 March 2021, from ¥33,458 million for the fiscal year ended 31 March 2020, primarily reflecting an increase in taxes.

Ordinary Profit

As a result of the foregoing, ordinary profit increased by ¥3,909 million, or 12.6 per cent., to ¥34,950 million for the fiscal year ended 31 March 2021, from ¥31,040 million for the fiscal year ended 31 March 2020. This primarily reflected an increase in net investment income.

Extraordinary Gains and Losses

Extraordinary gains and losses for the fiscal years ended 31 March 2021 and 2020 mainly included gains and losses on disposal of fixed assets, impairment losses, provision for reserve for price fluctuation and losses on reduction entry of real estate.

Extraordinary gains increased by ¥159 million, or 138.4 per cent., to ¥275 million for the fiscal year ended 31 March 2021, from ¥115 million for the fiscal year ended 31 March 2020, primarily reflecting an increase in gains on disposal of fixed assets. Extraordinary losses increased by ¥3,876 million, or 82.0 per cent., to ¥8,605 million for the fiscal year ended 31 March 2021, from ¥4,728 million for the fiscal year ended 31 March 2020, primarily reflecting an increase in impairment losses.

Surplus before Income Taxes and Net Surplus Attributable to the Parent Company

As a result of the foregoing, surplus before income taxes increased by ¥192 million, or 0.7 per cent., to ¥26,620 million for the fiscal year ended 31 March 2021, from ¥26,427 million for the fiscal year ended 31 March 2020. Net surplus attributable to the Parent Company increased by ¥1,135 million, or 5.6 per cent., to ¥21,430 million for the fiscal year ended 31 March 2021, from ¥20,294 million for the fiscal year ended 31 March 2020.

Consolidated Results for the Six-month Period Ended 30 September 2022 Compared to the Six-month Period Ended 30 September 2021

Ordinary Income

Asahi Life's ordinary income includes premium and other income, investment income and other ordinary income.

Total ordinary income increased by ¥43,525 million, or 14.5 per cent., to ¥343,479 million for the six-month period ended 30 September 2022, from ¥299,953 million for the six-month period ended 30 September 2021, mainly reflecting an increase in other ordinary income.

Premium and Other Income

Premium and other income increased by ¥12,744 million, or 6.6 per cent., to ¥205,245 million for the six-month period ended 30 September 2022, from ¥192,500 million for the six-month period ended 30 September 2021. This increase was primarily caused by reinsurance revenue.

Investment Income and Expenses

Investment income increased by ¥8,719 million, or 12.2 per cent., to ¥80,307 million for the six-month period ended 30 September 2022, from ¥71,587 million for the six-month period ended 30 September 2021. This increase reflected primarily the increase in gains on sales of securities.

Investment expenses increased by ¥22,395 million, or 155.2 per cent., to ¥36,826 million for the six-month period ended 30 September 2022, from ¥14,431 million for the six-month period ended 30 September 2021. This increase reflected primarily the increase in losses on sales of securities.

Net investment income decreased by ¥13,675 million, or 23.9 per cent., to ¥43,481 million for the six-month period ended 30 September 2022, from ¥57,156 million for the six-month period ended 30 September 2021. This decrease reflected primarily the increase in losses on sales of securities.

Other Ordinary Income

Other ordinary income increased by ¥22,061 million, or 61.5 per cent., to ¥57,925 million for the six-month period ended 30 September 2022, from ¥35,864 million for the six-month period ended 30 September 2021, primarily reflecting the increase in reversal of policy reserves.

Ordinary Expenses

Total ordinary expenses increased by ¥54,182 million, or 19.7 per cent., to ¥329,492 million for the six-month period ended 30 September 2022, from ¥275,309 million for the six-month period ended 30 September 2021. This principally reflected the increase in investment expenses.

Claims and Other Payments

Claims and other payments increased by ¥18,098 million, or 9.9 per cent., to ¥201,627 million for the six-month period ended 30 September 2022, from ¥183,528 million for the six-month period ended 30 September 2021, primarily as a result of increases in payments made in respect of benefits.

Provision for Policy Reserves and Other Reserves

Provision for policy reserves and other reserves increased by ¥6,385 million to ¥6,391 million for the six-month period ended 30 September 2022, from ¥5 million for the six-month period ended 30 September 2021, primarily as a result of increases in provision for reserve for outstanding claims.

Operating Expenses

Operating expenses increased by ¥5,661 million, or 9.3 per cent., to ¥66,250 million for the six-month period ended 30 September 2022, from ¥60,589 million for the six-month period ended 30 September 2021. This primarily reflected increased expenses related to the agency commission in respect of the business of Nanairo Life.

Other Ordinary Expenses

Other ordinary expenses increased by ¥1,642 million, or 9.8 per cent., to ¥18,396 million for the six-month period ended 30 September 2022, from ¥16,754 million for the six-month period ended 30 September 2021, primarily reflecting an increase in depreciation and taxes.

Ordinary Profit

As a result of the foregoing, ordinary profit decreased by ¥10,657 million, or 43.2 per cent., to ¥13,986 million for the six-month period ended 30 September 2022, from ¥24,643 million for the six-month period ended 30 September 2021.

Extraordinary Gains

Extraordinary gains decreased by ¥97 million, or 28.7 per cent., to ¥242 million for the six-month period ended 30 September 2022, from ¥340 million for the six-month period ended 30 September 2021, primarily reflecting a decrease in gains on disposal of fixed assets.

Extraordinary Losses

Extraordinary losses decreased by ¥7 million, or 0.4 per cent., to ¥1,908 million for the six-month period ended 30 September 2022, from ¥1,916 million for the six-month period ended 30 September 2021, primarily reflecting a decrease in losses on disposal of fixed assets.

Surplus before Income Taxes and Net Surplus Attributable to the Parent Company

As a result of the foregoing, surplus before income taxes decreased by ¥10,747 million, or 46.6 per cent., to ¥12,320 million for the six-month period ended 30 September 2022, from ¥23,067 million for the six-month period ended 30 September 2021. Net surplus attributable to the Parent Company decreased by ¥6,612 million, or 37.6 per cent., to ¥10,968 million for the six-month period ended 30 September 2022, from ¥17,581 million for the six-month period ended 30 September 2021.

Supplemental Financial Measures

In addition to the reporting items set forth in the consolidated financial statements of Asahi Life, certain financial figures pertaining to the profitability and performance of Asahi Life's core insurance operations are disclosed on a non-consolidated basis.

Fundamental Profit

Ordinary profit of a life insurance company, as presented in its statements of income, include capital gains and losses from its investment activities as well as one-time gains and losses. Therefore, profit from the insurance business is not readily ascertainable from the statements of income. For the purpose of disclosing profit from the insurance business, life insurance companies in Japan have been required under the disclosure standards set by the Life Insurance Association to disclose "fundamental profit", also known as "core profit" or "base profit". Pursuant to such standards, fundamental profit is defined as follows:

Fundamental Profit = Ordinary profit – (capital gains and losses + other one-time gains and losses)

- capital gains and losses mainly include gains and losses on money held in trust, trading securities, sales of securities, valuation of securities and derivative financial instruments and foreign exchange gains and losses; and

- other one-time gains and losses mainly include reversal of or provision for contingency reserve and specific allowance for possible loan losses.

Essentially, fundamental profit representing underwriting profits from the insurance business of a life insurance company excludes capital gains and losses.

Asahi Life believes that fundamental profit, viewed in the context of Asahi Life's overall business results as reflected in its financial statements, provides a meaningful metric for understanding its financial performance.

The following table sets forth, on a non-consolidated basis, Asahi Life's fundamental profit for each of the fiscal years ended 31 March 2020, 2021 and 2022 and the six-month periods ended 30 September 2020, 2021 and 2022, and reconciles fundamental profit to Asahi Life's ordinary profit by adding back capital gains and losses as well as other one-time gains and losses:

	For the fiscal year ended 31 March			For the six-month period ended 30 September		
	2020	2021	2022	2020	2021	2022
	(millions of yen)					
Fundamental income:						
Premium and other income	¥393,639	¥391,410	¥387,134	¥193,212	¥192,500	¥188,630
Investment income, excluding capital gains	115,925	130,897	129,968	62,657	64,858	65,510
Other ordinary income	89,278	73,433	81,233	31,119	33,803	40,288
Other fundamental income	—	—	—	—	—	466
Total fundamental income	598,843	595,742	598,336	286,989	291,162	294,896

	For the fiscal year ended 31 March			For the six-month period ended 30 September		
	2020	2021	2022	2020	2021	2022
	(millions of yen)					
Fundamental expenses:						
Claims and other payments	406,561	385,384	381,466	184,573	183,528	197,201
Provision for policy reserves and other reserves, excluding provision for contingency reserve	1,801	3	3,449	1	5	4,573
Investment expenses, excluding capital losses	20,868	19,678	21,604	10,180	11,483	11,654
Operating expenses	106,323	110,323	110,388	53,504	56,901	52,214
Other ordinary expenses	33,647	33,812	33,646	17,139	16,592	16,613
Other fundamental expenses	—	—	—	—	—	4,743
Total fundamental expenses	569,202	549,202	550,554	265,399	268,512	287,001
Fundamental profit[(1)]	29,641	46,539	47,782	21,590	22,649	7,895
Capital gains	23,852	15,637	15,015	11,466	6,959	19,944
Capital losses	21,826	14,924	15,095	8,013	2,989	25,538
Net capital gains (losses)	2,025	712	(79)	3,453	3,969	(5,594)
Fundamental profit plus net capital gains (losses)	31,667	47,252	47,702	25,043	26,619	2,301
Other one-time gains:						
Reversal of contingency reserve	—	—	—	—	—	15,879
Reversal of specific allowance for possible loan losses	—	43	44	34	42	—
Total other one-time gains	—	43	44	34	42	15,879
Other one-time losses:						
Provision for contingency reserve	600	10,666	15,441	300	319	—
Provision for specific allowance for possible loan losses	10	—	—	—	—	100
Write-offs of loans	0	0	0	0	0	0
Total other one-time losses	610	10,666	15,441	300	319	100
Net other one-time gains (losses)	(610)	(10,622)	(15,397)	(266)	(276)	15,779
Ordinary profit	31,056	36,629	32,305	24,777	26,342	18,080

Note:
(1) Certain rules relating to the calculation of fundamental profit have undergone changes with effect from the beginning of the current fiscal year ending 31 March 2023. If calculated based on the new fundamental profit calculation method, fundamental profit for the fiscal year ended 31 March 2022 and for the six-month period ended 30 September 2021 would have been ¥44,922 million and ¥18,147 million, respectively. If calculated based on the old fundamental profit calculation method, fundamental profit for the six-month period ended 30 September 2022 would have been ¥12,171 million.

The following table sets forth on a non-consolidated basis, Asahi Life's fundamental profit for each of the fiscal years ended 31 March 2020, 2021 and 2022 and the six-month periods ended 30 September 2020, 2021 and 2022, broken down into mortality and morbidity gains, expense margins and negative spread amount:

	For the fiscal year ended 31 March			For the six-month period ended 30 September		
	2020	2021	2022	2020	2021	2022
	(millions of yen)					
Fundamental profit[(1)]	¥29,641	¥46,539	¥47,782	¥21,590	¥22,649	¥ 7,895
Mortality and morbidity gains	78,334	83,673	79,789	43,554	41,530	22,217
Expense margins	(363)	(3,193)	(3,360)	(1,910)	(2,883)	819
Negative spread amount	48,328	33,939	28,647	20,053	15,997	15,141

Note:
(1) Certain rules relating to the calculation of fundamental profit have undergone changes with effect from the beginning of the current fiscal year ending 31 March 2023. If calculated based on the new fundamental profit calculation method, fundamental profit for the fiscal year ended 31 March 2022 and for the six-month period ended 30 September 2021 would have been ¥44,922 million and ¥18,147 million, respectively. If calculated based on the old fundamental profit calculation method, fundamental profit for the six-month period ended 30 September 2022 would have been ¥12,171 million.

The decrease in fundamental profit for the six-month period ended 30 September 2022, other than the impact of the changes in rules relating to the calculation, was caused mainly by increased morbidity claims related to COVID-19 (although Asahi Life has now limited the application of the scheme for making benefit payments upon "deemed" hospitalisations to people with diagnoses given on or after 26 September 2022 (such limitation would also lead to a reduction of incurred but not reported (IBNR) reserves which was one factor adversely affecting fundamental profit)).

Negative spread amount represents the difference between the assumed rates of return used to set premium levels on existing policies and the actual rate of return on investment portfolio. Mortality and morbidity gains represent the difference between the assumed amount of claims and benefits payments (based on assumed mortality and morbidity rates) and the actual amount of such payments. Expense margins represent the difference between assumed operating expenses and actual operating expenses. Taken together, these three factors constitute a breakdown of the key components of fundamental profit.

Certain rules relating to the calculation of fundamental profit have undergone a change from the beginning of the fiscal year ending 31 March 2023. Hedge costs for foreign exchange transactions are going to be newly included in the calculation, while gains and losses on cancellation of investment trusts, foreign exchange fluctuations of securities redemption gains and losses and certain gains and losses in respect of re-insurance will be excluded in the calculation of fundamental profit.

Negative Spread

As market interest rates in Japan have generally been decreasing during the past decades, Asahi Life's actual rates of return on investments has fallen below the assumed rates of return used in calculating premiums on a significant portion of outstanding policies. This phenomenon is generally referred to as "negative spread".

The calculation of negative spread was standardised in the fiscal year ended 31 March 2002 pursuant to an official announcement by the Second Subcommittee of the Financial System Council of the FSA, while certain rules relating to the calculation of fundamental profit have undergone changes with effect from the beginning of the current fiscal year ending 31 March 2023.

The assumed mortality and morbidity rates and administrative expenses, among other factors, used in calculating premiums for Asahi Life's products are estimated conservatively. As a result, they have generally offset any shortfalls (to the extent there was any) in the return on investments in any given year and Asahi Life has been able to generate fundamental profit.

As set forth in the tables below, the average assumed rates of return related to Asahi Life's outstanding policies have been decreasing as a result of the replacement, through maturity, surrenders and conversions, of older, short maturity policies that have higher assumed rates of return with newer policies that have lower assumed rates of return. While the actual rate of return on investments has fluctuated in recent fiscal periods, it has still fallen below the average assumed rate of return, giving rise to consistent negative spread.

The following table sets forth Asahi Life's average assumed rates of return, actual rates of return, negative spread and negative spread amount for Asahi Life's outstanding policies on a non-consolidated basis for the periods indicated:

	For the fiscal year ended 31 March		
	2020	**2021**	**2022**
	(millions of yen, except percentages)		
Average assumed rate of return	3.32%	3.25%	3.19%
Actual rate of return	2.21%	2.46%	2.51%
Negative spread	1.11%	0.79%	0.68%
Negative spread amount	¥ 48,328	¥ 33,939	¥ 28,647

Asahi Life recognises the continued recording of negative spread as an important management concern, and Asahi Life works to sophisticate its asset management skills to improve its investment yield. However, an increase in negative spread could be expected due to changes in the rules relating to the calculation of fundamental profit to cover hedging costs in respect of foreign exchange transactions with effect from the beginning of the current fiscal year ending 31 March 2023. All in all, Asahi Life seeks to improve the rate of return on investments through increasing allocation towards alternative assets and credit assets with relatively higher rate of return.

Surrender and Lapse Ratio and Persistency Rate (Individual Life Insurance and Individual Annuities)

The following table sets out, in respect of Asahi Life's individual life insurance and individual annuities, the surrender and lapse ratio (measured by net cancellation and expiration of policies) on a non-consolidated basis for the periods indicated:

	For the fiscal year ended 31 March		
	2020	2021	2022
	(millions of yen, except percentages)		
Annualised net premiums for surrender and lapse of policies[1]	¥ 23,450	¥ 21,961	¥ 23,121
Surrender and lapse ratio	4.34%	4.14%	4.44%
Persistency rates:			
13 months (continue to second year)	93.1%	93.9%	94.4%
25 months (continue to third year)	87.4%	87.4%	88.3%

Note:
(1) Surrender and lapse of policies are measured as cancellation plus expiration and reduction less revival.

Unrealised Gains and Losses

Unrealised gains and losses reflect the difference between the book value and the market value of assets. Unrealised gains and losses on available-for-sale securities and land are reflected in the computation of total solvency margin and solvency margin ratio. Asahi Life considers its net unrealised gains on its assets to constitute a buffer against various risks. See "Business — Investments — Unrealised Gains and Losses".

The following table sets forth, as of the dates indicated, a breakdown of net unrealised gains (losses) on investment assets, other than trading securities, interests in investment partnerships and certain investment assets not readily susceptible to market valuation, on a non-consolidated basis:

	As of 31 March			As of 30 September
	2020	2021	2022	2022
	(millions of yen)			
Securities:				
Domestic bonds	¥ 322,924	¥ 237,362	¥ 134,299	¥ 8,190
Domestic stock	93,073	227,947	246,341	206,663
Foreign bonds	74,114	62,168	(6,743)	(58,392)
Foreign stock, etc	(9,128)	347	8,721	5,803
Other securities	(10,934)	5,655	1,384	(3,999)
Monetary claims bought	2,959	2,408	1,844	2,183
Total securities	473,010	535,889	385,849	160,449
Land	61,034	62,828	65,505	65,796
Total net unrealised gains	¥ 534,044	¥ 598,718	¥ 451,355	¥226,245

Status of Problem Loans

As of 30 September 2022, Asahi Life's balance of problem loans (including principal, lent securities, interest due, suspense payments and guarantees of obligations), was ¥581 million, as compared to ¥609 million as of 31 March 2022 on a non-consolidated basis. The decrease in balance of problem loans principally reflected a decrease in the amount of claims against bankrupt and quasi-bankrupt obligors. As of 30 September 2022, Asahi Life's problem loans ratio amounted to 0.11 per cent. as compared to 0.11 per cent. as of 31 March 2022.

As of 31 March 2022, Asahi Life's balance of problem loans was ¥609 million, as compared to ¥694 million as of 31 March 2021 on a non-consolidated basis. The decrease in the balance of problem loans principally reflected a decrease in the amount of claims with collection risk. Asahi Life's problem loans ratio amounted to 0.11 per cent. as of 31 March 2022 as compared to 0.12 per cent. as of 31 March 2021.

As of 31 March 2021, Asahi Life's balance of problem loans was ¥694 million, as compared to ¥753 million as of 31 March 2020 on a non-consolidated basis. The decrease in balance of problem loans principally reflected a decrease in the amount of delinquent loans three or more months past due. Asahi Life's problem loan ratio amounted to 0.12 per cent. as of 31 March 2021 as compared to 0.12 per cent. as of 31 March 2020.

Solvency Margin Ratio

Under the Insurance Business Act, the Commissioner of the FSA has the authority to set standards such as the solvency margin ratio for measuring the soundness of the management of insurance companies in Japan, to provide for better policyholder protection under a system of prompt corrective action. The solvency margin ratio is calculated by dividing the total amount of solvency margin (a company's net assets (less certain items), plus certain other items as shown in the following table) by a quantified measure of the total unforeseeable risks borne by a company, all on a consolidated as well as on a non-consolidated basis. Insurance companies with solvency margin ratios of 200 per cent. or higher are considered sound and not requiring prompt corrective action. If the ratio falls below 200 per cent., the Commissioner of the FSA may order the insurer to submit and implement a business improvement plan that will reasonably ensure the soundness of the management.

As of 31 March 2022, Asahi Life had consolidated and non-consolidated solvency margin ratios of 982.2 per cent. and 954.9 per cent., respectively. As of 30 September 2022, Asahi Life had consolidated and non-consolidated solvency margin ratios of 876.3 per cent. and 836.6 per cent., respectively. Asahi Life's solvency margin ratio was maintained at adequate levels in recent years, decreasing as of 30 September 2022 mainly due to a decrease in net unrealised gains on certain securities resulting from rising interest rates and a fall in stock prices, as well as the redemption of ¥40 billion of foundation funds on 1 August 2022. See "Regulation of the Japanese Life Insurance Industry — Insurance Business Act — Financial Regulation — Solvency Margin Ratio".

The following table sets forth Asahi Life's consolidated solvency margin ratio, and information related to its calculation, as of the dates indicated:

	As of 31 March			As of 30 September
	2020	2021	2022	2022
	(millions of yen, except percentages)			
Total solvency margin:				
Foundation funds and surplus	¥ 332,078	¥ 343,302	¥ 358,018	¥ 327,033
Reserve for price fluctuation	43,230	45,680	48,210	49,470
Contingency reserve	51,782	62,448	78,125	62,679
Catastrophe loss reserve	—	—	—	—
General allowance for possible loan losses	47	101	288	333
Net unrealised gains on available-for-sale securities (before tax effect)[(1)]	116,877	252,742	204,157	120,830
Sum of unrealised actuarial differences and unrealised past service costs	(2,524)	(1,875)	(2,885)	(2,634)
Net unrealised gains (losses) on land[(2)]	27,786	28,681	29,306	29,189
Qualifying subordinated debt	138,095	167,173	141,424	146,424
Excess amount of policy reserves based on full-time Zillmer method	137,190	141,363	145,556	146,685
Deduction	—	—	—	—
Others	12,211	15,343	18,839	21,540
Total solvency margin (A)	856,773	1,054,961	1,021,040	901,552
Total amount of risk[(3)]:				
Insurance risk (R1)	13,155	12,613	12,078	11,835
Third sector insurance risk (R8)	9,974	10,446	10,963	11,467
Risk of assumed yield (R2)	72,246	69,446	66,749	65,587
Minimum guarantee risk (calculated by the standard method) (R7)	1,055	1,040	1,027	1,021
Investment risk (R3)	101,822	136,232	134,312	133,327
Operational risk (R4)	3,965	4,595	4,502	4,464
Total amount of risk (B)	180,611	212,597	207,900	205,754
Solvency margin ratio[(4)]	948.7%	992.4%	982.2%	876.3%

Notes:

(1) Multiplied by 90 per cent. if gains or 100 per cent. if losses.

(2) Multiplied by 85 percent. if gains or 100 percent. if losses.

(3) Total amount of risk = $\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$

(4) Solvency margin ratio = $\frac{(A)}{\{(1/2)\times(B)\}} \times 100$

(5) The following table sets forth the sensitivity analysis of the solvency margin ratio as of 30 September 2022:

Sensitivity analysis of the non-consolidated solvency margin ratio	As of 30 September 2022
Domestic stock (Nikkei 225) falls by ¥1,000	(5.2)%
Japanese yen strengthens by ¥5 against one foreign currency unit[(1)]	(11.6)%
Domestic interest rate rises 10bp	(0.7)%
Foreign interest rate rises 10bp	(4.5)%

Note:

(1) Against certain specified currencies, in particular U.S. dollars.

Adjusted Net Assets

Adjusted net assets of a life insurance company are equal to an amount calculated based on assets reflected in the balance sheet (including, but not limited to, assets such as marketable securities and real estate with readily obtainable fair value) minus an amount calculated based on liabilities reflected in the balance sheet (excluding certain amounts such as reserve for price fluctuation and contingency reserve), each as calculated according to the method promulgated by the FSA and the Ministry of Finance. The FSA examines adjusted net assets to determine whether a company is functionally insolvent for the purposes of taking prompt corrective actions. If the amount of adjusted net assets is a negative amount, the Commissioner of the FSA deems such insurance company as being functionally insolvent and may suspend operations of such insurance company, irrespective of the solvency margin ratio. See "Regulation of the Japanese Life Insurance Industry — Insurance Business Act — Financial Regulation — Solvency Margin Ratio".

As of 31 March 2020, 2021 and 2022 and 30 September 2022, Asahi Life's non-consolidated adjusted net assets totalled ¥1,059 billion, ¥1,159 billion, ¥1,054 billion and ¥789 billion, respectively.

Economic Solvency Ratio (ESR)

Economic value-based solvency ratios measure the solvency of an insurance company based on the economic value and can be useful in assessing an insurance company's specific risk profile. The introduction of economic value-based solvency ratios has been widely discussed in the insurance industry and has been considered by various insurance regulators, including the FSA. The EU has already adopted a full-scale economic solvency-based regime, in the form of the EU Solvency II Directive (2009/138/EEC), which became effective on 1 January 2016.

Each Japanese life insurer, including Asahi Life and Nanairo Life, is developing an internal framework used to calculate its internal ESR on a voluntary basis to monitor its financial soundness and to supplement its solvency margin ratio, taking into account current proposals to adopt the Insurance Capital Standard ("ICS", which is a consolidated group-wide capital framework for internationally active insurance groups) and the conduct of field tests by the FSA in recent years to ascertain the preparedness of insurance companies and to identify practical issues and problems in the process of calculation of ESR.

Asahi Life and Nanairo Life have each been developing an ESR framework. As of 31 March 2021 and 2022, Asahi Life's non-consolidated ESR, which it has calculated for its internal management purposes only, was 214.1 per cent. and 235.7 per cent., respectively. As a basis of calculation of such ESR data, capital amount and integrated risk amount both based on economic value as of 31 March 2021 were ¥1,036.0 billion and ¥483.7 billion, respectively, and as of 31 March 2022 were ¥1,064.7 billion and ¥451.5 billion, respectively.

The FSA released its tentative conclusions and basic direction regarding the new ESR regulatory framework in its FSA ESR Document 2022, published in June 2022. This is in line with the basic principles in the ICS. Under the FSA ESR Document 2022, the FSA indicated that the new ESR framework will be finalised in due course with the aim of implementation in Japan by around 2025.

Asahi Life has disclosed ESR data in this Offering Circular, calculated for internal management purposes only, based on the framework developed by it. Asahi Life believes that the ESR framework developed by it to date is in line with the new framework indicated in the FSA ESR Document 2022. However, the FSA's new ESR framework has not been finalised and when finalised, there may be differences between the finalised ESR framework and the framework developed by Asahi Life, based on which the ESR data in this Offering Circular was calculated. As such, the ESR data in this Offering Circular should not be relied upon as being formulated on the FSA's ESR framework in its final implemented format. **Asahi Life cautions potential investors against placing undue reliance on such information in making any decision to purchase the Bonds.** See "Investment Considerations — As a Japanese insurance company, Asahi Life is subject to extensive oversight of its business practices and must maintain a solvency margin ratio at or above required levels".

In the FSA ESR Document 2022, the FSA tentatively concluded that the initial reporting period for ESR based on the new framework should be the end of March 2026. Even after the new solvency framework is introduced, it is considered appropriate to continue to require reporting at the end of the interim period as well as the end of the fiscal year. Further, the FSA ESR Document 2022 stated that the basic concept of the standard model in the new solvency framework will be that the basic structure should be common to the ICS, and that the structure will be modified to fit domestic insurance companies to a reasonable extent. The FSA also presented certain proposed guidelines on the treatment of individual items related to the economic value-based valuation approach in the FSA ESR Document 2022.

Capital Resources

Mutual life insurance companies, such as Asahi Life, draw on a broad range of resources for capital. Such resources include the capital on the balance sheet, including foundation funds, reserve for redemption of foundation funds and surplus as well as other items such as certain reserves and qualifying subordinated debt which, while accounted for as liabilities, function largely like capital. Furthermore, unrealised gains on assets also function as a source of capital for mutual life insurance companies.

Foundation Funds (Kikin)

Foundation funds serve as the primary source of capital for Japanese mutual companies. Unlike paid-in capital for joint stock corporations, however, foundation funds have a stated maturity and accrue interest payment obligations on a subordinated basis, making foundation funds similar to subordinated debt. If the principal amount of the foundation funds is repaid by insurance companies out of their net surplus, the repaid amounts are carried in the capital portion of the balance sheet as reserve for redemption of foundation funds.

On 1 August 2022, Asahi Life redeemed ¥40 billion of foundation funds, and as of 30 September 2022, the balance of foundation funds was ¥51 billion and the amount of reserve for redemption of foundation funds was ¥206 billion.

While Asahi Life has no current plans to do so, it may raise capital in the form of foundation funds (or obligations whose status is *pari passu* with foundation funds) in the future.

Other Capital Resources

Reserves and Qualifying Subordinated Debt. Certain items carried as liabilities on the balance sheet function largely as additional sources of capital for mutual life insurance companies. Asahi Life's contingency reserve provides Asahi Life with a buffer against losses that arise from unexpectedly high claims or unexpectedly low actual rates of return on investments due to unforeseen catastrophes or from poor market performance. Asahi Life's reserve for price fluctuation provides Asahi Life with a cushion for price fluctuations subject to market price volatility, particularly investments in stocks, bonds and foreign currency-denominated investments. Both contingency reserve and the reserve for price fluctuation contribute to Asahi Life's solvency margin. In the fiscal year ended 31 March 2022, Asahi Life kept aside ¥78 billion on consolidated basis as contingency reserve for the stabilisation of future earnings. In addition, as of 31 March 2020, 2021 and 2022 and 30 September 2022, Asahi Life had outstanding a total of ¥138 billion, ¥167 billion, ¥141 billion and ¥146 billion respectively, in qualifying subordinated debt which provides Asahi Life with another buffer against unexpected downturns. Through the issuance of subordinated bonds, set off to a certain extent by repayment of subordinated loans, Asahi Life's qualifying subordinated debt increased by ¥29 billion during the fiscal year ended 31 March 2021. During the fiscal year ended 31 March 2022, an increase of ¥15 billion in dated subordinated bonds was set off by decrease in perpetual subordinated bonds due to a redemption of approximately ¥40 billion, and the balance as of 31 March 2022 had decreased by approximately ¥25 billion, to ¥141 billion. During the six-month period ended 30 September 2022, Asahi Life obtained a dated subordinated loan in the amount of ¥5 billion. The following table sets forth the amounts of Asahi Life's contingency reserve, reserve for price fluctuation and qualifying subordinated debt on a consolidated basis as of the dates indicated:

	As of 31 March			As of 30 September
	2020	**2021**	**2022**	**2022**
		(millions of yen)		
Contingency reserve	¥ 51,782	¥ 62,448	¥ 78,125	¥ 62,679
Reserve for price fluctuation	43,230	45,680	48,210	49,470
Qualifying subordinated debt	138,095	167,173	141,424	146,424

Unrealised Gains on Assets. Unrealised gains on assets also function in certain respects as a capital resource for mutual life insurance companies. Asahi Life carries significant unrealised gains on securities, with which its capital base is cushioned against the impact of unexpected decline in asset values due to deterioration of the market condition. As of 31 March 2021 and 2022 and 30 September 2022, Asahi Life's non-consolidated unrealised gains on securities totalled ¥535.8 billion, ¥385.8 billion and ¥160.4 billion, respectively.

Policy Reserves

Pursuant to requirements under the Insurance Business Act, the minimum amount to be set aside as policy reserves is determined based on actuarial calculations performed in accordance with regulations. Asahi Life uses the net level premium method of calculation which assumes a constant amount of pure insurance premiums over the term of the relevant policy in calculating the amount of reserves required. The net level premium method does not allow policy acquisition costs, which are higher in the first year of the policy, to be offset against the amount of provision for policy reserves required. In addition to policy reserves related to expected future insurance claims and other payments, a contingency reserve is included in the policy reserves to account for the risk of insurance payment events occurring at a higher than expected rate and the risk of rates of return on investments of Asahi Life. See "Regulation of the Japanese Life Insurance Industry — Insurance Business Act — Financial Regulation — Policy reserves".

The following is a breakdown of Asahi Life's non-consolidated policy reserves by product line and contingency reserve as of the dates indicated:

	As of 31 March			As of 30 September
	2020	2021	2022	2022
	(millions of yen)			
Policy reserves by product line:				
Individual life insurance	¥2,811,086	¥2,807,781	¥2,790,446	¥2,777,507
Individual annuities	1,482,008	1,428,733	1,381,038	1,361,512
Group insurance	9,416	9,537	9,719	9,678
Group annuities	16,219	15,472	13,144	12,739
Others	97,483	95,399	92,829	90,644
Contingency reserve	51,782	62,448	77,889	62,009
Total policy reserves	¥4,467,997	¥4,419,372	¥4,365,068	¥4,314,092

Policyholder Dividends

As a general policy, each year Asahi Life pays dividends to its policyholders out of the year's unappropriated surplus in an amount that attempts to balance Asahi Life's goals of returning profits to policyholders and providing for the future financial health of Asahi Life. The Insurance Business Act currently requires mutual life insurance companies to make provision for reserve for policyholder dividends of at least 20 per cent. of a year's unappropriated surplus (adjusted for certain items such as interest payments of foundation funds), which will ultimately be paid out to policyholders as dividends. Asahi Life expects to continue to pay policyholder dividends at or above 20 per cent. in line with the Insurance Business Act.

Payments to the LIPPC

Asahi Life, like other Japanese life insurers, has been required to support policyholders of failed life insurance companies through payments to the LIPPC. The LIPPC was established pursuant to the Insurance Business Act in December 1998 to provide a new system for the protection of policyholders of failed life insurance companies.

The life insurance industry as a whole is required to accept funding commitments of an aggregate of up to ¥33 billion per year to the LIPPC. This funding obligation is allocated among all Japanese life insurance companies licensed under the Insurance Business Act (including Japanese branches of foreign insurance companies) based on amounts of insurance premiums and policy reserves. The allocation amounts are revised annually. Asahi Life made contributions of ¥0.6 billion, ¥0.5 billion and ¥0.5 billion to the LIPPC for the fiscal years ended 31 March 2020, 2021 and 2022, respectively. These contributions to the LIPPC were recognised as operating cost on the respective financial statement for the year when such payment was carried out. As of 31 March 2022, out of the maximum amount that the LIPPC is able to borrow from the member life insurance companies, the estimated amount to be allocated to Asahi Life's was ¥8.2 billion. This amount is treated as a commitment but does not appear on Asahi Life's balance sheet until actually contributed. See "— Regulation of the Japanese Life Insurance Industry — Insurance Business Act — Regulations for the Protection of Policyholders".

Employees' Retirement Benefit Plans

Asahi Life maintains non-contributory defined benefit plans covering the majority of its employees. Under these plans, qualified employees are entitled to lump-sum payments, annuity payments or both based on salary, length of service and reason for termination of employment. To determine the expected long-term rate of return on pension plan assets, Asahi Life takes into account the present and future allocation of pension plan assets, and the present and expected future long-term rate of return on the diverse range of assets that makes up the pension assets. Asahi Life's assumed long-term rate of return on plan assets was 0.8 per cent. for the fiscal year ended 31 March 2022.

Financial Strength Ratings

Asahi Life's ratings reflect each rating agency's opinion on Asahi Life's financial strength, operating performance and ability to meet its obligations to policyholders but are not evaluations directed towards the protection of holders of the Bonds. These ratings do not in any way reflect evaluations of the safety and security of the Bonds and are not a recommendation to buy, sell or hold securities. The ratings are subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Each of these ratings should be evaluated independently. Asahi Life's current insurer financial strength ratings are as follows:

Rating Agency	Issuer Rating	Rating Structure
Fitch..	A– (Stable Outlook)	Third highest of nine rating categories (labelled as "strong"), and lowest within the category based on modifiers (for example, A+, A and A– are within the same category). Fitch defines an A long-term international insurer financial strength ratings as denoting a low expectation of ceased or interrupted payments, indicating strong capacity to meet policyholder and contract obligations; this capacity may, nonetheless, be more vulnerable to changes in circumstances or in economic conditions than is the case of higher ratings.
R&I...	A– (Stable Outlook)	Third highest of nine rating categories, and lowest within the category based on modifiers (for example, A+, A and A– are within the same category). R&I defines an A insurance claims paying ability rating as high claims paying ability supported by a few excellent factors. Minus (-) sign appended indicates relative lower standing within each rating category. The minus signs are part of the rating symbols.
JCR...	BBB+ (Positive Outlook)	Fourth highest of eleven rating categories and highest within the category based on modifiers (for example, BBB+, BBB and BBB– are within the same category). JCR defines a BBB long-term issuer rating/ability to pay insurance claims rating as having an adequate level of certainty to honour financial obligations, although this certainty is more likely to diminish in the future than with the higher rating categories (with a plus sign indicating relatively higher standing within the category).

Risk Management

Risk Management Structure

Overview

The management environment surrounding life insurance companies in Japan is constantly changing. Against such background, Asahi Life believes it is very important to accurately ascertain various risks and to manage them appropriately and strictly, and thereby obtain stable profits, and through strengthening the financial health, to further increase corporate value. Asahi Life has placed risk management as one of the most important management issues in order to ensure its performance of its long-term obligations under its insurance policies, and is working to further improve and strengthen its risk management structure.

The Board of Directors of Asahi Life has established a "Basic Policy on Risk Management" as a corporate-wide policy with the aim of appropriate risk management towards achievement of its management objectives. Within the Basic Policy, Asahi Life identified the various types and location of risks faced by Asahi Life, and with respect to each risk, set down certain risk management methods and management structures. Further, in respect of each identified risk, Asahi Life has established policies, regulations and rules with respect thereto.

Each risk management division works to manage risk appropriately through regularly identifying and reporting on risks in accordance with the Basic Policy and other rules and regulations.

Further, as the risks which surround Asahi Life are not necessarily independent and one risk may affect another risk, the Risk Management Division of Asahi Life quantitatively and qualitatively monitors and manages risks of Asahi Life as a whole.

The status of risk management is reported to the Board of Directors and management meetings.

The appropriateness of the risk management system is audited by the Internal Audit Division of Asahi Life.

Asahi Life promotes ERM, in order to secure financial soundness and improve profitability through grasping the overall risks with respect to the business as a whole with a view to taking countermeasures based on the degree of importance of risks based on qualitative and quantitative risk evaluation. Own risk and solvency assessment has been implemented to evaluate management and capital risks. With respect to qualitative risk evaluation, control self-assessment has been promoted in each department. With respect to quantitative risk management, Asahi Life assesses the sufficiency of its own capital (surplus) through both financial accounting basis and economic value basis.

Risk Categorisation and Management

Insurance Underwriting Risk

Insurance underwriting risk is the risk that Asahi Life's assumptions in establishing insurance premiums, in particular, assumptions with respect to mortality and morbidity rates, rates of return on investments and administrative expenses related to policies, may differ from actual results. If the actual mortality and morbidity rates increase for a short-term period to above the rate assumptions used by Asahi Life in setting premiums, Asahi Life's payments of claims and other payments will also increase, and Asahi Life's earnings for such period may be lower than expected.

Asahi Life recognises the importance to its business and long-term results of managing insurance underwriting risk. Consequently, with regard to new product development, the Risk Management Division, independent from the relevant business division, tests the premium and other details proposed by the business divisions to make sure that the product has an appropriate premium level. With regard to existing products, the Risk Management Division performs a regular analysis of profitability of each product based on an analysis of incidence of contingencies. In particular, Asahi Life performs early monitoring in respect of incidence of contingencies in respect of new products (mostly third sector products). To the extent that the Risk Management Division finds risks being realised based on such monitoring, it works with the business divisions to take appropriate action.

In addition, Asahi Life has set risk management policies regarding reinsurance (such as the level of ratings of the reinsurer and the appropriate level of reinsurance based on the status of mortality and morbidity gains and losses), and the Risk Management Division, which is separate from the division managing reinsurance, regularly checks the compliance with such rules.

Liquidity Risk

Liquidity risk is the risk that Asahi Life may not have access to sufficient amounts of cash to meet its needs at any given time as well as loss arising from the disposal of assets at discounted prices in order to secure cash in a timely manner. A cash flow problem may arise due to a decline in insurance premiums, an increase in Asahi Life's obligation to return premium payments, or an outflow of cash due to a major event or catastrophe. Asahi Life manages liquidity risk by closely monitoring cash flows regularly, as well as maintaining above a certain level of liquidity assets such as securities, call loans and cash and deposits.

Asset Investment Risk

Market Risk. Market risk generally is the risk of loss resulting from changes in interest rates, stock prices and foreign exchange rates. Asahi Life quantifies its exposure to market risk with regard to securities by calculating its exposure to losses using the value-at-risk (VaR) method, and ascertains the amount of risk in a comprehensive manner; it has also set the maximum amount of the volume of risk to be taken, and monitors the volume regularly. In addition, through an analysis of the position and gains and losses in relation to securities and their sensitivity to market movements, Asahi Life is working to appropriately monitor market risk.

Credit Risk. Credit risk is the risk that Asahi Life may suffer loss as a result of decline in the value of its assets caused by the deterioration of financial conditions of the borrowers of loans and issuers of bonds made or held by Asahi Life or for other reasons. Asahi Life manages credit risk by assessing the credit risk of and assigning an internal credit rating to each of Asahi Life's borrowers, establishing a credit limit to avoid excessive credit concentration, and understanding the volume of risk through the VaR method, among others.

Real Estate Investment Risk. Real estate investment risk is the risk that Asahi Life's real estate related income may decrease due to a decline in rent, a decrease in number of tenants or other factors, or that real estate prices may generally decline due to market forces or any other reasons which may affect the value of Asahi Life's real estate holdings. Asahi Life manages real estate investment risk by monitoring on a periodic basis the investment yield, rental income, occupancy rate, unrealised loss or gain on investment and understanding the volume of risk through the VaR method.

Operational Risk

Operational risk includes administrative risk, systems risk, information leakage risk, legal risk, disaster risk and reputational risk.

Administrative Risk. Administrative risk is the risk that Asahi Life may suffer harm to its operations as a result of wilful default or accidental mistakes made in the course of its administrative processing. Asahi Life works to promote accurate processing and alleviate administrative risk through each administrative department's efforts to provide and update various rules and operational manuals and providing a thorough training of operational knowledge. Further, Asahi Life works to maintain and improve operational accuracy through measures such as imposing multi-layered checking by affected departments at times when operational matters are newly introduced or changed. Asahi Life manages administrative risk through monitoring of the risk management of each operational division as well as performing internal audits.

System Risk. System risk is the risk that Asahi Life may suffer harm to its operations, including the management of its policies, the investment of its assets and the maintenance of statistics, due to risks related to its IT systems. These risks include breakdowns, disasters, human errors, destruction, theft and illegal use.

As preventative measures, Asahi Life's system architecture, development and operational processes are regulated in accordance with its security policies. In addition, by clearly separating the functions of the development division and the operational division, Asahi Life works to make sure there are check-and-balance functions in operation. Asahi Life also regularly conducts external system audits, carried out by external professionals, in order to receive an objective assessment of its system risk management system.

Asahi Life also has established contingency plans with a view to minimising the damage caused by any disruption, including doubling up important equipment for the purposes of emergency response. Further, to prepare for interruptions in the IT systems following major disasters such as earthquakes, with regard to important systems, Asahi Life has established back-up systems at separate locations to enable systems to continue operating even in the face of disasters.

Information Leakage Risk. Information leakage risk is the risk that Asahi Life may suffer harm to its operations as a result of the leakage, loss, inappropriate usage and/or falsification of information held by Asahi Life. With a view to alleviating information leakage risk, Asahi Life has established a department for management of information assets, and manages information risk comprehensively (including the safe management of personal information of its customers). Asahi Life works to further strengthen the safe management of information through maintenance and improvement of various related rules applicable to information and providing a thorough training in respect thereof. By performing internal inspections within the business divisions as well as by performing audits by the Internal Audit Division, Asahi Life works to maintain the efficacy of management of information by each relevant division.

Legal Risk. Legal risk is the risk that Asahi Life may suffer harm to its operations as a result of breaching laws, regulations or contractual obligations, or not appropriately exercising rights conferred by laws, regulations or contracts. Asahi Life maintains its Legal Risk Management Regulations in order to appropriately manage legal risk within each relevant business division, while the Compliance Supervisory Department performs an integrated management of legal risk and supports the appropriate legal risk management of the business divisions.

Disaster Risk. Disaster risk is the risk that Asahi Life may suffer harm (tangible or intangible) due to its operations and employees falling victim to natural disasters (including earthquakes, tsunamis, typhoons, torrential rain and fires), man-made disasters (including terrorist attacks and wars) or epidemics (including influenza and COVID-19), as a result of which normal operations cannot be continued and/or the level of service provided becoming lower. Asahi Life has been making efforts to establish a business continuity management structure, including establishing business continuity plans to prepare for continuation of major operations such as payment of insurance in eventualities such as natural disasters and epidemics, at the same time as providing various training.

Reputational Risk. Reputational risk is the risk that Asahi Life may suffer harm (tangible or intangible) due to unintended adverse rumours about it circulating among its customers or the public through various media (including the Internet). Asahi Life maintains its Reputational Risk Management Regulations to clarify its risk management structure and the monitoring/reporting and handling of reputational risk issues with a view to promoting appropriate management of reputational risk, and based thereon, Asahi Life works to obtain information relating to reputational risk issues and through recognising and checking such information, works to prevent reputational risk issues from materialising or, if they have materialised, to make efforts to limit damage caused thereby.

BUSINESS

Overview

Asahi Life is one of the major domestic life insurance companies in Japan as measured by non-consolidated total assets as of 31 March 2022. Asahi Life's core business is life insurance for individuals in Japan, with a specific strategic focus on offering protection-type products, including medical and nursing care products which Asahi Life believes can provide stable profits despite market fluctuations. Asahi Life's principal product lines include modular life insurance product suites named "*Hoken-ou Plus*", a flexible life insurance product which allows customers to choose from a portfolio of insurance products to create a customised insurance plan, a similar flexible modular life insurance product designed specifically for women called "*Yasashisa Plus*", and a combined coverage product (medical and death protection insurance) with less underwriting requirement called "*Kanaeru Plus*" sold by sales representatives. Asahi Life also has strength in its nursing care insurance product line-up called "*Anshin-Kaigo*". "*Nanairo*" medical insurance products are provided by Nanairo Life, a wholly-owned subsidiary of Asahi Life which commenced operations in April 2021 and product sales in October 2021, focusing on the independent agency channel for individual customers. A lump-sum payment insurance for dementia and a lump-sum payment insurance for lifestyle-related diseases are sold exclusively online. Asahi Life also offers group medical insurance products.

Insurance and annuity product sales activities are primarily carried on by Asahi Life and Nanairo Life, with Asahi Life's other consolidated and non-consolidated subsidiaries providing ancillary and operational services such as asset management, investment advisory, software development, property management, and insurance consulting and insurance shops. Asahi Life's sales activities have centred primarily around life insurance products marketed through sales representatives, but in recent years, with the launch of Nanairo Life's operations, Asahi Life has been accelerating its multi-channel strategy by also focusing on sales through channels such as insurance shops, telemarketing and tax accountants; further, with the expectation that digital channels will become increasingly important, Asahi Life has begun expanding its offering of insurance products sold exclusively through the Internet.

History

Asahi Life was established in 1888 as the second modern life insurance company in Japan under the name Teikoku Life Insurance Company (*Teikoku Seimei Hoken Kabushiki Gaisha*), and in 1902 commenced sales of then-innovative with-profits insurance. Asahi Life became a mutual company and changed its name to Asahi Mutual Life Insurance Company (*Asahi Seimei Hoken Sogo Gaisha*) in 1947.

In 1948, Asahi Life commenced offering group monthly premium insurance policies ahead of the industry, and in the next year, commenced offering family monthly premium insurance policies. In 1960, Asahi Life established the Asahi Life Foundation Institute for Adult Diseases, and in 1985 established the Asahi Life Diabetes Research Institute. In 1991, Asahi Life began distributing a mobile PC *"Handy-Ai"* to its sales representatives to handle customer requests swiftly. In 2001, Asahi Life commenced offering its innovative insurance product *"Hoken-ou"* which allows policyholders to pick and choose between insurance products to create a flexible plan, which was further developed to the current *"Hoken-ou Plus"* product which it commenced offering in 2010.

The mid-term management plan announced in 2003 implemented "change of business portfolio and radical transformation of profit structure to improve fundamental profit and fundamental profit ratio" and sought to resolve towards improved customer satisfaction and profitability. The initiatives taken under the plan, which Asahi Life believes were in advance of trends in the domestic traditional life insurance industry, included a shift in the product offering focus to third sector products and protection-type products due to their potential profitability, and the introduction of profitability-based targets for sales representatives, at the same time as abolishing (being the first among major domestic insurance companies to do so) performance measurement based on insurance amounts in force but moving towards performance measurement based on premiums, which is linked to income. With such focus Asahi Life created the basis of its competitive strength today.

Having entered the nursing care insurance market in 2003, Asahi Life commenced sales of nursing care insurance covering dementia in 2016, and became the first Japanese insurance company to commence selling nursing care insurance designed to provide lump-sum payments upon being certified as "requiring elderly support" Level 2 under the national long-term care insurance system (which is a stage that requires a lighter level of elderly support than being certified as "requiring nursing care" in the national long-term care insurance system) in 2018, and commenced offering nursing care insurance products for protecting against mild cognitive impairment ("MCI") (a stage prior to dementia) in 2020.

With a view to further expanding its distribution channels, Asahi Life commenced its telemarketing business in 2010. Further, Asahi Life commenced sales of its products through insurance shops in 2011, and in 2013 started to offer insurance products specifically tailored for sales through insurance agents, such as its *"Smile"* series of products.

Asahi Life acquired the issued shares of F.L.P, which runs the "Insurance Consultation Salon FLP" insurance shop chain, in 2018. In January 2021, Asahi Life acquired the issued shares of NHS Insurance Group Inc., an independent agency which provides telemarketing and insurance consulting services and which is the holding company of four insurance agencies operating a "hybrid" sales model combining telemarketing and visits to customers (NHS Inc., Sokisha Inc., FEA Inc. and Life Navi Partners Inc.).

With the aim of progressing its digital innovation strategy, Asahi Life established "ASAHI DIGITAL INNOVATION LAB", as a base for generating added value towards the creation of the next generation insurance business, in 2020. The efforts made by the LAB helped Asahi Life win the Digital Transformation Certification from the Ministry of Economy, Trade and Industry of Japan in March 2021.

Nanairo Life (a wholly-owned subsidiary of Asahi Life), a newly established insurance company catering to independent agencies, commenced operations in April 2021 and product sales in October 2021. Asahi Life believes that this could make nimbler product development around third sector products possible to enable it to swiftly adapt to market needs.

Strengths and Strategy

Review of the previous mid-term management plan

During the three fiscal years ended 31 March 2021 (the period during which the previous mid-term management plan "TRY NEXT" applied), Asahi Life saw growth in new policies through an increase in sales representative headcount and growth of independent agency channels. The below table sets out certain operational indicators under the "TRY NEXT" which Asahi Life achieved:

	As of 31 March			
	2018	**2019**	**2020**	**2021**
	(thousands of clients and insurances, billions of yen)			
Number of clients (individuals)	2,518	2,536	2,562	2,602
Number of clients (corporates)	39	42	41	41
Annualised net premium of protection-type products (in-force) (total)(1)	¥321.2	¥339.7	¥339.9	¥340.7
Annualised net premium of protection-type products (in-force) (individuals)(1)	¥273.2	¥274.0	¥277.2	¥280.9
New business volume (number of nursing care insurance)	96	100	101	99

Note:
(1) Including insurance products for management personnel with surrender benefits ("*Grand Stage*" and "*Prime Stage*").

Although some of the management strategic goals were not achieved due principally to the decrease in sales of insurance for management personnel, Asahi Life made progress in the direction it aimed for as a whole.

Asahi Life expects large-scale and rapid-acting changes to affect the business environment in the years ahead as Japan's super-aged society takes root, society undergoes rapid digitalisation, and initiatives are put into action to achieve a sustainable society. As a life insurance company, Asahi Life's business operations themselves are deeply important and constitute a social responsibility. Asahi Life's universal mission as a company is to contribute to the achievement of a sustainable society through its core businesses, life insurance and investment. Above all, as people's medical expenses and nursing-care burden become a serious social problem in Japan's super-aged society, Asahi Life believes that it is important to support the self-help efforts of its customers in this era of the 100-year lifespan and to contribute to addressing the problems in a society of health and longevity by providing the medical and nursing care insurance products and services in which Asahi Life has strength, as well as by providing value in the healthcare sector, such as prevention of the worsening of diseases.

2021 Mid-Term Management Plan

Based on the above recognition, in April 2021, Asahi Life established its mid-term management plan, "Advance: The road to 2030" (the "2021 Mid-Term Management Plan"), covering the three fiscal years ending 31 March 2024, that lays out a growth trajectory towards 2030 "aiming to be a company that contributes to resolving social issues and continues to support customers' 'life' through its life insurance business in this era of the 100-year lifespan". The mid-term management plan focuses on three strategies: the "Third-sector (Products/ Services) Strategy", the "Channel Strategy", and the "Investment Strategy". In addition, Asahi Life expects that there will be two growth drivers to support these three strategies: the "DX Strategy" and the "Human Resource Strategy". Through these strategies, Asahi Life will work to push forward its initiatives currently underway and create new areas of growth.

Strengths

Asahi Life believes that its main competitive strengths include the following:

Stable Business Model

Asahi Life is a mutual life insurance company, where its policyholders own the company, with a distinctive market position supported by stable customer base and sales representative based distribution. As of 30 September 2022, Asahi Life and Nanairo Life, on a combined basis, had 2.70 million individual clients, and 14,308 sales representatives.

Asahi Life has a conservative operating culture which focuses on profitability and stability rather than pursuit of size. Asahi Life has been strategically shifting away from some lower returning products such as group annuities and single premium saving type products but instead focusing on offering products with higher profitability. Also, Asahi Life has been enhancing its financial soundness through accumulation of surplus and recapitalisation measures.

Although Asahi Life has been suffering from negative spreads from legacy insurance policies and annuities with higher guaranteed yields, mostly from the products written in late 1980s to early 1990s, Asahi Life has managed to turn around the business through a gradual shift of product mix focusing on protection-type products that include medical and nursing care products, and a conservative investment portfolio that focuses on fixed income investments while curbing investments in risk assets such as equities.

Focused Products and Distribution

Asahi Life has shifted its product offering focus to protection-type, considering its high profitability nature and investment risk under a low declining interest rate environment. There has been a growing focus on protection-type products reflecting the continuing demographic and economic changes in Japan (declining number of births, rapidly aging population and rising social security concerns), and Asahi Life is well placed to take advantage of any growth in the domestic market for such products.

In 2003, prior to the prolonged ultra-low and negative interest rate environment, Asahi Life made a decision to shift its product offering focus to protection-type products and has been launching various protection-type products as part of the contents of *"Hoken-ou",* Asahi Life's principal product line. In terms of product development, Asahi Life finely segments the customer by factors such as gender, age, marital status and whether or not he/she has children. For those segments with growth potential in life insurance demand, Asahi Life analyses the lifestyle to capture customer needs.

While various healthcare needs are rising amid the super-ageing society in Japan, Asahi Life aims to provide new products and services, such as products supporting early treatment of illnesses and prevention of lifestyle-related diseases from becoming conditions requiring long-term care by applying information technology.

Furthermore, since April 2018, Asahi Life has been conducting "joint research for prevention of lifestyle-related diseases and aggravation" with the University of Tokyo through analysis of medical big data and utilisation of ICT. By utilising results of the joint research, Asahi Life aims to develop new insurance business that may lead to promotion of customers' health and improvement of quality of life. Based on the results of the joint research on risk assessment of lifestyle-related diseases leading to the need for nursing care, Asahi Life started providing "*Kanaeru nursing care annuity*", a product that has less underwriting requirements, in October 2021.

Like most of the traditional Japanese life insurance companies, Asahi Life's primary distribution channel is its in-house sales representative channel, totalling 14,308 as of 30 September 2022. Although Asahi Life continuously strengthens its core sales representative distribution channel, it also has been successful in expanding its independent agency channels targeting individuals to promote multi-channel strategy; going forward, with the expectation that digital channels will become increasingly important, Asahi Life has begun offering certain insurance products sold exclusively online in October 2020, and intends to expand its usage of the Internet channel over time.

Launch of Nanairo Life

Asahi Life established Nanairo Life in April 2021 by splitting out its agency channel business targeting individuals to Nanairo Life, and Nanairo Life started sales of life insurance products in October 2021. Nanairo Life intends to strengthen product and service development and improve mobility. It also intends to respond accurately and flexibly to diversifying needs of customers by providing third sector products, such as medical insurance, through independent agencies and direct marketing.

Stable Financial Performance

Despite the impact of negative spreads (which, on a non-consolidated basis, amounted to ¥57.7 billion, ¥54.6 billion, ¥48.3 billion, ¥33.9 billion and (on a combined basis for Asahi Life and Nanairo Life) ¥28.6 billion for the fiscal years ended on 31 March 2018, 2019, 2020, 2021 and 2022, respectively), Asahi Life has maintained relatively stable fundamental profit over the past five years due to robust mortality and morbidity gains. The fundamental profit, on a non-consolidated basis, for the fiscal years ended 31 March 2018, 2019, 2020, 2021 and 2022 were ¥30.1 billion, ¥24.2 billion, ¥29.6 billion, ¥46.5 billon and (on a combined basis for Asahi Life and Nanairo Life) ¥44.8 billion, respectively, based on the old fundamental profit calculation method. The mortality and morbidity gains, on a non-consolidated basis, for the fiscal years ended 31 March 2018, 2019, 2020, 2021 and 2022 were ¥84.2 billion, ¥79.1 billion, ¥78.3 billion, ¥83.6 billon and (on a combined basis for Asahi Life and Nanairo Life) ¥79.7 billion, respectively.

Asahi Life has been prudently preparing strategies to continue expanding its business and strengthening its financial stability despite the prolonged ultra-low and negative interest rate environment. In terms of products and distribution, as mentioned in the previous section, Asahi Life has been focusing on protection-type products that are more profitable and less sensitive to interest rates than savings-type products and also continues enhancing its alternative channels in addition to the sales representative channel. Furthermore, due to the prolonged ultra-low and negative interest rate environment in Japan, Asahi Life has suspended the sales of single premium whole life insurance products as well as single premium fixed income annuity products in April 2016, and suspended the sales of level premium fixed income annuity products in October 2016. Also, in order to improve investment yields, Asahi Life has gradually shifted its investment portfolio into stable but higher yielding asset classes such as foreign currency-denominated assets and alternative assets over the last several years.

Conservative Investment Portfolio

Asahi Life has been strategically building a conservative investment portfolio by maintaining a low proportion of domestic stocks investments while continuing to maintain a high proportion of relatively less risky domestic fixed income assets. The proportion of domestic bonds in Asahi Life's general account investment portfolio (non-consolidated) was nearly 50 per cent. as of 31 March 2022.

Furthermore, most of Asahi Life's fixed income portfolio consists of above A rated (A, AA and AAA (or equivalent); on the basis of bond ratings by Fitch where available and using the lowest available rating for bonds which have no Fitch ratings) instruments both in domestic bonds and foreign bonds which makes Asahi Life's investments resilient to the volatile market environments.

Improved Financial Soundness

With management's dedicated turnaround efforts, such as accumulation of retained earnings and managing risks by maintaining a low proportion of high-risk assets, as well as international subordinated bonds offerings in January 2017, September 2018 and January 2021 and a domestic subordinated bonds offering in February 2022, Asahi Life has strengthened its capital structure over the years. As a result, Asahi Life achieved solvency margin ratio on a consolidated and non-consolidated basis of 876.3 per cent. and 836.6 per cent., respectively, as of 30 September 2022, each of which exceeds the regulatory minimum threshold of 200 per cent. Asahi Life has made continued efforts to reduce financial leverage through capital accumulation and refinancing with higher quality capital, and as a result, Asahi Life has been reducing its financial leverage ratio (FLR) on a non-consolidated basis continuously in recent periods, from 34 per cent. as of 31 March 2018 to 29 per cent., 28 per cent., 23 per cent. and 23 per cent. as of 31 March 2019, 2020, 2021 and 2022, respectively. As defined by Fitch, the FLR focuses on debt that finances long term capital or supports liquidity. The primary FLR used by Fitch is the adjusted debt to capital ratio, which is defined as the sum of debt (which excludes match-funded debt such as repos, securitisations or other identifiable or traceable pools of financial assets held against specified liabilities) and debt portion of hybrids (debt portion after consideration of equity credit, typically at stated book values) divided by the sum of equity capital, debt and total hybrids (both debt and equity credit components). For the information on Asahi Life's ESR data, see "Recent Business — Supplemental Financial Measures — Economic Solvency Ratio (ESR)".

The improved capital and leverage structure has helped Asahi Life to achieve an upgrade on the outlook to its insurer financial strength rating from Fitch, from BBB+ (Stable Outlook) in November 2019 to BBB+ (Positive Outlook) in November 2021 and an upgrade on its insurer financial strength rating to A– (Stable Outlook) in August 2022. Asahi Life also achieved an upgrade to its insurance claims paying ability from R&I, from BBB (Positive Outlook) in December 2020 to BBB+ (Positive Outlook) in December 2021 and an upgrade to A– (Stable Outlook) in December 2022. Asahi Life gained an upgrade to its long-term issuer rating and ability to pay insurance claims rating from JCR from BBB (Positive Outlook) in February 2020 to BBB+ (Stable Outlook) in March 2021, and an upgrade on the outlook from Stable to Positive in March 2022.

Strategy

Asahi Life's main strategic initiatives for the three fiscal years from April 2021 to March 2024 under the 2021 Mid-Term Management Plan are positioned to pave the way for growth towards 2030 and are intended to develop as follows:

Third-sector (Products/Services) Strategy

Focus on Medical Insurance and Nursing Care Insurance

In 2003, Asahi Life began a full-scale implementation of initiatives focused on third-sector products such as medical and nursing care insurance, developing advanced insurance products and services such as "*Anshin Kaigo*", the first insurance product to ever win the Good Design Award. Asahi Life worked to further expand its nursing care insurance product line-up. In April 2020, Asahi Life launched a nursing care insurance product for mild cognitive impairment, and in October 2020, launched the lump-sum payment insurance for dementia which allows for application to be conducted over the Internet.

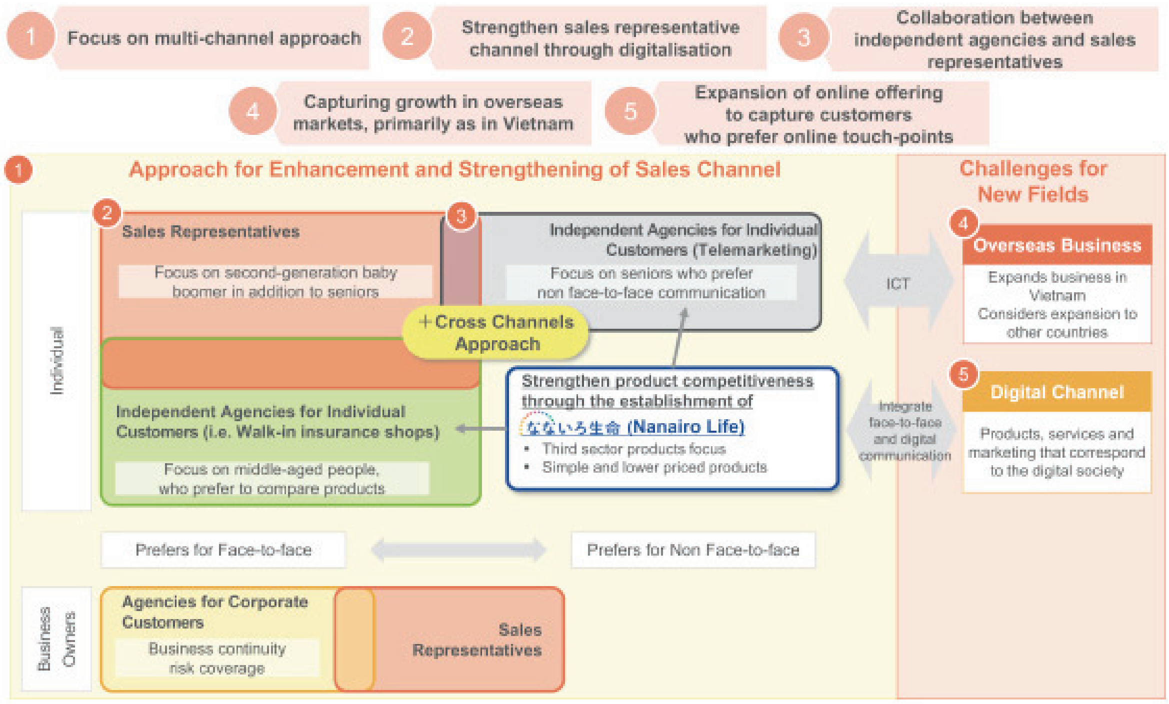
Under the 2021 Mid-Term Management Plan, Asahi Life aims to continue focusing on the third-sector insurance market, especially the medical, lifestyle-related disease and nursing care/dementia sectors in which Asahi Life has strength. Asahi Life aims to establish a market presence as "the go-to company for nursing care insurance" by offering new products and services that can meet a broader range of customers' needs and thereby address the increasingly severe issues faced by people in relation to nursing care.

Providing New Value in the Healthcare Sector

As Japan's super-aged society takes root, there is a growing need for insurance coverage in the healthcare sector. By providing differentiated products and services such as support for the early treatment of diseases and prevention of the worsening of lifestyle-related diseases to a state requiring nursing care, Asahi Life intends to perform a complementary role to the social security system in Japan's super-aged society.

Channel Strategy

The following chart illustrates Asahi Life's channel strategy:



Building a Strong Sales Representative Structure

Sales representatives comprise Asahi Life's primary sales channel. The COVID-19 pandemic created a sudden need for non-face-to-face communication with its customers, and Asahi Life intends to continue pushing its sales activities to evolve by incorporating digital technology into its speciality of "face-to-face consultation that only humans can offer". Furthermore, Asahi Life intends to build a strong sales representative structure by working to improve its training systems for such staff.

Promotion of Multi-channel Strategy

In terms of independent agency channels for individual customers, Nanairo Life, a newly established subsidiary of Asahi Life which sells products through independent agency channels, is working to strengthen its product development capabilities and enhance its sales channels in order to further grow its market share. Additionally, in order to address rapidly growing needs for digital solutions, Asahi Life intends to further develop digital channels, in which it sells its products through the Internet. Further, Asahi Life intends to promote data-driven marketing that analyses and utilises customers' data to provide products and services suited to customer needs.

Expansion of Overseas Business

As a countermeasure against a shrinking domestic market in the future, Asahi Life has worked to expand its business in the growing Southeast Asian market and establish an overseas business model through measures such as providing its sales expertise on telemarketing for medical insurance and other products, as well as promoting consultation on utilising the Internet, to Vietnamese insurance companies which are in partnership with Asahi Life. Moving ahead, Asahi Life intends to continue to expand its insurance business in Vietnam and study possibilities for further expansion, primarily in Asia.

Investment Strategy

Asahi Life focuses on stable investments and intends to maintain an investment portfolio predominantly composed of interest-bearing yen assets while carefully and timely making new foreign currency-denominated investments during periods of interest rate increases. Asahi Life aims to achieve favourable returns by reducing risk through the diversification of its investment assets, leading to resilient investment performance.

While recent months have seen a rise in interest rates worldwide, a difficult investment environment is expected to continue. In order to ensure sustainable investment income, Asahi Life intends to aim to diversify the range of asset classes in which it invests to mitigate investment risk. Additionally, Asahi Life intends to contribute to the achievement of a sustainable society through ESG (environment, social, governance) investment, thereby reducing investment risk and creating new opportunities to make profit. Further, Asahi Life also intends to shift to an economic value-based portfolio in preparation for the implementation of economic value-based solvency regulations currently expected in 2025.

DX (Digital Transformation) Strategy

To adapt to rapid progress of digitalisation and diversifying customer needs, Asahi Life intends to implement digital transformation ("DX") and provide added value in the form of an improved customer experience. In order to improve customer experience, Asahi Life will work to transform its systems infrastructure to promote DX, as well as engage in reforms to sales channels, products and services, and business operations.

Human Resources Strategy

In order to promote the vigorous personnel activity that is at the core of all of Asahi Life's businesses, Asahi Life will focus on "developing human resources who continue to endeavour", "restructuring its human resources portfolio", and "penetrating work style reforms" by ensuring that every staff member follows three behavioural guidelines: "Challenging yourself", "Career self-reliance", and "Improving productivity".

Products

Asahi Life and Nanairo Life offer a variety of individual life insurance products, with a focus on protection-type products including medical and nursing care products, aimed at serving its customers' financial needs, and continually reviews, updates and expands its product offerings to respond to the needs of its customers while maintaining its focus on individual life insurance.

Asahi Life offers participating, semi-participating and non-participating policies. In the case of individual participating and semi-participating insurance policies, policyholders typically receive the policyholder dividend in the form of a reserve which can be withdrawn, although the policyholder may also elect to apply the dividend to increase coverage or offset the dividend amount against premiums payable. Asahi Life may pay a terminal dividend, depending on the product, in addition to regular policyholder dividends.

Individual Life Insurance

Individual life insurance is the main product line of Asahi Life and Nanairo Life, and accounted for 78.6 per cent. of the total policy amount of Asahi Life and Nanairo Life in force as of 31 March 2022. Premiums from individual life insurance constituted 87.6 per cent. of total insurance premiums for the fiscal year ended 31 March 2022.

The following table sets forth the number of policies and annualised net premiums of new and existing individual life insurance as of and for the fiscal years ended 31 March 2020, 2021 and 2022 and as of and for the six-month period ended 30 September 2022:

	As of and for the fiscal year ended 31 March						As of and for the six-month period ended 30 September 2022(1)	
	2020		2021		2022(1)			
	Number of policies	Annualised net premiums	Number of policies	Annualised net premiums	Number of policies	Annualised net premiums	Number of policies	Annualised net premiums
	(number of policies and millions of yen)							
New policies	741,510	¥ 25,326	752,280	¥ 25,392	782,743	¥ 27,105	436,973	¥ 16,772
Policies in force	7,269,475	391,613	7,349,585	388,933	7,429,899	386,712	7,498,660	388,026

Note:
(1) Combined basis for Asahi Life and Nanairo Life.

Asahi Life's principal individual life insurance products, which are primarily offered through the sales representative channel, are described below.

Combination-type flexible life insurance policy with modular product suite

Asahi Life's main products for individual life insurance are modular life insurance product suites named *"Hoken-ou Plus"* targeting male customers and "*Yasashisa Plus*" targeting female customers, each of which allows customers to choose from a portfolio of insurance products to create a customised insurance plan. The insurance products available encompass a wide range of policy coverage offered by Asahi Life, including medical insurance, nursing care insurance, term-life insurance, whole life insurance and income protection insurance (covering income loss caused by disability) and savings-type insurance. As a sub-product of the "*Hoken-ou Plus*" and *"Yasashisa Plus"* products, Asahi Life also offers the "*Kanaeru Plus*" flexible product to customers with a history of past ill health who may otherwise find it difficult to purchase the regular *"Hoken-ou Plus*" or *"Yasashisa Plus"* products.

Medical insurance modules available in *"Hoken-ou Plus"* and *"Yasashisa Plus"* include products that cover hospitalisation and surgery, as well as products such as cancer insurance and insurance to cover the seven major diseases. In October 2022, Asahi Life launched the *"Ryoyo-Support"*, which provides protection for a reduction in income suffered during the recuperation period before and after discharge from hospital.

The nursing care insurance modules available in *"Hoken-ou Plus"* and *"Yasashisa Plus"* include the *"Anshin Kaigo"* series of nursing care insurance which is linked with the public long-term care insurance system and which can provide a lump-sum payment or an annuity upon being certified under the public system as requiring a certain level of nursing care or elderly support. Asahi Life's "*Anshin Kaigo*" nursing care insurance is the first insurance product to ever win the Good Design Award from Japan Institute of Design Promotion in 2013. Asahi Life has been expanding its line-up of these products, having started offering nursing care insurance designed to provide lump-sum payments upon being certified as "requiring elderly support" Level 2 under the national long-term care insurance system (which is a stage that requires a lighter level of elderly support than being certified as "requiring nursing care" in the national long-term care insurance system) in October 2018, the first among the Japanese life insurance industry; and in April 2020 Asahi Life started offering nursing care insurance products (offering lump-sum payment) for protecting against MCI. In October 2021, Asahi Life launched the "*Kanaeru Nursing Care Annuity*", a nursing care annuity that can be purchased by those who had been considered difficult to take out nursing care insurance due to health reasons. Asahi Life also offers various nursing care-related services such as "Dementia Prevention Services", which are services aimed at early prevention and early detection of MCI and dementia including providing education and information about dementia and nursing care, and offering apps such as the "*Active Brain Club*" "brain training" app in conjunction with NeU Corporation (a brain science technology company).

Products sold through independent agency channels targeting individuals

Through the independent agency channels targeting individuals, Nanairo Life offers the "*Nanairo*" series of medical insurance. The "*Nanairo*" series comprises of "*Nanairo cancer lump-sum payment insurance*", which provides a wide cover for cancer with lump-sum payment, "*Nanairo cancer treatment insurance Kiwami*" which covers cancer with payment indexed with reimbursement points, "*Nanairo Seven*" which offers lump-sum payment protection for the seven major diseases, "*Nanairo Medical Ishizue*" which covers hospitalisation and doctor's visit with lump-sum payment, and "*Nanairo Medical Super Wide*" which offers protection from hospitalisation, medical operation, radiotherapy and advanced medical care for customers who may have had a history of illness.

Digital marketing products

Asahi Life is working to further develop simple and easy-to-understand products that it sells through the Internet channel. In October 2020, it began sales of a lump-sum payment insurance for dementia and a lump-sum payment insurance for lifestyle-related diseases, available exclusively from the Internet, on its own website. In addition, Asahi Life is collaborating with companies in other industries to promote sales via their websites.

Other individual life insurance products

Asahi Life also offers the "*Futsu Teiki Hoken*", a term insurance product, which customers may extend up to the age of 80 without medical examination or notification, and to which customers may add various riders, including accidental death, accidental disability, disaster hospitalisation, hospitalisation (with medical operation insurance benefit), living needs (for instances where life expectancy was declared to be less than six months), and specified alternative claimant.

The "*Ekubo*" and the "*Yu Me*" insurance products targeted at juveniles are offered by Asahi Life which incorporate educational insurance whereby educational funds are paid out at various specified stages of the child's growth, and includes payment of endowment on maturity, and exemption from premium payments in the event of death or severe disability of the policyholder; the "*Ekubo*" product additionally offers an endowment pension for a certain period. The product also allows for various medical insurance riders to be added.

Management personnel products

In terms of products targeting corporations and groups, Asahi Life offers individual life insurance products with corporations/groups as policyholders, including the "*Hoken-ou Plus/Yasashisa Plus (Management Plan)*" flexible life insurance products, the "*Grand Stage*" and "*Prestige*" series of term insurance products, the "*Anshin Kaigo (Management Plan)*" nursing-care insurance product and the "*Lifestyle-related Disease (Management Plan)*" medical insurance product, each tailored for management personnel.

Due to changes in Japanese tax laws in June 2019, the tax benefits available to corporate customers when taking out life insurance for its management personnel (whereby a proportion of the premiums could be treated as expenses for corporate tax purposes) has greatly diminished. In February 2019, Asahi Life temporarily suspended sales of "*Grand Stage*" and "*Prestige*", insurance products for management personnel with surrender benefits, after the Japanese National Tax Agency commenced considering the review of tax treatment. Asahi Life also suspended sales of its "*Prime Stage*", a nursing care insurance with surrender benefits targeting management personnel. In August 2019, Asahi Life resumed its sales of "*Grand Stage*" and "*Prestige*", but sales have remained low. In April 2022, Asahi Life started offering "*Twin Stage*", an insurance product focusing on protection for death and nursing care of management personnel. There are two types of "*Twin Stage*" products: one with surrender benefits and the other without surrender benefits.

Individual Annuities

Asahi Life's outstanding individual annuities policy amount as of 31 March 2022 was ¥1,938 billion, which accounted for 12.4 per cent. of Asahi Life's total policy amount in force as of the same date. Premiums from individual annuities constituted 7.5 per cent. of total insurance premiums for the fiscal year ended 31 March 2022.

Deposits made into these contracts are allocated to the general account managed by Asahi Life, and Asahi Life bears the risk that investments in the general account do not meet the assumed rates of return, and a lump sum benefit is paid upon the death of the insured prior to commencement of annuity payments.

Asahi Life has suspended the sales of single premium fixed income annuity products in April 2016, and also suspended the sales of level premium fixed income annuity products in October 2016.

The following table sets forth the number of policies and annualised net premiums of new and existing individual annuities as of and for the fiscal years ended 31 March 2020, 2021 and 2022 and as of and for the six-month period ended 30 September 2022:

	As of and for the fiscal year ended 31 March						As of and for the six-month period ended 30 September 2022	
	2020		2021		2022			
	Number of policies	Annualised net premiums	Number of policies	Annualised net premiums	Number of policies	Annualised net premiums	Number of policies	Annualised net premiums
	(number of policies and millions of yen)							
New policies	—	¥ (304)	—	¥ (197)	—	¥ (98)	—	¥ (40)
Policies in force	531,820	139,130	506,625	132,272	479,214	124,224	466,358	120,464

Breakdown of Individual Life Insurance and Individual Annuities by Product Type

The following table sets forth the annualised net premiums of new and existing individual life insurance and individual annuities (i) in respect of Asahi Life as of and for the fiscal years ended 31 March 2020 and 2021 and as of and for the six-month periods ended 30 September 2020 and 2021, and (ii) on a combined basis for Asahi Life and Nanairo Life as of and for the fiscal year ended 31 March 2022 and as of and for the six-month period ended 30 September 2022. Of the annualised net premiums of new individual life insurance and individual annuities for the fiscal year ended 31 March 2022, 85.7 per cent. comprised third sector insurance products such as medical insurance and nursing care insurance. Of the annualised net premiums of individual life insurance and individual annuities in force as of 31 March 2022, 44.6 per cent. comprised third sector insurance products such as medical insurance and nursing care insurance. On a non-consolidated basis, of the annualised net premiums of individual life insurance and individual annuities in force as of 31 March 2022, 44.2 per cent. comprised third sector insurance products such as medical insurance and nursing care insurance.

	As of and for the fiscal year ended 31 March		
	2020	**2021**	**2022**
		(billions of yen)	
Annualised net premium from new policies by type of product:			
Third-sector products:			
Medical	¥ 18.2	¥ 18.7	¥ 19.9
Nursing care	2.4	2.2	3.1
Total third-sector products	20.7	20.9	23.1
Death protection[1]	3.2	3.3	3.3
Individual annuities[1]	(0.2)	(0.1)	(0.0)
Others[1]	1.3	1.0	0.6
Total	¥ 25.0	¥ 25.1	¥ 27.0
Annualised net premium from policies in force by type of product:			
Third-sector products:			
Medical	¥ 179.7	¥ 186.2	¥ 192.4
Nursing care	36.0	35.1	35.2
Total third-sector products	215.7	221.4	227.7
Death protection[1]	121.8	116.0	110.2
Individual annuities[1]	138.2	131.4	123.5
Others[1]	54.9	52.2	49.4
Total	¥ 530.7	¥ 521.2	¥ 510.9

Note:
(1) Excluding third-sector product riders.

	As of and for the six-month period ended 30 September		
	2020	**2021**	**2022**
		(billions of yen)	
Annualised net premium from new policies by type of product:			
Third-sector products:			
Medical	¥ 8.2	¥ 9.7	¥ 13.3
Nursing care	0.9	1.5	1.4
Total third-sector products	9.1	11.2	14.7
Death protection[1]	1.4	1.6	1.6
Individual annuities[1]	(0.0)	(0.0)	(0.0)
Others[1]	0.4	0.3	0.3
Total	¥ 11.0	¥ 13.2	¥ 16.7
Annualised net premium from policies in force by type of product:			
Third-sector products:			
Medical	¥ 182.2	¥ 189.1	¥ 198.3
Nursing care	35.3	35.2	35.0
Total third-sector products	217.6	224.3	233.3
Death protection[1]	118.6	112.8	107.0
Individual annuities[1]	135.4	128.0	119.8
Others[1]	53.5	50.8	48.2
Total	¥ 525.3	¥ 516.0	¥ 508.4

Note:
(1) Excluding third-sector product riders.

Group Insurance

Asahi Life also offers, to a smaller extent than individual life insurance, certain group term and medical products. Group insurance and group annuity accounted for 8.9 per cent. and 0.1 per cent., respectively, of Asahi Life’s total policy amount in force as of 31 March 2022.

Group term life insurance is similar to individual life insurance offered, but only one application is processed on behalf of the many individuals covered under the policy. Asahi Life's group insurance policy product *"Asahi's New Group Insurance"* is offered on a one-year renewable basis, and pays no dividends (thereby enabling lower premiums). Asahi Life also offers group term life insurance plans with dividends, the group medical insurance product *"Simple Medical"* specialising in hospitalisation protection (with cancer and advanced medical care riders) and a variety of other group insurance products.

The following table sets forth the number and policy amounts in force of the group insurance and group annuity as of 31 March 2020, 2021 and 2022 and 30 September 2022:

	As of 31 March						As of 30 September	
	2020		2021		2022		2022	
	Number of insured	Policy amount	Number of insured	Policy amount	Number of insured	Policy amount	Number of insured	Policy amount
	(number of insured and millions of yen)							
Group insurance	2,374,114	¥1,453,627	2,422,460	¥1,447,598	3,274,989	¥1,403,460	3,299,027	¥1,412,789
Group annuity	228,492	16,219	224,859	15,472	219,925	13,144	220,378	12,739

Breakdown of Protection-Type Products by Distribution Channel

Asahi Life focuses its product offering on protection-type products, being death protection insurance and third sector insurance products such as medical insurance, nursing care insurance and non-participating group medical insurance sold through the agency channel, but excludes savings-type insurance products and insurance products for management personnel with surrender benefits ("*Grand Stage*", "*Prime Stage*" and "*Twin Stage*" with surrender benefits).

The following table sets forth certain information on annualised net premium of protection-type products (excluding "*Grand Stage*", "*Prime Stage*" and "*Twin Stage*" with surrender benefits) of Asahi Life and Nanairo Life (presented on a combined basis, as indicated):

	As of and for the fiscal year ended 31 March		
	2020	2021	2022
	(billions of yen)		
Annualised net premium from new policies in respect of protection-type products by distribution channel:			
Asahi Life	¥ 24.6	¥ 24.8	¥ 22.9
Of which, sales representative channel(1)	17.8	17.8	18.9
Of which, agency channel	6.7	6.9	3.9
Nanairo Life(2)	—	—	3.8
Total protection-type products(3)	24.6	24.8	26.7
Surrender and lapse of protection-type products(3)(4)	16.5	16.0	17.5
Annualised net premium from policies in force in respect of protection-type products by distribution channel:			
Asahi Life	301.7	305.6	306.1
Of which, sales representative channel(1)	282.9	282.8	283.1
Of which, agency channel	18.7	22.8	23.0
Nanairo Life(2)	—	—	3.7
Total protection-type products(3)	¥ 301.7	¥ 305.6	¥ 309.9

Notes:

(1) Including independent agencies for corporate customers and the digital marketing channel.

(2) Nanairo Life, a wholly-owned subsidiary of Asahi Life, commenced its operations in April 2021 as part of Asahi Life's business plan to make its agency channel business into a separate company and started sales of insurance products in October 2021.

(3) The numbers as of and for the fiscal year ended 31 March 2022 are on a combined basis for Asahi Life and Nanairo Life.

(4) Surrender and lapse of policies are measured as cancellation plus expiration and reduction less revival.

	As of and for the six-month period ended 30 September		
	2020	2021	2022
	(billions of yen)		
Annualised net premium from new policies in respect of protection-type products by distribution channel:			
Asahi Life	¥ 10.8	¥ 13.1	¥ 10.2
Of which, sales representative channel[1]	7.6	9.7	9.8
Of which, agency channel	3.2	3.4	0.4
Nanairo Life[2]	—	—	6.3
Total protection-type products[3]	10.8	13.1	16.6
Surrender and lapse of protection-type products[3][4]	7.7	9.0	9.6
Annualised net premium from policies in force in respect of protection-type products by distribution channel:			
Asahi Life	302.6	307.4	304.7
Of which, sales representative channel[1]	281.8	282.7	282.9
Of which, agency channel	20.7	24.6	21.7
Nanairo Life[2]	—	—	9.7
Total protection-type products[3]	¥ 302.6	¥ 307.4	¥ 314.4

Notes:

(1) Including independent agencies for corporate customers and the digital marketing channel.

(2) Nanairo Life, a wholly-owned subsidiary of Asahi Life, commenced its operations in April 2021 as part of Asahi Life's business plan to make its agency channel business into a separate company and started sales of insurance products in October 2021.

(3) The numbers as of and for the six-month period ended 30 September 2022 are on combined basis for Asahi Life and Nanairo Life.

(4) Surrender and lapse of policies are measured as cancellation plus expiration and reduction less revival.

Sales and Marketing

Retail Sales and Marketing

With a view to realising the most appropriate access to its customers, Asahi Life operates a multichannel sales structure utilising the sales representative channel and the agency channel to provide retail products to its customers.

Sales representative channel

Asahi Life's sales representatives, which allow for face-to-face customer service, comprise its most significant distribution channel. The total number of sales representatives employed by Asahi Life throughout Japan as of 31 March 2020, 2021 and 2022 and 30 September 2022 amounted to 12,485 employees, 14,002 employees, 14,241 employees and 14,308 employees, respectively. As of 30 September 2022, Asahi Life had 568 sales offices located throughout Japan.

Asahi Life's sales representatives, more than 95 per cent. of whom are women, are licensed pursuant to industry-wide standards. Door-to-door sales and workplace sales constitute the primary means by which Asahi Life's sales representatives market Asahi Life's products to customers. Of the annualised net premiums from new policies of protection-type products of Asahi Life and Nanairo Life on a combined basis for the fiscal year ended 31 March 2022, approximately 71.0 per cent. were attributable to sales by sales representatives.

Asahi Life's sales representatives engage in customised consulting at the time of taking out a policy in order to meet the diversifying needs and lifestyles of customers, as well as regular after-sales service including regular provision of information tailored to changes in the life-cycle of the customer. In order to continue to be chosen and trusted by its customers, Asahi Life works to grow high-quality sales representatives who not only have knowledge of life insurance products, but are also knowledgeable in various financial instruments, social insurance, tax and other related matters. From August 2020, Asahi Life started "online interviews" that enable explanation of proposals online. Furthermore, in April 2021, Asahi Life started its "web-application" that enables customers to apply for the insurance on its website. These have made it possible to complete non-face-to-face procedures comprehensively, from proposals to application.

In order to ensure the quality of its sales representatives, Asahi Life employs strict standards in its recruiting process. In addition, Asahi Life believes that providing its sales representatives with thorough and effective training is one of the keys to maintain their quality. At the beginning of their careers, all sales representatives participate in an intensive training course taught by experienced instructors and along with day-to-day, on-the-job training, continuous periodic training is provided at headquarters and at branch offices. In addition, Asahi Life offers sales representatives a number of standardised insurance industry courses in which they can receive various levels of degrees and qualifications, including the "Certified Skilled Worker of Financial Planning" national qualification ("FP Skilled Worker"). As of 1 April 2022, there were 5,830 sales representative employees of Asahi Life with FP Skilled Worker qualification.

Agency Channels Targeting Individuals

Asahi Life and Nanairo Life offer life insurance sales through its network of independent sales agents, including at insurance shops and through telemarketing. Of the annualised net premium from new policies of protection-type products of Asahi Life and Nanairo Life on a combined basis for the fiscal year ended 31 March 2022, approximately 29.0 per cent. were attributable to sales through agency channels targeting individuals.

In January 2021, Asahi Life acquired NHS Insurance Group Inc., an independent agency which provides telemarketing and insurance consulting services and which is the holding company of four insurance agencies operating a "hybrid" sales model combining telemarketing and visits to customers (NHS Inc., Sokisha Inc., FEA Inc. and Life Navi Partners Inc.). Further, Asahi Life spun off its agency channel business into its wholly-owned subsidiary, Nanairo Life, which started sales of life insurance products in October 2021, targeting sales to individuals. See "— Strengths and Strategy — Strategy — Channel Strategy".

Insurance Shops. Nanairo Life enters into sales agency agreements with walk-in insurance shops around Japan to offer third sector products such as medical insurance and cancer insurance**.** Through insurance brokers assigned to agencies, Nanairo Life offers a variety of training including product training and compliance training at each relevant insurance shop. As of 31 March 2022, Nanairo Life had sales agency agreements with approximately 4,100 insurance shops.

Telemarketing. Nanairo Life sells easy-to-understand third sector products such as medical insurance to the members of certain alliance partners such as credit card companies and catalogue mail-order companies. In addition to training the operators, Nanairo Life also engages in activities aimed at improving the quality of calls through regular monitoring and other measures.

Digital Channels

In the post-COVID-19 environment, Asahi Life expects that non-face-to-face sales channels, such as digital channels, will become increasingly important in its sales activities. Against such background, Asahi Life is working to develop simple and easy-to-understand products that it sells through the Internet channel. In October 2020, it began sales of a lump-sum payment insurance for dementia and a lump-sum payment insurance for lifestyle-related diseases, available exclusively online on its own website. In addition, Asahi Life is collaborating with companies in other industries to promote sales via their websites.

Corporate Sales

In addition to its main retail distribution channels described above, Asahi Life has a certain number of employees located both at the head office in Tokyo and at branch offices throughout Japan that market group insurance products directly to large corporations and public entities. These employees also work closely with Asahi Life's sales representatives to support workplace sales activities.

Sales Support

Asahi Life's sales representatives are supported in their sales activities by its advanced IT infrastructure. Starting in 1991, Asahi Life began distributing a mobile PC *"Handy-Ai"* to enable sales representatives to handle customer requests swiftly while maintaining the traditional face-to-face format that is the key to it. In January 2018, Asahi Life introduced tablet devices "*Smart-Ai*" which implemented the ability to complete procedures, which historically required documentation, in a paperless manner on the tablets' screen allowing fast response to clients' requests and referrals and reducing the volume of administrative workload. Further, as "*Smart-Ai*" is often used outside of Asahi Life's premises, device security has been strengthened by installing palm veins authentication and remote access for deleting data should any device be lost with the aim of keeping customer information secure.

Collection Procedures

Asahi Life's sales representatives generally do not play a role in collection of premiums. Asahi Life's primary methods of collecting premiums are through automatic withdrawals from policyholders' bank accounts, employer withholding and credit card payment.

Customer Services

Business Operations Innovation through ICT

Asahi Life applies ICT with a view to improving its customer service and for business efficiency. Specifically, Asahi Life implemented the ability to complete procedures in a paperless manner for new policies with the tablet device "*Smart-Ai*" in January 2018 as well as the procedures for updating information (such as address change and name change) in January 2019. In March 2020, Asahi Life commenced a service that can complete a simple benefit procedure with "*Smart-Ai*", allowing more convenience and time-saving for customers.

As part of measures against COVID-19 infections, Asahi Life has carried out activities to create new business models and provide new added values to its customers by collecting information through using the Internet or exchanging information with outside parties via online conferences or seminars. For example, Asahi Life has conducted research on the latest digital technologies and businesses to provide in-house proposals and support for solving problems digitally. Asahi Life has also been researching digital tools and new sales methods to promote further contact points with customers.

As a system infrastructure to support Asahi Life's DX strategy, Asahi Life has built a next-generation platform that utilises Amazon Web Service's cloud services. The Application Programming Interface is used for linkage with external services and existing systems, enabling timely linkage between systems.

Asahi Life's efforts to promote digitisation, such as making processes online, improvement of operational efficiency by utilising solutions such as Robotic Process Automation, improvement of customer satisfaction by providing new products and services through industry-academia collaboration or collaboration with other companies, and the activities of Asahi DIGITAL INNOVATION LAB, helped Asahi Life win the Digital Transformation Certification by the Ministry of Economy, Trade and Industry of Japan in March 2021.

Info Mail Asahi

Once a year, Asahi Life provides certain customers with details of their policies as well as information relating to Asahi Life's financial position and other matters through the *"Info Mail Asahi"*.

Services to Asahi Life Cardholders

At the request of policyholders, Asahi Life will issue an Asahi Life card. By using their Asahi Life card, policyholders can withdraw accumulated dividends or benefits through automated teller machines at certain banks and the postal bank, as well as enjoying certain telephone services.

Call Centre and Online Services

Asahi Life's call centres provide customers with an efficient means to gain access to information about their insurance policies. Asahi Life also provides an online service for policyholders to supplement the services available through customer support phone service. With the assistance of this online service, customers can request policy information, change accounts from which premiums are paid, perform certain fund transactions such as withdrawing moneys or drawing down loans and receive transaction details through e-mail.

Asahi Business Club (ABC)

For management personnel customers, Asahi Life provides information through *"Asahi Business Club (ABC)",* issuing a monthly magazine containing business information.

Customer Satisfaction

The following table sets forth the responses to Asahi Life's customer satisfaction surveys conducted in the fiscal years indicated. Through its initiatives, Asahi Life has achieved an increase in the customer satisfaction rate from 73.3 per cent. for the fiscal year ended 31 March 2018 to 78.6 per cent. for the fiscal year ended 31 March 2022.

	Conducted in the fiscal year ended 31 March				
	2018	2019	2020	2021	2022
Satisfied	73.3%	75.0%	76.2%	77.7%	78.6%

Note:

(1) The above survey has been conducted in the fiscal years indicated, based on responses to approximately 4,000 postcards (for the fiscal year ended 31 March 2018 and 2019), approximately 7,000 postcards (for the fiscal year ended 31 March 2020), approximately 5,000 postcards (for the fiscal year ended 31 March 2021) and approximately 6,000 postcards (for the fiscal year ended 31 March 2022) sent to Asahi Life's customers at random.

Pricing and Underwriting

Pricing of Asahi Life's life insurance and annuity products is based mainly on assumptions with respect to expected mortality and morbidity rates, rates of return on investments and administrative expenses.

Asahi Life maintains underwriting policies and guidelines intended to prevent actual insurance payment events from occurring at a higher rate than the expected mortality and morbidity rates and certain other assumptions used when pricing its products. Asahi Life's insurance underwriting involves a centralised application and risk evaluation process that determines whether the risk related to a particular applicant, including mortality and morbidity risk and risk of insurance fraud, is consistent with the amount of risk Asahi Life is willing to accept.

The risk evaluation process considers the risk characteristics of the individual to be insured, including a detailed medical condition, occupation and financial profile. Asahi Life maintains strict guidelines regarding the exact type of examination depending on the type and amount of each policy. For example, in the case of policies that provide for death benefits exceeding a specified level, the individual to be insured must undergo medical examinations performed by physicians affiliated with Asahi Life. Other products offering lower levels of benefits require simplified examination procedures, such as submission of the results of a physical examination, or in some cases only a written self-declaration. Asahi Life underwrites its group policies generally by evaluating the risk characteristics of the prospective insured group. Additionally, when introducing new products or product lines, Asahi Life's product development-related departments conduct thorough evaluations of the insurance underwriting risk on existing policies to assess the risks associated with the pricing of new products or product lines, which often involves the use of assumptions based on limited experience when compared to existing products or product lines.

Investments

Asahi Life's investments are divided into two accounts, the general account and the separate account. Payments to customers for products providing a fixed benefit are made from investments in Asahi Life's general account. Asahi Life bears the risk that the investments in the general account will not yield sufficient return to cover benefits paid for products for which premiums are calculated based on a fixed assumed rate of return. In contrast, products for which customers bear the investment risk (being individual variable insurances) are paid from funds managed in the separate account. While there are no regulations restricting allocation of separate account assets to specified classes of investments, Asahi Life generally invests such assets in investments for which a market price is readily available so that it may realise the returns for payment to policyholders.

Of Asahi Life's non-consolidated total assets as of 31 March 2022, which totalled ¥5,504 billion, ¥5,475 billion were general account assets, with the balance of ¥28 billion being separate account assets. Unless otherwise noted, the discussion in this section relates to Asahi Life's general account assets, on a non-consolidated basis.

In March 2019, Asahi Life and its asset management subsidiary, Asahi Life Asset Management Co., Ltd., agreed to strengthen their collaboration with Natixis Investment Managers ("Natixis"), a leading French asset management firm, for the mutual expansion of their asset management business and investment opportunities. Asahi Life and Asahi Life Asset Management Co., Ltd. will seek to strengthen their asset management business through mutual utilisation of distribution channels with Natixis, utilisation of Natixis Group's asset management products in its overseas investments and trainee secondments to Natixis. In collaboration with Natixis, Asahi Life increased the balance of investment in products, especially credit products and alternative products, issued or operated by the Natixis group in the fiscal year ended 31 March 2022, by purchasing green bonds issued by Natixis and investing in overseas renewable energy projects jointly with Natixis.

Management of Investments

Asahi Life structures its asset portfolio concentrating on Japanese yen fixed rate assets such as domestic bonds and loans, taking into consideration the liability characteristics of insurance policies. In addition, under the prolonged ultra-low and negative interest rate environment in Japan until recently, Asahi Life has recently endeavoured to improve profitability through investments in relatively higher yield products such as alternative investments and credit investments, while still working to control foreign exchange risk and diversify investment currencies and regions.

Asahi Life promotes initiatives towards ESG investment from the point of view of contributing towards solving environmental and social problems through asset management, in an era where measures towards realising a more sustainable society are being promoted around the world. Asahi Life is strengthening its initiatives towards ESG-themed investment, including signing up to the United Nations Principles for Responsible Investment ("PRI") in April 2019. Asahi Life considers investee companies' non-financial ESG information as well as their financial data. In addition, as a general rule, Asahi Life does not invest in companies that manufacture inhumane weapons (including nuclear weapons), in projects to develop coal-fired power generation facilities that emit high levels of CO_2 and have significant negative impact on climate change, or in tobacco manufacturing companies. Asahi Life positions investment and financing based on the ESG policy and stewardship policy as "Responsible Investment" and promotes initiatives related to climate change.

The Board of Directors of Asahi Life has the ultimate responsibility for Asahi Life's investment policy, which seeks to achieve the goals of stability and profitability.

- *Stability.* Recognising that the key to stability lies in maintaining a proper portfolio structure, Asahi Life invests based on an annual investment plan and the long-term objectives of its portfolio, which take into consideration the characteristics of its liabilities. Asahi Life considers the allocation between yen-denominated interest-bearing assets and riskier assets and the expected duration of yen-denominated interest-bearing assets to be important factors in the establishment and implementation of the investment plan.

- *Profitability.* Asahi Life seeks to augment medium to long-term earnings by selectively investing in various assets, such as domestic stocks, foreign bonds, loans and real estate, that it believes bear a favourable risk-return trade-off. Asahi Life conducts risk control such that the total value-at-risk of the investment portfolio, which is calculated using a statistical analysis, is within the permitted range according to its available risk buffer.

Consistent with the basic policy described above, Asahi Life's core assets in recent periods have been concentrated in yen-denominated assets that are expected to provide stable income, such as domestic bonds and loans, although due to the prolonged ultra-low and negative interest rate environment in Japan, Asahi Life has recently been actively investing in higher-yielding foreign currency-denominated bonds with a view to improving profitability, while taking into account foreign exchange risks. With regard to currency hedging initiatives, Asahi Life hedges a large portion of its foreign currency assets to reduce risk, and sets a cap on the amount of unhedged position and makes adjustments in response to the market environment within the cap.

Fixed income assets (comprising domestic bonds, loans, foreign bonds and monetary claims bought) represented 72.7 per cent. and 72.2 per cent., respectively, of the total assets in Asahi Life's general account as of 31 March 2022 and 30 September 2022. Yen-denominated bonds, loans and foreign currency-denominated-bonds with currency hedges represented 46.1 per cent., 5.7 per cent. and 17.7 per cent., respectively, of the total assets in Asahi Life's general account as of 31 March 2022, and 47.8 per cent., 5.5 per cent. and 12.2 per cent. respectively, as of 30 September 2022. JGBs accounted for 63.5 per cent. and 61.9 per cent., respectively, of the total balance of domestic bonds in Asahi Life's general account as of 31 March 2022 and 30 September 2022. Loans to large corporate borrowers accounted for 78.1 per cent. and 75.7 per cent., respectively, of the total balance of loans to corporate borrowers in Japan in Asahi Life's general account as of 31 March 2022 and 30 September 2022. Asahi Life has also invested in assets such as domestic stocks and real estate, from a perspective of medium- to long-term growth while remaining within acceptable risk intervals and stability. It is also expanding investments into alternative assets such as infrastructure funds and private debt, to enhance investment expertise and improve returns.

Asahi Life's recent asset allocation priorities have been as follows:

Investment Type	Priorities
Domestic Bonds (50.7%)	• Replace short-term bonds with long-term bonds to reduce interest rate risk • As part of credit investment, invest in relatively high yield assets such as subordinated bonds (including Additional Tier 1 and Tier 2 bonds issued by banks)
Foreign Bonds (15.5%)	• Make credit investments such as corporate bonds and subordinated bonds of financial institutions to secure relatively higher yield in instruments • Aim for duration shorter than 10 years' tenor to mitigate interest rate risk • Apply currency hedging for a large portion of the assets • Replace relatively low-yield bonds with high-yield bonds
Domestic Stocks (8.4%)	• Positioned as assets to be held for the long term to secure stable dividend income • Plan to roughly maintain the current balance for the fiscal year ending 31 March 2023
Foreign Stocks and Other Foreign Securities (7.5%)	• Increase alternative assets mainly focusing on assets that are less prone to market volatility and which can generate stable earnings such as infrastructure funds and private debt
Loans (5.5%)	• Aim to enhance yield by executing renewable energy-related project finance and foreign currency-denominated loans as part of credit investment
Real Estate (6.8%)	• Positioned as assets to be held for the long term to stably secure relatively higher yield • Reduce low operating real estate assets

Note:
(1) Figures in parentheses denote percentage of investments in the general account as of 30 September 2022.

Asahi Life is exposed to three primary sources of investment risk:

- market risk associated with changes in interest rates, stock prices and foreign exchange rates;
- credit risk relating to the potential for losses incurred when the value of assets, primarily loans and bonds, declines or disappears due to a deterioration in the financial condition of a party to whom credit has been extended; and
- real estate risk relating to the potential for a decrease in real estate income because of a decline in rent, a decrease in number of tenants or other factors or a general decline in real estate prices due to market forces.

Regulatory Restrictions on Investments

Japanese regulations do not impose restrictions on the maximum percentage of assets that may be allocated to specific classes of investments. Japanese regulations restrict Asahi Life from making certain types of specified investments. See "Regulation of the Japanese Life Insurance Industry — Insurance Business Act — Regulations on Business Operations and Ongoing Supervisory Control — Restrictions on investments".

Overall Composition of Investments

The following table summarises Asahi Life's invested assets and other assets in its general account as of the dates indicated:

	As of 31 March						As of 30 September 2022	
	2020		2021		2022			
	Balance sheet amount	Percentage of total	Balance sheet amount	Percentage of total	Balance sheet amount	Percentage of total	Balance sheet amount	Percentage of total
	(millions of yen, except percentages)							
Cash, deposits, call loans	¥ 109,934	2.0%	¥ 146,692	2.7%	¥ 145,376	2.7%	¥ 100,750	1.9%
Monetary claims bought	26,915	0.5	25,094	0.5	22,534	0.4	21,281	0.4
Securities:								
Domestic bonds	2,722,203	50.7	2,708,646	49.1	2,621,140	47.9	2,686,496	50.7
Domestic stocks	282,473	5.3	438,359	8.0	464,670	8.5	444,815	8.4
Foreign bonds	1,063,892	19.8	1,040,834	18.9	1,027,053	18.8	823,168	15.5
Foreign stock and other foreign Securities	221,169	4.1	316,842	5.7	356,640	6.5	398,753	7.5
Other securities	63,666	1.2	81,330	1.5	69,731	1.3	65,932	1.2
Total securities	4,353,404	81.2	4,586,013	83.2	4,539,235	82.9	4,419,166	83.4
Loans:								
Policy loans	40,553	0.8	35,182	0.6	32,199	0.6	31,113	0.6
Industrial and consumer loans	337,359	6.3	268,268	4.9	279,217	5.1	261,494	4.9
Total loans	377,913	7.0	303,451	5.5	311,416	5.7	292,608	5.5
Real estate	377,871	7.0	373,204	6.8	363,513	6.6	361,194	6.8
Deferred tax assets	8,044	0.1	—	—	—	—	21,109	0.4
Others	110,577	2.1	77,225	1.4	94,397	1.7	80,864	1.5
Allowance for possible loan losses	(391)	(0.0)	(406)	(0.0)	(550)	(0.0)	(712)	(0.0)
Total	¥ 5,364,268	100.0%	¥ 5,511,274	100.0%	¥ 5,475,924	100.0%	¥ 5,296,263	100.0%
(foreign currency assets)	1,394,173	26.0	1,452,046	26.3	1,489,515	27.2	1,363,916	25.8
(percentage of foreign currency assets hedged)	95.6%		80.0%		78.2%		63.6%	

The following table summarises changes in Asahi Life's invested assets and other assets in its general account for the periods indicated (changes in amounts as of the end of each period from the amounts as of the end of the prior fiscal period):

	For the fiscal year ended 31 March			For the six-month period ended 30 September 2022
	2020	2021	2022	
	(millions of yen)			
Cash, deposits, call loans	¥ (64,209)	¥ 36,758	¥ (1,315)	¥ (44,625)
Monetary claims bought	(2,069)	(1,821)	(2,559)	(1,252)
Securities:				
Domestic bonds	(47,882)	(13,557)	(87,505)	65,356
Domestic stocks	(29,226)	155,886	26,311	(19,855)
Foreign bonds	170,158	(23,058)	(13,781)	(203,884)
Foreign stock and other foreign securities	36,053	95,673	39,797	42,113
Other securities	(7,745)	17,664	(11,599)	(3,798)
Total securities	121,357	232,608	(46,777)	(120,068)
Loans:				
Policy loans	(3,719)	(5,371)	(2,983)	(1,085)
Industrial and consumer loans	(45,172)	(69,090)	10,948	(17,722)
Total loans	(48,891)	(74,461)	7,965	(18,808)
Real estate	(5,323)	(4,666)	(9,690)	(2,319)
Deferred tax assets	(2,369)	(8,044)	—	21,109
Others	36,980	(33,351)	17,172	(13,532)
Allowance for possible loan losses	(15)	(15)	(143)	(162)
Total	¥ 35,459	¥ 147,005	¥ (35,349)	¥ (179,661)
(foreign currency assets)	182,037	57,872	37,469	(125,599)

Investment Results

The following table sets forth the average rates of return based on net investment income for each of the components of Asahi Life's investment portfolio for the periods indicated:

	For the fiscal year ended 31 March		
	2020	2021	2022
		(percentages)	
Cash, deposits, call loans	0.00%	0.00%	0.00%
Monetary claims bought	2.33	2.32	2.34
Domestic bonds	2.16	1.74	1.68
Domestic stocks	4.53	5.12	6.34
Foreign securities	1.48	2.86	2.45
Loans:			
Industrial and consumer loans	0.83	0.96	1.06
Total loans	1.19	1.30	1.40
Real estate	2.60	2.56	2.46
Total	1.86%	2.04%	2.04%
(foreign investment)	1.48	2.85	2.43

Average Assets

The following table sets forth the average balance at book value of Asahi Life's assets in its general account for each of the periods indicated, calculated based on the averages of daily ending balances:

	For the fiscal year ended 31 March		
	2020	2021	2022
		(millions of yen)	
Cash, deposits, call loans	¥ 98,121	¥ 105,234	¥ 106,446
Monetary claims bought	27,804	26,061	23,837
Domestic bonds	2,747,700	2,723,696	2,654,208
Domestic stocks	186,419	198,007	217,716
Foreign securities	1,240,474	1,259,277	1,343,961
Loans:			
Industrial and consumer loans	361,213	300,816	270,218
Total loans	403,658	339,249	303,923
Real estate	384,306	381,121	375,154
Total	¥ 5,264,766	¥ 5,212,798	¥ 5,201,254
(foreign investment)	1,242,882	1,261,305	1,354,372

Unrealised Gains and Losses

Asahi Life's investments in securities other than subsidiaries are classified into four categories:

- proprietary trading securities which are securities held for the purpose of generating profits through trading of such securities;
- held-to-maturity debt securities, which are debt securities that are expected to be held to maturity;
- policy-reserve-matching bonds, which are debt securities that are held long-term to match Asahi Life's policy reserves; and
- available-for-sale securities, which are all other securities.

Proprietary trading securities and available-for-sale securities with readily obtainable fair market value ("marketable available-for-sale securities") are stated at fair value. Unrealised gains and losses on proprietary trading securities are recognised in earnings. Unrealised gains and losses on marketable available-for-sale securities are included in a separate component of capital, net of income taxes and also reflected in the computation of total solvency margin and solvency margin ratio, unless a decline in fair value is considered a significant impairment, in which case the decline is recognised in earnings as a valuation loss. Held-to-maturity debt securities, policy-reserve-matching bonds and available-for-sale securities without readily obtainable fair value are stated at amortised cost or book value. For the purpose of computing unrealised gains and losses, cost is determined on a moving average method.

The table below shows the unrealised gains and losses related to Asahi Life's held-to-maturity debt securities as of 31 March 2021 and 2022 and 30 September 2022:

	As of 31 March 2021			As of 31 March 2022			As of 30 September 2022		
	Balance sheet amount	Fair value	Net unrealised gains (losses)	Balance sheet amount	Fair value	Net unrealised gains (losses)	Balance sheet amount	Fair value	Net unrealised gains (losses)
	(millions of yen)								
Held-to-maturity debt securities with unrealised gains:									
Domestic bonds	¥ 137,773	¥ 144,620	¥ 6,846	¥ 124,270	¥ 129,039	¥ 4,768	¥ 113,957	¥ 117,869	¥ 3,911
Foreign securities	155,000	185,232	30,232	155,000	180,503	25,503	155,000	175,709	20,709
Monetary claims bought	24,125	26,446	2,321	21,077	22,805	1,728	18,855	20,952	2,096
Others	—	—	—	—	—	—	—	—	—
Total	¥ 316,898	¥ 356,298	¥ 39,400	¥ 300,347	¥ 332,349	¥ 32,001	¥ 287,813	¥ 314,531	¥ 26,718
Held-to-maturity debt securities with unrealised losses:									
Domestic bonds	¥ 4,106	¥ 4,100	¥ (6)	¥ 800	¥ 799	¥ (0)	¥ 4,620	¥ 4,616	¥ (4)
Foreign securities	—	—	—	—	—	—	—	—	—
Monetary claims bought	—	—	—	500	491	(8)	1,500	1,472	(27)
Others	—	—	—	—	—	—	—	—	—
Total	¥ 4,106	¥ 4,100	¥ (6)	¥ 1,300	¥ 1,291	¥ (8)	¥ 6,120	¥ 6,088	¥ (31)

The following table sets forth the unrealised gains and losses related to Asahi Life's policy-reserve-matching bonds as of 31 March 2021 and 2022 and 30 September 2022:

	As of 31 March 2021			As of 31 March 2022			As of 30 September 2022		
	Balance sheet amount	Fair value	Net unrealised gains (losses)	Balance sheet amount	Fair value	Net unrealised gains (losses)	Balance sheet amount	Fair value	Net unrealised gains (losses)
	(millions of yen)								
Policy-reserve-matching bonds with unrealised gains:									
Domestic bonds	¥ 1,760,243	¥ 1,986,489	¥ 226,245	¥ 1,293,565	¥ 1,463,055	¥ 169,489	¥ 1,136,525	¥ 1,275,970	¥ 139,444
Foreign securities	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—
Total	¥ 1,760,243	¥ 1,986,489	¥ 226,245	¥ 1,293,565	¥ 1,463,055	¥ 169,489	¥ 1,136,525	¥ 1,275,970	¥ 139,444
Policy-reserve-matching bonds with unrealised losses:									
Domestic bonds	¥ 278,816	¥ 268,504	¥ (10,311)	¥ 735,149	¥ 696,083	¥ (39,065)	¥ 912,108	¥ 781,392	¥ (130,715)
Foreign securities	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—
Total	¥ 278,816	¥ 268,504	¥ (10,311)	¥ 735,149	¥ 696,083	¥ (39,065)	¥ 912,108	¥ 781,392	¥ (130,715)

The following table sets forth the unrealised gains and losses related to Asahi Life's marketable available-for-sale securities excluding interests in investment partnerships as of 31 March 2021 and 2022 and 30 September 2022:

	As of 31 March 2021			As of 31 March 2022			As of 30 September 2022		
	Book value	Balance sheet amount	Net unrealised gains (losses)	Book value	Balance sheet amount	Net unrealised gains (losses)	Book value	Balance sheet amount	Net unrealised gains (losses)
	(millions of yen)								
Marketable available-for-sale securities with unrealised gains:									
Domestic bonds	¥ 425,863	¥ 443,104	¥ 17,240	¥ 238,246	¥ 244,655	¥ 6,409	¥ 267,567	¥ 279,107	¥ 11,539
Domestic stocks	127,818	368,372	240,553	118,891	378,687	259,795	118,842	340,714	221,871
Foreign securities	782,597	835,016	52,419	375,377	406,712	31,335	169,027	208,176	39,148
Other securities	53,855	60,356	6,500	37,089	40,361	3,271	14,758	15,998	1,239
Monetary claims bought	882	969	86	833	957	123	811	926	114
Total	¥ 1,391,017	¥ 1,707,818	¥ 316,801	¥ 770,438	¥ 1,071,373	¥ 300,935	¥ 571,007	¥ 844,922	¥ 273,914
Marketable available-for-sale securities with unrealised losses:									
Domestic bonds	¥ 87,254	¥ 84,601	¥ (2,653)	¥ 230,002	¥ 222,699	¥ (7,302)	¥ 256,162	¥ 240,176	¥ (15,985)
Domestic stocks	47,949	35,343	(12,605)	47,802	34,348	(13,453)	51,407	36,198	(15,208)
Foreign securities	348,264	328,129	(20,135)	832,962	778,101	(54,860)	917,803	805,356	(112,446)
Other securities	21,780	20,934	(845)	31,112	29,226	(1,886)	54,214	48,976	(5,238)
Monetary claims bought	—	—	—	—	—	—	—	—	—
Total	¥ 505,249	¥ 469,009	¥ (36,239)	¥1,141,879	¥ 1,064,376	¥ (77,503)	¥1,279,587	¥1,130,707	¥ (148,880)

The following table sets forth Asahi Life's securities not readily susceptible to market valuation and interests in investment partnerships as of 31 March 2021 and 2022 and 30 September 2022:

	Balance sheet amount as of 31 March		Balance sheet amount as of 30 September 2022
	2021	2022	
	(millions of yen)		
Securities that cannot be assigned a market value:			
Stock of subsidiaries	¥ 21,367	¥ 37,377	¥ 54,647
Available-for-sale securities:			
Domestic stocks	13,275	14,257	13,254
Foreign stocks	10	10	12
Other	39,560	44,012	54,336
Subtotal	52,846	58,280	67,603
Total	¥ 74,213	¥ 95,657	¥ 122,251

As of 31 March 2020, 2021 and 2022 and 30 September 2022, unrealised gains and losses on land amounted to gains of ¥61,034 million, gains of ¥62,828 million, gains of ¥65,505 million and gains of ¥65,796 million, respectively.

Domestic Bonds

Domestic bonds consist of publicly traded debt securities and debt securities with readily obtainable market value and represented 50.7 per cent., 49.1 per cent., 47.9 per cent. and 50.7 per cent. of Asahi Life's total assets in its general account as of 31 March 2020, 2021 and 2022 and 30 September 2022, respectively. Asahi Life's domestic bonds had average yields (interest and realised gains and losses) of 2.16 per cent., 1.74 per cent. and 1.68 per cent. for the fiscal years ended 31 March 2020, 2021 and 2022, respectively. The break-even point (the point at which Asahi Life's net unrealised gains/losses are zero) for Asahi Life's bond holdings, as measured in terms of 10-year JGBs, was approximately 0.6 per cent. as of 31 March 2022 and 0.3 per cent. as of 30 September 2022, assuming that changes in the interest rates of bonds held in Asahi Life's portfolio were identical to changes in 10-year JGBs, regardless of the maturities of such bonds, and such break-even point was above the then current market level. All of the bonds owned by Asahi Life as of 31 March 2022 were listed on a Japanese securities exchange or were not listed but could reasonably be assigned a fair value.

Asahi Life invests mainly in debt securities issued by Japanese national and local governments, other public entities and corporations which, based on its internal analysis, have high credit quality. As of 31 March 2022, none of the domestic bonds held by Asahi Life were in default.

The following table sets forth the percentage breakdown of domestic bonds held by Asahi Life by credit ratings (on the basis of bond ratings by Fitch where available and using the lowest available rating for bonds which have no Fitch ratings) as of the dates indicated:

	As of 31 March			As of 30 September 2022
	2020	2021	2022	
	(percentages)			
AAA	3.3%	2.9%	2.7%	2.4%
AA	0.6	0.5	0.6	0.8
A	91.9	93.1	93.3	93.5
BBB	3.8	3.0	3.1	3.0
BB	—	—	0.1	0.1
B	0.1	0.1	—	—
No ratings	0.3	0.3	0.3	0.3
Total	100.0%	100.0%	100.0%	100.0%

The following table sets forth the amount of domestic bonds owned by Asahi Life as of the dates indicated:

	As of 31 March						As of 30 September 2022	
	2020		2021		2022			
	Balance sheet amount	Percentage of total	Balance sheet amount	Percentage of total	Balance sheet amount	Percentage of total	Balance sheet amount	Percentage of total
	(millions of yen, except percentages)							
National government bonds	¥1,723,627	63.3%	¥1,686,684	62.3%	¥1,663,861	63.5%	¥1,662,306	61.9%
Local government bonds	54,671	2.0	49,130	1.8	50,540	1.9	54,148	2.0
Corporate bonds	943,904	34.7	972,830	35.9	906,738	34.6	970,041	36.1
Total	¥2,722,203	100.0%	¥2,708,646	100.0%	¥2,621,140	100.0%	¥2,686,496	100.0%

The following table sets forth the contractual maturity dates for Asahi Life's domestic bonds as of the dates indicated:

	Due in 1 year or less	Due after 1 year to 3 years	Due after 3 years to 5 years	Due after 5 years to 7 years	Due after 7 years to 10 years	Due after 10 years or having no maturity date	Total
	(millions of yen)						
As of 31 March 2020:							
National government bonds	¥ 13,945	¥ 26,521	¥ 50,443	¥ 109,304	¥ 345,357	¥ 1,178,055	¥ 1,723,627
Local government bonds	5,819	2,773	3,003	—	545	42,529	54,671
Corporate bonds	24,359	106,093	132,035	99,203	47,199	535,013	943,904
Total	¥ 44,123	¥ 135,388	¥ 185,482	¥ 208,507	¥ 393,102	¥ 1,755,598	¥ 2,722,203
As of 31 March 2021:							
National government bonds	¥ 10,103	¥ 26,887	¥ 47,852	¥ 191,436	¥ 339,145	¥ 1,071,259	¥ 1,686,684
Local government bonds	—	4,281	1,101	307	4,244	39,194	49,130
Corporate bonds	38,198	74,662	133,346	96,700	35,371	594,552	972,830
Total	¥ 48,302	¥ 105,831	¥ 182,300	¥ 288,443	¥ 378,761	¥ 1,705,006	¥ 2,708,646
As of 31 March 2022:							
National government bonds	¥ 11,933	¥ 48,783	¥ 108,678	¥ 187,782	¥ 291,279	¥ 1,015,404	¥ 1,663,861
Local government bonds	—	3,001	—	305	9,635	37,596	50,540
Corporate bonds	28,877	128,138	94,785	47,435	46,561	560,940	906,738
Total	¥ 40,811	¥ 179,923	¥ 203,463	¥ 235,523	¥ 347,477	¥ 1,613,941	¥ 2,621,140
As of 30 September 2022:							
National government bonds	¥ 20,018	¥ 37,827	¥ 112,044	¥ 201,333	¥ 254,874	¥ 1,036,207	¥ 1,662,306
Local government bonds	—	6,633	—	305	10,181	37,028	54,148
Corporate bonds	9,884	98,830	130,954	57,271	99,359	573,740	970,041
Total	¥ 29,902	¥ 143,292	¥ 242,998	¥ 258,910	¥ 364,415	¥ 1,646,976	¥ 2,686,496

Loans

Loans represented 7.0 per cent., 5.5 per cent., 5.7 per cent. and 5.5 per cent. of Asahi Life's total assets in its general account as of 31 March 2020, 2021 and 2022 and 30 September 2022, respectively, and consist mainly of loans to corporations, most of which were unsecured loans to large corporations. Loans include loans to borrowers located outside of Japan.

Each proposed loan is rated based on an evaluation of the ability of the borrower, and the guarantor in the case of a guaranteed loan, to repay the loan, as well as the specific terms of the loan. Asahi Life closely monitors loans which it considers having higher than normal credit risk.

The following table shows the amounts of loans based on the type of loan as of the dates indicated:

	As of 31 March						As of 30 September 2022	
	2020		2021		2022			
	Balance sheet amount	Percentage of total	Balance sheet amount	Percentage of total	Balance sheet amount	Percentage of total	Balance sheet amount	Percentage of total
	(millions of yen, except percentages)							
Loans to corporations	¥ 333,785	88.3%	¥ 267,738	88.2%	¥ 278,860	89.5%	¥ 261,177	89.3%
Of which, subordinated loans to corporations	27,879	7.4	20,462	6.7	21,460	6.9	21,460	7.3
Loans to government, government-related organisations and international organisations	390	0.1	279	0.1	263	0.1	214	0.1
Loans to local governments and public entities	2,530	0.7	—	—	—	—	—	—
Mortgage loans	177	0.0	123	0.0	77	0.0	69	0.0
Consumer loans	464	0.1	113	0.0	0	0.0	0	0.0
Policy loans	40,553	10.7	35,182	11.6	32,199	10.3	31,113	10.6
Others	10	0.0	14	0.0	16	0.0	33	0.0
Total	¥ 377,913	100.0%	¥ 303,451	100.0%	¥ 311,416	100.0%	¥ 292,608	100.0%

Asahi Life makes loans to corporations across a wide range of industries, mainly the financial and insurance, wholesale and manufacturing industries. Asahi Life also makes loans to individuals. The following table shows the amounts of industrial and consumer loans based on industry as of the dates indicated:

	As of 31 March						As of 30 September 2022	
	2020		2021		2022			
	Balance sheet amount	Percentage of total	Balance sheet amount	Percentage of total	Balance sheet amount	Percentage of total	Balance sheet amount	Percentage of total
	(millions of yen, except percentages)							
Domestic								
Manufacturing industry:								
Food products	¥ 240	0.1%	¥ 180	0.1%	¥ 120	0.0%	¥ 90	0.0%
Textiles and clothing	—	—	—	—	—	—	—	—
Wood and wood products	—	—	—	—	—	—	—	—
Pulp and paper	1,800	0.5	1,800	0.7	1,800	0.6	1,800	0.7
Printing	800	0.2	800	0.3	800	0.3	800	0.3
Chemicals	7,601	2.3	7,746	2.9	7,155	2.6	8,363	3.2
Oil and coal products	800	0.2	800	0.3	—	—	—	—
Ceramic, stone and clay products	6	0.0	74	0.0	49	0.0	23	0.0
Steel	14,964	4.4	11,962	4.5	11,960	4.3	8,960	3.4
Non-steel metals	15,049	4.5	14,215	5.3	13,642	4.9	10,870	4.2
Metal products	—	—	—	—	—	—	—	—
Machinery	6,262	1.9	3,280	1.2	3,264	1.2	3,248	1.2
Electric appliances	300	0.1	300	0.1	4,695	1.7	4,391	1.7
Transportation equipment	90	0.0	70	0.0	50	0.0	40	0.0
Other manufactured goods	716	0.2	683	0.3	650	0.2	650	0.2
Total manufacturing	48,631	14.4	41,912	15.6	44,187	15.8	39,237	15.0
Farming and forestry	—	—	—	—	—	—	—	—
Fisheries	—	—	—	—	—	—	—	—
Mining	—	—	—	—	—	—	—	—
Construction	980	0.3	780	0.3	830	0.3	830	0.3
Electric, gas, steam, water utilities	13,431	4.0	14,195	5.3	18,052	6.5	19,441	7.4
Telecommunications	1,111	0.3	487	0.2	2,462	0.9	2,300	0.9
Transportation and postal service	39,550	11.7	24,645	9.2	21,985	7.9	21,595	8.3
Wholesale	56,940	16.9	35,940	13.4	34,000	12.2	29,000	11.1
Retail	1,001	0.3	1,090	0.4	470	0.2	410	0.2
Financial and insurance	105,306	31.2	93,499	34.9	90,262	32.3	94,608	36.2
Real estate	21,400	6.3	16,231	6.1	17,393	6.2	9,661	3.7
Rental service	38,006	11.3	25,623	9.6	26,354	9.4	18,516	7.1

	As of 31 March						As of 30 September 2022	
	2020		2021		2022			
	Balance sheet amount	Percentage of total	Balance sheet amount	Percentage of total	Balance sheet amount	Percentage of total	Balance sheet amount	Percentage of total
	(millions of yen, except percentages)							
Scientific research, professional and technological services	—	—	—	—	—	—	—	—
Hospitality	—	—	—	—	—	—	—	—
Restaurant and catering	—	—	—	—	—	—	—	—
Entertainment	6,792	2.0	6,528	2.4	4,361	1.6	4,151	1.6
Education, learning support	—	—	—	—	—	—	—	—
Medical	—	—	—	—	—	—	—	—
Other services	1,150	0.3	1,150	0.4	1,150	0.4	1,307	0.5
Local public entities	—	—	—	—	—	—	—	—
Individuals	642	0.2	236	0.1	77	0.0	70	0.0
Total domestic	334,944	99.3	262,320	97.8	261,586	93.7	241,129	92.2
Foreign								
Government	—	—	—	—	—	—	—	—
Financial institutions	2,414	0.7	5,948	2.2	17,630	6.3	20,364	7.8
Commercial and industrial	—	—	—	—	—	—	—	—
Total foreign	2,414	0.7	5,948	2.2	17,630	6.3	20,364	7.8
Total	¥ 337,359	100.0%	¥ 268,268	100.0%	¥ 279,217	100.0%	¥ 261,494	100.0%

The following table sets forth the amounts of industrial and consumer loans in the general account based on interest rate type and contractual maturity dates as of the dates indicated:

	Due in 1 year or less	Due after 1 year to 3 years	Due after 3 years to 5 years	Due after 5 years to 7 years	Due after 7 years to 10 years	Due after 10 years or having no maturity date	Total
	(millions of yen)						
As of 31 March 2020:							
Floating rate loans	¥ 2,502	¥ 9,944	¥ 2,521	¥ 420	¥ —	¥ 20,961	¥ 36,350
Fixed-rate loans	91,918	77,067	57,894	36,385	14,186	23,556	301,008
Total	¥ 94,421	¥ 87,011	¥ 60,415	¥ 36,805	¥ 14,186	¥ 44,518	¥ 337,359
As of 31 March 2021:							
Floating rate loans	¥ 4,113	¥ 7,144	¥ 3,175	¥ 812	¥ 1,260	¥ 16,931	¥ 33,438
Fixed-rate loans	28,695	82,096	60,438	27,420	17,028	19,150	234,830
Total	¥ 32,809	¥ 89,240	¥ 63,613	¥ 28,233	¥ 18,288	¥ 36,082	¥ 268,268
As of 31 March 2022:							
Floating rate loans	¥ 7,916	¥ 8,349	¥ 5,415	¥ 8,387	¥ 3,456	¥ 17,011	¥ 50,536
Fixed-rate loans	56,527	72,902	45,674	19,304	18,703	15,567	228,680
Total	¥ 64,444	¥ 81,251	¥ 51,090	¥ 27,692	¥ 22,160	¥ 32,578	¥ 279,217
As of 30 September 2022:							
Floating rate loans	¥ 2,022	¥ 10,464	¥ 7,547	¥ 9,543	¥ 4,058	¥ 17,833	¥ 51,468
Fixed-rate loans	37,624	72,188	51,564	14,231	18,194	16,222	210,026
Total	¥ 39,646	¥ 82,652	¥ 59,111	¥ 23,774	¥ 22,253	¥ 34,055	¥ 261,494

The following table sets forth the numbers of corporate borrowers located in Japan and amounts of loans to corporations located in Japan based on borrower size as of the dates indicated:

	As of 31 March						As of 30 September 2022	
	2020		2021		2022			
	Number/ amount	Percentage of total	Number/ amount	Percentage of total	Number/ amount	Percentage of total	Number/ amount	Percentage of total
	(millions of yen, except percentages and number of borrowers)							
Large corporations[(1)]:								
Number of borrowers[(2)]	77	75.5%	64	70.3%	60	68.2%	54	63.5%
Amount of loans	¥ 290,371	87.6	¥ 215,079	82.2	¥ 203,928	78.1	¥ 182,411	75.7
Medium-sized corporations[(3)]:								
Number of borrowers[(2)]	—	—	—	—	—	—	—	—
Amount of loans	¥ —	—	¥ —	—	¥ —	—	¥ —	—
Small-sized corporations[(4)]:								
Number of borrowers[(2)]	25	24.5	27	29.7	28	31.8	31	36.5
Amount of loans	¥ 40,999	12.4	¥ 46,710	17.8	¥ 57,300	21.9	¥ 58,400	24.3
Total number of corporate borrowers located in Japan[(2)]	102	100.0	91	100.0	88	100.0	85	100.0
Total amount of loans to corporations located in Japan	¥ 331,370	100.0%	¥ 261,790	100.0%	¥ 261,229	100.0%	¥ 240,812	100.0%

Notes:

(1) Large corporations include corporations with paid-in capital of at least ¥1 billion and more than 300 employees (more than 50 employees in the case of retailers and restaurants; more than 100 employees in the case of service companies and wholesalers).

(2) Number of borrowers does not equal the number of loan transactions.

(3) Medium-sized corporations include corporations with paid-in capital of more than ¥300 million and less than ¥1 billion (more than ¥50 million and less than ¥1 billion in the case of retailers, restaurants and service companies; more than ¥100 million and less than ¥1 billion in the case of wholesalers) and more than 300 employees (more than 50 employees in the case of retailers and restaurants; more than 100 employees in the case of service companies and wholesalers).

(4) Small-sized corporations include all other corporations.

Problem Loans

Asahi Life discloses its loan assets (including principal, lent securities, interest due, suspense payments and guarantees of obligations) based on the following categories of obligors: (1) claims against bankrupt and quasi-bankrupt obligors; (2) claims with collection risk; (3) delinquent loans three or more months past due; (4) restructured loans; and (5) claims against normal obligors. The following table sets forth Asahi Life's loans classified on the foregoing basis as of the dates indicated:

	As of 31 March						As of 30 September 2022	
	2020		2021		2022			
	Balance sheet amount	Percentage of total	Balance sheet amount	Percentage of total	Balance sheet amount	Percentage of total	Balance sheet amount	Percentage of total
	(millions of yen, except percentages)							
Claims against bankrupt and quasi-bankrupt obligors	¥ 452	0.07%	¥ 437	0.08%	¥ 453	0.09%	¥ 431	0.08%
Claims with collection risk	154	0.03	139	0.02	70	0.01	50	0.01
Delinquent loans three or more months past due	127	0.02	98	0.02	66	0.01	80	0.01
Restructured loans	20	0.00	20	0.00	20	0.00	20	0.00
Subtotal	753	0.12%	694	0.12%	609	0.11%	581	0.11%
Claims against normal obligors	603,722	99.88	569,541	99.88	530,361	99.89	541,228	99.89
Total	¥ 604,476	100.00%	¥ 570,236	100.00%	¥ 530,971	100.00%	¥ 541,809	100.00%

The following table sets forth the amounts of Asahi Life's allowances established for possible loan losses as of the dates indicated:

	As of 31 March						As of 30 September 2022	
	2020		2021		2022			
	Balance sheet amount	Percentage of total loans	Balance sheet amount	Percentage of total loans	Balance sheet amount	Percentage of total loans	Balance sheet amount	Percentage of total loans
	(millions of yen, except percentages)							
Loans	¥ 377,913	100.0%	¥ 303,451	100.0%	¥ 311,416	100.0%	¥ 292,608	100.0%
Total of risk-monitored loans	¥ 735	0.2%	¥ 677	0.2%	¥ 592	0.2%	¥ 565	0.2%
Specific allowance	344	0.1	306	0.1	263	0.1	381	0.1
Allowance for specified overseas loans	—	—	—	—	—	—	—	—
General allowance	46	0.0	100	0.0	286	0.1	331	0.1
Total allowance for possible loan losses	¥ 391	0.1%	¥ 406	0.1%	¥ 550	0.2%	¥ 712	0.2%

The problem loan classifications based on categories of obligors described above are derived from the classification of both obligors and individual loans under the self-assessment guidelines. Asahi Life reviews its self-assessment semi-annually.

Domestic Stocks

Domestic stocks represented 5.3 per cent., 8.0 per cent., 8.5 per cent. and 8.4 per cent. of Asahi Life's total assets in its general account as of 31 March 2020, 2021 and 2022 and 30 September 2022, respectively, and consisted mainly of investments in common stock. The break-even point for Asahi Life's stock holdings, which was approximately ¥11,200 on the Nikkei 225 Index and 780 points on the TOPIX as of 31 March 2022 and ¥11,700 and 820 points as of 30 September 2022, respectively, assuming that the market value of Asahi Life's stock portfolio changes in parallel to the Nikkei 225 Index and TOPIX, was below the then current market level. By balance sheet amount, approximately 89 per cent. of Asahi Life's domestic stocks as of 31 March 2022 were listed on Japanese securities exchanges, or were not publicly traded but could reasonably be assigned a fair value.

The average yields on domestic stocks (interest, dividends and realised gains and losses) were 4.53 per cent., 5.12 per cent. and 6.34 per cent. for the fiscal years ended 31 March 2020, 2021 and 2022, respectively.

Asahi Life owns stock of domestic corporations across a wide range of industries, with the largest portion of the total in the manufacturing, transportation and communications, wholesale and financial industries. The following table sets forth the amounts of domestic stocks owned by Asahi Life, based on the industry of the issuer as of the dates indicated:

	As of 31 March						As of 30 September 2022	
	2020		2021		2022			
	Balance sheet amount	Percentage of total	Balance sheet amount	Percentage of total	Balance sheet amount	Percentage of total	Balance sheet amount	Percentage of total
	(millions of yen, except percentages)							
Forestry and fisheries	¥ 26	0.0%	¥ 33	0.0%	¥ 34	0.0%	¥ 38	0.0%
Mining	—	—	—	—	—	—	—	—
Construction	4,125	1.5	5,614	1.3	6,305	1.4	6,158	1.4
Manufacturing industry:								
Food products	2,023	0.7	1,963	0.4	1,970	0.4	2,448	0.6
Textiles and clothing	8	0.0	9	0.0	12	0.0	13	0.0
Pulp and paper	66	0.0	71	0.0	61	0.0	78	0.0
Chemicals	37,298	13.2	54,251	12.4	49,191	10.6	44,001	9.9
Medical supplies	484	0.2	767	0.2	577	0.1	1,158	0.3
Oil and coal products	—	—	—	—	—	—	—	—
Rubber products	16,033	5.7	20,843	4.8	18,542	4.0	24,256	5.5
Glass and stone products	471	0.2	268	0.1	190	0.0	151	0.0
Steel	599	0.2	862	0.2	1,100	0.2	892	0.2
Non-steel metals	8,827	3.1	12,092	2.8	8,347	1.8	7,960	1.8
Metal products	253	0.1	330	0.1	751	0.2	497	0.1
Machinery	4,296	1.5	6,927	1.6	7,304	1.6	7,126	1.6
Electric appliances	54,256	19.2	93,272	21.3	109,544	23.6	93,258	21.0
Transportation equipment	2,951	1.0	4,646	1.1	2,444	0.5	2,198	0.5
Precision instruments	4	0.0	4	0.0	487	0.1	795	0.2
Others	4,534	1.6	5,036	1.1	6,858	1.5	7,275	1.6
Electric and gas utilities	27	0.0	233	0.1	27	0.0	27	0.0

	As of 31 March						As of 30 September 2022	
	2020		2021		2022			
	Balance sheet amount	Percentage of total	Balance sheet amount	Percentage of total	Balance sheet amount	Percentage of total	Balance sheet amount	Percentage of total
	(millions of yen, except percentages)							
Transportation and Communications industries:								
Ground transportation	39,372	13.9	68,526	15.6	62,807	13.5	58,760	13.2
Water transportation	1	0.0	2	0.0	5	0.0	4	0.0
Air transportation	—	—	472	0.1	464	0.1	491	0.1
Warehouses	1,491	0.5	1,734	0.4	1,755	0.4	1,621	0.4
Telecommunications	1,557	0.6	1,830	0.4	1,729	0.4	1,731	0.4
Wholesale	55,184	19.5	86,477	19.7	102,307	22.0	85,311	19.2
Retail	2,367	0.8	3,244	0.7	2,474	0.5	2,960	0.7
Financial industries:								
Banks	31,635	11.2	38,282	8.7	36,059	7.8	34,235	7.7
Securities and trading Companies	5,798	2.1	6,180	1.4	5,944	1.3	5,894	1.3
Insurance	2,043	0.7	16,716	3.8	32,726	7.0	49,996	11.2
Other	3,090	1.1	4,869	1.1	1,538	0.3	1,660	0.4
Real estate	1,279	0.5	1,320	0.3	1,908	0.4	1,954	0.4
Service	2,360	0.8	1,472	0.3	1,193	0.3	1,851	0.4
Total	¥ 282,473	100.0%	¥ 438,359	100.0%	¥ 464,670	100.0%	¥ 444,815	100.0%

Foreign Investments

Foreign investments represented 24.0 per cent., 24.6 per cent., 25.3 per cent. and 23.1 per cent. of Asahi Life's total assets in its general account as of 31 March 2020, 2021 and 2022 and 30 September 2022, respectively, and consisted mainly of investments in bonds issued by foreign issuers. Cash and cash equivalents denominated in currencies other than yen are categorised under "Cash and deposits", loans to borrowers located outside of Japan are categorised under "Loans", and neither are included in foreign investments unless otherwise noted. Many of the foreign bonds, stocks and other securities owned by Asahi Life as of 31 March 2022 and 30 September 2022 were listed on one or more securities exchanges, or were not listed but could reasonably be assigned a fair value. Asahi Life had been steadily increasing its holding of foreign investment which tends to offer better yields than domestic investments.

The average yields on foreign investments (interest, dividends and realised gains and losses) were 1.48 per cent., 2.86 per cent. and 2.45 per cent. for the fiscal years ended 31 March 2020, 2021 and 2022, respectively.

The break-even point for Asahi Life's unhedged foreign currency-denominated securities at which unrealised gains (caused by foreign exchange fluctuations only) become zero was approximately ¥113 to U.S.$1.00 as of 31 March 2022 and ¥128 to U.S.$1.00 as of 30 September 2022 assuming that all of Asahi Life's unhedged foreign currency-denominated securities were converted into U.S. dollars as of the same date.

The following table sets forth the amounts of foreign investments (including non-yen-denominated cash, deposits and other assets) classified as denominated in foreign currency, swapped into yen or denominated in yen as of the dates indicated:

	As of 31 March						As of 30 September 2022	
	2020		2021		2022			
	Balance sheet amount	Percentage of total	Balance sheet amount	Percentage of total	Balance sheet amount	Percentage of total	Balance sheet amount	Percentage of total
	(millions of yen, except percentages)							
Denominated in foreign currency:								
Foreign bonds	¥ 900,690	69.5%	¥ 877,711	63.9%	¥ 864,054	60.7%	¥ 659,186	52.7%
Foreign stocks	26	0.0	30	0.0	9	0.0	11	0.0
Cash, deposits and other assets	170,627	13.2	265,702	19.3	343,364	24.1	367,939	29.4
Subtotal	1,071,343	82.7	1,143,444	83.2	1,207,428	84.8	1,027,138	82.2
Swapped into yen:								
Foreign bonds	—	—	—	—	—	—	—	—
Cash, deposits and other assets	—	—	—	—	—	—	—	—
Subtotal	—	—	—	—	—	—	—	—
Denominated in yen:								
Loans to borrowers outside Japan	1,000	0.1	1,000	0.1	1,000	0.1	1,000	0.1
Foreign bonds and other assets	223,453	17.2	229,388	16.7	215,791	15.2	221,966	17.8
Subtotal	224,453	17.3	230,388	16.8	216,791	15.2	222,966	17.8
Total foreign investments	¥ 1,295,797	100.0%	¥ 1,373,832	100.0%	¥ 1,424,219	100.0%	¥ 1,250,104	100.0%

The following tables set forth the amounts of foreign investments based on the location of the issuer as of the dates indicated:

	As of 31 March 2020							
	Foreign bonds		Foreign stocks and other foreign securities		Loans to borrowers outside Japan		Total foreign investments	
	Balance sheet amount	Percentage of total foreign investments	Balance sheet amount	Percentage of total foreign investments	Balance sheet amount	Percentage of total foreign investments	Balance sheet amount	Percentage of total foreign investments
	(millions of yen, except percentages)							
North America	¥ 385,341	29.9%	¥ 33,953	2.6%	—	—	¥ 419,294	32.6%
U.S. Treasury	106,205	8.2	—	—	—	—	—	—
Canadian provincial bonds	168,785	13.1	—	—	—	—	—	—
Government affiliated financial institutions	79,137	6.1	—	—	—	—	—	—
Corporate bonds	31,212	2.4	—	—	—	—	—	—
Europe	398,578	31.0	—	—	—	—	398,578	31.0
Sovereign bonds	195,255	15.2	—	—	—	—	—	—
Government affiliated financial institutions	185,447	14.4	—	—	—	—	—	—
Corporate bonds	17,875	1.4	—	—	—	—	—	—
Oceania	2,322	0.2	—	—	—	—	2,322	0.2
Asia	—	—	21	0.0	—	—	21	0.0
Latin America	440	0.0	—	—	—	—	440	0.0
Middle East	—	—	—	—	—	—	—	—
Africa	—	—	—	—	—	—	—	—
International organisations	114,025	8.9	—	—	—	—	114,025	8.9
Repackaged JGBs	155,000	12.0	—	—	—	—	155,000	12.0
Others	8,184	0.6	187,194	14.5	2,414	0.2	197,793	15.4
Total	¥ 1,063,892	82.6%	¥ 221,169	17.2%	¥ 2,414	0.2%	¥ 1,287,476	100.0%

	As of 31 March 2021							
	Foreign bonds		Foreign stocks and other foreign securities		Loans to borrowers outside Japan		Total foreign investments	
	Balance sheet amount	Percentage of total foreign investments	Balance sheet amount	Percentage of total foreign investments	Balance sheet amount	Percentage of total foreign investments	Balance sheet amount	Percentage of total foreign investments
	(millions of yen, except percentages)							
North America	¥ 337,999	24.8%	¥ 70,331	5.2%	¥ 2,205	0.2%	¥ 410,536	30.1%
U.S. Treasury	99,910	7.3	—	—	—	—	—	—
Canadian provincial bonds	191,424	14.0	—	—	—	—	—	—
Government affiliated financial institutions	16,960	1.2	—	—	—	—	—	—
Corporate bonds	29,703	2.2	—	—	—	—	—	—
Europe	396,544	29.1	—	—	—	—	396,544	29.1
Sovereign bonds	170,697	12.5	—	—	—	—	—	—
Government affiliated financial Institutions	202,188	14.8	—	—	—	—	—	—
Corporate bonds	23,659	1.7	—	—	—	—	—	—
Oceania	8,075	0.6	—	—	2,742	0.2	10,817	0.8
Asia	—	—	23	0.0	—	—	23	0.0
Latin America	476	0.0	—	—	—	—	476	0.0
Middle East	—	—	—	—	—	—	—	—
Africa	—	—	—	—	—	—	—	—
International organisations	115,360	8.5	—	—	—	—	115,360	8.5
Repackaged JGBs	173,696	12.7	—	—	—	—	173,696	12.7
Others	8,680	0.6	246,488	18.1	1,000	0.1	256,169	18.8
Total	¥ 1,040,834	76.3%	¥ 316,842	23.2%	¥ 5,948	0.4%	¥ 1,363,625	100.0%

	As of 31 March 2022							
	Foreign bonds		Foreign stocks and other foreign securities		Loans to borrowers outside Japan		Total foreign investments	
	Balance sheet amount	Percentage of total foreign investments	Balance sheet amount	Percentage of total foreign investments	Balance sheet amount	Percentage of total foreign investments	Balance sheet amount	Percentage of total foreign investments
	(millions of yen, except percentages)							
North America	¥ 309,047	22.1%	¥ 71,391	5.1%	¥ 10,976	0.8%	¥ 391,415	27.9%
U.S. Treasury	73,001	5.2	—	—	—	—	—	—
Canadian provincial bonds	203,809	14.5	—	—	—	—	—	—
Government affiliated financial institutions	—	—	—	—	—	—	—	—
Corporate bonds	32,236	2.3	—	—	—	—	—	—
Europe	344,468	24.6	—	—	1,093	0.1	345,562	24.7
Sovereign bonds	89,366	6.4	—	—	—	—	—	—
Government affiliated financial institutions	218,763	15.6	—	—	—	—	—	—
Corporate bonds	36,338	2.6	—	—	—	—	—	—
Oceania	17,715	1.3	—	—	4,560	0.3	22,276	1.6
Asia	—	—	1	0.0	—	—	1	0.0
Latin America	494	0.0	—	—	—	—	494	0.0
Middle East	—	—	—	—	—	—	—	—
Africa	—	—	—	—	—	—	—	—
International organisations	121,988	8.7	—	—	—	—	121,988	8.7
Repackaged JGBs	224,371	16.0	—	—	—	—	224,371	16.0
Others	8,967	0.6	285,247	20.4	1,000	0.1	295,215	21.1
Total	¥ 1,027,053	73.3%	¥ 356,640	25.5%	¥ 17,630	1.3%	¥ 1,401,324	100.0%

	As of 30 September 2022							
	Foreign bonds		Foreign stocks and other foreign securities		Loans to borrowers outside Japan		Total foreign investments	
	Balance sheet amount	Percentage of total foreign investments	Balance sheet amount	Percentage of total foreign investments	Balance sheet amount	Percentage of total foreign investments	Balance sheet amount	Percentage of total foreign investments
	(millions of yen, except percentages)							
North America	¥ 211,064	17.0%	¥ 73,445	5.9%	¥ 13,697	1.1%	¥ 298,206	24.0%
U.S. Treasury	36,793	3.0	—	—	—	—	—	—
Canadian provincial bonds	153,722	12.4	—	—	—	—	—	—
Government affiliated financial institutions	—	—	—	—	—	—	—	—
Corporate bonds	20,547	1.7	—	—	—	—	—	—
Europe	268,871	21.6	—	—	1,138	0.1	270,010	21.7
Sovereign bonds	63,656	5.1	—	—	—	—	—	—
Government affiliated financial institutions	167,321	13.5	—	—	—	—	—	—
Corporate bonds	37,893	3.1	—	—	—	—	—	—
Oceania	25,096	2.0	—	—	4,529	0.4	29,625	2.4
Asia	—	—	1	0.0	—	—	1	0.0
Latin America	553	0.0	—	—	—	—	553	0.0
Middle East	—	—	—	—	—	—	—	—
Africa	—	—	—	—	—	—	—	—
International organisations	88,153	7.1	—	—	—	—	88,153	7.1
Repackaged JGBs	219,211	17.6	—	—	—	—	219,211	17.6
Others	10,218	0.8	325,307	26.2	1,000	0.1	336,525	27.1
Total	¥ 823,168	66.3%	¥ 398,753	32.1%	¥ 20,364	1.6%	¥ 1,242,287	100.0%

As of 31 March 2022 and 30 September 2022, Asahi Life's exposure to North America is mainly to U.S. government bonds and Canada state bonds with high credit ratings which constitute approximately 71 per cent. and 64 per cent., respectively, of Asahi Life's North America exposure. Further, foreign stocks and other securities in North America predominantly consist of foreign bond exchange-traded funds. Exposure to Europe constitutes investments mainly in government bonds and government affiliated financial institutions. Exposure to Europe consists of that in the Netherlands, Spain, Italy, France, Norway, Germany, England, Austria and others. Exposures to "International organisations" include exposures to the Asian Development Bank, the International Bank for Reconstruction and Development, European Investment Bank and others. "Repackaged JGBs" are reverse dual currency bonds and foreign currency-denominated bonds repackaging JGBs. "Others" include investment trusts and hedge funds, among others.

The following table sets forth the contractual maturity dates for Asahi Life's foreign bonds and other foreign securities, as of the dates indicated:

	Due in 1 year or less	Due after 1 year to 3 years	Due after 3 years to 5 years	Due after 5 years to 7 years	Due after 7 years to 10 years	Due after 10 years or having no maturity date	Total
				(millions of yen)			
As of 31 March 2020:							
Foreign bonds	¥ 3,320	¥ 50,214	¥ 176,924	¥ 202,609	¥ 379,977	¥ 250,846	¥ 1,063,892
Foreign stocks and other foreign securities	4,739	—	—	11,600	39,413	165,415	221,169
Total foreign securities	¥ 8,060	¥ 50,214	¥ 176,924	¥ 214,209	¥ 419,391	¥ 416,261	¥ 1,285,061
As of 31 March 2021:							
Foreign bonds	¥ 13,174	¥ 78,283	¥ 218,888	¥ 198,182	¥ 355,382	¥ 176,923	¥ 1,040,834
Foreign stocks and other foreign securities	1,551	—	8,635	20,622	34,342	251,690	316,842
Total foreign securities	¥ 14,726	¥ 78,283	¥ 227,524	¥ 218,804	¥ 389,724	¥ 428,613	¥ 1,357,677
As of 31 March 2022:							
Foreign bonds	¥ 22,119	¥ 162,823	¥ 134,743	¥ 230,232	¥ 226,079	¥ 251,053	¥ 1,027,053
Foreign stocks and other foreign securities	5,576	—	3,139	51,572	25,909	270,442	356,640
Total foreign securities	¥ 27,696	¥ 162,823	¥ 137,883	¥ 281,805	¥ 251,989	¥ 521,496	¥ 1,383,693
As of 30 September 2022:							
Foreign bonds	¥ 9,271	¥ 96,437	¥ 111,782	¥ 204,424	¥ 213,203	¥ 188,048	¥ 823,168
Foreign stocks and other foreign securities	7,127	777	6,740	59,048	36,491	288,568	398,753
Total foreign securities	¥ 16,398	¥ 97,215	¥ 118,523	¥ 263,473	¥ 249,694	¥ 476,617	¥ 1,221,922

The following table sets forth the percentage breakdown of foreign bonds held by Asahi Life by credit ratings (on the basis of bond ratings by Fitch where available and using the lowest available rating for bonds which have no Fitch ratings) as of the dates indicated:

	As of 31 March			As of 30 September 2022
	2020	2021	2022	
		(percentages)		
AAA	45.1%	41.0%	39.7%	34.2%
AA	14.0	12.0	13.6	14.3
A	21.8	25.2	19.7	18.8
BBB	4.5	5.1	5.1	5.6
BB	—	—	—	—
No ratings	14.6	16.7	21.8	27.0
Total	100.0%	100.0%	100.0%	100.0%

80.9 per cent., 78.2 per cent., 73.0 per cent. and 67.4 per cent. of Asahi Life's foreign bond portfolio was rated A or above (on the basis set out above) as of 31 March 2020, 2021 and 2022 and 30 September 2022, respectively.

Although "no ratings" consisted of 14.6 per cent., 16.7 per cent., 21.8 per cent. and 27.0 per cent., respectively, of the foreign bond portfolio as of 31 March 2020, 2021 and 2022 and 30 September 2022, they are predominantly reverse dual currency bonds and foreign currency denominated bonds repackaging JGBs, the ultimate credit risks of which are from JGBs and counterparty risks of which are from multiple investment banks providing the currency swaps.

Tangible Fixed Assets

Real estate represented 7.0 per cent., 6.8 per cent., 6.6 per cent. and 6.8 per cent. of Asahi Life's total assets in its general account as of 31 March 2020, 2021 and 2022 and 30 September 2022, respectively. Asahi Life holds real estate for both operating and investment purposes. Real estate held for operating purposes includes mainly office space. Real estate held for investment purposes includes mainly commercial buildings held for rental income. Investments in real estate are diversified based on location within Japan and type of real estate. Asahi Life manages its real estate investments to maximise rental and other income. Of Asahi Life's real estate as of 31 March 2022 and 30 September 2022, 65.5 per cent. and 65.6 per cent., respectively, were used by Asahi Life for investment purposes. Such real estate may be subject to future sale depending on the amount of unrealised gains and the availability and price of rental office space.

The following table sets forth the amounts of tangible fixed assets owned by Asahi Life as of the dates indicated:

	As of 31 March						As of 30 September 2022	
	2020		2021		2022			
	Balance sheet amount	Percentage of total	Balance sheet amount	Percentage of total	Balance sheet amount	Percentage of total	Balance sheet amount	Percentage of total
	(millions of yen, except percentages)							
Land	¥ 224,609	58.7%	¥ 221,081	58.5%	¥ 216,027	58.6%	¥ 215,535	59.0%
Buildings	152,646	39.9	150,533	39.8	146,310	39.7	145,192	39.7
Lease assets	1,963	0.5	1,459	0.4	2,194	0.6	1,705	0.5
Construction in progress	614	0.2	1,589	0.4	1,175	0.3	465	0.1
Other tangible fixed assets	2,887	0.8	3,186	0.8	2,841	0.8	2,685	0.7
Total tangible fixed assets	¥ 382,722	100.0%	¥ 377,849	100.0%	¥ 368,550	100.0%	¥ 365,585	100.0%

Foreign Currency Denominated Assets

As of 31 March 2022, the total foreign currency-denominated assets was ¥1,489.5 billion (of which 78.2 per cent. was hedged). As of 30 September 2022, the total foreign currency-denominated assets was ¥1,363.9 billion (of which 63.6 per cent. was hedged).

The following table sets forth Asahi Life's foreign currency-denominated assets as of the dates indicated:

	As of 31 March						As of 30 September 2022	
	2020		2021		2022			
	Balance sheet amount	Percentage of total	Balance sheet amount	Percentage of total	Balance sheet amount	Percentage of total	Balance sheet amount	Percentage of total
	(millions of yen, except percentages)							
Denominated in:								
U.S. dollars	¥ 848,194	60.8%	¥ 839,001	57.8%	¥ 822,004	55.2%	¥ 742,400	54.4%
Australian dollars	155,252	11.1	229,161	15.8	377,890	25.4	370,094	27.1
Euro	122,805	8.8	109,660	7.6	123,515	8.3	130,715	9.6
New Zealand dollars	76,966	5.5	89,209	6.1	87,392	5.9	79,813	5.9
Canadian dollars	59,371	4.3	67,414	4.6	49,087	3.3	39,689	2.9
Swedish krona	49,358	3.5	29,554	2.0	28,418	1.9	—	—
Polish Zloty	82,206	5.9	88,022	6.1	1,207	0.1	1,202	0.1
Other	17	0.0	22	0.0	—	—	—	—
Total	¥ 1,394,173	100.0%	¥ 1,452,046	100.0%	¥ 1,489,515	100.0%	¥ 1,363,916	100.0%

Derivative Financial Instruments

Asahi Life uses derivative financial instruments, including foreign exchange forward contracts, interest rate swaps, currency swaps and options, bond futures and stock index futures and options. Asahi Life principally enters into these transactions for hedging price, currency, interest rate and other similar risks to which the assets of Asahi Life are exposed and they serve, on the whole, to reduce exposure to market risks associated with the portfolios.

However, as Asahi Life cannot ignore the impact such transactions may have on the current profit and loss, they are cautiously managed and monitored by the relevant departments and management including setting a loss-cut rule, and by reporting to the management transaction balances and the extent of risks, regularly and promptly, when such transactions involve substantial risks.

Asahi Life reflects unrealised gains and losses related to derivative transactions that are not eligible for hedge accounting in investment income and expenses. The following table sets forth the unrealised gains and losses related to derivative transactions as of the dates indicated:

	As of 31 March			As of 30 September
	2020	2021	2022	2022
	(millions of yen)			
Interest-related transactions:	¥ —	¥ —	¥ —	¥ —
Hedge accounting applied	—	—	—	—
Hedge accounting not applied	—	—	—	—
Currency-related transactions:	21,251	(31,522)	(89,755)	(20,256)
Hedge accounting applied	20,684	(29,646)	(86,930)	(17,040)
Hedge accounting not applied	566	(1,875)	(2,825)	(3,215)
Stock-related transactions:	—	—	(24)	(329)
Hedge accounting applied	—	—	—	—
Hedge accounting not applied	—	—	(24)	(329)
Bond-related transactions:	—	—	—	—
Hedge accounting applied	—	—	—	—
Hedge accounting not applied	—	—	—	—
Total	¥21,251	¥(31,522)	¥(89,779)	¥(20,585)
Hedge accounting applied	20,684	(29,646)	(86,930)	(17,040)
Hedge accounting not applied	566	(1,875)	(2,849)	(3,545)

The following table sets forth the contract values of unhedged currency forward contracts (which are currency forward contracts that are not accounted for with hedge accounting) entered into by Asahi Life as of the dates indicated. Unrealised gains and losses on such contracts, which are marked to market, were not material in amount as of such dates.

	As of 31 March 2020			As of 31 March 2021			As of 31 March 2022			As of 30 September 2022		
	Contract value	Fair value	Difference	Contract value	Fair value	Difference	Contract value	Fair value	Difference	Contract value	Fair value	Difference
	(millions of yen)											
Unhedged currency forward Contracts												
Sold:												
U.S. dollars	¥31,107	¥ (361)	¥ (361)	¥30,190	¥ (1,229)	¥ (1,229)	¥54,287	¥ (1,977)	¥ (1,977)	¥25,866	¥ (3,283)	¥ (3,283)
Australian dollars	8,120	983	983	6,176	(309)	(309)	7,772	(471)	(471)	7,812	(60)	(60)
Canadian dollars	78	(0)	(0)	6,001	(309)	(309)	10,810	(521)	(521)	5,601	(16)	(16)
Euro	—	—	—	5,398	(139)	(139)	1,042	(51)	(51)	1,047	(90)	(90)
Others	—	—	—	—	—	—	—	—	—	5,025	151	151
Total	¥39,305	¥ 621	¥ 621	¥47,767	¥ (1,988)	¥ (1,988)	¥73,912	¥ (3,021)	¥ (3,021)	¥45,353	¥ (3,299)	¥ (3,299)
Bought:												
U.S. dollars	¥ —	¥ —	¥ —	¥10,256	¥ 68	¥ 68	¥13,867	¥ 6	¥ 6	¥ 7,023	¥ 12	¥ 12
Australian dollars	7,180	(54)	(54)	3,691	10	10	20,861	169	169	2,958	17	17
Canadian dollars	—	—	—	6,187	34	34	7,484	20	20	—	—	—
Euro	—	—	—	5,539	(0)	(0)	—	—	—	419	7	7
Others	—	—	—	—	—	—	—	—	—	4,826	47	47
Total	¥ 7,180	¥ (54)	¥ (54)	¥25,674	¥ 112	¥ 112	¥42,213	¥ 195	¥ 195	¥15,228	¥ 84	¥ 84

As of 31 March 2020, 2021 and 2022 and 30 September 2022, Asahi Life had no currency option contracts (which are currency option contracts that are not accounted for with hedge accounting) outstanding, while there were stock options to which hedge accounting was not applied as of 31 March 2022 and 30 September 2022.

General Account and Separate Accounts

Assets related to Asahi Life's fixed benefit products are held in Asahi Life's general account. Asahi Life bears the risk that the investments in the general account will not yield sufficient returns to cover benefits paid for products for which premiums are calculated based on a fixed assumed rate of return.

Assets related to Asahi Life's individual variable insurance with separate account policy riders are held in Asahi Life's separate accounts. Separate account assets and liabilities represent funds that are administered and invested by Asahi Life to meet specific investment objectives of policyholders and for which such policyholders bear the investment risk of the invested assets. The following table sets forth the amount of separate account assets as of the dates indicated:

	As of 31 March			As of 30 September
	2020	2021	2022	2022
	(millions of yen)			
Individual variable insurance	¥24,381	¥28,078	¥28,175	¥26,286
Individual variable annuities	—	—	—	—
Group annuity products	—	—	—	—
Total separate account assets	¥24,381	¥28,078	¥28,175	¥26,286

The following table sets forth the policy amount in force for individual variable insurance as of the dates indicated:

	As of 31 March			As of 30 September
	2020	2021	2022	2022
	(millions of yen)			
Individual variable insurance (fixed-term)	¥ —	¥ —	¥ —	¥ —
Individual variable insurance (whole life)	92,623	89,766	86,879	85,472
Total	¥92,623	¥89,766	¥86,879	¥85,472

Liquidity

Consolidated Cash Flows

The following table sets forth certain information about Asahi Life's consolidated cash flows for the fiscal years ended 31 March 2020, 2021 and 2022:

	For the fiscal year ended 31 March		
	2020	2021	2022
	(millions of yen)		
Net cash used in operating activities	¥(24,771)	¥(19,335)	¥(25,694)
Net cash provided by (used in) investing activities	(33,453)	34,763	56,854
Net cash provided by (used in) financing activities	(5,177)	24,494	(30,279)
Net increase (decrease) in cash and cash equivalents	(63,402)	39,922	880
Cash and cash equivalents at the beginning of the year	180,630	117,227	157,149
Cash and cash equivalents at the end of the year	117,227	157,149	158,030

The following table sets forth certain information about Asahi Life's consolidated cash flows for the six-month periods ended 30 September 2021 and 2022:

	For the six-month period ended 30 September	
	2021	2022
	(millions of yen)	
Net cash used in operating activities	¥(1,618)	¥(15,331)
Net cash provided by investing activities	5,317	14,680
Net cash used in financing activities	(4,501)	(41,580)
Net decrease in cash and cash equivalents	(802)	(42,231)
Cash and cash equivalents at the beginning of the period	157,149	158,030
Cash and cash equivalents at the end of the period	156,347	115,798

Cash Flows for the Fiscal Year Ended 31 March 2022 Compared to the Fiscal Year Ended 31 March 2021

Net cash used in operating activities for the fiscal year ended 31 March 2022 amounted to ¥25,694 million, an increase of ¥6,359 million, or 32.9 per cent., compared to ¥19,335 million for the fiscal year ended 31 March 2021, primarily reflecting a decrease of interest, dividends and other income received, and an increase of income tax paid.

Net cash provided by investing activities for the fiscal year ended 31 March 2022 amounted to ¥56,854 million, an increase of ¥22,090 million, or 63.5 per cent., compared to ¥34,763 million for the fiscal year ended 31 March 2021, primarily reflecting an increase in proceeds from sales and redemptions of securities.

Net cash used in financing activities for the fiscal year ended 31 March 2022 amounted to ¥30,279 million, compared to net cash provided by financing activities of ¥24,494 million for the fiscal year ended 31 March 2021, primarily reflecting the redemption of bonds.

Cash Flows for the Fiscal Year Ended 31 March 2021 Compared to the Fiscal Year Ended 31 March 2020

Net cash used in operating activities for the fiscal year ended 31 March 2021 amounted to ¥19,335 million, a decrease of ¥5,436 million, or 21.9 per cent., from ¥24,771 million for the fiscal year ended 31 March 2020, primarily reflecting an increase of interest, dividends and other income received.

Net cash provided by investing activities for the fiscal year ended 31 March 2021 amounted to ¥34,763 million, compared to net cash used in investing activities of ¥33,453 million for the fiscal year ended 31 March 2020. This principally reflected an increase in proceeds from sales and redemptions of securities.

Net cash provided by financing activities for the fiscal year ended 31 March 2021 amounted to ¥24,494 million, compared to net cash used in financing activities of ¥5,177 million for the fiscal year ended 31 March 2020. This principally reflected the issuance of bonds.

Cash Flows for the Six-Month Period Ended 30 September 2022 Compared to the Six-Month Period Ended 30 September 2021

Net cash used in operating activities for the six-month period ended 30 September 2022 amounted to ¥15,331 million, an increase of ¥13,713 million, or 847.5 per cent., from ¥1,618 million for the six-month period ended 30 September 2021, primarily reflecting an increase in claims and other payments.

Net cash provided by investing activities for the six-month period ended 30 September 2022 amounted to ¥14,680 million, an increase of ¥9,363 million, or 176.1 per cent., from ¥5,317 million for the six-month period ended 30 September 2021. This principally reflected an increase in proceeds from sales and redemptions of securities.

Net cash used in financing activities for the six-month period ended 30 September 2022 amounted to ¥41,580 million, an increase of ¥37,078 million, or 823.6 per cent., from ¥4,501 million for the six-month period ended 30 September 2021. This principally reflected the redemption of foundation funds in the six-month period ended 30 September 2022.

Liquidity and Liquidity Management

Asahi Life's principal cash requirements consist of insurance claims and other product-related payments, payments in connection with new investments, income and other taxes, operating expenses, payment of policyholder dividends, policy surrender payments and policy loans.

Asahi Life's principal sources of cash consist of life insurance and annuity premiums, investment income and proceeds from the sale or maturity of investments. Asahi Life's portfolio of liquid assets constitutes an additional source of cash to meet unexpected cash outflows. These liquid assets include cash and deposits, postal savings and call loans.

Asahi Life seeks, to the extent possible, to manage the maturity and liquidity mix of its investments to match the projected payment requirements of its products. Accordingly, Asahi Life classifies its investments based on their level of liquidity. Domestic bonds form the largest portion of Asahi Life's general account investment portfolio. Of the domestic bonds held by Asahi Life as of 31 March 2022 and 30 September 2022, 4.8 per cent. and 4.4 per cent., respectively, were categorised as held-to-maturity securities which are carried at amortised cost on Asahi Life's balance sheet and are not marked to market.

For companies using fund segment accounting, Japanese GAAP requires re-categorising all of a company's held-to-maturity securities in a particular fund segment as available-for-sale securities carried at fair market value upon the sale prior to maturity of any bond categorised as a held-to-maturity security in such fund segment.

Although the amount of policy surrenders is generally a liquidity concern to insurance companies, Asahi Life's business consists mainly of individual life insurance, the consumers of which are less sensitive to changes in interest rates. In addition, a substantial portion of Asahi Life's assets consist of high-liquidity assets such as securities and cash and deposits. Based on the foregoing, Asahi Life believes it is well positioned from a liquidity standpoint.

Asahi Life has overdraft facilities with certain financial institutions, of which none was used as of 30 September 2022.

No raising of capital through foundation funds nor redemption of foundation funds were made in the fiscal years ended 31 March 2020, 2021 and 2022, and the balance of foundation funds was ¥91 billion and the amount of reserve for redemption of foundation funds was ¥166 billion as of 31 March 2022. ¥40 billion of foundation funds were redeemed on 1 August 2022, and the balance of foundation funds was ¥51 billion and the amount of reserve for redemption of foundation funds was ¥206 billion as of 30 September 2022. Asahi Life raised capital through the issuance of perpetual subordinated bonds in the amount of U.S.$430 million in September 2018 and U.S.$380 million in January 2021 and the issuance of dated subordinated bonds in the amount of ¥15 billion in February 2022, while it redeemed U.S.$350 million of perpetual subordinated bonds in January 2022. As of 31 March 2022, the balance of subordinated loans was ¥41 billion, with dated subordinated loans amounting to ¥2 billion and perpetual subordinated loans amounting to ¥39 billion, and the balance of perpetual and dated subordinated bonds was ¥102 billion. As of 30 September 2022, the balance of subordinated loans was ¥44 billion, with dated subordinated loans amounting to ¥5 billion and perpetual subordinated loans amounting to ¥39 billion.

Asahi Life's management believes that its sources of cash are adequate to meet its current cash requirements.

Competition

Asahi Life believes that competition in its insurance business is based on a number of factors, including service, product features, price, financial strength ratings and other indices of financial health, marketing methods and name recognition. Given the wide array of relevant factors, life insurance companies compete in different ways, with a competitive advantage in one individual area potentially resulting in a competitive disadvantage in another. Some of Asahi Life's competitors may offer a broader range of insurance products, may have more competitive pricing or have higher financial strength ratings or better name recognition. Some may also have greater financial resources. Nonetheless, on an aggregate level, Asahi Life's differentiated strengths and strategies enables it to maintain a competitive position in the domestic market. Asahi Life also competes for sales representatives and independent sales agents with other life insurance companies operating in Japan.

In recent years, there have been substantial changes in the competitive environment surrounding the Japanese life insurance industry, particularly as a result of deregulation and the entry of foreign-owned and new life insurance companies into the market.

ICT

Asahi Life uses ICT to facilitate the operations of all aspects of its business, including the management of its policies, the investment of its assets, the maintenance of statistics and customer information, facilitation of its sales process and big data analysis.

Asahi Life currently maintains its primary information management and retention systems at a facility in Tama City, Tokyo.

In addition to these centralised facilities, all of Asahi Life's sales representatives are equipped with tablet devices *"Smart-Ai"*. See "— Sales and Marketing — Sales Support". Further, in respect of the improvement of efficiency of the operations, see "— Customer Services — Business Operations Innovation through ICT".

Legal Proceedings

Asahi Life is subject to legal actions in the ordinary course of its business. These legal actions include claims related to individual sales practices and denial or delay of claims payments. Asahi Life is not involved in any litigation or other legal proceedings that, if determined adversely to Asahi Life, would individually or in the aggregate be expected to have a material adverse effect on its business or results of operations.

Properties

Asahi Life owns or leases real property for its Tokyo headquarters, 58 branch offices (as of 30 September 2022) and other facilities located nationwide. Asahi Life believes its properties are adequate and suitable for its business as currently conducted and are adequately maintained. The above properties do not include properties Asahi Life owns for investment purposes only.

Employees

As of 31 March 2022 and 30 September 2022, Asahi Life had 18,345 employees and 18,506 employees, respectively, including 14,241 sales representatives and 14,308 sales representatives, respectively, and 4,104 administrative personnel and 4,198 administrative personnel, respectively. Although turnover of sales representatives is high, with an average retention period is nine years and two months as of 31 March 2022, Asahi Life believes this is generally in line with other companies in the life insurance industry in Japan. Most of Asahi Life's full-time non-management employees are members of a labour union. Asahi Life's management considers its labour relations to be good. Under the 2021 Mid-Term Management Plan, Asahi Life continues to work on initiatives to improve working styles so that it could retain the talented employees.

ESG

Asahi Life has set an aim for net zero greenhouse gas emissions by 2050 and certain additional interim reduction targets towards 2030.

In respect of its own business operations, Asahi Life has been working on the following initiatives to meet the target:

- Renewable energy conversion for buildings owned.
- Improving energy efficiency by changing lighting equipment to LED.
- Energy saving by using efficient air-conditioners.
- Purchasing eco-friendly office supplies.

In respect of its investing operations, Asahi Life has been working on the following initiatives to meet the target:

- Engagement in dialogues with investee companies to positively influence corporate behaviours with respect to climate change.
- Continuing to focus on renewable energy project finances.

The following table sets out the notable ESG investment and financing by Asahi Life in recent years:

Investment Field	Transaction	Investment timing
Renewable energy	Infrastructure Equity Fund	August 2022
Renewable energy	Z Energy (carbon neutral fund)	May 2022
Education	Osaka University (sustainability bond)	April 2022
Poverty and infrastructure	African Development Bank (social bond)	April 2022
Climate	International Bank for Reconstruction and Development (sustainable development bond)	April 2022
Quality improvement	African Development Bank (social bond)	March 2022
Health	Inter-American Development Bank (sustainable development bond)	March 2022
Gender	Asian Development Bank (gender bond)	January 2022
Renewable energy	Natixis (green bond)	January 2022
Climate and infrastructure	Tokyo Metropolitan Government (green bond)	October 2021
Renewable energy	Niigata East Port Biomass Power Plant (loan)	August 2021

In addition, Asahi Life has been continuingly promoting empowerment of women and recruitment of persons with disabilities. As of 1 April 2022, the proportion of women in management role reached 31 per cent.

Also, even during the COVID-19 pandemic, Asahi Life received various awards such as Certified health & productivity management outstanding organisations in 2022.

MANAGEMENT

Directors and Statutory Auditors

The following table sets forth the current Directors and Statutory Auditors of Asahi Life:

Name	Title	Date first elected as Director/Statutory Auditor
Hiroki Kimura	President and Representative Director	July 2013
Yasuhiro Iguchi	Representative Director and Senior Managing Executive Officer	July 2016
Yukihiro Fujioka	Director and Senior Managing Executive Officer	July 2017
Kenichi Ikeda	Director and Managing Executive Officer	July 2020
Kouichi Kashimada	Director and Managing Executive Officer	July 2021
Masahiro Shimotori	Director and Executive Officer	July 2021
Kenichiro Ishijima	Director	July 2018
Kazuko Ohya(1)	Director	July 2013
Takashi Tsukamoto(1)	Director	July 2016
Takaaki Ishii(1)	Director	July 2022
Hideki Konishi	Standing Statutory Auditor	July 2019
Kaoru Masuda	Standing Statutory Auditor	July 2021
Tadayuki Seki(2)	Statutory Auditor	July 2017
Mitsuyoshi Shibata(2)	Statutory Auditor	July 2018
Yoichi Kikuchi(2)	Statutory Auditor	July 2021

Notes:

(1) Outside director as defined under the Insurance Business Act.

(2) Outside statutory auditor as defined under the Insurance Business Act.

Asahi Life's Board of Directors has the ultimate responsibility for the administration of the affairs of Asahi Life. Asahi Life's Articles of Incorporation provide for not more than 15 Directors. Directors are elected at the representative policyholders' meeting. The normal term of office of a Director expires at the close of the annual policyholders' meeting for the last fiscal year ending within one year of the Director's election, although Directors may serve any number of consecutive terms. The Board of Directors elects from among its members one or more Representative Directors, who have the authority individually to represent Asahi Life. Under Asahi Life's Articles of Incorporation, the Board of Directors may also elect from among its members a Chairman, a President and one or more Deputy Presidents, Senior Managing Directors and Managing Directors.

Asahi Life's Articles of Incorporation provide for not more than five Statutory Auditors. Statutory Auditors, of whom at least half or more must be persons who have not been a director, accounting advisor, executive officer or manager or any other employee of Asahi Life or any of its subsidiaries within ten years prior to assuming the position of Statutory Auditors are elected at the representative policyholders' meeting. The normal term of office of a Statutory Auditor expires at the close of the annual policyholders' meeting for the last fiscal year ending within four years of the Statutory Auditor's election, although Statutory Auditors may serve any number of consecutive terms.

The Statutory Auditors form the Board of Statutory Auditors. Statutory Auditors are under a statutory duty to review the administration of the affairs of Asahi Life by the Directors, to examine the financial statements and business reports of Asahi Life to be submitted by the Representative Director to the representative policyholders' meeting, and to report their opinions thereon to the participating policyholders. They are obliged to attend meetings of the Board of Directors and to express their opinions if necessary, but they are not entitled to vote. Statutory Auditors also have a statutory duty to provide their report to the Board of Statutory Auditors, which must submit its auditing report to the Board of Directors. The Board of Statutory Auditors will also determine matters relating to the duties of the Statutory Auditors, such as audit policy and methods of investigation of the affairs and property of Asahi Life.

In addition to statutory auditors, Asahi Life must appoint an independent auditor, who has the statutory duties of examining the financial statements to be submitted by the Representative Director to the representative policyholders' meeting, reporting their opinion thereon to the relevant Statutory Auditors and Directors. Ernst & Young ShinNihon LLC acts as the independent auditor for Asahi Life.

SUBSIDIARIES

Asahi Life conducts its business together with its subsidiaries. As of 30 September 2022, Asahi Life had four consolidated subsidiaries and twelve non-consolidated subsidiaries.

The following table sets forth information on all of Asahi Life's subsidiaries as of 30 September 2022:

Name	Country	Main business	Issued capital as of 30 September 2022	Equity held directly or indirectly by Asahi Life
			(millions of yen, except where otherwise indicated)	(percentages)
Consolidated Subsidiaries:				
Nanairo Life Insurance Co., Ltd.	Japan	Life insurance business	21,000[(1)]	100.0
Info Techno Asahi Co., Ltd.	Japan	Software development and operation service	50	100.0
Asahi Life Asset Management Co., Ltd.	Japan	Investment advisory, investment trust management	3,000	100.0
Asahi Natixis Investment Managers Co., Ltd.	Japan	Investment advisory	50	51.0
Non-consolidated subsidiaries:				
Asahi Real Estate Management Co., Ltd.	Japan	Building maintenance	85	100.0
Shinjuku L Tower Kanri Co., Ltd.[(2)]	Japan	Building maintenance	20	69.5
Asahi Life Card Service Co., Ltd.	Japan	Credit card business and payment agency service	50	95.0
Asahi Hoken Service Co., Ltd.	Japan	Payment confirmation service on insurance contracts and sales service of non-life insurance	50	100.0
Asahi Life Business Service Co., Ltd.	Japan	Receiving and delivering documents, purchase and management of supplies	20	100.0
F.L.P Co., Ltd.	Japan	Services relating to the solicitation of life and non-life insurance	370	100.0
NHS Insurance Group Inc.	Japan	Management of insurance agency subsidiaries	100	100.0
NHS Inc.	Japan	Services relating to the solicitation of life and non-life insurance	100	100.0
Sokisha Inc.	Japan	Services relating to the solicitation of life and non-life insurance	100	100.0
FEA Inc.	Japan	Services relating to the solicitation of life and non-life insurance	30	100.0
Life Navi Partners Inc.	Japan	Services relating to the solicitation of life and non-life insurance	10	100.0
ALIMCO Cayman Ltd.[(3)]	Cayman Islands	Investment advisory	U.S.$100 thousand	100.0

Notes:

(1) On 11 November 2022, Nanairo Life issued a further 8,000 shares to Asahi Life, with its capital increasing by ¥4,000 million (and capital reserve increasing by the same amount) pursuant to such issuance.

(2) Shinjuku L Tower Kanri Co., Ltd. is in liquidation process.

(3) ALIMCO Cayman Ltd. has completed its liquidation process.

REGULATION OF THE JAPANESE LIFE INSURANCE INDUSTRY

Insurance Business Act

Asahi Life is regulated principally under the Insurance Business Act, which governs both life and non-life insurance businesses in Japan. Pursuant to the Insurance Business Act, the Prime Minister of Japan has the authority to supervise insurance companies in Japan, including Japanese branch offices of foreign-based insurers. Most of such authority is delegated to the Commissioner of the FSA, who in turn has delegated a part of such authority to the Directors of Local Finance Bureaus of the Ministry of Finance of Japan.

Certain of the provisions of and regulations under the Insurance Business Act and certain other recent regulatory developments are briefly described below. In this description, the term “insurance products” includes annuity products that are sold by life insurance companies in Japan. Such annuity products are regarded as insurance products for purposes of the Insurance Business Act, and the term “insurance” should be interpreted accordingly.

Entry Regulations

Corporate Entities

Under the Insurance Business Act, the insurance underwriting business may be conducted by a licensed joint stock corporation, a licensed mutual company or the Japanese branch of a licensed foreign insurer, with certain limited exceptions. Asahi Life is a licensed mutual company. A mutual company is a corporate structure provided for in the Insurance Business Act, pursuant to which policyholders (excluding holders of non-participating policies) may directly participate in the management of a mutual company. Instead of the general meeting of policyholders corresponding to the general meeting of shareholders in respect of a joint stock corporation, the Insurance Business Act permits a mutual company in its articles of incorporation to establish a board of representative policyholders which consists of representative policyholders elected from among participating and semi-participating policyholders. All of the Japanese mutual life insurance companies, including Asahi Life, have established boards of representative policyholders. At each of its annual meetings, the board of representative policyholders receives a report and explanation regarding the business and settlement of accounts and adopts resolutions concerning important matters such as disposition of surplus and election of directors. The term of office of representative policyholders is limited to no more than four years by the Insurance Business Act. Asahi Life’s representative policyholders are nominated by the representative policyholders’ nominating committee established by Asahi Life taking into account geographical distribution, age, gender and occupations to obtain a balanced representation.

Licensing Requirements

Under the Insurance Business Act, a licence must be obtained from the Prime Minister in order to engage in the business of underwriting insurance, with certain limited exceptions. There are two types of insurance business licenses, one for underwriting life insurance products and one for underwriting non-life insurance products. The same entity cannot obtain both of these licenses. Only joint stock corporations with paid-in capital of ¥1 billion or more, or mutual companies with foundation funds of ¥1 billion or more are entitled to obtain such licenses. The issuance of a licence is subject to the satisfaction of certain requirements relating to such matters as financial condition, prospective results of operations, knowledge, experience, social credibility, insurance products to be offered, and the manner of calculation of insurance premiums and policy reserves. An applicant for an insurance licence must submit to the Prime Minister, together with the application for the license, certain documents such as its articles of incorporation, a statement of the manner of operations, a form of general policy conditions and a statement of the manner of calculation of insurance premiums and policy reserves. The Prime Minister or the Commissioner of the FSA also has the authority to order the suspension of businesses in whole or in part, dismiss officers including directors, executive officers, accounting advisors, statutory auditors and an independent auditor, and revoke licenses, in the event of violation of material provisions of laws or regulations or in certain other cases prescribed by the Insurance Business Act.

Foreign insurance companies may not engage, with limited exceptions, in the insurance business in Japan without establishing a branch or office in Japan and obtaining a licence from the Prime Minister. Application procedures and requirements for such a licence are substantially the same as in the case of Japanese insurance companies. Also, the Prime Minister, the Commissioner of the FSA, and the Director of the relevant Local Finance Bureau of the Ministry of Finance of Japan have supervisory authority over foreign insurance companies’ branches and offices in Japan, which is similar to the authority they have over Japanese insurance companies.

Joint stock corporations or mutual companies that are registered as small-amount, short-term insurers may also conduct underwriting of insurance products. However, the maximum amount of the insurance claims and term of such insurance products are restricted. The small-amount, short-term insurers are subject to less strict regulations than the insurers with a license.

Restrictions on Insurance Business by Other Financial Corporations, etc.

Banks, securities companies and other financial institutions (other than insurance companies) were previously prohibited from engaging in insurance business or selling insurance products in Japan. However, the legal barriers preventing banks, securities companies and other financial institutions from entering into the insurance markets have gradually been lifted as follows:

- from December 1998, it became possible for securities companies in Japan to sell insurance products underwritten by their insurance subsidiaries or by other insurance companies;
- from October 2000, it became possible for Japanese banks to have insurance subsidiaries;
- from April 2001, it became possible for banks in Japan to sell credit life insurance policies issued by their subsidiary or affiliate insurance companies in connection with housing loans made by banks and also to sell certain kinds of non-life insurance products;
- from October 2002, it became possible for banks in Japan to sell specified additional types of life insurance products, including both fixed and variable individual annuity products;
- from December 2005, it became possible for banks in Japan to sell specified additional types of life and non-life insurance products, including single premium whole life insurance products and reserve-type accident insurance products; and
- from December 2007, it became possible for banks in Japan to sell all types of life and non-life insurance products under certain administrative restrictions set forth in the relevant regulations.

Cooperative associations (*kyosai*) are mutual aid societies traditionally formed by a group of persons such as those with the same occupation or regional community, which provide mutual aids, such as funeral expenses, from the pooled contributions of members. Except for some cooperative associations, including the Japan Agricultural Cooperatives, the National Federation of Workers and Consumers Insurance Cooperatives and the Japanese Consumers' Co-operative Union, which are regulated by special laws, cooperative associations are subject to regulations under the Insurance Business Act as a result of an amendment to the Insurance Business Act that became effective in 2006. In May 2011, a further amendment to the Insurance Business Act became effective and under the amended Insurance Business Act, cooperative associations which meet certain requirements would be allowed to provide mutual aids with the special authorisation of the relevant authorities even if they have no insurance business licenses.

Restrictions Concerning Scope of Business

Scope of Business

Under the Insurance Business Act, insurance companies in Japan are permitted to engage only in the business of underwriting insurance, investing premium revenues and other assets, and certain other businesses provided in the Insurance Business Act (with the prior authorisation of the Commissioner of the FSA for certain types of businesses), including:

- representing the businesses of or carrying out certain services on behalf of other insurance companies and other financial service operators, such as preparation or delivery of documents relating to the underwriting of insurance, collection of premiums, payment of insurance claims and benefits or execution of insurance policies (including brokerage), each for or on behalf of other insurance companies;
- providing guarantees for third parties;
- underwriting bonds issued or guaranteed by the Japanese government or bonds issued by Japanese local governments or handling of public offerings to which such underwriting relates;

- acquisition or transfer of accounts receivable;
- underwriting bonds issued by special purpose companies (*tokutei mokuteki kaisha*) under the Act on Securitisation of Assets of Japan (Act No. 105 of 1998, as amended) or the handling of offerings to which such underwriting relates;
- acquisition or transfer of short-term bonds;
- handling of private placements of securities;
- dealing in or acting as intermediary, broker or agent with respect to dealing in certain kinds of financial futures and other derivatives;
- certain types of securities business specified in the Insurance Business Act and the FIEA, such as the sale of units of investment trusts;
- handling the offerings or the administration of local government bonds or company bonds or other bonds;
- trust business concerning secured bonds that is carried out pursuant to the Secured Bond Trust Act of Japan (Act No. 52 of 1905, as amended);
- investment advisory business;
- execution of agreements to obtain or transfer carbon dioxide equivalent quotas, or the intermediary, brokerage or agency service therefor;
- fund settlement business; and
- trust business relating to insurance claims paid.

Restrictions on Scope of Business of Subsidiaries

The Insurance Business Act restricts the types of businesses in which Japanese insurance companies may engage through their subsidiaries to, among other things, banking businesses, certain securities businesses, and certain financial-related and other incidental businesses, with the prior authorisation of, or prior notice to, the Commissioner of the FSA. However, this restriction had been criticised for putting Japanese insurance companies at a disadvantage when they competed with insurance companies in other countries to acquire foreign insurance companies, in that only the Japanese insurance companies, when bidding, need to set conditions to dispose of subsidiary companies engaged in the unpermitted types of businesses, thus impeding the entry of Japanese insurance companies into overseas markets. In July 2012, the regulations were relaxed in respect of acquisitions of foreign insurance companies. This amendment allows Japanese insurance companies to hold subsidiary companies engaged in the unpermitted types of businesses for five years, if such companies are subsidiaries of acquired foreign insurance companies. In addition, upon the approval of the FSA such Japanese insurance companies may extend their holding of such subsidiary companies. In addition, an amendment in 2014, effective from November 2014, has further relaxed such restrictions. Following this amendment and a further amendment in 2021, a foreign company falling within certain categories or whose subsidiary is engaged in the unpermitted types of businesses is allowed to be a subsidiary of Japanese insurance companies for ten years. Holding companies that hold more than 50 per cent. of the voting rights of an insurance company (the "insurance holding companies") can hold subsidiaries engaging in businesses identical to the foregoing only with prior notice, and may also hold subsidiaries engaging in other businesses with the prior authorisation of the Commissioner of the FSA.

Previously, the Insurance Business Act prohibited Japanese life insurance companies from directly, or indirectly through subsidiaries, engaging in the non-life insurance business and also prohibited Japanese non-life insurance companies from directly, or indirectly through subsidiaries, engaging in the life insurance business. As a result of deregulation, however, life insurance companies are permitted to have non-life insurance subsidiaries, and non-life insurance companies are permitted to have life insurance subsidiaries.

Regulations Concerning Third Sector Insurance Products

In the Japanese insurance industry, life insurance products and non-life insurance products are called "first sector" and "second sector" insurance products, respectively, and insurance products which do not fit into either category are called "third sector" insurance products. Before the deregulation described below, third sector insurance products were permitted to be sold as independent products only by foreign-owned or small- to medium-sized life insurance companies, although large life insurance companies and life insurance subsidiaries of non-life insurance companies were permitted to sell such products as riders to first sector insurance products.

Deregulation has gradually relaxed the restrictions imposed on the sale of third sector insurance products, and currently it is possible for life insurance companies (including life insurance subsidiaries of non-life insurance companies) in Japan to sell third sector non-life insurance products. Non-life insurance companies in Japan are also now permitted to sell third sector life insurance products.

Restrictions on Shareholdings of Other Companies

With the exception of certain companies that are allowed to be subsidiaries of insurance companies, the Insurance Business Act generally prohibits an insurance company and/or its subsidiaries from acquiring or holding aggregate voting rights of another domestic company in excess of 10 per cent. of the total voting rights of all shareholders of such domestic company. Also, the Act concerning the Prohibition of Private Monopoly and Maintenance of Fair Trade of Japan (Act No. 54 of 1947, as amended) generally prohibits an insurance company from acquiring or holding voting rights of another domestic company in excess of 10 per cent. of the total voting rights of all shareholders of such domestic company without obtaining the prior authorisation of the Fair Trade Commission, pursuant to the standards established by the Fair Trade Commission.

Regulations on Business Operations and Ongoing Supervisory Control

Matters to be Authorised by the Commissioner of the FSA

An insurance company must obtain authorisation from the Commissioner of the FSA with respect to (a) any change in its products or any other term provided in the statement of manner of operations, the form of general policy conditions, or the statement of manner of calculation of insurance premiums and policy reserves (although some of these changes are subject only to prior notification requirements), or certain material provisions of the articles of incorporation, (b) the establishment or acquisition of certain subsidiaries, (c) demutualisation, mutualisation, mergers, consolidations, demergers, dissolution or the cessation of insurance business, or (d) the transfer of insurance policies, business transfer or entrustment of administration to another insurance company.

The Commissioner of the FSA also has extensive supervisory authority over insurance companies, including:

- issuance of orders to insurance companies or their subsidiaries requiring such entities to submit reports or materials concerning the operation of their businesses or the condition of their assets;

- examination of the operation of insurance companies or their subsidiaries at their offices and other premises;

- setting of standards for measuring the soundness of the management of insurance companies (See "— Financial Regulations — Solvency Margin Ratio" and "Recent Business — Supplemental Financial Measures — Economic Solvency Ratio (ESR)");

- issuance of orders to insurance companies to change any term provided in any statement of manner of operations, general policy conditions, or statement of manner of calculation of insurance premiums and policy reserves; and

- issuance of orders to insurance companies to submit or amend business improvement plans or to suspend all or part of their business.

Reporting Requirements

Insurance companies are subject to various reporting requirements under the Insurance Business Act. Among these requirements, insurance companies in Japan must submit to the Commissioner of the FSA annual and semi-annual business reports in each business year as well as notifications with respect to any increase in foundation funds, the election or resignation of representative directors, directors who engage in the ordinary business of the insurance company or statutory auditors, and the issuance of subordinated bonds or the borrowing of subordinated loans.

Restrictions on Investments

Under the Insurance Business Act, aggregate investments by an insurance company in any single company and its related companies (including the purchase of debt or equity securities issued by, and loans to or deposits with, such company or any of its related companies) may not exceed 10 per cent. (or 3 per cent. in the case of loans and guarantees) of its general account assets, except as approved by the Commissioner of the FSA. If an insurance company has subsidiaries or affiliates, except as approved by the Commissioner of the FSA, the aggregate investments by such insurance company and its subsidiaries and affiliates in a single company or its related companies may not exceed 10 per cent. (or 3 per cent. in the case of loans and guarantees) of the aggregate of such insurance company's general account assets, as prescribed in the related regulations, and the equity of such subsidiaries and affiliates, which aggregate amount will be adjusted to such extent as may be deemed necessary by the Commissioner of the FSA. However, these restrictions are not applicable with regard to the investment by an insurance company in its subsidiary, on the condition that such subsidiary is also an insurance company or an insurance holding company and the investment is via the purchase of shares of such subsidiary.

Regulations on Solicitation and Brokerage of Insurance Policies

Under the Insurance Business Act, life insurance solicitors, including sales representatives and independent sales agents, and insurance brokers must be registered with the Director of the relevant Local Finance Bureau. The Directors of the Local Finance Bureaus also have the authority to revoke any existing registration upon the occurrence of certain events provided in the Insurance Business Act and to supervise the operation of such representatives, agents and brokers.

Sales representatives were previously not permitted to work for more than one life insurance company. However, as a result of an amendment to the Insurance Business Act in 1995, this exclusivity requirement was relaxed in 1996. As a result of this amendment, an independent sales agent may become a sales representative of two or more life insurance companies in certain circumstances specified by the relevant cabinet order which are not likely to result in impairing the protection of policyholders in light of the relevant factors, including the ability of the sales representative to carry on the insurance solicitation. Based on this exception, banks registered as sales agents under the Insurance Business Act for over-the-counter insurance sales activities are permitted to act as sales representatives for two or more life insurance companies.

Additionally, the Insurance Business Act prohibits certain solicitation activities, such as false notice or non-disclosure of important matters, for the purpose of protecting potential insurance policyholders. In addition, amendments, effective from May 2016, have established general rules for insurance solicitation to promote more appropriate solicitation practices. These general rules impose on insurance companies, life insurance solicitors, including sales representatives, independent sales agencies and insurance brokers (i) an obligation to ascertain the customer's wishes and to propose products in accordance with the customer's wishes and (ii) an obligation to provide customers with product information and other necessary information during insurance solicitation. Furthermore, sales representatives of life insurance companies, independent sales agencies and insurance brokers are prohibited under the Insurance Business Act from selling insurance policies (excluding certain insurance policies specified by the Commissioner of the FSA) to employees and other persons affiliated with their own company, for the purpose of protecting the persons concerned from coercive purchasing under pressure from their employers or other affiliated entities.

In this context, the FIEA aims to cover a wide range of financial instruments, as a type of cross-sectoral legal framework for protecting investors. Although insurance policies are not directly regulated by the FIEA, an amendment to the Insurance Business Act revised the regulation of insurance policies with strong investment characteristics, such as foreign currency-denominated insurance and variable insurance, to the effect that the rules for sales and solicitation activities for such insurance products would be subject to similar restrictions as those established under the FIEA. These rules include, among others, (i) regulations on advertisements, (ii) the obligation to deliver documents in a written form which must clearly state the possibility of incurring losses and the amount of fees, prior to concluding a contract, (iii) prohibition of loss compensation, and (iv) the suitability rule. These restrictions apply to sales representatives, independent sales agents and insurance brokers, as well as insurance companies.

Financial Regulation

Foundation funds

Foundation funds (sometimes referred to as "*kikin*" or "funds") serve as capital for Japanese mutual companies. Unlike paid-in capital for joint stock corporations, however, foundation funds have a stated maturity and accrue interest payment obligations on a subordination basis.

The mutual company is permitted to make principal and interest payments under the foundation funds so long as the payments in any particular year are approved by the board of representative policyholders and do not exceed certain maximum amounts prescribed in the Insurance Business Act (such amounts, the "distributable principal surplus" with respect to principal payments and the "distributable interest surplus" with respect to interest payments).

Under the Insurance Business Act, the mutual company is required to obtain approval of the board of representative policyholders each year in order to distribute surplus for the payment of interest on the foundation funds. The mutual company is also required under the Insurance Business Act to obtain approval of its representative policyholders each year in order to distribute surplus for the payment of principal of the foundation funds. In addition, in order for a mutual company to make principal payments with respect to the foundation funds, it will also be required under the Insurance Business Act to have accumulated statutory reserve for redemption of foundation funds (*kikin-shokyaku-tsumitate-kin*) in an amount equal to the principal payment.

If in any particular year, the conditions mentioned above are not met, a mutual company will be unable in that year to make all or part of the principal or interest payments due under the foundation funds. In such cases, the holder of the foundation funds would not be able to compel the mutual company to make such payment. Notwithstanding the above, if the board of directors fails to adopt a resolution approving a voluntary reserve for redemption of foundation funds for a payment of principal due under the foundation funds, the holder of the foundation funds may be able to make a claim against the mutual company for the payment of principal, but only in an amount less than or equal to the amount accumulated under the voluntary reserve for redemption of foundation funds.

Policyholder dividends

The Insurance Business Act provides that the distribution of policyholder dividends by insurance companies must be made in a fair and equitable manner in accordance with the provisions of the related regulations. An insurance company must calculate the amount of profits to be reserved for distribution of policyholder dividends for each type of insurance policy categorised by the nature of the policy, and must choose a calculation method from among those provided in the regulations. The ministerial ordinances under the Insurance Business Act also provide that the amount of reserve for dividends to policyholders may not exceed the aggregate sum of the following items:

- the amount of policyholder dividends allocated and accumulated with interest;
- the amount of policyholder dividends allocated but unpaid, excluding the amount prescribed above, but, at the end of a fiscal year, including the amount of policyholder dividends to be allocated for the following fiscal year;
- the amount of policyholder dividends which would be required to be paid upon termination if all participating policies were to be terminated; and
- other amounts to be calculated in accordance with the method set forth in the statement of the manner of calculation of insurance premiums and policy reserves.

The Insurance Business Act requires an insurance company which is a mutual company to apply a certain percentage of unappropriated retained earnings to provision for reserve for dividends to policyholders and reserve for balancing policyholder dividends. In addition, the Actuarial Standards of Practice for Life Insurance Companies provide certain criteria which must be considered by the chief actuary in determining whether the distribution of policyholder dividends by a life insurance company is made in a fair and equitable manner.

Policy reserves

Under the Insurance Business Act, insurance companies in Japan are required to provide policy reserves at the end of each fiscal year for the fulfilment of future obligations under insurance policies. The policy reserves of life insurance companies shall be calculated based on the amount of insurance premiums actually received and shall consist of the following:

- premium reserve;
- unearned premium reserve;
- refund reserve; and
- contingency reserve.

The Insurance Business Act and related regulations provide that the amount of the premium reserve (other than unearned premiums) and refund reserve with respect to certain insurance policies specified in such regulations must not be lower than the amount of the "standard policy reserve". The concept of "standard policy reserve" was introduced by an amendment to the Insurance Business Act effective in April 1996 to ensure the financial soundness of life insurance companies. A public notification issued under the Insurance Business Act by the Ministry of Finance in 1996, as amended, sets forth the method of provision for the standard policy reserve and the assumed yield on investments and mortality rates which must be adopted or used in calculating the amounts of the standard policy reserve. Pursuant to this public notification, the amount of the standard policy reserve must in general be calculated by the net level premium method, applying an assumed yield on investments, which is calculated based on the then-current yield of long-term JGBs, and applying the mortality rates, which must be set by the Institute of Actuaries of Japan and confirmed by the Commissioner of the FSA, regardless of the amount of insurance premiums actually received. The standard mortality table has recently been revised for the first time in 11 years, and as so revised is applied to new insurance policies sold on and after 1 April 2018. The public notice provides different rules for calculation of the amount of the standard policy reserve for variable insurance policies in which a life insurance company guarantees the minimum amount of payment and of which premiums are administered in separate accounts of such life insurance company. The amount of the premium reserve (other than unearned premiums) and refund reserve with respect to insurance policies which are not subject to the provision of standard policy reserve, must be calculated as set out in the statement of the manner of calculation of insurance premiums and policy reserves by each life insurance company based on the amount of insurance premiums actually received.

Appointment of Chief Actuary

Under the Insurance Business Act, a life insurance company is required to appoint a chief actuary by a resolution of its board of directors. The chief actuary so appointed must participate in the calculation of insurance premiums, policy reserves, policyholder dividends, reserve for outstanding claims, and certain other matters set forth in the ministerial ordinance promulgated under the Insurance Business Act. Also, the chief actuary must examine, at the end of every fiscal year, whether the provision for policy reserves and the distribution of policyholder dividends have been made appropriately and whether it is difficult to continue the insurance business based upon the reasonable projections made in accordance with actuarial principles of the future revenue and expenses, and must submit an opinion to the board of directors of life insurance companies in Japan and a copy of such opinion to the Commissioner of the FSA. The Commissioner of the FSA may seek explanations with respect to the opinion issued by the chief actuary or seek an opinion on any matter in which the chief actuary is involved. The chief actuary must also examine, at every fiscal year-end, whether the solvency margin ratio (as explained below) of the insurance company has been appropriately calculated based upon actuarial principles.

Solvency Margin Ratio

Under the Insurance Business Act, the Commissioner of the FSA has the authority to set standards for measuring the financial soundness of the management of insurance companies. The solvency margin ratio is a standard designed to measure the ability of insurance companies to make payment for insurance claims and other claims upon the occurrence of unforeseeable events such as natural disasters. The solvency margin ratio for life insurance companies is calculated on a non-consolidated basis pursuant to the following formula:

Solvency margin ratio = (Total solvency margin / ((Total risk) × ½)) × 100

In the above formula:

"Total solvency margin" represents the sum of the following:

- net assets (less certain items);
- reserve for price fluctuation;
- contingency reserve and special catastrophe reserve;
- general allowance for possible loan losses;
- sum of net unrealised gains/losses on certain securities and deferred hedge gains (losses) (multiplied by 90 per cent. if gains or 100 per cent. if losses) and land (multiplied by 85 per cent. if gains or 100 per cent. if losses); and
- certain other items (including perpetual subordinated debt which satisfy certain requirements (such as deferral of interest payment obligations) and dated subordinated debt with maturity longer than five years).

"Total risk" is a quantified measure of the total unforeseeable risk borne by the insurance company, which consists of risk amounts calculated based on standards specified by the Commissioner of the FSA as follows:

- the amount of the "(general) insurance risk" and "third sector insurance risk", that is, the risk which may arise as a result of the actual rate of occurrence of insurance events exceeding normal expectation;
- the amount of the "assumed yield risk", that is, the risk of failing to secure the assumed yield which serves as the basis of calculation of the policy reserves;
- the amount of the "investment risk", that is, the sum of (i) the amount equal to the "risk of price fluctuation", or the risk which may arise due to, among other things, fluctuation of prices of securities and any other assets held by the insurance company beyond normal expectation, (ii) the amount equal to the "credit risk", or the risk which may arise due to, among other things, default of obligations by the other party to any transaction with respect to the securities and any other assets held by the insurance company, (iii) the amount equal to the "affiliate companies' risk", or the risk which may arise due to, among other things, investment in any affiliate company, (iv) the amount equal to the "derivative transaction risk", or the risk which may arise due to, among other things, certain securities futures or forward transactions or certain derivative transactions, (v) the amount equal to the "credit spread risk", or the risk which may arise due to credit derivatives transactions, and (vi) the amount equal to the "reinsurance risk" or the risk which may arise due to reinsurance transactions;
- the amount of the "business management risk", that is, the other risks which cannot be foreseen in the ordinary course of the company's business; and
- the amount of the "guaranteed minimum benefit risk", that is, the risk associated with any insurance policy with a separate account, that may arise if the amount of the assets in the relevant separate account does not reach the minimum amount of the payment guaranteed under such insurance policy due to price fluctuations of the assets in such separate account or other reasons which may arise beyond normal expectation.

The concept of the "solvency margin ratio" was introduced by an amendment to the Insurance Business Act and related regulations which became effective in April 1996. The manner of calculation of solvency margin ratios is provided in the ministerial ordinance promulgated under the Insurance Business Act, and by public notifications and administrative directives issued previously by the Ministry of Finance, and currently by the FSA, and has been revised several times to ensure that solvency margin ratios represent more appropriately the ability of insurance companies to make the required payments upon the occurrence of unforeseeable events.

In April 2010, to improve the credibility of the Japanese solvency margin ratio regulations, the amendments to the current regulations on the solvency margin ratio calculation method were promulgated. Included in these were amendments that:

- introduced restrictions on the inclusion of certain items in the amount of solvency margin, such as the surplus portion of the insurance premium reserves and unearned premiums, and deferred tax assets related to net loss carried forward. With regard to subordinated debt, the total amount of subordinated debt and surplus portion of the insurance premium reserves and unearned premiums to be included in the solvency margin is limited to the amount of core margin (*chukaku-teki shiharai yoryoku*), which was a new concept under the revised solvency margin regulations in Japan, generally calculated by summing up net assets, reserve for price fluctuation, contingency reserve, catastrophe loss reserve and unallotted portion of reserves for dividends to policyholders, and making certain deductions (including loss on valuation of other securities) and adjustments. However, this limitation is not applied in the case of certain perpetual subordinated debt ("specified subordinated debt") which satisfies not only certain requirements for subordinated debt under the current regulations (such as limitation of redemption and deferral of interest payment obligations), but also additional requirements under the revised regulations (such as stricter restrictions on coupon step-up and requirement of deferred interest being non-cumulative or cumulative but deferrable for an unlimited period);

- tightened risk assessments, by such means as raising the confidence level of the co-efficient of each risk (from 90 per cent. to 95 per cent.), renewing statistical data to be used as the basis of the co-efficient of each risk, and introducing a calculation of the investment diversification effect related to price change risk based on each company's portfolio (previously, a uniform ratio of 30 per cent. was applied to life insurance companies); and

- required an actuary to confirm the appropriateness of solvency margin ratio calculations.

In addition, the amendments to the Insurance Business Act effective from 31 March 2012 introduced the consolidated solvency margin ratio regulation. Under the amended regulation, insurance companies are required to maintain a solvency margin ratio of 200 per cent. or above, on both a consolidated and non-consolidated basis, and they may be subject to prompt corrective actions if the ratio falls below 200 per cent. on either of a consolidated or non-consolidated basis. If the ratio falls below 100 per cent., the Commissioner of the FSA may order the insurance company to take measures to enhance solvency, including an order to implement a suspension or reduction of payment of dividends to policyholders, or payment of remuneration to directors. The consolidated solvency margin ratio is calculated pursuant to the formula similar to that for the non-consolidated solvency margin ratio.

The "Report of the Advisory Council on Economic Value-based Solvency Framework", published by the FSA in June 2020, referred to the necessity to move to the economic value-based solvency framework and to measuring the soundness of the management of insurance companies based on the following "three pillars" approach:

- Pillar 1 (Solvency Framework): Establish certain common standards for solvency ratios and a framework for supervisory intervention as a backstop to protect policyholders.

- Pillar 2 (Internal Controls and Supervisory Review): Capture risks not captured by Pillar 1 and promote the review and enhancement of internal controls of insurance companies.

- Pillar 3 (Disclosure): Encourage appropriate communication between insurance companies and their external stakeholders and appropriate governance of insurance companies.

In the "Status of Consideration of Economic Value-based Solvency Regulation" released by the FSA in June 2021, the FSA presented the analysis of possible issues relating to each of the three pillars.

In June 2022, the FSA released the FSA ESR Document 2022. The FSA ESR Document 2022 includes tentative conclusions on the concept of the standard model related to the new solvency framework and basic direction regarding the basic contents of such framework. The FSA assumed that the new solvency framework will be introduced in 2025, and tentatively concluded that the initial reporting period for ESR based on the new framework should be the end of March 2026. Even after the new solvency framework is introduced, it is considered appropriate to continue to require reporting at the end of the interim period as well as the end of the fiscal year.

In addition, the FSA ESR Document 2022 stated that the basic concept of the standard model in the new solvency framework will be that the basic structure should be common to the ICS, and that the structure will be modified to fit domestic insurance companies to a reasonable extent. The FSA also presented certain proposed guidelines on the treatment of individual items related to the economic value-based valuation approach in the FSA ESR Document 2022.

Adjusted Net Assets

Adjusted net assets is one of the indicators used to measure the financial soundness of a life insurance company, and the FSA examines adjusted net assets to determine whether a life insurance company is functionally insolvent for the purpose of taking prompt corrective action. See "— Prompt Corrective Action".

The amount of adjusted net assets is calculated by subtracting non-capital real liabilities from real assets. For this purpose, real assets represent the aggregate amount to be recorded in the asset section of the balance sheet, which is calculated based on on-balance-sheet assets. The amount of real assets is calculated in accordance with the method promulgated by the Cabinet Office and the Ministry of Finance, which prescribe, among other things, that the amounts of certain assets, such as securities and real estate, are to be calculated at fair value. For this purpose, non-capital real liabilities represent an amount calculated based on the aggregate amount to be recorded in the liability section of the balance sheet (that is, on-balance-sheet liabilities minus certain reserves and allowances, such as reserve for price fluctuation and contingency reserve). Non-capital real liabilities are calculated in accordance with the method promulgated by the FSA and the Ministry of Finance.

Prompt Corrective Action

The Commissioner of the FSA has the authority to order an insurance company with an insufficient solvency margin ratio or negative adjusted net assets to take prompt corrective action. In general, insurance companies with solvency margin ratios of 200 per cent. or higher are considered sound. If the ratio falls below 200 per cent., the Commissioner of the FSA may order the insurance company to submit and implement a business improvement plan that will reasonably ensure the soundness of the management. If the ratio falls below 100 per cent., the Commissioner of the FSA may order the insurance company to take measures to enhance solvency, including without limitation:

- suspension or reduction of payment of dividends to policyholders, or payment of remuneration to directors;
- revision of the manner of calculation of insurance premiums for new insurance policies;
- reduction of business expenses;
- suspension or reduction of investments in certain manners;
- closure of offices other than the head or main office; and
- curtailment of business of subsidiaries and affiliates.

If the solvency margin ratio falls below 0 per cent., the Commissioner of the FSA may order the insurance company to suspend all or part of its operations for a certain period specified by the Commissioner of the FSA; however, even if the solvency margin ratio falls below 0 per cent., if adjusted net assets is a positive amount or expected to be a positive amount, the Commissioner of the FSA may order a suspension of shareholder and policyholder dividend payments and director compensation, or such other measures as may be taken for a company with a ratio from 0 per cent. to 100 per cent., rather than suspending the operations of the company.

Furthermore, even if the solvency margin ratio is above 0 per cent., if adjusted net assets is a negative amount or expected to be a negative amount, the Commissioner of the FSA may order the suspension of operations of the insurance company.

As stated above, on invocation of prompt corrective action, both the solvency margin ratio and the substantial insolvency criteria based on the adjusted net assets are considered.

Regulations for the Protection of Policyholders

Special Measures to Protect Policyholders

The Insurance Business Act permits a life insurance company which is likely to have difficulty in continuing its business to alter its policy terms and, among other things, reduce the assumed yield to policyholders. In order to implement such alteration to its policy terms, in the case of a mutual company, after the approval of the Commissioner of the FSA has been obtained, recognising such likelihood of difficulty in continuing its business, the board of representative policyholders has to decide on a plan to alter the policy terms. Approval by such board of representative policyholders requires the approval of three-fourths or more of those representative policyholders attending the board of the representative policyholders at which half or more of all representative policyholders shall attend. Furthermore, the insurance company must obtain the approval of the Commissioner of the FSA on the plan to alter its policy terms, after being approved by the board of representative policyholders. In cases where more than 10 per cent. of the total number of policyholders whose policies will be subject to the plan object, and the amount provided in the ministerial ordinance promulgated under the Insurance Business Act as the amount of the claims regarding the insurance policies of such objecting policyholders exceeds 10 per cent. of the aggregate amount of the claims regarding the insurance policies subject to the plan, it shall be disapproved. Notwithstanding the foregoing, the assumed yield may not currently be reduced to less than 3 per cent., as prescribed in the cabinet order under the Insurance Business Act. In addition to the above autonomous measure, the Commissioner of the FSA is authorised under the Insurance Business Act, when it considers that in view of the business condition or assets of an insurance company it is difficult for the insurance company to continue its business, or that because the business operations of the insurance company are significantly inappropriate continuation of such business would likely be detrimental to protection of policyholders, to (i) order the insurance company to discuss the merger or suspension of business operations or transfer of its insurance portfolio or to take any other necessary measures, or (ii) order an insurance custodian to take over the administration of the insurance company's business and assets.

Life Insurance Policyholders Protection Corporation of Japan

The Insurance Business Act prescribes the establishment and manner of operations of corporations for the protection of insurance policyholders and requires that all life insurance companies participate in such a corporation. The LIPPC is the sole corporation for the protection of life insurance policyholders that has been established to date. All life insurance companies in Japan are members of the LIPPC and make contributions to the LIPPC pursuant to the Insurance Business Act and the articles of incorporation of the LIPPC. The amount of such contributions is calculated pursuant to the Insurance Business Act and the articles of incorporation of the LIPPC, principally based upon the amount of income from insurance premiums for a business year, the amount of policy reserves at the end of the business year of each insurance company, and a contribution percentage specified by the LIPPC. Under this calculation mechanism, the amount of contribution of each insurance company may be changed each year by (a) any change in the amount of income from insurance premiums for a business year and the amount of policy reserves at the end of the business year, and (b) an amendment to the contribution percentage, which may be made by the resolution of the members of the LIPPC with the permission of the Commissioner of the FSA and the Minister of Finance.

In addition to annual contributions, LIPPC may make and increase its borrowings to a maximum of ¥460 billion in total by borrowing from banks, insurance companies or financial institutions with the authorisation of the Commissioner of the FSA and the Minister of Finance, and may also borrow with a guarantee from the Japanese government. The LIPPC may ask licensed life insurance companies to provide security for such borrowings, in accordance with its rules.

Further, the Insurance Business Act provides that, if the LIPPC needs funds in excess of ¥460 billion (with certain exceptions) to support life insurance companies which fail between 1 April 2006 and 31 March 2027, the Japanese government may, subject to provisions in a budget approved by the Diet, make contributions to the LIPPC.

The LIPPC is responsible for providing support to maintain outstanding insurance policies issued by failing life insurance companies. The term "failing life insurance companies" in this context is defined as life insurance companies that suspend or, based on the state of their operations or assets, threaten to suspend payment of insurance claims or which are, or threaten to be, unable to perform their obligations. The support to be provided by the LIPPC includes the following:

- financial aid for the transfer of insurance portfolios from a failing life insurance company to another life insurance company, merger of a failing life insurance company into another life insurance company, or acquisition of the shares of a failing life insurance company by another life insurance company or an insurance holding company;

- establishment and management of a successor life insurance company which will assume the liabilities for all insurance policies of the failing life insurance company by way of transfer of insurance portfolios, or a merger with the failing life insurance company, provided that no other insurance companies are expected to assume liabilities under the insurance policies sold by the failing life insurance company;

- assumption of all or a part of the insurance policies sold by a failing life insurance company; provided that no other insurance companies are expected to assume such insurance policies;

- financial aid for the payment of insurance claims by a failing life insurance company suspending payments pursuant to an order for suspending business operations under the Insurance Business Act, or under rehabilitation or bankruptcy proceedings; and

- purchasing from policyholders their unpaid insurance claims against a failing life insurance company.

The amount of financial aid which can be provided by the LIPPC for life insurance policies is, with certain exceptions depending upon the kind of insurance policy, principally limited to an amount which is necessary to maintain 90 per cent. (for policies with a high expected rate of return, lower than 90 per cent.) of the sum of policy reserves (not including the contingency reserve), the reserve for outstanding claims, and the reserve for dividends to policyholders or participating policyholder dividends (excluding the undistributed portion thereof).

Policyholders' lien

Every holder of a life insurance policy issued by a life insurance company has a statutory lien (*sakidori tokken*) over the life insurance company's total assets with respect to the amount of reserve for payment to the insured under such policy. In addition, each person (including policyholders) who has any right to (i) receive insurance claims or benefits, (ii) seek compensation by a life insurance company for damages suffered by such person, or (iii) receive any refund, surplus, dividend or other distribution from the company, has a statutory lien over the life insurance company's total assets with respect to the amount of such right. The rights secured by statutory liens created under the Insurance Business Act have priority over the rights of general creditors, and are subordinated only to the rights secured by certain other statutory liens or by mortgages, pledges or other security interests.

Deposit Insurance Act

The Deposit Insurance Act of Japan (Act No. 34 of 1971, as amended) ("Deposit Insurance Act"), was originally enacted in order to protect depositors when banks and other banking institutions fail to meet their obligations. In June 2013, an amendment to the Deposit Insurance Act was promulgated, and such amendment took effect from March 2014, for the purpose of introducing a new resolution regime for failed financial institutions, including insurance companies, with a view to preventing systemic risks. The new regime has the following characteristics: (i) financial institutions including banks, insurance companies and securities companies and their holding companies are subject to the regime, (ii) when necessary measures such as provision of liquidity and financial assistance are implemented, the bail-in options (writing down of unsecured debts or converting unsecured debts into equity) are exercised and (iii) the expenses for implementation of the measures under this regime are borne by the financial industry with an exception under which it may be partially borne by the government of Japan.

Insurance Act

The Insurance Act of Japan (Act No. 56 of 2008, as amended) (the "Insurance Act") generally governs insurance contracts. The Insurance Act provides for formation, effectiveness and other issues regarding insurance contracts, and is applied to mutual aid contracts and accident and health insurance contracts, as well as life insurance contracts and non-life insurance contracts. The Insurance Act also provides policyholder protection measures, for example:

- The Insurance Act requires them to provide notice regarding important matters only when the life insurer expressly requests that it be provided with notice of such matters.

- In the case where the possibility of death has significantly decreased after the execution of a life insurance policy, the policyholder shall have the right to request a reduction of the insurance premium.

- Even if a payment date for an insurance benefit is specified in a life insurance policy and such date has not yet arrived, the life insurer shall be obliged to pay the insurance benefit after a reasonable period of time has elapsed for the insurer to be able to confirm the items necessary for payment of the insurance benefit.

- Any agreement which is less favourable for any policyholder, any insured and/or any insurance beneficiary than the measures stipulated in certain provisions including the above-mentioned provisions of the Insurance Act shall be invalid.

- When a life insurance contract is executed, the life insurer must deliver to the policyholder a document explaining the contents of the insurance contract and certain other items without delay.

In addition, the Insurance Act protects certain insurance beneficiaries. Insurance beneficiaries can defeat cancellation of certain insurance contracts by a third party who holds a right of cancellation, such as an attaching creditor or bankruptcy administrator, with the consent of the policyholder, by the payment of a certain amount to such third party and by giving notice to the insurer within one month of the cancellation.

Financial Instruments and Exchange Act

Under the FIEA, each life insurance company must be registered as a registered financial institution with the Director of the relevant Local Finance Bureau if it is to engage in financial instruments businesses, which includes securities businesses, permitted under such law. Life insurance companies are subject to the supervision of the Director of such Local Finance Bureau with respect to their financial instruments business, substantially in the same manner as other financial instruments business operators in Japan. Further, if the life insurance company is to engage in such financial instruments business for an unspecified number of customers, the life insurance company is required to set forth the contents and method of said business and acquire authorisation from the Commissioner of the FSA, pursuant to the Insurance Business Act.

The FIEA also requires that any person or entity that is to engage in the financial instruments business be registered with the Director of the competent Local Finance Bureau as a registered financial instruments business operator. Asahi Life Asset Management Co., Ltd. is registered with the Director of the Kanto Local Finance Bureau as a financial instruments business operator qualified to provide investment advisory services, investment management services and certain securities dealing businesses under the FIEA. The manner of operations of registered financial instruments operators is set forth in the FIEA and related regulations.

Act on the Provision of Financial Services

The Act on the Provision of Financial Services of Japan (Act No. 101 of 2000, as amended) provides for measures to protect financial services customers by requiring financial services providers, including Asahi Life as a life insurance company, to explain adequately to customers certain material matters such as risks of losses incurred by customers and mechanism of financial products causing losses; requiring financial service providers to ensure that their solicitation of customers to purchase financial products are made in a fair manner, taking into account customer's knowledge, experience, financial condition and purpose; and prohibiting financial services providers from providing deceptive or misleading information in respect of uncertain matters in connection with the sale of financial products. Further, the act holds financial services providers liable for damages caused by a failure to follow these requirements. The amount of damages is refutably presumed by the act to be the loss of principal.

Consumer Contracts Act

The Consumer Contracts Act of Japan (Act No. 61 of 2000, as amended) is designed to protect individual consumers who enter into contracts, or consumer contracts, with business operators, including Asahi Life, in light of the wide disparity between individual consumers and business operators in terms of the volume and quality of information and bargaining power. Under this act, a consumer may cancel, within the shorter of one year after the time when the consumer is entitled to the ratification and five years after the contract date, any consumer contract entered into by such consumer if he or she has proposed or agreed to enter into the relevant consumer contract due to his or her misunderstanding arising from a material false statement or a conclusive statement of uncertain items related to the contract. A similar cancellation right is also given to consumers if the relevant consumer contract was entered into by a consumer due to solicitation by a business operator in a certain troubling manner. This act also requires business operators to make efforts to ensure that the terms of consumer contracts are provided in a simple and clear manner so that they are understandable to consumers. If a consumer contract contains a clause which is unfairly prejudicial to the interests of consumers (such as a total waiver of consumers' rights to seek compensation from a business operator for damages suffered by them as a result of the business' default) such clause will be void under this act.

Act on Special Provisions to the Civil Court Proceedings for Recovery of Collective Consumer Damages

The Act on Special Provisions to the Civil Court Proceedings for Recovery of Collective Consumer Damages (Act No. 96 of 2013, as amended), which became effective on 1 October 2016, introduced a class action type of litigation system with respect to claims by consumers against business operators concerning (i) performance of obligations relating to a consumer contract; (ii) unjust enrichment relating to a consumer contract; (iii) damages due to failure to perform obligations under a consumer contract, and damages based on defect liability; and (iv) damages due to tort under the Civil Code relating to a consumer contract.

Act Preventing Transfer of Profits Generated from Crime

Under the Act Preventing Transfer of Profits Generated from Crime of Japan (Act No. 22 of 2007, as amended) (the "Act Preventing Transfer of Profits Generated from Crime"), financial institutions and other entities, including Asahi Life, are required to perform customer identification procedures and keep records of customer identifications and transactions with customers as prescribed by a ministerial ordinance. The Act Preventing Transfer of Profits Generated from Crime also requires financial institutions and other entities, including Asahi Life, to report to a competent authority if they suspect that any property accepted from a customer has been obtained illegally or the customer conducts certain criminal acts. Customer identification requirements were tightened by the amendment to the Act Preventing Transfer of Profits Generated from Crime which has been in effect from April 2013.

Act on Protection of Personal Information

The Act on Protection of Personal Information aims to protect personal information in the context of a society increasingly reliant on information technology. The Act on Protection of Personal Information contains various provisions including those imposing obligations on a business enterprise, including Asahi Life, utilising personal information databases which store personal information such as addresses, family members and medical histories. A business enterprise utilising personal information databases is required to (i) specify the purpose of the use of the personal information as clearly as possible, (ii) refrain from using the personal information beyond such purpose without consent by the person to whom such information relates, (iii) notify the person to whom such information relates or publish the purpose of the use when or prior to acquiring the personal information, and (iv) disclose the personal information if the person to whom such information relates requests it. Further, in certain cases, the person to whom such information relates may request the business enterprise to correct, add, refrain from using or erase the personal data.

Act on the Use of Numbers to Identify a Specific Individual in the Administrative Procedure

The Act on the Use of Numbers to Identify a Specific Individual in the Administrative Procedure came into effect in October 2015, and the number issued to each resident in Japan (My Number) has been in use since

January 2016. The main purpose of this Act is for efficiency in the administration of information in the field of social security, tax and disaster control. This Act contains provisions imposing obligations on business enterprises, including Asahi Life, to obtain and utilise the My Numbers. Business enterprises are required to (i) obtain a My Number through appropriate measures, (ii) use the My Number to the limited extent pursuant to the relevant laws and regulations, and (iii) take necessary measures for the appropriate management of the My Number, such as prevention of divulgation, loss, or damage of the My Number.

JAPANESE TAXATION

The following is a general description of certain aspects of Japanese taxation applicable to the Bonds. It does not purport to be a comprehensive description of the tax aspects of the Bonds. Prospective purchasers should note that, although the general tax information on Japanese taxation is described hereunder for convenience, the statements below are general in nature and not exhaustive.

Prospective purchasers are advised to consult their own legal, tax, accountancy or other professional advisers in order to ascertain their particular circumstances regarding taxation. The statements below are based on current tax laws and regulations in Japan and current income tax treaties executed by Japan all as in effect on the date hereof and all of which are subject to change or differing interpretations (possibly with retroactive effect). Neither such statements nor any other statement in this Offering Circular are to be regarded as advice on the tax position of any beneficial owner of the Bonds or any person purchasing, selling or otherwise dealing in the Bonds or any tax implication arising from the purchase, sale or other dealings in respect of the Bonds.

The Bonds

The Bonds do not fall under the concept of so-called "taxable linked bonds" as described in Article 6, Paragraph (4) of the Act on Special Taxation Measures, being bonds of which the amount of interest is to be calculated by reference to certain indexes (as prescribed by the Cabinet Order relating to the Act on Special Taxation Measures) regarding the issuer of the bonds or the specially-related person of the issuer.

Representation by Investors upon Distribution

The Bonds may not, as part of the distribution by the Managers under the subscription agreement relating to the Bonds, at any time be directly or indirectly offered or sold to, or for the benefit of, any person other than a beneficial owner that is (i) for Japanese tax purposes, neither (a) an individual resident of Japan or a Japanese corporation, nor (b) an individual non-resident of Japan or a non-Japanese corporation that in either case is a specially-related person of the issuer (excluding an underwriter designated in Article 6, Paragraph (12), item 1 of the Act on Special Taxation Measures which purchases unsubscribed portions of the Bonds from the other underwriters), or (ii) a Japanese financial institution, designated in Article 3-2-2, Paragraph (29) of the Cabinet Order.

By subscribing for the Bonds, an investor will be deemed to have represented that it is a person who falls into the category of (i) or (ii) above.

Interest Payments on Bonds and Redemption Gain

The following description of Japanese taxation (limited to national taxes) applies exclusively to interest on the Bonds and the redemption gain, meaning any difference between the acquisition price of interest-bearing bonds of the holder and the amount which the holder receives upon redemption of such interest-bearing bonds (the "Redemption Gain"). In addition, the following description assumes that the Bonds are evidenced by the Global Certificate and that definitive Certificates for the Bonds are not issued, in which case different tax consequences may apply. It is not intended to be exhaustive and prospective purchasers are recommended to consult their tax advisers as to their exact tax position.

1. ***Non-Resident Investors***

If the recipient of interest on the Bonds or of the Redemption Gain is an individual non-resident of Japan or a non-Japanese corporation for Japanese tax purposes, as described below, the Japanese tax consequences on such individual non-resident of Japan or non-Japanese corporation are significantly different depending upon whether such individual non-resident of Japan or non-Japanese corporation is a specially-related person of the issuer. Most importantly, if such individual non-resident of Japan or non-Japanese corporation is a specially-related person of the issuer, income tax at the rate of 15.315 per cent. of the amount of such interest will be withheld by Asahi Life under Japanese tax law.

I. Interest

(1) If the recipient of interest on the Bonds is an individual non-resident of Japan or a non-Japanese corporation having no permanent establishment within Japan or having a permanent establishment within Japan but where the receipt of the interest on the Bonds is not

attributable to such permanent establishment, no Japanese income tax or corporate tax is payable with respect to such interest whether by way of withholding or otherwise, if such recipient complies with certain requirements, *inter alia*:

(i) if the relevant Bonds are held through certain participants in an international clearing organisation such as Euroclear and Clearstream, Luxembourg or certain financial intermediaries prescribed by the Act on Special Taxation Measures and the Cabinet Order (together with the Act on Special Taxation Measures and the ministerial ordinance and other regulations thereunder, the "Law", and each such participant or financial intermediary, a "Participant"), the requirement to provide, at the time of entrusting a Participant with the custody of the relevant Bonds, certain information prescribed by the Law to enable the Participant to establish that the recipient is exempt from the requirement for Japanese tax to be withheld or deducted (the "Interest Recipient Information"), and to advise the Participant if such individual non-resident of Japan or non-Japanese corporation ceases to be so exempted (including the case where it became a specially-related person of the issuer); and

(ii) if the relevant Bonds are not held by a Participant, the requirement to submit to the relevant paying agent a written application for tax exemption (*Hikazei Tekiyo Shinkokusho*) (the "Written Application for Tax Exemption") together with certain documentary evidence.

Failure to comply with such requirements described above (including the case where the Interest Recipient Information is not duly communicated as required under the Law) will result in the withholding by Asahi Life of income tax at the rate of 15.315 per cent. of the amount of such interest.

(2) If the recipient of interest on the Bonds is an individual non-resident of Japan or a non-Japanese corporation having a permanent establishment within Japan and the receipt of interest is attributable to such permanent establishment, such interest will not be subject to a 15.315 per cent. withholding tax by Asahi Life, if the recipient provides the Interest Recipient Information or submits the Written Application for Tax Exemption as set out in paragraph I(1) above. Failure to do so will result in the withholding by Asahi Life of income tax at the rate of 15.315 per cent. of the amount of such interest. The amount of such interest will be aggregated with the recipient's other Japanese source income and will be subject to regular income tax or corporate tax, as appropriate.

(3) Notwithstanding paragraphs I(1) and (2), if an individual non-resident of Japan or a non-Japanese corporation mentioned above is a specially-related person of the issuer as of the beginning of the fiscal year of Asahi Life in which the relevant interest payment date falls, the exemption from Japanese withholding tax on interest mentioned above will not apply, and income tax at the rate of 15.315 per cent. of the amount of such interest will be withheld by Asahi Life. If such individual non-resident of Japan or non-Japanese corporation has a permanent establishment within Japan and the receipt of interest is attributable to such permanent establishment, regular income tax or corporate tax, as appropriate, collected otherwise by way of withholding, will apply to such interest under Japanese tax law.

(4) If an individual non-resident of Japan or a non-Japanese corporation (regardless of whether it is a specially-related person of the issuer) is subject to Japanese withholding tax with respect to interest on the Bonds under Japanese tax law, a reduced rate of withholding tax or exemption from such withholding tax may be available under the relevant income tax treaty between Japan and the country of tax residence of such individual non-resident of Japan or non-Japanese corporation. As of the date of this Offering Circular, Japan has income tax treaties, conventions or agreements whereby the above-mentioned withholding tax rate is reduced, generally to 10 per cent. with, *inter alia*, Australia, Austria, Canada, Finland, France, Hong Kong, Ireland, Italy, Luxembourg, the Netherlands, New Zealand, Norway, Portugal, Qatar and Singapore. Under the income tax treaties between Japan, Sweden, the United Kingdom, Austria, Denmark, Germany, the United States Belgium and Switzerland, interest paid to qualified Swedish, United Kingdom, Austrian, Danish, German, United States, Belgian or Swiss residents is, subject to compliance with certain procedural requirements under Japanese law, generally exempt from Japanese withholding tax (for Belgium, only for a

Belgian enterprise). Under the income tax treaties with France, Australia, the Netherlands, New Zealand, Qatar and Spain, certain limited categories of qualified residents receiving interest on the Bonds may, subject to compliance with certain procedural requirements under Japanese law, be fully exempt from Japanese withholding tax for interest on the Bonds (provided that no exemption will apply to pension funds in the case of Australia and New Zealand). In order to avail themselves of such reduced rate of, or exemption from, Japanese withholding tax under any applicable income tax treaty, individual non-residents of Japan or non-Japanese corporations which are entitled, under any applicable income tax treaty, to a reduced rate of, or exemption from, Japanese withholding tax on payment of interest by Asahi Life are required to submit an application form for income tax convention regarding relief from Japanese income tax on interest (as well as any other required forms and documents) in advance through Asahi Life to the relevant tax authority before payment of interest.

(5) Under the Law, if an individual non-resident of Japan or a non-Japanese corporation that is a beneficial owner of the Bonds becomes a specially-related person of the issuer, or an individual non-resident of Japan or a non-Japanese corporation that is a specially-related person of the issuer becomes a beneficial owner of the Bonds, and if such bonds are held through a Participant, then such individual non-resident of Japan or non-Japanese corporation should notify the Participant of such change in status by the immediately following interest payment date of the Bonds. As described in paragraph I(3) above, as the status of such individual non-resident of Japan or non-Japanese corporation as a specially-related person of the issuer for Japanese withholding tax purposes is determined based on the status as of the beginning of the fiscal year of the issuer in which the relevant interest payment date falls, such individual non-resident of Japan or non-Japanese corporation should, by such notification, identify and advise the Participant of the specific interest payment date on which Japanese withholding tax starts to apply with respect to such individual non-resident of Japan or non-Japanese corporation as being a specially-related person of the issuer.

II. Redemption Gain

(1) If the recipient of the Redemption Gain is an individual non-resident of Japan or a non-Japanese corporation having no permanent establishment within Japan or having a permanent establishment within Japan but the receipt of such Redemption Gain is not attributable to such permanent establishment, no income tax or corporate tax is payable with respect to such Redemption Gain.

(2) If the recipient of the Redemption Gain is an individual non-resident of Japan or a non-Japanese corporation having a permanent establishment within Japan and the receipt of such Redemption Gain is attributable to such permanent establishment, such Redemption Gain will not be subject to any withholding tax but will be aggregated with the recipient's other Japanese source income which is subject to Japanese taxation and subject to regular income tax or corporate tax, as appropriate.

(3) Notwithstanding paragraphs II(1) and (2), if an individual non-resident of Japan or a non-Japanese corporation mentioned above is a specially-related person of the issuer as of the beginning of the fiscal year of Asahi Life in which such individual non-resident of Japan or non-Japanese corporation acquired such Bonds, the Redemption Gain will not be subject to withholding tax but will be subject to regular income tax or corporate tax, as appropriate, under Japanese tax law, regardless of whether such individual non-resident of Japan or non-Japanese corporation has a permanent establishment within Japan; provided that an exemption may be available under the relevant income tax treaty.

2. ***Resident Investors***

If the recipient of interest on the Bonds is an individual resident of Japan or a Japanese corporation for Japanese tax purposes, as described below, regardless of whether such recipient is a specially-related person of the issuer, income tax will be withheld at the rate of 15.315 per cent. of the amount of such interest, if such interest is paid to an individual resident of Japan or a Japanese corporation (except for (i) a Japanese bank, Japanese insurance company, Japanese financial instruments business operator or other Japanese financial institution falling under certain categories prescribed by the Article 3-2-2, Paragraph (29) of the Cabinet Order (a "Designated Financial Institution") which complies with the requirement for tax exemption under Article 6, Paragraph (11) of the Act on Special Taxation Measures or (ii) a Japanese public corporation or a Japanese public-interest corporation designated by the relevant law (each, a "Public Corporation etc."), or a Japanese bank, a Japanese insurance company, a Japanese financial instruments business operator or other Japanese financial institution falling under certain categories prescribed by Article 3-3, Paragraph (6) of the Act on Special Taxation Measures (each, a "Specified Financial Institution"), through a payment handling agent in Japan as defined in Article 2-2, Paragraph (2) of the Cabinet Order (a "Japanese Payment Handling Agent") with custody of the Bonds, or the Japanese Custodian, in compliance with the requirement for tax exemption under Article 3-3, Paragraph (6) of the Act on Special Taxation Measures). In addition to the withholding tax consequences upon resident investors as explained in this section 2, resident investors should consult their own tax advisors regarding their regular income tax or corporate tax consequences other than by way of withholding.

A. Interest

(1) If an individual resident of Japan or a Japanese corporation (other than a Public Corporation etc. or a Specified Financial Institution, who complies with the requirement as referred to in paragraph A.(2)) receives payments of interest on the Bonds through Japanese Payment Handling Agents, income tax at the rate of 15.315 per cent. of the amount of such interest will be withheld by the Japanese Payment Handling Agent rather than by Asahi Life. As Asahi Life is not in a position to know in advance the recipient's status, the recipient of interest falling within this category should inform Asahi Life through a paying agent of its status in a timely manner. Failure to so inform may result in double withholding. In addition, interest on the Bonds received by an individual resident of Japan through a Japanese Payment Handling Agent will be subject to 15.315 per cent. separate net basis taxation in Japan by filing a separate tax return, and if any withholding tax stated above is to be withheld by the Japanese Payment Handling Agent, the amount of such withholding tax would be credited to Japanese individual income tax upon filing of such separate tax return; provided, however, that an individual holder being an individual resident of Japan may choose not to include the interest on the Bonds to be paid each time in his or her tax return, in which case the above-stated withholding tax would be the final Japanese tax for such individual holder being an individual resident of Japan. On the other hand, in the case of other recipients who are Japanese corporations referred to in the beginning of this paragraph, the amount of interest received by any such recipient will be included in such recipient's other taxable income and subject to regular corporate tax.

(2) If the recipient of interest on the Bonds is a Public Corporation etc. or a Specified Financial Institution that keeps its Bonds deposited with, and receives the interest through, the Japanese Custodian, and such recipient submits through such Japanese Custodian to the competent tax authority the report prescribed by the Law, no withholding tax is levied on the amount of interest, provided that a Specified Financial Institution will be subject to regular corporate tax with respect to such interest. However, since Asahi Life is not in a position to know in advance the recipient's tax exemption status, the recipient of interest falling within this category should inform Asahi Life through a paying agent of its status in a timely manner. Failure to so notify Asahi Life may result in the withholding by Asahi Life of a 15.315 per cent. income tax.

(3) If an individual resident of Japan or a Japanese corporation (except for a Designated Financial Institution which complies with the requirements described in paragraph A.(4) below) receives interest on the Bonds not through a Japanese Payment Handling Agent, income tax at the rate of 15.315 per cent. of the amount of such interest will be withheld by Asahi Life, and the amount of such interest will be aggregated with the recipient's other taxable income and subject to income tax or corporate tax, as appropriate.

(4) If a Designated Financial Institution receives interest on the Bonds not through a Japanese Payment Handling Agent and such recipient complies with the requirement, *inter alia*, to provide the Interest Recipient Information or to submit the Written Application for Tax Exemption as referred to in paragraph I (1), no withholding tax will be imposed, while the Designated Financial Institution will be subject to regular corporate tax with respect to such interest.

B. Redemption Gain

If the recipient of the Redemption Gain is an individual resident of Japan or a Japanese corporation, such Redemption Gain will not be subject to any withholding tax. In addition, if the recipient of the Redemption Gain is an individual resident of Japan, such Redemption Gain will be subject to 15.315 per cent. separate net basis taxation in Japan by filing a separate tax return. If the recipient of the Redemption Gain is a Japanese corporation such Redemption Gain will be included in the recipient's other taxable income and subject to regular corporate tax with some limited exceptions.

3. ***Special Additional Withholding Tax for reconstruction from the Great East Japan Earthquake***

Due to the imposition of a special additional withholding tax of 0.315 per cent. (or 2.1 per cent. of 15 per cent.) to secure funds for reconstruction from the Great East Japan Earthquake, the withholding tax rate has been effectively increased to 15.315 per cent. during the period beginning on 1 January 2013 and ending on 31 December 2037.

Capital Gains, Stamp Tax and Other Similar Taxes, Inheritance Tax and Gift Tax

Gains derived from the sale of Bonds outside Japan by an individual non-resident of Japan or a non-Japanese corporation having no permanent establishment within Japan are, in general, not subject to Japanese income tax or corporate tax.

No stamp, issue, registration or similar taxes or duties will, under current Japanese law, be payable in Japan by holders of the Bonds in connection with the issue of the Bonds, or will such taxes be payable by holders of the Bonds in connection with their transfer if such transfer takes place outside Japan.

Japanese inheritance tax or gift tax at progressive rates may be payable by an individual, wherever resident, who has acquired Bonds from another individual as legatee, heir or donee.

SUBSCRIPTION AND SALE

Asahi Life intends to offer U.S.$375,000,000 in aggregate principal amount of the Bonds through Citigroup Global Markets Limited, Mizuho Securities Asia Limited and Morgan Stanley & Co. International plc (acting as joint lead managers, the "Joint Lead Managers") and Barclays Bank PLC and Nomura International plc as co-managers (together with the Joint Lead Managers, the "Managers") to non-U.S. persons in offshore transactions outside the United States in reliance on Regulation S. Subject to the terms and conditions set forth in a subscription agreement among Asahi Life and the Managers dated 17 January 2023 (the "Subscription Agreement"), the Managers have agreed severally (and not jointly) to subscribe the Bonds, in amounts equal to the respective principal amount of the Bonds listed opposite their names below.

Managers	Principal amount of the Bonds
Citigroup Global Markets Limited	U.S.$158,000,000
Mizuho Securities Asia Limited	144,000,000
Morgan Stanley & Co. International plc	69,000,000
Barclays Bank PLC	2,000,000
Nomura International plc	2,000,000
Total	U.S.$375,000,000

The Managers are entitled to be released and discharged from their obligations under the Subscription Agreement or to terminate the Subscription Agreement in certain circumstances prior to payment being made to Asahi Life as set out therein. Asahi Life has agreed to indemnify the Managers against certain liabilities or to contribute to payments that the Managers may be required to make in respect of those liabilities.

The Managers are offering the Bonds, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the Bonds, and other conditions contained in the Subscription Agreement, such as the receipt by the Managers of officers' certificates and legal opinions. The Managers reserve the right to withdraw, cancel or modify offers to investors and to reject orders in whole or in part.

Commissions

The Bonds will be initially offered at the issue price set forth on the cover page of this Offering Circular. After the initial offering, the issue price or any other term of the offering may be changed. The Managers will be paid a commission which shall be deducted from the proceeds of the offering.

New Issue of Bonds

The Bonds are a new issue of securities with no established trading market. Approval in-principle has been received for the listing and quotation of the Bonds on the SGX-ST. The Managers are under no obligation to make a market in the Bonds and may discontinue any market-making activities at any time without any notice. Asahi Life cannot assure the liquidity of the trading market for the Bonds. If an active trading market for the Bonds does not develop, the market price and liquidity of the Bonds may be adversely affected. If the Bonds are traded, they may trade at a discount from the issue price, depending on prevailing interest rates, the market for similar securities, Asahi Life's operating performance and financial condition, general economic conditions and other factors.

No Sale of Similar Securities

Asahi Life has agreed that it will not, during a period commencing on the date of the Subscription Agreement and ending 30 days thereafter, without the prior consent of the Joint Lead Managers (on behalf of the Managers), directly or indirectly, issue, sell, offer to contract or grant any option to sell, pledge, transfer or otherwise dispose of, any debt securities issued or to be issued by any member of the Asahi Life group or securities exchangeable into debt securities issued or to be issued by any member of Asahi Life group, except for the Bonds sold to the Managers pursuant to the Subscription Agreement.

Stabilisation

In connection with the offering, any of the Managers and their respective affiliates may purchase and sell the Bonds in the open market and engage in other transactions. These transactions may include over-allotment and purchases to cover short positions created in connection with the offering. These transactions may also include stabilising transactions by Citigroup Global Markets Limited. Short sales involve the sale by Citigroup Global Markets Limited of a greater number of Bonds than it is required to purchase in the offering. Stabilising transactions consist of certain bids or purchases for the purpose of preventing or retarding a decline in the market price of the Bonds while the offering is in progress.

These activities may stabilise, maintain or otherwise affect the market price of the Bonds. As a result, the price of the Bonds may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued at any time.

Neither Asahi Life nor any of the Managers makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Bonds. In addition, neither Asahi Life nor any of the Managers makes any representation that it will engage in such transactions or that such transactions, once commenced, will not be discontinued without notice.

Other Relationships

Certain of the Managers and their respective affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with Asahi Life or Asahi Life's affiliates. Such Managers and their respective affiliates have received, or may receive, customary fees and commissions for these transactions.

In addition, in the ordinary course of their business activities, the Managers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve Asahi Life's securities and/or instruments or those of Asahi Life's affiliates. In particular, Mizuho Bank, Ltd., an affiliate of Mizuho Securities Asia Limited, is the largest contributor of Asahi Life's foundation funds (*kikin*). Certain of the Managers or their respective affiliates that have a lending relationship with Asahi Life routinely hedge their credit exposure to Asahi Life consistent with their customary risk management policies. Typically, such Managers and their respective affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in Asahi Life's securities, including potentially the Bonds offered hereby. Any such credit default swaps or short positions could adversely affect future trading prices of the Bonds offered hereby. The Managers and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Notice to Prospective Investors

United States

The Bonds have not been and will not be registered under the Securities Act or any state securities laws and are being offered and sold outside of the United States to non-U.S. persons in reliance on Regulation S. The Bonds may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

Each Manager has represented and agreed that it will not, except as permitted by the Subscription Agreement, offer or sell the Bonds (i) as part of its distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the closing date of the offering, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Bonds during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Bonds within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S.

In addition, until 40 days after the commencement of the offering, an offer or sale of Bonds within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

Japan

The Bonds have not been and will not be registered under the FIEA and are subject to the Act on Special Taxation Measures. Each Manager has represented and agreed that (i) it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell, any Bonds in Japan or to, or for the benefit of, any resident in Japan for Japanese securities law purposes (including any corporation or other entity organised under the laws of Japan), or to others for reoffering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and governmental guidelines of Japan, and (ii) it has not, directly or indirectly, offered or sold and will not, as part of its distribution under the subscription agreement relating to the Bonds, at any time, directly or indirectly, offer or sell any of the Bonds to, or for the benefit of, any person other than a beneficial owner that is, (a) for Japanese tax purposes, neither (x) an individual resident of Japan or a Japanese corporation, nor (y) an individual non-resident of Japan or a non-Japanese corporation that in either case is a specially-related person of the issuer (excluding an underwriter designated in Article 6, Paragraph (12), item 1 of the Act on Special Taxation Measures which purchases unsubscribed portions of the Bonds from the other underwriters) or (b) a Japanese financial institution, designated in Article 3-2-2, Paragraph (29) of the Cabinet Order.

United Kingdom

The Bonds have not been and will not be offered, sold or otherwise made available to any retail investor in the UK. For the purposes of this provision:

(a) the expression "retail investor" means a person who is one (or more) of the following:

(i) a retail client as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018; or

(ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018; or

(iii) not a qualified investor as defined in the Prospectus Regulation as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018; and

(b) the expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Bonds.

Other regulatory restrictions:

Each Manager has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Bonds in circumstances in which Section 21(1) of the FSMA does not apply to Asahi Life; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

European Economic Area

The Bonds have not been and will not be offered, sold or otherwise made available to any retail investor in the EEA. For the purposes of this provision:

(a) the expression "retail investor" means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or

(ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

(iii) not a qualified investor as defined in the Prospectus Regulation; and

(b) the expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Bonds.

Singapore

This Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, the Bonds have not been offered or sold, or caused to be made the subject of an invitation for subscription or purchase and will not be offered or sold or caused to be made the subject of an invitation for subscription or purchase, and neither this Offering Circular nor any other document or material in connection with the offer or sale, nor invitation for subscription or purchase, of the Bonds has been circulated or distributed, or will be circulated or distributed, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Bonds are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Bonds pursuant to an offer made under Section 275 of the SFA, except:

(1) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(c)(ii) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law;

(4) as specified in Section 276(7) of the SFA; or

(5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Singapore SFA Product Classification: Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the SFA, Asahi Life has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the Bonds are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018).

Hong Kong

This Offering Circular has not been approved by or registered with the Securities and Futures Commission of Hong Kong or the Registrar of Companies of Hong Kong. The Bonds have not been and will not be offered or sold in Hong Kong, by means of any document other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "Securities and Futures Ordinance") and any rules made under that Ordinance, or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. No advertisement, invitation or document relating to the Bonds has been issued, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Notice to Capital Market Intermediaries ("CMIs") and Prospective Investors pursuant to Paragraph 21 of the Hong Kong SFC Code of Conduct (the "SFC Code") – Important Notice to CMIs (Including Private Banks)

This notice to CMIs (including private banks) is a summary of certain obligations the SFC Code imposes on CMIs, which require the attention and cooperation of other CMIs (including private banks). Certain CMIs may also be acting as overall coordinators ("OCs") for the offering and are subject to additional requirements under the SFC Code.

Prospective investors who are the directors, employees or major shareholders of Asahi Life, a CMI or its group companies would be considered under the SFC Code as having an association ("Association") with Asahi Life, the CMI or the relevant group company. CMIs should specifically disclose whether their investor clients have any Association when submitting orders for the Bonds. In addition, private banks should take all reasonable steps to identify whether their investor clients may have any Associations with Asahi Life or any CMI (including its group companies) and inform the Managers accordingly.

CMIs are informed that the marketing and investor targeting strategy for the offering includes institutional investors, sovereign wealth funds, pension funds, hedge funds, family offices and high net worth individuals, in each case, subject to the selling restrictions and any MiFID II product governance language set out elsewhere in this Offering Circular.

CMIs should ensure that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). CMIs should enquire with their investor clients regarding any orders which appear unusual or irregular. CMIs should disclose the identities of all investors when submitting orders for the Bonds (except for omnibus orders where underlying investor information may need to be provided to any OCs when submitting orders). Failure to provide underlying investor information for omnibus orders, where required to do so, may result in that order being rejected. CMIs should not place "X-orders" into the order book.

CMIs should segregate and clearly identify their own proprietary orders (and those of their group companies, including private banks as the case may be) in the order book and book messages.

CMIs (including private banks) should not offer any rebates to prospective investors or pass on any rebates provided by Asahi Life. In addition, CMIs (including private banks) should not enter into arrangements which may result in prospective investors paying different prices for the Bonds.

The SFC Code requires that a CMI disclose complete and accurate information in a timely manner on the status of the order book and other relevant information it receives to targeted investors for them to make an informed decision. In order to do this, those Managers in control of the order book should consider disclosing order book updates to all CMIs.

When placing an order for the Bonds, private banks should disclose, at the same time, if such order is placed other than on a "principal" basis (whereby it is deploying its own balance sheet for onward selling to investors). Private banks who do not provide such disclosure are hereby deemed to be placing their order on such a "principal" basis. Otherwise, such order may be considered to be an omnibus order pursuant to the SFC Code. Private banks should be aware that placing an order on a "principal" basis may require the relevant affiliated Managers (if any) to categorise it as a proprietary order and apply the "proprietary orders" requirements of the SFC Code to such order.

In relation to omnibus orders, when submitting such orders, CMIs (including private banks) that are subject to the SFC Code should disclose underlying investor information, in respect of each order constituting the relevant omnibus order (failure to provide such information may result in that order being rejected). CMIs (including private banks) should contact the Managers to obtain details on what underlying investor information is required. To the extent information being disclosed by CMIs and investors is personal and/or confidential in nature, CMIs (including private banks) agree and warrant: (A) to take appropriate steps to safeguard the transmission of such information to any OCs; and (B) that they have obtained the necessary consents from the underlying investors to disclose such information to any OCs. By submitting an order and providing such information to any OCs, each CMI (including private banks) further warrants that they and the underlying investors have understood and consented to the collection, disclosure, use and transfer of such information by the OCs and/or any other third parties as may be required by the SFC Code, including to Asahi Life, relevant regulators and/or any other third parties as may be required by the SFC Code, for the purpose of complying with the SFC Code, during the bookbuilding process for the offering. CMIs that receive such underlying investor information are reminded that such information should be used only for submitting orders in the offering. The Managers may be asked to demonstrate compliance with their obligations under the SFC Code, and may request other CMIs (including private banks) to provide evidence showing compliance with the obligations above (in particular, that the necessary consents have been obtained). In such event, other CMIs (including private banks) are required to provide the relevant Manager with such evidence within the timeline requested.

GENERAL INFORMATION

(1) Asahi Life has obtained all necessary consents, approvals and authorisations in Japan in connection with the issue of the Bonds. The issue of the Bonds was authorised by resolutions of the Board of Directors of Asahi Life dated 26 December 2022.

(2) The Bonds have been accepted for clearance through Euroclear and through Clearstream, Luxembourg. The International Security Identification Number (ISIN) for the Bonds is XS2538738175 and the Common Code for the Bonds is 253873817. The Legal Entity Identifier (LEI) for Asahi Life is 549300ZTKF2W3KCEJ782.

(3) Approval in-principle has been received for the listing and quotation of the Bonds on the SGX-ST. For so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, Asahi Life will appoint and maintain a paying agent in Singapore, where the definitive Certificates in respect of the Bonds may be presented or surrendered for payment or redemption, in the event that the Global Certificate for the Bonds is exchanged for definitive Certificates. In addition, in the event that the Global Certificate for the Bonds is exchanged for definitive Certificates, an announcement of such exchange will be made by or on behalf of Asahi Life through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Certificates, including details of the paying agent in Singapore. The Bonds will be traded on the SGX-ST in a minimum board lot size of U.S.$200,000 for so long as the Bonds are listed on the SGX-ST.

(4) There has been no significant change in the financial or trading position of Asahi Life, both on a consolidated and on a non-consolidated basis, and no material adverse change in the financial position or prospects of Asahi Life, both on a consolidated and on a non-consolidated basis, since 30 September 2022.

(5) There are no, nor have there been any, governmental, legal arbitration, administrative or other proceedings involving of Asahi Life or any other member of its group which may have or have had during the 12 months immediately preceding the date of this Offering Circular a significant effect on the financial position or the profitability of Asahi Life, both on a consolidated and on a non-consolidated basis, and, so far as Asahi Life is aware, there are no such proceedings pending or threatened involving (whether as defendant or otherwise) Asahi Life or any other member of its group.

(6) The Global Certificate, and any definitive Certificates issued in respect of the Bonds, will bear the following legend:

"INTEREST PAYMENTS ON THE BONDS WILL BE SUBJECT TO JAPANESE WITHHOLDING TAX UNLESS IT IS ESTABLISHED THAT THE BONDS ARE HELD BY OR FOR THE ACCOUNT OF A BENEFICIAL OWNER THAT IS (I) FOR JAPANESE TAX PURPOSES, NEITHER AN INDIVIDUAL RESIDENT OF JAPAN OR A JAPANESE CORPORATION, NOR AN INDIVIDUAL NON-RESIDENT OF JAPAN OR A NON-JAPANESE CORPORATION THAT IN EITHER CASE IS A PERSON HAVING A SPECIAL RELATIONSHIP WITH ASAHI LIFE AS DESCRIBED IN ARTICLE 6, PARAGRAPH (4) OF THE ACT ON SPECIAL MEASURES CONCERNING TAXATION OF JAPAN (ACT NO. 26 OF 1957, AS AMENDED) (THE "ACT ON SPECIAL TAXATION MEASURES") (A "SPECIALLY-RELATED PERSON OF THE ISSUER") OR (II) A JAPANESE FINANCIAL INSTITUTION, DESIGNATED IN ARTICLE 3-2-2, PARAGRAPH (29) OF THE CABINET ORDER (CABINET ORDER NO. 43 OF 1957, AS AMENDED), RELATING TO THE ACT ON SPECIAL TAXATION MEASURES, WHICH COMPLIES WITH THE REQUIREMENT FOR TAX EXEMPTION UNDER ARTICLE 6, PARAGRAPH (11) OF THE ACT ON SPECIAL TAXATION MEASURES OR (III) A JAPANESE PUBLIC CORPORATION, A JAPANESE FINANCIAL INSTITUTION OR A JAPANESE FINANCIAL INSTRUMENTS BUSINESS OPERATOR, ETC. WHICH HAS RECEIVED SUCH PAYMENTS THROUGH A PAYMENT HANDLING AGENT IN JAPAN, AS PROVIDED IN ARTICLE 3-3, PARAGRAPH (6) OF THE ACT ON SPECIAL TAXATION MEASURES, IN COMPLIANCE WITH THE REQUIREMENT FOR TAX EXEMPTION UNDER THAT PARAGRAPH.

INTEREST PAYMENTS ON THE BONDS TO AN INDIVIDUAL RESIDENT OF JAPAN, TO A JAPANESE CORPORATION NOT DESCRIBED IN THE PRECEDING PARAGRAPH, OR TO AN INDIVIDUAL NON-RESIDENT OF JAPAN OR A NON-JAPANESE CORPORATION THAT IN EITHER CASE IS A SPECIALLY-RELATED PERSON OF ASAHI LIFE WILL BE SUBJECT TO DEDUCTION IN RESPECT OF JAPANESE INCOME TAX."

(7) Copies of the latest annual report and audited annual consolidated and non-consolidated financial statements of Asahi Life may be obtained (subject to the Principal Paying Agent having been provided by Asahi Life with copies of the same) at the specified office of the Principal Paying Agent, and copies of the Trust Deed and Agency Agreement are available for inspection at the specified office of the Principal Paying Agent and the principal office of the Trustee (being at the date of issue of the Bonds at 160 Queen Victoria Street, London, EC4V 4LA, United Kingdom) at all reasonable times during normal business hours (being between 9:00 a.m. and 3:00 p.m. (London time) Monday to Friday other than public holidays) following prior written request and proof of holding and identity to the satisfaction of the Trustee, or as the case may be, the Principal Paying Agent, so long as any of the Bonds are outstanding.

(8) The consolidated and non-consolidated financial statements of Asahi Life for each of the two fiscal years ended 31 March 2022 and 2021, and for each of the two fiscal years ended 31 March 2021 and 2020, included in this Offering Circular, have been audited by Ernst & Young ShinNihon LLC, independent auditor, as stated in its audit reports appearing herein.

(9) The unaudited interim consolidated and non-consolidated financial statements of Asahi Life as of 30 September 2022 and for the six-month periods ended 30 September 2022 and 2021, included in this Offering Circular, have been reviewed by Ernst & Young ShinNihon LLC, independent auditor, as stated in its review reports appearing herein.

(10) The Trustee is entitled under the Trust Deed to accept and rely, without liability to Bondholders or any other person, on, among other things, any information, certificate, confirmation or report from or any opinion or advice of any accountants, lawyers, valuers, auctioneers, surveyors, brokers, financial advisers, financial institution or any other expert, addressed and/or delivered to it whether or not the same are subject to any limitation on liability of the relevant accountants, lawyers, valuers, auctioneers, surveyors, brokers, financial advisers, financial institution or other expert and whether by reference to a monetary cap, methodology or otherwise.

INDEX TO AUDITED ANNUAL FINANCIAL STATEMENTS

Notice to Investors

This Offering Circular does not represent "Other Information" as described in the auditor's report.

Independent Auditor's Report

The Board of Directors
Asahi Mutual Life Insurance Company

Opinion

We have audited the accompanying consolidated financial statements of Asahi Mutual Life Insurance Company and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheets as at March 31, 2022 and 2021, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the years then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Insurance Business Act and related rules and regulations applicable to the mutual life insurance industry and accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

Evaluating the accuracy of calculating policy reserves and the adequacy of the amount of policy reserves	
Description of Key Audit Matter	**Auditor's Response**
The Group recorded the policy reserves of ¥4,365,560 million on the Consolidated Balance Sheets. The policy reserves of Asahi Mutual Life Insurance Company (the Company) being the parent company amounted to ¥4,365,068 million, accounting for a significant portion of 87.2% of Total Liabilities. As described in Note 16 to the Consolidated Balance Sheets, the Company sets aside policy reserves to prepare for future performance of obligations under its insurance policies, calculated as stated in accordance with the method stated in the statement of calculation procedures for insurance premiums and policy reserves (Article 4, Paragraph 2, Item 4 of the Insurance Business Act) pursuant to Article 116, Paragraph 1 of the Insurance Business Act. Also, life insurance companies are required to set aside additional policy reserves in accordance with Article 69, Paragraph 5 of the Enforcement Regulation of the Insurance Business Act to cover risks that may accrue in the future in order to ensure the performance of future obligations if the assumptions for calculations (e.g. expected mortality rate, expected interest rates, expected expense ratio) specified in the statement of calculation procedures for insurance premiums and policy reserves significantly deviate from the most recent actual rates. The Company evaluates whether to need to set aside additional reserves, based on the stress testing for third sector insurance and the analysis of future income and expenditure conducted by the appointed actuary. The calculation of the policy reserves is complex, requiring a high degree of actuarial expertise. The stress testing for third sector insurance and the analysis of future income and expenditure conducted by the appointed actuary require estimates of future cash flows and other factors, and a professional judgment is required to examine the adequacy of the amount set aside as policy reserves. Based on the above factors, evaluating the accuracy of calculating policy reserves and the adequacy of reserved amount is of particular significance in our audit of the consolidated financial statements for the current fiscal year and is considered a key audit matter.	Our audit procedures performed to examine the accuracy of calculating policy reserves and the adequacy of the policy reserves included the following, among other things: • We involved IT specialists of our network firms to evaluate the design and operating effectiveness of internal controls including IT general controls over the process to account for policy reserves. Also, we examined the accuracy and the completeness of in-force policy information at the balance sheet date, which serves as a basis for accounting for policy reserves. • We involved actuarial specialists from our network firms to examine the result of calculating policy reserves by recalculating the selected samples. Also, we confirmed that the analysis of future income and expenditure conducted by the appointed actuary was conducted in accordance with the applicable laws and regulations and the "Standard of Practice for Appointed Actuaries of Life Insurance Companies" issued by The Institute of Actuaries of Japan by inspecting the Company's in-house rules, the results of stress testing for third sector insurance, as well as the written opinions and the supplementary report by the appointed actuary, and by making inquiries to the appointed actuary.

<table>
<tr><td colspan="2">Evaluating impairment of tangible fixed assets</td></tr>
<tr><th>Description of Key Audit Matter</th><th>Auditor’s Response</th></tr>
<tr><td>The Group recorded the Tangible fixed assets of ¥369,142 million on the consolidated balance sheet. The Tangible fixed assets of the Company being the parent company amounted to ¥368,550 million, accounting for 6.7% of Total assets. Also, the Company recorded the Impairment losses of ¥1,149 million as Extraordinary losses in the current fiscal year.

As described in Note 17 to the Consolidated Balance Sheets, the Company classifies real estate and other assets used for insurance business operations as one asset group as a whole. Other assets such as real estate for rent, real estate not in use and real estate scheduled to be sold are classified as one group individually. As for real estate used for multiple purposes, the asset group to which the real estate belongs is decided depending on usage rate and others.

In cases where indications of impairment are identified for asset groups and total amount of undiscounted net future cash flows from the asset groups are less than their book values, for example, earnings from business operations using the asset groups continuously become negative, the Company recognizes impairment losses and reduces the book values to their recoverable amounts.

The recoverable amounts of real estate and other assets for insurance business operation and real estate for rent are determined at value in use or net realizable value. The recoverable amounts of real estate not in use and real estate scheduled to be sold are determined at net realizable value. Value in use is determined based on estimated future cash flows. Net realizable value is calculated based on the appraisal value in accordance with “Real Estate Appraisal Standards” or the publicly announced appraisal value after deducting expected disposal costs.

In grouping of assets, the real estates used for multiple purposes are determined by their classification whether they should belong to real estates used for insurance business operation or real estates for rent. Determining intended use of each real estate, which serves as the assumption of classification, requires management’s judgment. Also, key assumptions for future cash flows used for recognition of impairment losses and calculation of value in use include forward-looking information regarding the Company’s plans to use real estate, based on how such asset groups are currently used (e.g. occupancy rate or rent). This involves uncertainties and management’s judgment as well as a high degree of expertise.

Based on the above factors, the evaluation of impairment losses of real estate used for insurance business operation and real estate for rent is of most significance in our audit of the consolidated financial statements of the current fiscal year and considered a key audit matter.</td><td>Our audit procedures performed related to grouping of assets to evaluate impairment of real estate used for insurance business operation or real estate for rent, as well as estimating future cash flows in recognition of impairment losses and calculation of value in use included the following, among other things:

• We examined any events affecting the intended purpose of the real estate by inspecting the documents and minutes of board meetings and management meetings.

• We confirmed that the intended purpose of a real estate was consistent with the actual use by observing the current state of the site.

Also, we performed the following audit procedures with an assistance of the real estate valuation specialists from our network firms.

• We discussed with the departments responsible for real estate for rent regarding the plans to use real estate, based on how such real estate is currently used (e.g. occupancy rate and rent), which supports estimates of future cash flows. Also, we compared with external information on the level of rents of similar real estate in the neighborhood.

• We compared the duration of future cash flows with the remaining economic useful life of major assets.</td></tr>
</table>

Other Information

Other information comprises information included in a disclosure document that contains audited consolidated financial statements, but does not include the consolidated financial statements and our auditor's report thereon.

We have concluded that other information does not exist. Accordingly, we have not performed any work related to other information.

Responsibilities of Management, the Corporate Auditor and the Board of Corporate Auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Insurance Business Act and related rules and regulations applicable to the mutual life insurance industry and accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Corporate Auditor and the Board of Corporate Auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Corporate Auditor and the Board of Corporate Auditors with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the consolidated financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Corporate Auditor and the Board of Corporate Auditors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2022 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

Ernst & Young ShinNihon LLC
Tokyo, Japan
July 29, 2022

/S/ Yoshimi Kimura

Yoshimi Kimura
Designated Engagement Partner
Certified Public Accountant

/S/ Makoto Kubodera

Makoto Kubodera
Designated Engagement Partner
Certified Public Accountant

Consolidated Financial Statements

1. Consolidated Balance Sheets

Asahi Mutual Life Insurance Company and its Consolidated Subsidiaries

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

2. Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Asahi Mutual Life Insurance Company and its Consolidated Subsidiaries

[Consolidated Statements of Income]

For the years ended March 31	Millions of Yen 2022	Millions of Yen 2021	Millions of U.S. Dollars 2022
Ordinary income:			
Premium and other income	**¥395,434**	¥391,410	**$3,230**
Investment income:			
Interest, dividends and other income	**120,142**	117,912	**981**
Gains on sales of securities	**11,950**	15,249	**97**
Gains on redemption of securities	**317**	77	**2**
Foreign exchange gains	**3,067**	387	**25**
Other investment income	**6,872**	6,941	**56**
Investment gains on separate accounts	**2,199**	5,740	**17**
	144,550	146,309	**1,181**
Other ordinary income	**70,423**	66,577	**575**
Total ordinary income	**610,408**	**604,297**	**4,987**
Ordinary expenses:			
Claims and other payments:			
Claims	**107,517**	112,015	**878**
Annuities	**116,767**	122,158	**954**
Benefits	**73,011**	68,241	**596**
Surrender benefits	**79,236**	77,538	**647**
Other payments	**5,988**	5,431	**48**
	382,521	385,384	**3,125**
Provision for policy reserves and other reserves:			
Provision for reserve for outstanding claims	**3,453**	—	**28**
Provision for interest on policyholders' dividend reserves	**3**	3	**0**
	3,456	3	**28**
Investment expenses:			
Interest expenses	**4,876**	4,470	**39**
Losses on trading securities	**1,133**	485	**9**
Losses on sales of securities	**11,177**	5,520	**91**
Losses on valuation of securities	**273**	19	**2**
Losses on redemption of securities	**48**	65	**0**
Losses on derivative financial instruments	**2,510**	8,898	**20**
Provision for allowance for possible loan losses	**141**	10	**1**
Depreciation of rental real estate and other assets	**5,511**	5,503	**45**
Other investment expenses	**10,981**	9,584	**89**
	36,655	34,559	**299**
Operating expenses	**123,403**	115,565	**1,008**
Other ordinary expenses	**35,050**	33,833	**286**
Total ordinary expenses	**581,087**	**569,347**	**4,747**
Ordinary profit	**29,321**	**34,950**	**239**
Extraordinary gains:			
Gains on disposal of fixed assets	**2,925**	146	**23**
Other extraordinary gains	**3**	129	**0**
	2,928	275	**23**
Extraordinary losses:			
Losses on disposal of fixed assets	**2,751**	1,484	**22**
Impairment losses	**1,149**	2,971	**9**
Provision for reserve for price fluctuation	**2,530**	2,450	**20**
Losses on reduction entry of real estate	**—**	5	**—**
Other extraordinary losses	**130**	1,694	**1**
	6,561	8,605	**53**
Surplus before income taxes	**25,687**	**26,620**	**209**
Income taxes:			
Current	**10,963**	10,226	**89**
Deferred	**(5,012)**	(5,074)	**(40)**
Total income taxes	**5,950**	**5,152**	**48**
Net surplus	**19,737**	**21,467**	**161**
Net surplus attributable to non-controlling interests	**51**	**37**	**0**
Net surplus attributable to the Parent Company	**¥ 19,685**	**¥ 21,430**	**$ 160**

2. Consolidated Statements of Income and Consolidated Statements of Comprehensive Income—(Continued)
Asahi Mutual Life Insurance Company and its Consolidated Subsidiaries

[Consolidated Statements of Comprehensive Income]

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

3. Consolidated Statements of Changes in Net Assets

Asahi Mutual Life Insurance Company and its Consolidated Subsidiaries

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

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

3. Consolidated Statements of Changes in Net Assets—(Continued)

Asahi Mutual Life Insurance Company and its Consolidated Subsidiaries

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

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

3. Consolidated Statements of Changes in Net Assets—(Continued)
Asahi Mutual Life Insurance Company and its Consolidated Subsidiaries

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

	Millions of U.S. Dollars					
	Accumulated other comprehensive income					
For the year ended March 31, 2022	**Net unrealized gains (losses) on available-for-sale securities, net of tax**	**Land revaluation differences**	**Accumulated remeasurements of defined benefit plans**	**Total accumulated other comprehensive income**	**Non-controlling interests**	**Total net assets**
Beginning balance	**$1,741**	**$(370)**	**$(11)**	**$1,360**	**$0**	**$4,256**
Changes in the fiscal year:						
Additions to reserve for dividends to policyholders						(17)
Payment of interest on foundation funds						(33)
Net surplus attributable to the Parent Company						160
Reversal of land revaluation differences						11
Net changes, excluding foundation funds and others	(320)	(11)	(5)	(338)	0	(337)
Net changes in the fiscal year	**(320)**	**(11)**	**(5)**	**(338)**	**0**	**(216)**
Ending balance	**$1,421**	**$(381)**	**$(16)**	**$1,022**	**$0**	**$4,040**

4. Consolidated Statements of Cash Flows

Asahi Mutual Life Insurance Company and its Consolidated Subsidiaries

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

4. Consolidated Statements of Cash Flows—(Continued)
Asahi Mutual Life Insurance Company and its Consolidated Subsidiaries

For the years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
III. Cash flows from financing activities			
Redemption of debt borrowing	**—**	(10,000)	**—**
Proceeds from issuance of bonds	**15,000**	39,477	**122**
Redemption of bonds	**(40,349)**	—	**(329)**
Payment of interest on foundation funds	**(4,089)**	(4,081)	**(33)**
Dividends paid to non-controlling interests	**(36)**	(38)	**(0)**
Others, net	**(803)**	(863)	**(6)**
Net cash provided by (used in) financing activities	**(30,279)**	**24,494**	**(247)**
IV. Net increase (decrease) in cash and cash equivalents	**880**	**39,922**	**7**
V. Cash and cash equivalents at the beginning of the year	**157,149**	**117,227**	**1,284**
VI. Cash and cash equivalents at the end of the year	**¥ 158,030**	**¥ 157,149**	**$ 1,291**

5. Notes to Consolidated Financial Statements
Asahi Mutual Life Insurance Company and its Consolidated Subsidiaries

I. Presentation of Consolidated Financial Statements

1. Basis of Presentation

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

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

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

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

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

2. U.S. Dollar Amounts

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

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

3. Principles of Consolidation

(1) Scope of consolidation

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

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

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

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

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

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

Each non-consolidated subsidiary is small in scale in terms of total assets, amount of sales, net income and surplus for the fiscal year ended March 31, 2022. As such non-consolidated subsidiaries are not considered to materially affect any reasonable determination as to the financial position and result of operation of the Company's group, these companies are excluded from the consolidation.

(2) Application of equity method

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

(3) Fiscal year-end of consolidated subsidiaries

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

(4) Amortization of goodwill

Goodwill is fully expensed as incurred.

II. Notes to Consolidated Balance Sheets

1. Significant Accounting Policies

(1) Valuation methods of securities

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

i) Trading securities are stated at fair market value. Costs of sales are determined by the moving average method.

ii) Held-to-maturity debt securities are stated at amortized cost (straight-line method) determined by the moving average method.

iii) Policy-reserve-matching bonds, which are in accordance with "Temporary Treatment of Accounting and Auditing Concerning Policy-reserve-matching Bonds in Insurance Industry" (Industry Audit Committee Report No. 21 issued by the Japanese Institute of Certified Public Accountants ("JICPA")), are stated at amortized cost (straight-line method) determined by the moving average method.

iv) Investments in unconsolidated subsidiaries and affiliates not accounted for under the equity method are stated at cost.

v) Available-for-sale securities except for the following are stated at fair market value based on the market prices at the balance sheet date, of which costs of sales are determined by the moving average method. Available-for-sale securities, of which public and corporate bonds including foreign bonds with the difference between acquisition cost and face value considered as an adjustment of interest, are stated at amortized cost (straight-line method) determined by the moving average method. Stocks and others without a market price are stated at cost determined by the moving average method. Net unrealized gains or losses on these available-for-sale securities, net of tax, are recorded as a separate component of net assets.

Note for the fiscal year ended March 31, 2021

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

(2) Policy-reserve-matching bonds

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

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

(3) Valuation methods of derivative financial instruments

Derivative financial instruments are stated at fair market value.

(4) Revaluation of land

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

- Date of revaluation: March 31, 2001

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

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

(5) Depreciation of tangible fixed assets

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

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

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

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

(6) Foreign currency translation

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

Note for the fiscal year ended March 31, 2021

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

(7) Allowance for possible loan losses

Allowance for possible loan losses is provided in accordance with the Company's standards of self-assessment and write-offs and reserves on credit quality:

i) For credit to borrowers who are legally bankrupt such as being in bankruptcy proceedings or civil rehabilitation (hereinafter "legally bankrupt borrowers") and who are substantially bankrupt (hereinafter "substantially bankrupt borrowers"), the Company provides the remaining amount of credits after the direct write-off described below and the deductions of the amount expected to be collected through the disposal of collateral or the execution of guarantees.

ii) For credit to borrowers who are not currently bankrupt but have a high risk of bankruptcy (hereinafter "borrowers with high possibility of bankruptcy"), the Company provides the amounts deemed as necessary considering the borrowers' ability to pay, within the amounts after deductions of the amount expected to be collected through the disposal of collateral or the execution of guarantees.

iii) For credit to borrowers other than the above, the Company provides the amounts calculated by multiplying the book value by the actual ratio of bad debt losses on defaults during a certain past period.

All credit is assessed by the relevant departments in accordance with the Company's standards of self-assessment on credit quality. The results of the assessment are reviewed by the audit department, which is independent of business-related divisions. Subsequently, allowance for possible loan losses is provided based on the results of these assessments.

For consolidated subsidiaries, the Company records the allowance amounts deemed necessary in accordance mainly with the Company's standards of self-assessment and write-offs and reserves on credit quality.

For credit to legally bankrupt borrowers and substantially bankrupt borrowers, the amounts remaining after deductions of collateral value or the amounts collectible through the execution of guarantees are written-off directly from the book value as the estimated uncollectible amounts. The amounts written-off as of March 31, 2022 and 2021 were ¥24 million (US$0 million) and ¥28 million, respectively.

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

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

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

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

(9) Reserve for price fluctuation

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

(10) Accounting for hedging activities

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

The Company mainly applies the following hedging activities:

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

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

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

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

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

(11) Accounting for consumption taxes

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

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

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

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

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

(13) Reinsurance revenue

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

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

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

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

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

(15) Reinsurance premiums

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

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

(16) Policy reserves

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

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

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

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

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

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

(17) Impairment losses of tangible fixed assets

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

i) Calculation method

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

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

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

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

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

ii) Key assumptions

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

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

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

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

(18) Software

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

2. Accounting Changes

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

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

3. Accounting Standards Issued but Not Yet Effective

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

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

i) Overview

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

ii) Schedule date of application

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

iii) Effects of application of the practical solution

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

Note for the fiscal year ended March 31, 2021

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

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

(i) Overview

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

(ii) Schedule date of application

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

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

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

4. Changes in Reporting Method

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

5. Financial Instruments

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

- For accumulation whole life with variable interest rates, accumulation insurance with variable interest rates and new single premium individual annuities which have an effective date on or after April 2, 2012, the Company mainly invests in domestic bonds, engaging in matching asset liability management, or Matching ALM, which aims at matching the duration to outstanding insurance liabilities to avoid interest rate fluctuation risks.

- For individual life insurance and individual annuities other than above, the Company holds yen-denominated fixed income investments, including bonds and loans, as the core of its asset portfolio. The Company also holds domestic stocks, foreign securities and real estate assets to enhance its profitability.

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

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

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

The balance sheet amounts, fair values and the differences between those of major financial assets and liabilities as of March 31, 2022 were as follows. The following table does not include cash and deposits, call loans and payables under securities borrowing transactions which are mostly settled in a short term and their fair values approximate their book values.

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

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

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

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

Unlisted stocks and others, including investments in subsidiaries and affiliates, without market prices are not included in the table above. The amount of the unlisted stocks and others, including investments in subsidiaries and affiliates, reported in the consolidated balance sheet was ¥22,156 million (US$181 million) as of March 31, 2022.

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

Notes for the fiscal year ended March 31, 2021

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

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

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

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

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

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

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

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

(2) Loans and loans payable

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

As for industrial and consumer loans and loans payable, the fair value of loans is primarily stated at theoretical prices calculated by discounting the future cash flows to the present value. The fair value of loans to legally bankrupt borrowers, substantially bankrupt borrowers and borrowers with high possibility of bankruptcy is stated at the amounts by deducting estimated losses from the book value before direct write-offs.

(3) Bonds payable

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

(4) Payables under securities borrowing transactions

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

(5) Derivative financial instruments

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

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

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

6. Matters concerning fair value of major financial instruments and breakdown by input level

Fair values of financial instruments are categorized into the following three levels in accordance with the observability and significance of the inputs used to measure the fair value.

Level 1: Fair values measured by unadjusted quoted prices in active markets for identical assets or liabilities

Level 2: Fair values measured by inputs which are directly or indirectly observable other than Level 1 inputs

Level 3: Fair values measured by significant unobservable inputs

When several inputs that have significant impact on fair value measurement are used and those inputs are categorized into different levels, the fair value is categorized into the lowest priority level for fair value measurement among the levels to which each of the inputs belongs.

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

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

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

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

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

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

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

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

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

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

(3) Description of the evaluation methods and inputs used to measure fair value

i) Securities including monetary claims bought which are treated as securities based on “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10)

Fair values of securities for which unadjusted quoted market prices in active markets are available are categorized as Level 1, which mainly include listed stocks and government bonds. In the case the market is inactive even if the quoted market price is available, those securities are categorized as Level 2, which mainly include corporate bonds and foreign bonds. In the case the quoted market price is not available, fair values are measured by evaluation methods such as discounting future cash flows. In evaluation, the Company maximizes the use of observable inputs including swap rates, interest rate swap spreads, currency basis and others. When significant unobservable inputs are used to measure fair values, those securities are categorized as Level 3.

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

ii) Loans

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

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

iii) Bonds payable

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

iv) Loans payable

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

v) Derivative financial instruments

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

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

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

i) Quantitative information on significant unobservable inputs

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

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

For the year ended March 31, 2022	Millions of Yen			
	Monetary claims bought	Securities		Derivative financial instruments
	Available-for-sale securities	Available-for-sale securities		
	Others (i)	Foreign bonds (ii)	Total (i) + (ii)	Stock-related
Beginning balance	¥ 969	¥26,853	¥27,822	¥ —
Gains (losses) and other comprehensive income for the fiscal year:	16	75	91	(24)
Gains (losses) recorded for the fiscal year *1	(20)	2,406	2,385	(24)
Other comprehensive income recorded for the fiscal year *2	36	(2,330)	(2,293)	—
Net amount of purchase, sale, issue, and settlement	(28)	10,711	10,682	294
Transfer to fair values of Level 3	—	—	—	—
Transfer from fair values of Level 3 *3	—	(8,157)	(8,157)	—
Ending balance	957	29,482	30,440	270
Net unrealized gains (losses) on financial assets and liabilities held at the balance sheet date among the amount recorded to gains (losses) for the fiscal year *1	—	2,406	2,406	(24)

*1 Those amounts are included in investment income and investment expenses in the consolidated statement of income.
*2 Those amounts are included in net unrealized gains (losses) on available-for-sale securities, net of tax in other comprehensive income in the consolidated statement of comprehensive income.
*3 Those amounts are transferred from level 3 to level 2 since it has become possible to obtain observable data. Those transfers were made at the end of the fiscal year.

For the year ended March 31, 2022	Millions of U.S. Dollars			
	Monetary claims bought	Securities		Derivative financial instruments
	Available-for-sale securities	Available-for-sale securities		
	Others (i)	Foreign bonds (ii)	Total (i) + (ii)	Stock-related
Beginning balance	$ 7	$219	$227	$ —
Gains (losses) and other comprehensive income for the fiscal year:	0	0	0	(0)
Gains (losses) recorded for the fiscal year *1	(0)	19	19	(0)
Other comprehensive income recorded for the fiscal year *2	0	(19)	(18)	—
Net amount of purchase, sale, issue, and settlement	(0)	87	87	2
Transfer to fair values of Level 3	—	—	—	—
Transfer from fair values of Level 3 *3	—	(66)	(66)	—
Ending balance	7	240	248	2
Net unrealized gains (losses) on financial assets and liabilities held at the balance sheet date among the amount recorded to gains (losses) for the fiscal year *1	—	19	19	(0)

*1 Those amounts are included in investment income and investment expenses in the consolidated statement of income.
*2 Those amounts are included in net unrealized gains (losses) on available-for-sale securities, net of tax in other comprehensive income in the consolidated statement of comprehensive income.
*3 Those amounts are transferred from level 3 to level 2 since it has become possible to obtain observable data. Those transfers were made at the end of the fiscal year.

iii) Description of the fair value evaluation process

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

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

7. Investments and Rental Properties

The Company holds investment and rental properties such as office buildings in Tokyo and other areas. The carrying amounts and the fair values of investment and rental properties were ¥239,331 million (US$1,955 million) and ¥283,478 million (US$2,316 million) as of March 31, 2022 and ¥246,901 million and ¥288,948 million as of March 31, 2021, respectively. The fair value is mainly based on the value (including some adjustments using the reference prices) of real estate appraisal report prepared by the external real-estate appraiser in accordance with real estate appraisal standards.

8. Securities Lent under Lending Agreements

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

9. Claims

The total amount of claims against bankrupt and quasi-bankrupt obligors, claims with collection risk, delinquent loans three or more months past due and restructured loans, which were included in claims, was ¥609 million (US$4 million) as of March 31, 2022.

i) Claims against bankrupt and quasi-bankrupt obligors were ¥453 million (US$3 million) as of March 31, 2022.

ii) Claims with collection risk were ¥70 million (US$0 million) as of March 31, 2022.

iii) Delinquent loans three or more months past due were ¥66 million (US$0 million) as of March 31, 2022.

iv) Restructured loans were ¥20 million (US$0 million) as of March 31, 2022.

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

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

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

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

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

Note for the fiscal year ended March 31, 2021

Loans

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

i) Loans to bankrupt borrowers were ¥0 million as of March 31, 2021.
ii) Delinquent loans were ¥563 million as of March 31, 2021.

iii) Delinquent loans three or more months past due were ¥94 million as of March 31, 2021.

iv) Restructured loans were ¥20 million as of March 31, 2021.

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

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

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

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

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

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

10. Accumulated Depreciation of Tangible Fixed Assets

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

11. Separate Accounts

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

12. Reserve for Dividends to Policyholders

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

13. Stocks of Unconsolidated Subsidiaries and affiliates

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

14. Pledged Assets

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

15. Unamortized Ceding Commissions

The amount of unamortized ceding commissions for reinsurance contracts stipulated in Article 1, Paragraph 5 of the Japanese Ministry of Finance Public Notice No. 50, 1996 for the fiscal year ended March 31, 2022 was ¥6,391 million (US$52 million).

16. Assets with Rights to Sell

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

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

17. Commitment Line

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

18. Subordinated Bonds Payable

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

19. Subordinated Loans Payable

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

20. Contributions to Policyholders Protection Corporation

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

21. Deferred Taxes

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

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

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

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

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

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

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

For the year ended March 31	2022
Interest on foundation funds	**(4.4)%**

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

22. Accrued Retirement Benefits and Net Defined Benefit Liabilities

(1) Summary of retirement benefit plans

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

(2) Defined benefit plan

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

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

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

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

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

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

iv) Breakdown of retirement benefit expenses

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

v) Breakdown of items included in other comprehensive income

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

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

vi) Breakdown of items included in accumulated other comprehensive income

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

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

vii) Breakdown of main pension plan assets

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

As of March 31	2022	2021
Stocks	**36%**	43%
Bonds	**18%**	15%
Others	**46%**	42%
Total	**100%**	100%

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

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

ix) Underlying actuarial assumptions

The main underlying actuarial assumptions were as follows:

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

23. Subsequent Events

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

III. Notes to Consolidated Statements of Income

1. Investment Income and Expenses

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

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

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

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

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

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

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

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

2. Reinsurance Revenue and Reinsurance Premiums

The increased amount of unamortized ceding commissions for reinsurance contracts stipulated in Article 1, Paragraph 5 of the Japanese Ministry of Finance Public Notice No. 50, 1996 for the fiscal year ended March 31, 2022 was ¥6,989 million (US$57 million), which was included in reinsurance revenue.

The decreased amount of unamortized ceding commissions for reinsurance contracts stipulated in Article 1, Paragraph 5 of the Japanese Ministry of Finance Public Notice No. 50, 1996 for the fiscal year ended March 31, 2022 was ¥597 million (US$4 million), which was included in reinsurance premiums.

3. Impairment Losses of Fixed Assets

For the fiscal years ended March 31, 2022 and 2021, impairment losses of fixed assets by the Company were as follows:

(1) Method of grouping

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

Note for the fiscal year ended March 31, 2021

Real estate and other assets used for insurance business operations are classified as one asset group as a whole. Other assets such as real estate for rent, real estate not in use and real estate scheduled to be sold are classified as one group individually.

(2) Background information on recognizing the impairment losses

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

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

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

(4) Calculation method of recoverable amounts

The recoverable amounts of real estate for rent are determined at net realizable value or value in use. The recoverable amounts for real estate not in use and real estate scheduled to be sold are net realizable value. Value in use is determined as the estimated net future cash flows, reflecting the volatility risk, discounted at 3.3% and 3.4% for the fiscal years ended March 31, 2022 and 2021, respectively. Net realizable value is calculated based on the appraisal value in accordance with “Real Estate Appraisal Standards” or the publicly announced appraisal value after deducting expected disposal costs.

4. Extraordinary Losses

Note for the fiscal year ended March 31, 2021

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

IV. Notes to Consolidated Statements of Comprehensive Income

Other Comprehensive Income

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

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

V. Notes to Consolidated Statements of Cash Flows

Scope of Cash and Cash Equivalents

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

Independent Auditor's Report

The Board of Directors
Asahi Mutual Life Insurance Company

Opinion

We have audited the accompanying non-consolidated financial statements of Asahi Mutual Life Insurance Company (the Company), which comprise the non-consolidated balance sheets as at March 31, 2022 and 2021, and the non-consolidated statements of income, changes in net assets, and proposed appropriation of surplus (loss) for the years then ended, and notes to the non-consolidated financial statements and supplementary schedules.

In our opinion, the accompanying non-consolidated financial statements present fairly, in all material respects, the non-consolidated financial position of the Company as at March 31, 2022 and 2021, and its non-consolidated financial performance for the years then ended in accordance with the Insurance Business Act and related rules and regulations applicable to the mutual life insurance industry and accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Non-Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the non-consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Other information comprises information included in a disclosure document that contains audited non-consolidated financial statements, but does not include the non-consolidated financial statements and our auditor's report thereon.

We have concluded that other information does not exist. Accordingly, we have not performed any work related to other information.

Responsibilities of Management, the Corporate Auditor and the Board of Corporate Auditors for the Non-Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these non-consolidated financial statements in accordance with the Insurance Business Act and related rules and regulations applicable to the mutual life insurance industry and accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the non-consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Non-Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the non-consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these non-consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the non-consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the non-consolidated financial statements is not expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the non- consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the non-consolidated financial statements, including the disclosures, and whether the non-consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.

We communicate with the Corporate Auditor and the Board of Corporate Auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Corporate Auditor and the Board of Corporate Auditors with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the non-consolidated financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying non-consolidated financial statements with respect to the year ended March 31, 2022 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the non-consolidated financial statements.

Ernst & Young ShinNihon LLC
Tokyo, Japan
July 29, 2022

/S/ Yoshimi Kimura

Yoshimi Kimura
Designated Engagement Partner
Certified Public Accountant

/S/ Makoto Kubodera

Makoto Kubodera
Designated Engagement Partner
Certified Public Accountant

6. Non-consolidated Balance Sheets

Asahi Mutual Life Insurance Company

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

6. Non-consolidated Balance Sheets—(Continued)

Asahi Mutual Life Insurance Company

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

7. Non-consolidated Statements of Income

Asahi Mutual Life Insurance Company

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

7. Non-consolidated Statements of Income—(Continued)

Asahi Mutual Life Insurance Company

For the years ended March 31	Millions of Yen 2022	Millions of Yen 2021	Millions of U.S. Dollars 2022
Other ordinary expenses:			
Claim deposit payments	**9,859**	10,491	**80**
Taxes	**9,345**	9,126	**76**
Depreciation	**12,354**	12,181	**100**
Other ordinary expenses	**2,086**	2,013	**17**
	33,646	33,812	**274**
Total ordinary expenses	**565,605**	**564,083**	**4,621**
Ordinary profit	**32,305**	**36,629**	**263**
Extraordinary gains:			
Gains on disposal of fixed assets	**2,925**	146	**23**
Other extraordinary gains	**3**	129	**0**
	2,928	275	**23**
Extraordinary losses:			
Losses on disposal of fixed assets	**2,751**	1,481	**22**
Impairment losses	**1,149**	2,971	**9**
Provision for reserve for price fluctuation	**2,530**	2,450	**20**
Losses on reduction entry of real estate	**—**	5	**—**
Other extraordinary losses	**130**	1,694	**1**
	6,561	8,602	**53**
Surplus before income taxes	**28,671**	**28,302**	**234**
Income taxes:			
Current	**10,788**	10,122	**88**
Deferred	**(5,041)**	(5,084)	**(41)**
Total income taxes	**5,747**	**5,038**	**46**
Net surplus	**¥ 22,924**	**¥ 23,263**	**$ 187**

8. Non-consolidated Statements of Changes in Net Assets

Asahi Mutual Life Insurance Company

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

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

8. Non-consolidated Statements of Changes in Net Assets—(Continued)

Asahi Mutual Life Insurance Company

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

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

8. Non-consolidated Statements of Changes in Net Assets—(Continued)

Asahi Mutual Life Insurance Company

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

	Millions of U.S. Dollars			
	Valuation and translation adjustments			
For the year ended March 31, 2022	**Net unrealized gains (losses) on available-for-sale securities, net of tax**	**Land revaluation differences**	**Total valuation and translation adjustments**	**Total net assets**
Beginning balance	**$ 1,741**	**$ (370)**	**$ 1,371**	**$ 4,285**
Changes in the fiscal year:				
Additions to reserve for dividends to policyholders				(17)
Additions to reserve for future losses				
Payment of interest on foundation funds				(33)
Net surplus				187
Additions to reserve for fund redemption				
Reversal of equalized reserve for dividends to policyholders				
Reversal of land revaluation differences				11
Net changes, excluding foundation funds and others	(320)	(11)	(332)	(332)
Net changes in the fiscal year	**(320)**	**(11)**	**(332)**	**(184)**
Ending balance	**$ 1,421**	**$ (381)**	**$ 1,039**	**$ 4,101**

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

Asahi Mutual Life Insurance Company

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

10. Notes to Non-consolidated Financial Statements
Asahi Mutual Life Insurance Company

I. Presentation of Non-consolidated Financial Statements

1. Basis of Presentation

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

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

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

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

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

2. U.S. Dollar Amounts

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

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

II. Notes to Non-consolidated Balance Sheets

1. Significant Accounting Policies

(1) Valuation methods of securities

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

i) Trading securities are stated at fair market value. Costs of sales are determined by the moving average method.

ii) Held-to-maturity debt securities are stated at amortized cost (straight-line method) determined by the moving average method.

iii) Policy-reserve-matching bonds, which are in accordance with "Temporary Treatment of Accounting and Auditing Concerning Policy-reserve-matching Bonds in Insurance Industry" (Industry Audit Committee Report No. 21 issued by the Japanese Institute of Certified Public Accountants ("JICPA")), are stated at amortized cost (straight-line method) determined by the moving average method.

iv) Investments in subsidiaries and affiliates are stated at cost.

v) Available-for-sale securities except for the following are stated at fair market value based on the market prices at the balance sheet date, of which costs of sales are determined by the moving average method. Available-for-sale securities, of which public and corporate bonds including foreign bonds with the difference between acquisition cost and face value considered as an adjustment of interest, are stated at amortized cost (straight-line method) determined by the moving average method. Stocks and others without a market price are stated at cost determined by the moving average method. Net unrealized gains or losses on these available-for-sale securities, net of tax, are recorded as a separate component of net assets.

Note for the fiscal year ended March 31, 2021

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

(2) Policy-reserve-matching bonds

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

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

(3) Valuation methods of derivative financial instruments

Derivative financial instruments are stated at fair market value.

(4) Revaluation of land

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

- Date of revaluation: March 31, 2001

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

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

(5) Depreciation of tangible fixed assets

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

- Tangible fixed assets (excluding lease assets): Declining-balance method However, buildings are depreciated using the straight-line method.

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

(6) Foreign currency translation

Foreign currency-denominated assets and liabilities are translated into Japanese yen at the effective exchange rate prevailing at the balance sheet date.

Note for the fiscal year ended March 31, 2021

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

(7) Allowance for possible loan losses

Allowance for possible loan losses is provided in accordance with the Company's standards of self-assessment and write-offs and reserves on credit quality:

i) For credit to borrowers who are legally bankrupt such as being in bankruptcy proceedings or civil rehabilitation (hereinafter "legally bankrupt borrowers") and who are substantially bankrupt (hereinafter "substantially bankrupt borrowers"), the Company provides the remaining amount of credits after the direct write-off described below and the deductions of the amount expected to be collected through the disposal of collateral or the execution of guarantees.

ii) For credit to borrowers who are not currently bankrupt but have a high risk of bankruptcy (hereinafter "borrowers with high possibility of bankruptcy"), the Company provides the amounts deemed as necessary considering the borrowers' ability to pay, within the amounts after deductions of the amount expected to be collected through the disposal of collateral or the execution of guarantees.

iii) For credit to borrowers other than the above, the Company provides the amounts calculated by multiplying the book value by the actual ratio of bad debt losses on defaults during a certain past period.

All credit is assessed by the relevant departments in accordance with the Company's standards of self-assessment on credit quality. The results of the assessment are reviewed by the audit department, which is independent of business-related divisions. Subsequently, allowance for possible loan losses is provided based on the results of these assessments.

For credit to legally bankrupt borrowers and substantially bankrupt borrowers, the amounts remaining after deductions of collateral value or the amounts collectible through the execution of guarantees are written-off directly from the book value as the estimated uncollectible amounts. The amounts written-off as of March 31, 2022 and 2021 were ¥24 million (US$0 million) and ¥28 million, respectively.

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

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

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

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

(9) Reserve for price fluctuation

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

(10) Accounting for hedging activities

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

The Company mainly applies the following hedging activities:

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

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

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

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

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

(11) Accounting for consumption taxes

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

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

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

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

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

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

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

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

(14) Policy reserves

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

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

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

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

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

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

(15) Impairment losses of tangible fixed assets

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

i) Calculation method

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

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

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

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

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

ii) Key assumptions

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

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

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

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

(16) Software

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

2. Accounting Changes

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

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

3. Accounting Standards Issued but Not Yet Effective

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

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

i) Overview

The practical solution was issued to stipulate the accounting and disclosure treatment of corporate tax, local corporate tax and tax effect accounting when applying the group tax sharing system, following the "Act for

Partial Amendment of the Income Tax Act, etc." (Act No.8, 2020) enacted on March 27, 2020 which requires revision of the consolidated taxation system and transition to the group tax sharing system.

ii) Schedule date of application

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

iii) Effects of application of the practical solution

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

Note for the fiscal year ended March 31, 2021

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

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

i) Overview

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

ii) Schedule date of application

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

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

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

4. Changes in Reporting Method

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

5. Financial Instruments

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

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

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

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

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

The balance sheet amounts, fair values and the differences between those of major financial assets and liabilities as of March 31, 2022 were as follows. The following table does not include cash and deposits, call loans and payables under securities borrowing transactions which are mostly settled in a short term and their fair values approximate their book values.

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

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

10. Notes to Non-consolidated Financial Statements—(Continued)
Asahi Mutual Life Insurance Company

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

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

Unlisted stocks and others, including investments in subsidiaries and affiliates, without market prices are not included in the table above. The amount of the unlisted stocks and others, including investments in subsidiaries and affiliates, reported in the non-consolidated balance sheet was ¥51,645 million (US$421 million) as of March 31, 2022.

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

Notes for the fiscal year ended March 31, 2021

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

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

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

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

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

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

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

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

(2) Loans and loans payable

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

As for industrial and consumer loans and loans payable, the fair value of loans is primarily stated at theoretical prices calculated by discounting the future cash flows to the present value. The fair value of loans to legally bankrupt borrowers, substantially bankrupt borrowers and borrowers with high possibility of bankruptcy is stated at the amounts by deducting estimated losses from the book value before direct write-offs.

(3) Bonds payable

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

(4) Payables under securities borrowing transactions

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

(5) Derivative financial instruments

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

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

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

6. Matters concerning fair value of major financial instruments and breakdown by input level

Fair values of financial instruments are categorized into the following three levels in accordance with the observability and significance of the inputs used to measure the fair value.

Level 1: Fair values measured by unadjusted quoted prices in active markets for identical assets or liabilities

Level 2: Fair values measured by inputs which are directly or indirectly observable other than Level 1 inputs

Level 3: Fair values measured by significant unobservable inputs

When several inputs that have significant impact on fair value measurement are used and those inputs are categorized into different levels, the fair value is categorized into the lowest priority level for fair value measurement among the levels to which each of the inputs belongs.

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

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

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

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

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

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

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

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

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

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

(3) Description of the evaluation methods and inputs used to measure fair value

i) Securities including monetary claims bought which are treated as securities based on "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10)

Fair values of securities for which unadjusted quoted market prices in active markets are available are categorized as Level 1, which mainly include listed stocks and government bonds. In the case the market is inactive even if the quoted market price is available, those securities are categorized as Level 2, which mainly include corporate bonds and foreign bonds. In the case the quoted market price is not available, fair values are measured by evaluation methods such as discounting future cash flows. In evaluation, the Company maximizes the use of observable inputs including swap rates, interest rate swap spreads, currency basis and others. When significant unobservable inputs are used to measure fair values, those securities are categorized as Level 3.

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

ii) Loans

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

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

iii) Bonds payable

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

iv) Loans payable

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

v) Derivative financial instruments

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

In evaluation of derivative financial instruments, the Company maximizes the use of observable inputs.

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

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

i) Quantitative information on significant unobservable inputs

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

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

For the year ended March 31, 2022	Millions of Yen			
	Monetary claims bought	Securities		
	Available-for-sale securities	Available-for-sale securities	Total (i) + (ii)	Derivative financial instruments
	Others (i)	Foreign bonds (ii)		Stock-related
Beginning balance	¥969	¥26,853	¥27,822	¥—
Gains (losses) and net unrealized gains (losses) on available-for-sale securities, net of tax recorded for the fiscal year:	16	75	91	(24)
Gains (losses) recorded for the fiscal year *1	(20)	2,406	2,385	(24)
Net unrealized gains (losses) on available-for-sale securities, net of tax recorded for the fiscal year	36	(2,330)	(2,293)	—
Net amount of purchase, sale, issue, and settlement	(28)	10,711	10,682	294
Transfer to fair values of Level 3	—	—	—	—
Transfer from fair values of Level 3 *2	—	(8,157)	(8,157)	—
Ending balance	957	29,482	30,440	270
Net unrealized gains (losses) on financial assets and liabilities held at the balance sheet date among the amount recorded to gains (losses) for the fiscal year *1	—	2,406	2,406	(24)

*1 Those amounts are included in investment income and investment expenses in the non-consolidated statement of income.
*2 Those amounts are transferred from level 3 to level 2 since it has become possible to obtain observable data. Those transfers were made at the end of the fiscal year.

For the year ended March 31, 2022	Millions of U.S. Dollars			
	Monetary claims bought	Securities		
	Available-for-sale securities	Available-for-sale securities	Total (i) + (ii)	Derivative financial instruments
	Others (i)	Foreign bonds (ii)		Stock-related
Beginning balance	$ 7	$219	$ 227	$—
Gains (losses) and net unrealized gains (losses) on available-for-sale securities, net of tax recorded for the fiscal year:	0	0	0	(0)
Gains(losses) recorded for the fiscal year *1	(0)	19	19	(0)
Net unrealized gains (losses) on available-for-sale securities, net of tax recorded for the fiscal year	0	(19)	(18)	—
Net amount of purchase, sale, issue, and settlement	(0)	87	87	2
Transfer to fair values of Level 3	—	—	—	—
Transfer from fair values of Level 3 *2	—	(66)	(66)	—
Ending balance	7	240	248	2
Net unrealized gains (losses) on financial assets and liabilities held at the balance sheet date among the amount recorded to gains (losses) for the fiscal year *1	—	19	19	(0)

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

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

iii) Description of the fair value evaluation process

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

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

7. Investments and Rental Properties

The Company holds investment and rental properties such as office buildings in Tokyo and other areas. The carrying amounts and the fair values of investment and rental properties were ¥242,418million (US$1,980 million) and ¥285,844 million (US$2,335 million) as of March 31, 2022 and ¥247,811 million and ¥289,679 million as of March 31, 2021, respectively. The fair value is mainly based on the value (including some adjustments using the reference prices) of real estate appraisal report prepared by the external real-estate appraiser in accordance with real estate appraisal standards.

8. Securities Lent under Lending Agreements

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

9. Claims

The total amount of claims against bankrupt and quasi-bankrupt obligors, claims with collection risk, delinquent loans three or more months past due and restructured loans, which were included in claims, was ¥609 million (US$4 million) as of March 31, 2022.

i) Claims against bankrupt and quasi-bankrupt obligors were ¥453 million (US$3 million) as of March 31, 2022.

ii) Claims with collection risk were ¥70 million (US$0 million) as of March 31, 2022.

iii) Delinquent loans three or more months past due were ¥66 million (US$0 million) as of March 31, 2022.

iv) Restructured loans were ¥20 million (US$0 million) as of March 31, 2022.

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

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

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

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

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

Note for the fiscal year ended March 31, 2021

Loans

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

i) Loans to bankrupt borrowers were ¥0 million as of March 31, 2021.

ii) Delinquent loans were ¥563 million as of March 31, 2021.

iii) Delinquent loans three or more months past due were ¥94 million as of March 31, 2021.

iv) Restructured loans were ¥20 million as of March 31, 2021.

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

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

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

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

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

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

10. Accumulated Depreciation of Tangible Fixed Assets

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

11. Separate Accounts

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

12. Receivables from/Payables to Subsidiaries

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

13. Deferred Taxes

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

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

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

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

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

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

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

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

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

14. Reserve for Dividends to Policyholders

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

15. Stocks of Subsidiaries and Affiliates

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

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

16. Pledged Assets

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

17. Policy Reserves for the Reinsurance Contracts

Reserve for outstanding claims for the reinsurance contracts provided in accordance with Article 73, Paragraph 3 of the Enforcement Regulation of the Insurance Business Act which applies mutatis mutandis to Article 71, Paragraph 1 of the Enforcement Regulation of the Insurance Business Act (hereinafter “reserve for outstanding claims for ceded reinsurance”) were ¥9 million (US$0 million) and ¥6 million as of March 31, 2022 and 2021, respectively.

Policy reserves for the reinsurance contracts provided in accordance with Article 71, Paragraph 1 of the Enforcement Regulation of the Insurance Business Act (hereinafter “policy reserves for ceded reinsurance”) were ¥373 million (US$3 million) and ¥359 million as of March 31, 2022 and 2021, respectively.

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

The total amounts of adjustment to redemption of foundation funds and appropriation of net surplus defined in Article 30, Paragraph 2 of the Enforcement Regulation of the Insurance Business Act were ¥174,218 million (US$1,423 million) and ¥213,482 million as of March 31, 2022 and 2021, respectively.

19. Assets with Rights to Sell

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

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

20. Commitment Line

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

21. Subordinated Bonds Payable

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

22. Subordinated Loans Payable

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

23. Contributions to Policyholders Protection Corporation

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

24. Reserve for Employees' Retirement Benefits

(1) Summary of retirement benefit plans

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

(2) Defined benefit plan

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

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

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

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

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

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

iv) Breakdown of retirement benefit expenses

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

v) Breakdown of main pension plan assets

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

As of March 31	2022	2021
Stocks	**38%**	45%
Bonds	**10%**	9%
Others	**52%**	46%
Total	**100%**	100%

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

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

vii) Underlying actuarial assumptions

The main underlying actuarial assumptions were as follows:

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

25. Subsequent Events

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

III. Notes to Non-consolidated Statements of Income

1. Transactions with Subsidiaries and Affiliates

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

2. Investment Income and Expenses

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

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

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

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

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

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

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

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

3. Policy Reserves for the Reinsurance Contracts

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

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

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

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

4. Impairment Losses of Fixed Assets

For the fiscal years ended March 31, 2022 and 2021, impairment losses of fixed assets by the Company were as follows:

(1) Method of grouping

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

Note for the fiscal year ended March 31, 2021

Real estate and other assets used for insurance business operations are classified as one asset group as a whole. Other assets such as real estate for rent, real estate not in use and real estate scheduled to be sold are classified as one group individually.

(2) Background information on recognizing the impairment losses

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

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

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

(4) Calculation method of recoverable amounts

The recoverable amounts of real estate for rent are determined at net realizable value or value in use. The recoverable amounts for real estate not in use and real estate scheduled to be sold are net realizable value. Value in use is determined as the estimated net future cash flows, reflecting the volatility risk, discounted at 3.3% and 3.4% for the fiscal years ended March 31, 2022 and 2021, respectively. Net realizable value is calculated based on the appraisal value in accordance with “Real Estate Appraisal Standards” or the publicly announced appraisal value after deducting expected disposal costs.

5. Extraordinary Losses

Note for the fiscal year ended March 31, 2021

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

Supplementary Schedules
Asahi Mutual Life Insurance Company

(1) Securities

Fiscal year ended March 31	Millions of Yen		
	2022		
	Beginning balance of current fiscal year	Ending balance of current fiscal year	Increase/ decrease
National government bonds	**¥1,692,106**	**¥1,669,691**	**¥ (22,414)**
Local government bonds	**49,130**	**50,540**	**1,410**
Corporate bonds:	**973,538**	**907,641**	**(65,896)**
Public entity bonds	463,801	461,537	(2,263)
Business bonds	509,737	446,103	(63,633)
Domestic stocks	**447,371**	**472,584**	**25,213**
Foreign securities:	**1,368,844**	**1,395,647**	**26,803**
Stocks	7,748	8,280	532
Others	1,361,095	1,387,367	26,271
Other securities	**81,330**	**69,731**	**(11,599)**
Total	**¥4,612,320**	**¥4,565,837**	**¥ (46,483)**

Fiscal year ended March 31	2021		
	Beginning balance of current fiscal year	Ending balance of current fiscal year	Increase/ decrease
National government bonds	**¥1,728,003**	**¥1,692,106**	**¥ (35,896)**
Local government bonds	**54,671**	**49,130**	**(5,541)**
Corporate bonds:	**945,309**	**973,538**	**28,228**
Public entity bonds	427,378	463,801	36,422
Business bonds	517,930	509,737	(8,193)
Domestic stocks	**288,114**	**447,371**	**159,256**
Foreign securities:	**1,294,012**	**1,368,844**	**74,832**
Stocks	5,563	7,748	2,184
Others	1,288,448	1,361,095	72,647
Other securities	**63,666**	**81,330**	**17,664**
Total	**¥4,373,776**	**¥4,612,320**	**¥238,544**

(2) Loans

Fiscal year ended March 31	Millions of Yen 2022 Beginning balance of current fiscal year	Ending balance of current fiscal year	Increase/decrease
Construction	**¥ 780**	**¥ 830**	**¥ 50**
Manufacturing industry	**41,912**	**44,187**	**2,274**
Wholesale and retail	**37,030**	**34,470**	**(2,560)**
Financial and insurance	**93,220**	**90,004**	**(3,215)**
Real estate and rental services	**41,854**	**43,747**	**1,892**
Telecommunications	**487**	**2,462**	**1,974**
Transportation and postal services	**24,645**	**21,985**	**(2,660)**
Electric, gas, steam, and water utilities	**14,195**	**18,052**	**3,857**
Services and others	**7,678**	**5,511**	**(2,167)**
Others	**6,184**	**17,708**	**11,523**
[Housing and consumer loans]	236	77	(159)
Subtotal	**267,989**	**278,959**	**10,969**
Public entities	**279**	**258**	**(21)**
Policy loans	**35,182**	**32,199**	**(2,983)**
Total	**¥303,451**	**¥311,416**	**¥ 7,965**

Fiscal year ended March 31	2021 Beginning balance of current fiscal year	Ending balance of current fiscal year	Increase/decrease
Construction	**¥ 980**	**¥ 780**	**¥ (200)**
Manufacturing industry	**48,631**	**41,912**	**(6,718)**
Wholesale and retail	**57,941**	**37,030**	**(20,911)**
Financial and insurance	**104,916**	**93,220**	**(11,696)**
Real estate and rental services	**59,406**	**41,854**	**(17,551)**
Telecommunications	**1,111**	**487**	**(624)**
Transportation and postal services	**39,550**	**24,645**	**(14,904)**
Electric, gas, steam, and water utilities	**13,431**	**14,195**	**764**
Services and others	**7,942**	**7,678**	**(264)**
Others	**3,057**	**6,184**	**3,127**
[Housing and consumer loans]	642	236	(405)
Subtotal	**336,969**	**267,989**	**(68,979)**
Public entities	**390**	**279**	**(111)**
Policy loans	**40,553**	**35,182**	**(5,371)**
Total	**¥377,913**	**¥303,451**	**¥(74,461)**

(3) Tangible fixed assets and intangible fixed assets

Fiscal year ended March 31	Millions of Yen 2022 Beginning balance of current fiscal year	Increase in current fiscal year	Decrease in current fiscal year	Current-year depreciation/ amortization	Ending balance of current fiscal year	Accumulated depreciation/ amortization	Accumulated depreciation/ amortization percentage
Tangible fixed assets:							
Land	¥221,081	¥ 376	¥ 5,430 [618]	¥ —	¥216,027	¥ —	
Buildings	150,533	8,363	3,399 [526]	9,186	146,310	277,194	65.5%
Lease assets	1,459	1,539	—	803	2,194	2,703	55.2
Construction in progress	1,589	3,106	3,520	—	1,175	—	
Other tangible fixed assets	3,186	245	32	557	2,841	6,639	70.0
Total	¥377,849	¥13,631	¥12,383 [1,145]	¥10,547	¥368,550	¥286,537	
Intangible fixed assets:							
Software	17,722	8,519	0	7,312	18,928	26,715	58.5
Other intangible fixed assets	9,075	9,263	8,523	—	9,815	68	0.7
Total	¥ 26,797	¥17,782	¥ 8,523	¥ 7,312	¥ 28,743	¥ 26,784	

Fiscal year ended March 31	2021 Beginning balance of current fiscal year	Increase in current fiscal year	Decrease in current fiscal year	Current-year depreciation/ amortization	Ending balance of current fiscal year	Accumulated depreciation/ amortization	Accumulated depreciation/ amortization percentage
Tangible fixed assets:							
Land	¥224,609	¥ 11	¥ 3,539 [2,488]	¥ —	¥221,081	¥ —	
Buildings	152,646	8,553	1,870 [483]	8,796	150,533	276,809	64.8%
Lease assets	1,963	358	13	849	1,459	2,315	61.3
Construction in progress	614	3,648	2,674	—	1,589	—	
Other tangible fixed assets	2,887	887	16	572	3,186	6,310	66.4
Total	¥382,722	¥13,460	¥ 8,114 [2,971]	¥10,219	¥377,849	¥285,435	
Intangible fixed assets:							
Software	19,463	5,713	—	7,454	17,722	25,701	59.2
Other intangible fixed assets	6,077	8,715	5,718	—	9,075	68	0.7
Total	¥ 25,541	¥14,429	¥ 5,718	¥ 7,454	¥ 26,797	¥ 25,769	

Note: Figures in [ ] under the decrease in current fiscal year column represent impairment losses.

(4) Policy reserves and other reserves

(i) Reserve for outstanding claims

Fiscal year ended March 31	Millions of Yen 2022 Beginning balance of current fiscal year	Ending balance of current fiscal year	Increase/decrease
Individual life insurance	¥26,020	¥29,380	¥3,359
Individual annuities	1,706	1,742	36
Group insurance	654	683	28
Group annuities	9	9	0
Others	181	202	21
Total	¥28,572	¥32,018	¥3,446

Fiscal year ended March 31	2021 Beginning balance of current fiscal year	Ending balance of current fiscal year	Increase/decrease
Individual life insurance	¥26,542	¥26,020	¥ (521)
Individual annuities	2,082	1,706	(376)
Group insurance	653	654	1
Group annuities	9	9	(0)
Others	90	181	90
Total	¥29,378	¥28,572	¥ (806)

(ii) Policy reserves

Fiscal year ended March 31	Millions of Yen 2022 Beginning balance of current fiscal year	Ending balance of current fiscal year	Increase/decrease
Individual life insurance	¥2,846,924	¥2,840,547	¥ (6,376)
Individual annuities	1,450,825	1,407,277	(43,548)
Group insurance	10,088	10,327	238
Group annuities	15,567	13,144	(2,422)
Others	95,966	93,770	(2,196)
Total	¥4,419,372	¥4,365,068	¥(54,304)

Fiscal year ended March 31	2021 Beginning balance of current fiscal year	Ending balance of current fiscal year	Increase/decrease
Individual life insurance	¥2,844,590	¥2,846,924	¥ 2,334
Individual annuities	1,499,098	1,450,825	(48,273)
Group insurance	9,941	10,088	146
Group annuities	16,314	15,567	(747)
Others	98,051	95,966	(2,085)
Total	¥4,467,997	¥4,419,372	¥(48,624)

(iii) Reserve for dividends to policyholders

Fiscal year ended March 31	Millions of Yen		
	2022		
	Beginning balance of current fiscal year	Ending balance of current fiscal year	Increase/decrease
Individual life insurance	¥28,508	¥27,156	¥(1,351)
Individual annuities	1,222	1,115	(107)
Group insurance	186	259	72
Group annuities	—	—	—
Others	132	113	(19)
Total	¥30,050	¥28,644	¥(1,405)

Fiscal year ended March 31	2021		
	Beginning balance of current fiscal year	Ending balance of current fiscal year	Increase/decrease
Individual life insurance	¥30,298	¥28,508	¥(1,790)
Individual annuities	1,339	1,222	(116)
Group insurance	277	186	(90)
Group annuities	—	—	—
Others	157	132	(25)
Total	¥32,073	¥30,050	¥(2,023)

(5) Allowance and other reserves

Fiscal year ended March 31	Millions of Yen		
	2022		
	Beginning balance of current fiscal year	Ending balance of current fiscal year	Increase/decrease
Allowance for possible loan losses	¥ 406	¥ 550	¥ 143
Reserve for employees' retirement benefits	30,856	29,847	(1,008)
Reserve for price fluctuation	45,680	48,210	2,530

Fiscal year ended March 31	2021		
	Beginning balance of current fiscal year	Ending balance of current fiscal year	Increase/decrease
Allowance for possible loan losses	¥ 391	¥ 406	¥ 15
Reserve for employees' retirement benefits	32,533	30,856	(1,677)
Reserve for price fluctuation	43,230	45,680	2,450

(6) Operating expenses

Fiscal years ended March 31	Millions of Yen 2022	Millions of Yen 2021
Marketing operations:		
Sales staff expenses	¥ 33,269	¥ 30,879
Agency expenses	9,529	12,691
Selection expenses	34	33
Subtotal	**42,833**	**43,604**
Marketing administration:		
Sales office management fee	18,037	18,231
Advertising expense	482	338
Subtotal	**18,519**	**18,570**
General and administrative expenses:		
Personnel expenses	19,218	19,544
Non-personnel expenses:	29,273	28,028
contribution money, sponsorship money and dues	173	217
Policyholder protection fund	543	575
Subtotal	**49,035**	**48,148**
Total	**¥110,388**	**¥110,323**

(7) Separate accounts

(i) Assets

Fiscal year ended March 31	Millions of Yen		
	2022		
	Beginning balance of current fiscal year	Ending balance of current fiscal year	Increase/decrease
Cash and deposits:			
Deposits	¥ 1,676	¥ 1,475	¥ (200)
Subtotal	**1,676**	**1,475**	**(200)**
Securities:			
National government bonds	5,421	5,830	409
Corporate bonds	707	902	195
Domestic stocks	9,011	7,914	(1,097)
Foreign securities	11,167	11,953	786
Subtotal	**26,307**	**26,601**	**293**
Other assets:			
Accrued income	138	149	11
Suspense payments	8	10	1
Subtotal	**146**	**160**	**13**
General account lending	(52)	(61)	(9)
Total	**¥28,078**	**¥28,175**	**¥ 96**

Fiscal year ended March 31	2021		
	Beginning balance of current fiscal year	Ending balance of current fiscal year	Increase/decrease
Cash and deposits:			
Deposits	¥ 2,619	¥ 1,676	¥ (943)
Subtotal	**2,619**	**1,676**	**(943)**
Securities:			
National government bonds	4,375	5,421	1,045
Corporate bonds	1,404	707	(697)
Domestic stocks	5,641	9,011	3,370
Foreign securities	8,950	11,167	2,216
Subtotal	**20,372**	**26,307**	**5,935**
Other assets:			
Accrued income	138	138	0
Suspense payments	1,256	8	(1,247)
Subtotal	**1,394**	**146**	**(1,247)**
General account lending	(5)	(52)	(46)
Total	**¥24,381**	**¥28,078**	**¥ 3,696**

(ii) Liabilities

	Millions of Yen		
Fiscal year ended March 31	2022		
	Beginning balance of current fiscal year	Ending balance of current fiscal year	Increase/decrease
Policy reserves and other reserves	**¥28,189**	**¥28,325**	**¥ 136**
General account borrowing	**(110)**	**(150)**	**(39)**
Total	**¥28,078**	**¥28,175**	**¥ 96**

Fiscal year ended March 31	2021		
	Beginning balance of current fiscal year	Ending balance of current fiscal year	Increase/decrease
Policy reserves and other reserves	**¥24,523**	**¥28,189**	**¥3,665**
General account borrowing	**(141)**	**(110)**	**30**
Total	**¥24,381**	**¥28,078**	**¥3,696**

Independent Auditor's Report

The Board of Directors
Asahi Mutual Life Insurance Company

Opinion

We have audited the accompanying consolidated financial statements of Asahi Mutual Life Insurance Company and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheets as of March 31, 2021 and 2020, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the years then ended and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Insurance Business Act and related rules and regulations applicable to the mutual life insurance industry and accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management, the Corporate Auditor and the Board of Corporate Auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Insurance Business Act and related rules and regulations applicable to the mutual life insurance industry and accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Corporate Auditor and the Board of Corporate Auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Corporate Auditor and the Board of Corporate Auditors with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2021 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

Ernst & Young ShinNihon LLC
Tokyo, Japan
May 19, 2021

/S/ Yoshimi Kimura

Yoshimi Kimura
Designated Engagement Partner
Certified Public Accountant

/S/ Makoto Kubodera

Makoto Kubodera
Designated Engagement Partner
Certified Public Accountant

Consolidated Financial Statements

1. Consolidated Balance Sheets

Asahi Mutual Life Insurance Company and its Consolidated Subsidiaries

As of March 31	Millions of Yen 2021	Millions of Yen 2020	Millions of U.S. Dollars 2021
ASSETS:			
Cash and deposits	**¥ 44,149**	¥ 35,227	**$ 398**
Call loans	**113,000**	82,000	**1,020**
Monetary claims bought	**25,094**	26,915	**226**
Securities	**4,598,851**	4,369,302	**41,539**
Loans	**303,451**	377,913	**2,740**
Tangible fixed assets:			
Land	**221,081**	224,609	**1,996**
Buildings	**150,539**	152,653	**1,359**
Lease assets	**1,459**	1,963	**13**
Construction in progress	**1,589**	614	**14**
Other tangible fixed assets	**3,376**	2,933	**30**
	378,046	382,776	**3,414**
Intangible fixed assets:			
Software	**16,935**	18,735	**152**
Other intangible fixed assets	**13,006**	5,995	**117**
	29,941	24,731	**270**
Agency accounts receivable	**14**	11	**0**
Reinsurance receivables	**987**	446	**8**
Other assets	**46,670**	82,963	**421**
Net defined benefit assets	**494**	178	**4**
Deferred tax assets	**152**	8,863	**1**
Customers' liabilities under acceptances and guarantees	**1**	3	**0**
Allowance for possible loan losses	**(406)**	(391)	**(3)**
Total assets	**¥5,540,449**	**¥5,390,941**	**$50,044**
LIABILITIES:			
Policy reserves and other reserves:			
Reserve for outstanding claims	**¥ 28,572**	¥ 29,378	**$ 258**
Policy reserves	**4,419,372**	4,467,997	**39,918**
Reserve for dividends to policyholders	**30,050**	32,073	**271**
	4,477,995	4,529,448	**40,447**
Reinsurance payables	**680**	563	**6**
Bonds payable	**127,773**	88,295	**1,154**
Other liabilities	**295,766**	288,156	**2,671**
Net defined benefit liabilities	**32,914**	34,985	**297**
Reserve for price fluctuation	**45,680**	43,230	**412**
Deferred tax liabilities	**22,354**	—	**201**
Deferred tax liabilities for land revaluation	**16,268**	16,838	**146**
Acceptances and guarantees	**1**	3	**0**
Total liabilities	**5,019,435**	**5,001,521**	**45,338**
NET ASSETS:			
Foundation funds	**91,000**	91,000	**821**
Reserve for redemption of foundation funds	**166,000**	166,000	**1,499**
Reserve for revaluation	**281**	281	**2**
Consolidated surplus	**97,154**	81,429	**877**
Total foundation funds and others	**354,436**	338,711	**3,201**
Net unrealized gains (losses) on available-for-sale securities, net of tax	**213,201**	97,625	**1,925**
Land revaluation differences	**(45,354)**	(45,183)	**(409)**
Accumulated remeasurements of defined benefit plans	**(1,349)**	(1,814)	**(12)**
Total accumulated other comprehensive income	**166,497**	50,627	**1,503**
Non-controlling interests	**79**	81	**0**
Total net assets	**521,014**	**389,420**	**4,706**
Total liabilities and net assets	**¥5,540,449**	**¥5,390,941**	**$50,044**

2. Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Asahi Mutual Life Insurance Company and its Consolidated Subsidiaries

[Consolidated Statements of Income]

For the years ended March 31	Millions of Yen 2021	Millions of Yen 2020	Millions of U.S. Dollars 2021
Ordinary income:			
Premium and other income	**¥391,410**	¥393,639	**$3,535**
Investment income:			
Interest, dividends and other income	**117,912**	108,447	**1,065**
Gains on sales of securities	**15,249**	23,854	**137**
Gains on redemption of securities	**77**	50	**0**
Foreign exchange gains	**387**	—	**3**
Other investment income	**6,941**	7,143	**62**
Investment gains on separate accounts	**5,740**	—	**51**
	146,309	139,494	**1,321**
Other ordinary income	**66,577**	93,228	**601**
Total ordinary income	**604,297**	**626,362**	**5,458**
Ordinary expenses:			
Claims and other payments:			
Claims	**112,015**	114,654	**1,011**
Annuities	**122,158**	126,889	**1,103**
Benefits	**68,241**	71,469	**616**
Surrender benefits	**77,538**	88,017	**700**
Other payments	**5,431**	5,530	**49**
	385,384	406,561	**3,481**
Provision for policy reserves and other reserves:			
Provision for reserve for outstanding claims	**—**	1,798	**—**
Provision for interest on policyholders' dividend reserves	**3**	3	**0**
	3	1,801	**0**
Investment expenses:			
Interest expenses	**4,470**	4,526	**40**
Losses on trading securities	**485**	—	**4**
Losses on sales of securities	**5,520**	2,810	**49**
Losses on valuation of securities	**19**	368	**0**
Losses on redemption of securities	**65**	140	**0**
Losses on derivative financial instruments	**8,898**	16,588	**80**
Foreign exchange losses	**—**	2,058	**—**
Provision for allowance for possible loan losses	**10**	8	**0**
Depreciation of rental real estate and other assets	**5,503**	5,327	**49**
Other investment expenses	**9,584**	9,761	**86**
Investment losses on separate accounts	**—**	1,111	**—**
	34,559	42,703	**312**
Operating expenses	**115,565**	110,795	**1,043**
Other ordinary expenses	**33,833**	33,458	**305**
Total ordinary expenses	**569,347**	**595,321**	**5,142**
Ordinary profit	**34,950**	**31,040**	**315**
Extraordinary gains:			
Gains on disposal of fixed assets	**146**	90	**1**
Other extraordinary gains	**129**	24	**1**
	275	115	**2**
Extraordinary losses:			
Losses on disposal of fixed assets	**1,484**	1,373	**13**
Impairment losses	**2,971**	966	**26**
Provision for reserve for price fluctuation	**2,450**	2,340	**22**
Losses on reduction entry of real estate	**5**	—	**0**
Other extraordinary losses	**1,694**	48	**15**
	8,605	4,728	**77**
Surplus before income taxes	**26,620**	**26,427**	**240**
Income taxes:			
Current	**10,226**	6,635	**92**
Deferred	**(5,074)**	(542)	**(45)**
Total income taxes	**5,152**	**6,093**	**46**
Net surplus	**21,467**	**20,333**	**193**
Net surplus attributable to non-controlling interests	**37**	**38**	**0**
Net surplus attributable to the Parent Company	**¥ 21,430**	**¥ 20,294**	**$ 193**

2. Consolidated Statements of Income and Consolidated Statements of Comprehensive Income—(Continued)

Asahi Mutual Life Insurance Company and its Consolidated Subsidiaries

[Consolidated Statements of Comprehensive Income]

For the years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Net surplus	**¥ 21,467**	**¥20,333**	**$ 193**
Other comprehensive income:			
Net unrealized gains (losses) on available-for-sale securities, net of tax	115,575	(1,408)	1,043
Remeasurements of defined benefit plans	465	176	4
Total other comprehensive income	**116,040**	**(1,232)**	**1,048**
Comprehensive income:			
Comprehensive income attributable to the Parent Company	137,471	19,062	1,241
Comprehensive income attributable to non-controlling interests	37	38	0
Total comprehensive income	**¥137,508**	**¥19,101**	**$1,242**

3. Consolidated Statements of Changes in Net Assets

Asahi Mutual Life Insurance Company and its Consolidated Subsidiaries

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

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

3. Consolidated Statements of Changes in Net Assets—(Continued)

Asahi Mutual Life Insurance Company and its Consolidated Subsidiaries

For the year ended March 31, 2020	Millions of Yen				
	Foundation funds and others				
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Consolidated surplus	Total foundation funds and others
Beginning balance	**¥91,000**	**¥166,000**	**¥281**	**¥66,801**	**¥324,083**
Changes in the fiscal year:					
Additions to reserve for dividends to policyholders				(2,173)	(2,173)
Payment of interest on foundation funds				(4,116)	(4,116)
Net surplus attributable to the Parent Company				20,294	20,294
Reversal of land revaluation differences				622	622
Net changes, excluding foundation funds and others					
Net changes in the fiscal year	**—**	**—**	**—**	**14,627**	**14,627**
Ending balance	**¥91,000**	**¥166,000**	**¥281**	**¥81,429**	**¥338,711**

For the year ended March 31, 2020	Millions of Yen					
	Accumulated other comprehensive income					
	Net unrealized gains (losses) on available-for-sale securities, net of tax	Land revaluation differences	Accumulated remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Beginning balance	**¥99,034**	**¥(44,561)**	**¥(1,990)**	**¥52,482**	**¥83**	**¥376,650**
Changes in the fiscal year:						
Additions to reserve for dividends to policyholders						(2,173)
Payment of interest on foundation funds						(4,116)
Net surplus attributable to the Parent Company						20,294
Reversal of land revaluation differences						622
Net changes, excluding foundation funds and others	(1,408)	(622)	176	(1,854)	(2)	(1,857)
Net changes in the fiscal year	**(1,408)**	**(622)**	**176**	**(1,854)**	**(2)**	**12,770**
Ending balance	**¥97,625**	**¥(45,183)**	**¥(1,814)**	**¥50,627**	**¥81**	**¥389,420**

3. Consolidated Statements of Changes in Net Assets—(Continued)

Asahi Mutual Life Insurance Company and its Consolidated Subsidiaries

For the year ended March 31, 2021	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Consolidated surplus	Total foundation funds and others
	Millions of U.S. Dollars				
	Foundation funds and others				
Beginning balance	**$821**	**$1,499**	**$ 2**	**$735**	**$3,059**
Changes in the fiscal year:					
Additions to reserve for dividends to policyholders				(16)	(16)
Payment of interest on foundation funds				(36)	(36)
Net surplus attributable to the Parent Company				193	193
Reversal of land revaluation differences				1	1
Net changes, excluding foundation funds and others					
Net changes in the fiscal year	**—**	**—**	**—**	**142**	**142**
Ending balance	**$821**	**$1,499**	**$ 2**	**$877**	**$3,201**

For the year ended March 31, 2021	Net unrealized gains (losses) on available-for-sale securities, net of tax	Land revaluation differences	Accumulated remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
	Millions of U.S. Dollars					
	Accumulated other comprehensive income					
Beginning balance	**$ 881**	**$(408)**	**$(16)**	**$ 457**	**$ 0**	**$3,517**
Changes in the fiscal year:						
Additions to reserve for dividends to policyholders						(16)
Payment of interest on foundation funds						(36)
Net surplus attributable to the Parent Company						193
Reversal of land revaluation differences						1
Net changes, excluding foundation funds and others	1,043	(1)	4	1,046	(0)	1,046
Net changes in the fiscal year	**1,043**	**(1)**	**4**	**1,046**	**(0)**	**1,188**
Ending balance	**$1,925**	**$(409)**	**$(12)**	**$1,503**	**$ 0**	**$4,706**

4. Consolidated Statements of Cash Flows

Asahi Mutual Life Insurance Company and its Consolidated Subsidiaries

For the years ended March 31	Millions of Yen 2021	Millions of Yen 2020	Millions of U.S. Dollars 2021
I. Cash flows from operating activities			
Surplus before income taxes	**¥ 26,620**	¥ 26,427	**$ 240**
Depreciation of rental real estate and other assets	**5,503**	5,327	**49**
Depreciation	**11,905**	11,586	**107**
Impairment losses	**2,971**	966	**26**
Increase (decrease) in reserve for outstanding claims	**(806)**	1,798	**(7)**
Increase (decrease) in policy reserves	**(48,624)**	(75,380)	**(439)**
Provision for interest on policyholders' dividend reserves	**3**	3	**0**
Increase (decrease) in allowance for possible loan losses	**10**	8	**0**
Increase (decrease) in net defined benefit liabilities	**(1,677)**	(1,106)	**(15)**
Increase (decrease) in reserve for price fluctuation	**2,450**	2,340	**22**
Interest, dividends and other income	**(117,912)**	(108,447)	**(1,065)**
(Gains) losses on securities	**(14,976)**	(19,473)	**(135)**
(Gains) losses on derivative financial instruments	**8,898**	16,588	**80**
Interest expenses	**4,470**	4,526	**40**
Foreign exchange (gains) losses, net	**(387)**	2,058	**(3)**
(Gains) losses on tangible fixed assets	**952**	1,053	**8**
(Increase) decrease in reinsurance receivables	**(540)**	(19)	**(4)**
(Increase) decrease in other assets except from investing and financing activities	**(2,837)**	(3,849)	**(25)**
Increase (decrease) in reinsurance payables	**117**	165	**1**
Increase (decrease) in other liabilities except from investing and financing activities	**2,312**	907	**20**
Others, net	**(4,344)**	5,549	**(39)**
Subtotal	**(125,891)**	(128,967)	**(1,137)**
Interest, dividends and other income received	**124,006**	114,322	**1,120**
Interest paid	**(4,343)**	(4,531)	**(39)**
Dividends to policyholders paid	**(3,820)**	(4,208)	**(34)**
Income taxes (paid) refunded	**(9,286)**	(1,387)	**(83)**
Net cash provided by (used in) operating activities	**(19,335)**	**(24,771)**	**(174)**
II. Cash flows from investing activities			
Purchases of monetary claims bought	**(93)**	(281)	**(0)**
Proceeds from sales and redemptions of monetary claims bought	**1,899**	2,373	**17**
Purchases of securities	**(415,682)**	(553,820)	**(3,754)**
Proceeds from sales and redemptions of securities	**441,355**	371,280	**3,986**
Disbursements for loans	**(41,265)**	(41,128)	**(372)**
Proceeds from collections of loans	**115,364**	87,509	**1,042**
Proceeds from derivative financial instruments	**(47,257)**	21,760	**(426)**
Increase (decrease) in payables under securities borrowing transactions	**(884)**	91,078	**(7)**
Others, net	**(485)**	—	**(4)**
①Total of investing activities	**52,949**	(21,228)	**478**
[I + ①]	**33,614**	(46,000)	**303**
Purchases of tangible fixed assets	**(10,079)**	(7,464)	**(91)**
Proceeds from sales of tangible fixed assets	**1,501**	1,814	**13**
Others, net	**(9,608)**	(6,575)	**(86)**
Net cash provided by (used in) investing activities	**34,763**	**(33,453)**	**314**

4. Consolidated Statements of Cash Flows—(Continued)

Asahi Mutual Life Insurance Company and its Consolidated Subsidiaries

For the years ended March 31	Millions of Yen 2021	Millions of Yen 2020	Millions of U.S. Dollars 2021
III. Cash flows from financing activities			
Redemption of debt borrowing	**(10,000)**	—	**(90)**
Proceeds from issuance of bonds	**39,477**	—	**356**
Payment of interest on foundation funds	**(4,081)**	(4,116)	**(36)**
Dividends paid to non-controlling interests	**(38)**	(41)	**(0)**
Others, net	**(863)**	(1,019)	**(7)**
Net cash provided by (used in) financing activities	**24,494**	**(5,177)**	**221**
IV. Net increase (decrease) in cash and cash equivalents	**39,922**	**(63,402)**	**360**
V. Cash and cash equivalents at the beginning of the year	**117,227**	**180,630**	**1,058**
VI. Cash and cash equivalents at the end of the year	**¥157,149**	**¥117,227**	**$1,419**

5. Notes to Consolidated Financial Statements

Asahi Mutual Life Insurance Company and its Consolidated Subsidiaries

I. Presentation of Consolidated Financial Statements

1. Basis of Presentation

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

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

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

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

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

2. U.S. Dollar Amounts

The translations of yen amounts into U.S. dollar amounts are included solely for the convenience of the reader and have been made, as a matter of arithmetical computation only, at the rate of ¥110.71 = US$1.00, the effective rate of exchange at the balance sheet date of March 31, 2021.

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

3. Principles of Consolidation

(1) Scope of consolidation

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

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

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

The consolidated subsidiaries as of March 31, 2020 are listed below:

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

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

Each non-consolidated subsidiary is small in scale in terms of total assets, amount of sales, net income and surplus for the fiscal year ended March 31, 2021. As such non-consolidated subsidiaries are not considered to materially affect any reasonable determination as to the financial position and result of operation of the Company's group, these companies are excluded from the consolidation.

(2) Application of equity method

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

(3) Fiscal year-end of consolidated subsidiaries

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

(4) Amortization of goodwill

Goodwill is fully expensed as incurred.

II. Notes to Consolidated Balance Sheets

1. Significant Accounting Policies

(1) Valuation methods of securities

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

i) Trading securities are stated at fair market value. Costs of sales are determined by the moving average method.

ii) Held-to-maturity debt securities are stated at amortized cost (straight-line method) determined by the moving average method.

iii) Policy-reserve-matching bonds, which are in accordance with "Temporary Treatment of Accounting and Auditing Concerning Policy-reserve-matching Bonds in Insurance Industry" (Industry Audit Committee Report No. 21 issued by the Japanese Institute of Certified Public Accountants ("JICPA")), are stated at amortized cost (straight-line method) determined by the moving average method.

iv) Investments in unconsolidated subsidiaries and affiliates not accounted for under the equity method are stated at cost.

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

(2) Policy-reserve-matching bonds

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

(3) Valuation methods of derivative financial instruments

Derivative financial instruments are stated at fair market value.

(4) Revaluation of land

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

- Date of revaluation: March 31, 2001

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

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

(5) Depreciation of tangible fixed assets

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

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

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

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

(6) Foreign currency translation

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

(7) Allowance for possible loan losses

Allowance for possible loan losses is provided in accordance with the Company's standards of self-assessment and write-offs and reserves on credit quality:

i) For credit to borrowers who are legally bankrupt such as being in bankruptcy proceedings or civil rehabilitation (hereinafter "legally bankrupt borrowers") and who are substantially bankrupt (hereinafter "substantially bankrupt borrowers"), the Company provides the remaining amount of credits after the direct write-off described below and the deductions of the amount expected to be collected through the disposal of collateral or the execution of guarantees.

ii) For credit to borrowers who are not currently bankrupt but have a high risk of bankruptcy (hereinafter "not currently bankrupt borrowers"), the Company provides the amounts deemed as necessary considering the borrowers' ability to pay, within the amounts after deductions of the amount expected to be collected through the disposal of collateral or the execution of guarantees.

iii) For credit to borrowers other than the above, the Company provides the amounts calculated by multiplying the book value by the actual ratio of bad debt losses on defaults during a certain past period.

All credit is assessed by the relevant departments in accordance with the Company's standards of self-assessment on credit quality. The results of the assessment are reviewed by the audit department, which is independent of business-related divisions. Subsequently, allowance for possible loan losses is provided based on the results of these assessments.

For consolidated subsidiaries, the Company records the allowance amounts deemed necessary in accordance mainly with the Company's standards of self-assessment and write-offs and reserves on credit quality.

For credit to legally bankrupt borrowers and substantially bankrupt borrowers, the amounts remaining after deductions of collateral value or the amounts collectible through the execution of guarantees are written-off directly from the book value as the estimated uncollectible amounts. The amounts written-off as of March 31, 2021 and 2020 were ¥28 million (US$0 million) and ¥34 million, respectively.

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

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

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

- The retirement benefit obligation is attributed to each period by the benefit formula method.

- Actuarial differences are amortized under the straight-line method over a period of seven years starting the following year.

- Prior service cost is charged to income when incurred.

(9) Reserve for price fluctuation

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

(10) Accounting for hedging activities

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

The Company mainly applies the following hedging activities:

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

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

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

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

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

(11) Accounting for consumption taxes

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

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

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

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

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

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

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

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

(14) Policy reserves

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

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

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

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

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

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

(15) Software

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

2. Accounting Standards Issued but Not Yet Effective

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

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

(i) Overview

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

(ii) Schedule date of application

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

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

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

3. Financial Instruments

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

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

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

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

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

The balance sheet amounts, fair values and the differences between those of major financial assets and liabilities as of March 31, 2021 and 2020 were as follows:

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

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

As of March 31	Millions of Yen		
	2020		
	Balance Sheet Amount	Fair Value	Difference
Cash and deposits	¥ **35,227**	¥ 35,227	¥ —
Call loans	**82,000**	82,000	—
Monetary claims bought	**26,915**	29,796	2,881
Trading securities	**—**	—	—
Held-to-maturity debt securities	**25,997**	28,878	2,881
Policy-reserve-matching bonds	**—**	—	—
Available-for-sale securities	**918**	918	—
Securities	**4,353,757**	4,693,418	339,661
Trading securities	**20,372**	20,372	—
Held-to-maturity debt securities	**308,469**	344,876	36,406
Policy-reserve-matching bonds	**2,050,330**	2,353,584	303,254
Available-for-sale securities	**1,974,584**	1,974,584	—
Loans	**377,913**	386,550	8,637
Policy loans	**40,553**	40,553	—
Industrial and consumer loans	**337,359**	345,997	8,637
Total assets	**4,875,813**	5,226,993	351,180
Bonds payable	**88,295**	81,164	(7,130)
Payables under securities borrowing transactions	**179,695**	179,695	—
Loans payable	**51,000**	52,776	1,776
Total liabilities	**318,990**	313,636	(5,354)
Derivative financial instruments	**21,251**	21,251	—
Hedge accounting not applied	**566**	566	—
Hedge accounting applied	**20,684**	20,684	—

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

	Millions of U.S. Dollars		
	2021		
As of March 31	Balance Sheet Amount	Fair Value	Difference
Cash and deposits	**$ 398**	$ 398	$ —
Call loans	**1,020**	1,020	—
Monetary claims bought	**226**	247	20
Trading securities	**—**	—	—
Held-to-maturity debt securities	**217**	238	20
Policy-reserve-matching bonds	**—**	—	—
Available-for-sale securities	**8**	8	—
Securities	**41,348**	43,633	2,285
Trading securities	**237**	237	—
Held-to-maturity debt securities	**2,681**	3,016	334
Policy-reserve-matching bonds	**18,418**	20,368	1,950
Available-for-sale securities	**20,011**	20,011	—
Loans	**2,740**	2,810	69
Policy loans	**317**	317	—
Industrial and consumer loans	**2,423**	2,492	69
Total assets	**45,735**	48,111	2,375
Bonds payable	**1,154**	1,177	22
Payables under securities borrowing transactions	**1,615**	1,615	—
Loans payable	**370**	384	13
Total liabilities	**3,139**	3,176	36
Derivative financial instruments	**(284)**	(284)	—
Hedge accounting not applied	**(16)**	(16)	—
Hedge accounting applied	**(267)**	(267)	—

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

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

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

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

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

The amounts of the unlisted stocks and others, including investments in subsidiaries and affiliates, reported in the consolidated balance sheets were ¥21,164 million (US$191 million) and ¥15,544 million as of March 31, 2021 and 2020, respectively.

(2) Loans and loans payable

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

As for industrial and consumer loans and loans payable, the fair value of loans is primarily stated at theoretical prices calculated by discounting the future cash flows to the present value. The fair value of loans to legally bankrupt borrowers, substantially bankrupt borrowers and not currently bankrupt borrowers is stated at the amounts by deducting estimated losses from the book value before direct write-offs.

(3) Bonds payable

The fair values of bonds payable are based on the market value, etc. as of March 31, 2021 and 2020, respectively.

(4) Payables under securities borrowing transactions

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

(5) Derivative financial instruments

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

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

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

4. Investments and Rental Properties

The Company holds investment and rental properties such as office buildings in Tokyo and other areas. The carrying amounts and the fair values of investment and rental properties were ¥246,901 million (US$2,230 million) and ¥288,948 million (US$2,609 million) as of March 31, 2021 and ¥248,380 million and ¥288,820 million as of March 31, 2020, respectively. The fair value is mainly based on the value (including some adjustments using the reference prices) of real estate appraisal report prepared by the external real-estate appraiser in accordance with real estate appraisal standards.

5. Securities Lent under Lending Agreements

The amounts of securities lent under lending agreements were ¥265,606 million (US$2,399 million) and ¥225,171 million as of March 31, 2021 and 2020, respectively.

6. Loans

The total amounts of loans to bankrupt borrowers, delinquent loans, delinquent loans three or more months past due and restructured loans, which were included in loans, were ¥677 million (US$6 million) and ¥735 million as of March 31, 2021 and 2020, respectively.

i) Loans to bankrupt borrowers were ¥0 million (US$0 million) and ¥2 million as of March 31, 2021 and 2020, respectively.

ii) Delinquent loans were ¥563 million (US$5 million) and ¥589 million as of March 31, 2021 and 2020, respectively.

iii) Delinquent loans three or more months past due were ¥94 million (US$0 million) and ¥122 million as of March 31, 2021 and 2020, respectively.

iv) Restructured loans were ¥20 million (US$0 million) and ¥20 million as of March 31, 2021 and 2020, respectively.

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

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

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

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

The direct write-offs related to loans decreased the amounts of loans to bankrupt borrowers described above by ¥3 million (US$0 million) and ¥3 million as of March 31, 2021 and 2020, respectively.

In addition, the direct write-offs related to loans decreased the amounts of delinquent loans described above by ¥25 million (US$0 million) and ¥31 million as of March 31, 2021 and 2020, respectively.

7. Accumulated Depreciation of Tangible Fixed Assets

Accumulated depreciation of tangible fixed assets totaled ¥285,628 million (US$2,579 million) and ¥283,301 million as of March 31, 2021 and 2020, respectively.

8. Separate Accounts

Total assets in separate accounts provided for in Article 118 of the Insurance Business Act were ¥28,078 million (US$253 million) and ¥24,381 million as of March 31, 2021 and 2020, respectively. The amounts of separate account liabilities were the same as separate account assets.

9. Receivables from/Payables to Directors and Audit Board Members

There were no receivables from directors and audit board members as of March 31, 2021 and 2020, respectively. The total amounts of payables to directors and audit board members were ¥15 million (US$0 million) and ¥15 million as of March 31, 2021 and 2020, respectively.

10. Reserve for Dividends to Policyholders

For the years ended March 31	Millions of Yen 2021	Millions of Yen 2020	Millions of U.S. Dollars 2021
Balance at the beginning of the fiscal year	**¥32,073**	¥34,104	$289
Transfer to reserve from surplus in the previous fiscal year	**1,794**	2,173	16
Dividends to policyholders paid out during the fiscal year	**3,820**	4,208	34
Increase in interest	**3**	131	0
Decrease in others	**—**	128	—
Balance at the end of the fiscal year	**¥30,050**	¥32,073	$271

11. Stocks of Unconsolidated Subsidiaries and affiliates

The amounts of stocks of unconsolidated subsidiaries and affiliates the Company held as of March 31, 2021 and 2020 were ¥7,878 million (US$71 million) and ¥2,205 million, respectively.

12. Pledged Assets

Assets pledged as collateral as of March 31, 2021 and 2020 were securities in the amount of ¥32,653 million (US$294 million) and ¥7,030 million, respectively.

13. Assets with Rights to Sell

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

The market values of these assets that were not sold or pledged as collateral as of March 31, 2021 and 2020 were ¥72,634 million (US$656 million) and ¥72,765 million, respectively. No assets were pledged as collateral as of March 31, 2021 and 2020.

14. Commitment Line

As of March 31, 2021 and 2020, there were unused commitment line agreements under which the Company is the lender of ¥10,240 million (US$92 million) and ¥9,418 million, respectively.

15. Subordinated Bonds Payable

As of March 31, 2021 and 2020, bonds payable are subordinated bonds payable, for which the repayments are subordinated to other obligations.

16. Subordinated Loans Payable

As of March 31, 2021 and 2020, other liabilities included subordinated loans payable of ¥41,000 million (US$370 million) and ¥51,000 million, respectively, for which the repayments are subordinated to other obligations.

17. Contributions to Policyholders Protection Corporation

The estimated future contributions to the Life Insurance Policyholders Protection Corporation of Japan under Article 259 of the Insurance Business Act as of March 31, 2021 and 2020 were ¥8,016 million (US$72 million) and ¥8,609 million, respectively. These contributions are charged as operating expenses in the fiscal years in which they are paid.

18. Deferred Taxes

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

As of March 31	Millions of Yen 2021	Millions of Yen 2020	Millions of U.S. Dollars 2021
Deferred tax assets	**¥ 66,824**	¥69,173	**$ 603**
Valuation allowance for deferred tax assets	**14,980**	22,487	**135**
Subtotal	**51,843**	46,685	**468**
Deferred tax liabilities	**74,045**	37,822	**668**
Net deferred tax assets (liabilities)	**¥(22,202)**	¥ 8,863	**$(200)**

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

As of March 31	Millions of Yen 2021	Millions of Yen 2020	Millions of U.S. Dollars 2021
Deferred tax assets			
Contingency reserve	**¥ 17,422**	¥14,447	**$ 157**
Reserve for price fluctuation	**12,744**	12,061	**115**
Net defined benefit liabilities	**9,183**	9,762	**82**
Impairment losses	**7,930**	7,743	**71**
Net unrealized losses on available-for-sale securities	**5,406**	6,279	**48**
Losses on valuation of securities	**4,110**	9,642	**37**
Deferred tax liabilities			
Net unrealized gains on available-for-sale securities	**72,520**	36,552	**655**

(2) The statutory tax rates were 27.9% and 27.9% for the fiscal years ended March 31, 2021 and 2020, respectively. The main factors causing the differences between the statutory tax rates and the actual effective tax rates after considering deferred taxes were as follows:

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

For the year ended March 31	2020
Interest on foundation funds	(4.3)%
Reserve for dividends to policyholders	(1.9)%

19. Accrued Retirement Benefits and Net Defined Benefit Liabilities

(1) Summary of retirement benefit plans

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

(2) Defined benefit plan

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

For the years ended March 31	Millions of Yen 2021	Millions of Yen 2020	Millions of U.S. Dollars 2021
Retirement benefit obligations at the beginning of the fiscal year	**¥42,065**	¥44,293	**$379**
Service cost	**1,905**	1,852	**17**
Interest cost	**416**	439	**3**
Actuarial difference occurred during the fiscal year	**866**	(231)	**7**
Retirement benefit payments	**(4,051)**	(4,288)	**(36)**
Retirement benefit obligations at the end of the fiscal year	**¥41,202**	¥42,065	**$372**

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

For the years ended March 31	Millions of Yen 2021	Millions of Yen 2020	Millions of U.S. Dollars 2021
Pension plan assets at the beginning of the fiscal year	**¥ 7,258**	¥ 8,106	**$ 65**
Expected return on pension plan assets	**70**	76	**0**
Actuarial difference occurred during the fiscal year	**1,405**	(905)	**12**
Contributions by the employer	**239**	226	**2**
Retirement benefit payments	**(191)**	(246)	**(1)**
Pension plan assets at the end of the fiscal year	**¥ 8,782**	¥ 7,258	**$ 79**

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

As of March 31	Millions of Yen 2021	Millions of Yen 2020	Millions of U.S. Dollars 2021
a. Funded plan retirement benefit obligation	**¥41,202**	¥42,065	**$372**
b. Pension plan assets	**(8,782)**	(7,258)	**(79)**
c. Net amount of liabilities and assets presented on the consolidated balance sheet	**32,420**	34,806	**292**
d. Net defined benefit liabilities	**32,914**	34,985	**297**
e. Net defined benefit assets	**(494)**	(178)	**(4)**
f. Net amount of liabilities and assets presented on the consolidated balance sheet	**¥32,420**	¥34,806	**$292**

iv) Breakdown of retirement benefit expenses

For the years ended March 31	Millions of Yen 2021	Millions of Yen 2020	Millions of U.S. Dollars 2021
Service cost	**¥ 1,905**	¥ 1,852	**$ 17**
Interest cost	**416**	439	**3**
Expected return on pension plan assets	**(70)**	(76)	**(0)**
Amortization of actuarial differences	**111**	909	**1**
Amortization of prior service cost	**—**	6	**—**
Retirement benefit expenses related to defined benefit plan	**¥ 2,362**	¥ 3,130	**$ 21**

v) Breakdown of items included in other comprehensive income

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

For the years ended March 31	Millions of Yen 2021	Millions of Yen 2020	Millions of U.S. Dollars 2021
Amortization of actuarial differences	**¥ 649**	¥ 236	**$ 5**
Amortization of prior service cost	**—**	6	**—**
Total	**¥ 649**	¥ 243	**$ 5**

vi) Breakdown of items included in accumulated other comprehensive income

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

For the years ended March 31	Millions of Yen 2021	Millions of Yen 2020	Millions of U.S. Dollars 2021
Unrecognized actuarial differences	**¥1,875**	¥2,524	**$ 16**
Total	**¥1,875**	¥2,524	**$ 16**

vii) Breakdown of main pension plan assets

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

As of March 31	2021	2020
Stocks	**43%**	36%
Bonds	**15%**	16%
Others	**42%**	48%
Total	**100%**	100%

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

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

ix) Underlying actuarial assumptions

The main underlying actuarial assumptions were as follows:

As of March 31	2021	2020
Discount rate	**1.0%**	1.0%
Expected long-term rate of return on pension plan assets	**0.9%**	0.9%
Defined benefit corporate pension plans	**1.6%**	1.7%

III. Notes to Consolidated Statements of Income

1. Investment Income and Expenses

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

For the years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Domestic bonds	**¥9,357**	¥21,832	**$84**
Domestic stocks and other securities	**3,332**	2,020	**30**
Foreign securities	**2,559**	1	**23**

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

For the years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Domestic bonds	**¥ 892**	¥ 690	**$ 8**
Domestic stocks and other securities	**1,893**	2,120	**17**
Foreign securities	**2,733**	—	**24**

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

For the years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Domestic stocks and other securities	**¥ 17**	¥ 368	**$ 0**
Foreign securities	**1**	—	**0**

Losses on trading securities were losses on sales of ¥485 million (US$4 million) for the fiscal year ended March 31, 2021.

Losses on derivative financial instruments included net valuation losses of ¥2,667 million (US$24 million) and losses of ¥1,456 million for the fiscal years ended March 31, 2021 and 2020, respectively.

2. Impairment Losses of Fixed Assets

For the fiscal year ended March 31, 2021, impairment losses of fixed assets by the Company were as follows:

(1) Method of grouping

Real estate and other assets used for insurance business operations are classified as one asset group as a whole. Other assets such as real estate for rent, real estate not in use and real estate scheduled to be sold are classified as one group individually.

(2) Background information on recognizing the impairment losses

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

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

	Millions of Yen	Millions of U.S. Dollars
For the year ended March 31	**2021**	**2021**
Real estate for rent:		
Land	**¥ 721**	$ 6
Building	**156**	1
Total real estate for rent (i)	**877**	7
Real estate not in use:		
Land	**457**	4
Building	**141**	1
Total real estate not in use (ii)	**598**	5
Real estate scheduled to be sold:		
Land	**1,309**	11
Building	**185**	1
Total real estate scheduled to be sold (iii)	**1,494**	13
Total:		
Land	**2,488**	22
Building	**483**	4
Total (i) + (ii) + (iii)	**¥2,971**	$26

(4) Calculation method of recoverable amounts

The recoverable amounts of real estate for rent are determined at net realizable value or value in use. The recoverable amounts for real estate not in use and real estate scheduled to be sold are net realizable value. Value in use is determined as the estimated net future cash flows, reflecting the volatility risk, discounted at 3.4% for the fiscal year ended March 31, 2021. Net realizable value is calculated based on the appraisal value in accordance with “Real Estate Appraisal Standards” or the publicly announced appraisal value after deducting expected disposal costs.

3. Extraordinary Losses

The expenses related to salary guarantees for sales representatives and others as countermeasures to prevent the spread of COVID-19 for the fiscal year ended March 31, 2021 were ¥1,572 million (US$14 million), which were included in other extraordinary losses.

IV. Notes to Consolidated Statements of Comprehensive Income

Other Comprehensive Income

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

For the years ended March 31	Millions of Yen 2021	Millions of Yen 2020	Millions of U.S. Dollars 2021
Net unrealized gains on available-for-sale securities, net of tax			
Amount incurred during the fiscal year	**¥153,034**	¥ (65)	**$1,382**
Reclassification adjustments	**(2,072)**	1,253	**(18)**
Before tax adjustment	**150,961**	1,188	**1,363**
Tax effects	**(35,385)**	(2,596)	**(319)**
Net unrealized gains on available-for-sale securities, net of tax	**115,575**	(1,408)	**1,043**
Accumulated remeasurements of defined benefit plans			
Amount incurred during the fiscal year	**538**	(673)	**4**
Reclassification adjustments	**111**	916	**1**
Before tax adjustment	**649**	243	**5**
Tax effects	**(184)**	(67)	**(1)**
Accumulated remeasurements of defined benefit plans	**465**	176	**4**
Total other comprehensive income	**¥116,040**	¥(1,232)	**$1,048**

V. Notes to Consolidated Statements of Cash Flows

Scope of Cash and Cash Equivalents

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

Independent Auditor's Report

The Board of Directors
Asahi Mutual Life Insurance Company

Opinion

We have audited the accompanying non-consolidated financial statements of Asahi Mutual Life Insurance Company (the Company), which comprise the non-consolidated balance sheets as of March 31, 2021 and 2020, and the non-consolidated statements of income, changes in net assets, and proposed appropriation of surplus(loss) for the years then ended, and notes to the non-consolidated financial statements and supplementary schedule.

In our opinion, the accompanying non-consolidated financial statements present fairly, in all material respects, the non-consolidated financial position of the Company as of March 31, 2021 and 2020, and its non-consolidated financial performance for the years then ended in accordance with the Insurance Business Act and related rules and regulations applicable to the mutual life insurance industry and accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Non-Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management, the Corporate Auditor and the Board of Corporate Auditors for the Non-Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these non-consolidated financial statements in accordance with the Insurance Business Act and related rules and regulations applicable to the mutual life insurance industry and accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the non-consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Non-Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the non-consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these non-consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the non-consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the non-consolidated financial statements is not expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the non-consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the non-consolidated financial statements, including the disclosures, and whether the non-consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.

We communicate with the Corporate Auditor and the Board of Corporate Auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Corporate Auditor and the Board of Corporate Auditors with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying non-consolidated financial statements with respect to the year ended March 31, 2021 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the non-consolidated financial statements.

Ernst & Young ShinNihon LLC
Tokyo, Japan
May 19, 2021

/S/ Yoshimi Kimura

Yoshimi Kimura
Designated Engagement Partner
Certified Public Accountant

/S/ Makoto Kubodera

Makoto Kubodera
Designated Engagement Partner
Certified Public Accountant

Non-consolidated Financial Statements

6. Non-consolidated Balance Sheets

Asahi Mutual Life Insurance Company

As of March 31	Millions of Yen 2021	Millions of Yen 2020	Millions of U.S. Dollars 2021
ASSETS:			
Cash and deposits:			
Cash	**¥ 15**	¥ 18	**$ 0**
Deposits	**35,352**	30,535	**319**
	35,368	30,554	**319**
Call loans	**113,000**	82,000	**1,020**
Monetary claims bought	**25,094**	26,915	**226**
Securities:			
National government bonds	**1,692,106**	1,728,003	**15,284**
Local government bonds	**49,130**	54,671	**443**
Corporate bonds	**973,538**	945,309	**8,793**
Domestic stocks	**447,371**	288,114	**4,040**
Foreign securities	**1,368,844**	1,294,012	**12,364**
Other securities	**81,330**	63,666	**734**
	4,612,320	4,373,776	**41,661**
Loans:			
Policy loans	**35,182**	40,553	**317**
Industrial and consumer loans	**268,268**	337,359	**2,423**
	303,451	377,913	**2,740**
Tangible fixed assets:			
Land	**221,081**	224,609	**1,996**
Buildings	**150,533**	152,646	**1,359**
Lease assets	**1,459**	1,963	**13**
Construction in progress	**1,589**	614	**14**
Other tangible fixed assets	**3,186**	2,887	**28**
	377,849	382,722	**3,412**
Intangible fixed assets:			
Software	**17,722**	19,463	**160**
Other intangible fixed assets	**9,075**	6,077	**81**
	26,797	25,541	**242**
Agency accounts receivable	**14**	11	**0**
Reinsurance receivables	**987**	446	**8**
Other assets:			
Accounts receivable	**7,278**	11,022	**65**
Prepaid expenses	**4,027**	3,619	**36**
Accrued income	**20,230**	20,367	**182**
Money on deposit	**2,898**	4,577	**26**
Derivative financial instruments	**1,949**	31,618	**17**
Cash collateral paid for financial instruments	**6,202**	6,570	**56**
Suspense payments	**677**	270	**6**
Other assets	**1,427**	2,890	**12**
	44,692	80,937	**403**
Prepaid pension cost	**233**	179	**2**
Deferred tax assets	**—**	8,044	**—**
Customers' liabilities under acceptances and guarantees	**1**	3	**0**
Allowance for possible loan losses	**(406)**	(391)	**(3)**
Total assets	**¥5,539,404**	**¥ 5,388,655**	**$ 50,035**

6. Non-consolidated Balance Sheets—(Continued)
Asahi Mutual Life Insurance Company

As of March 31	Millions of Yen 2021	Millions of Yen 2020	Millions of U.S. Dollars 2021
LIABILITIES:			
Policy reserves and other reserves:			
Reserve for outstanding claims	**¥ 28,572**	¥ 29,378	**$ 258**
Policy reserves	**4,419,372**	4,467,997	**39,918**
Reserve for dividends to policyholders	**30,050**	32,073	**271**
	4,477,995	4,529,448	**40,447**
Reinsurance payables	**680**	563	**6**
Bonds payable	**127,773**	88,295	**1,154**
Other liabilities:			
Payables under securities borrowing transactions	**178,810**	179,695	**1,615**
Loans payable	**41,000**	51,000	**370**
Income taxes payable	**5,042**	4,121	**45**
Accounts payable	**4,422**	4,782	**39**
Accrued expenses	**8,424**	7,868	**76**
Deferred income	**186**	171	**1**
Deposits received	**631**	585	**5**
Guarantee deposits received	**17,533**	17,647	**158**
Derivative financial instruments	**33,471**	10,367	**302**
Cash collateral received for financial instruments	**896**	7,526	**8**
Lease obligations	**1,459**	1,963	**13**
Asset retirement obligations	**851**	263	**7**
Suspense receipts	**87**	206	**0**
	292,817	286,199	**2,644**
Reserve for employees' retirement benefits	**30,856**	32,533	**278**
Reserve for price fluctuation	**45,680**	43,230	**412**
Deferred tax liabilities	**22,826**	—	**206**
Deferred tax liabilities for land revaluation	**16,268**	16,838	**146**
Acceptances and guarantees	**1**	3	**0**
Total liabilities	**5,014,899**	**4,997,112**	**45,297**
NET ASSETS:			
Foundation funds	**91,000**	91,000	**821**
Reserve for redemption of foundation funds	**166,000**	166,000	**1,499**
Reserve for revaluation	**281**	281	**2**
Surplus:			
Reserve for future losses	**328**	310	**2**
Other surplus:			
Reserve for fund redemption	**44,400**	35,300	**401**
Equalized reserve for dividends to policyholders	**7,091**	7,318	**64**
Unappropriated surplus (loss)	**47,558**	38,890	**429**
Subtotal	**99,050**	81,509	**894**
	99,378	81,819	**897**
Total foundation funds and others	**356,660**	339,100	**3,221**
Net unrealized gains (losses) on available-for-sale securities, net of tax	**213,200**	97,625	**1,925**
Land revaluation differences	**(45,354)**	(45,183)	**(409)**
Total valuation and translation adjustments	**167,845**	52,442	**1,516**
Total net assets	**524,505**	**391,543**	**4,737**
Total liabilities and net assets	**¥5,539,404**	**¥ 5,388,655**	**$ 50,035**

7. Non-consolidated Statements of Income

Asahi Mutual Life Insurance Company

For the years ended March 31	Millions of Yen 2021	Millions of Yen 2020	Millions of U.S. Dollars 2021
Ordinary income:			
Premium and other income:			
Insurance premiums	**¥388,896**	¥391,600	**$ 3,512**
Reinsurance revenue	**2,514**	2,038	**22**
	391,410	393,639	**3,535**
Investment income:			
Interest, dividends and other income:			
Interest and dividends on securities	**95,849**	85,179	**865**
Interest on loans	**4,639**	5,949	**41**
Rent revenue from real estate	**16,543**	16,606	**149**
Other interest and dividends	**1,078**	970	**9**
	118,111	108,705	**1,066**
Gains on sales of securities	**15,249**	23,852	**137**
Gains on redemption of securities	**77**	50	**0**
Foreign exchange gains	**387**	—	**3**
Other investment income	**6,968**	7,167	**62**
Investment gains on separate accounts	**5,740**	—	**51**
	146,534	139,776	**1,323**
Other ordinary income:			
Fund receipt from deposit of claims paid	**8,927**	10,355	**80**
Reversal of reserve for employees' retirement benefits	**1,677**	1,106	**15**
Reversal of reserve for outstanding claims	**806**	—	**7**
Reversal of policy reserves	**48,624**	75,380	**439**
Other ordinary income	**2,732**	1,836	**24**
	62,767	88,678	**566**
Total ordinary income	**600,713**	**622,094**	**5,426**
Ordinary expenses:			
Claims and other payments:			
Claims	**112,015**	114,654	**1,011**
Annuities	**122,158**	126,889	**1,103**
Benefits	**68,241**	71,469	**616**
Surrender benefits	**77,538**	88,017	**700**
Other payments	**3,158**	3,744	**28**
Reinsurance premiums	**2,272**	1,786	**20**
	385,384	406,561	**3,481**
Provision for policy reserves and other reserves:			
Provision for reserve for outstanding claims	**—**	1,798	**—**
Provision for interest on policyholders' dividend reserves	**3**	3	**0**
	3	1,801	**0**

7. Non-consolidated Statements of Income—(Continued)

Asahi Mutual Life Insurance Company

For the years ended March 31	Millions of Yen 2021	Millions of Yen 2020	Millions of U.S. Dollars 2021
Investment expenses:			
Interest expenses	**4,470**	4,526	**40**
Losses on trading securities	**485**	—	**4**
Losses on sales of securities	**5,520**	2,810	**49**
Losses on valuation of securities	**19**	368	**0**
Losses on redemption of securities	**65**	140	**0**
Losses on derivative financial instruments	**8,898**	16,588	**80**
Foreign exchange losses	**—**	2,057	**—**
Provision for allowance for possible loan losses	**10**	8	**0**
Depreciation of rental real estate and other assets	**5,503**	5,327	**49**
Other investment expenses	**9,584**	9,761	**86**
Investment losses on separate accounts	**—**	1,111	**—**
	34,559	42,702	**312**
Operating expenses	**110,323**	106,323	**996**
Other ordinary expenses:			
Claim deposit payments	**10,491**	11,510	**94**
Taxes	**9,126**	8,503	**82**
Depreciation	**12,181**	11,840	**110**
Other ordinary expenses	**2,013**	1,793	**18**
	33,812	33,647	**305**
Total ordinary expenses	**564,083**	**591,037**	**5,095**
Ordinary profit	**36,629**	**31,056**	**330**
Extraordinary gains:			
Gains on disposal of fixed assets	**146**	90	**1**
Other extraordinary gains	**129**	24	**1**
	275	115	**2**
Extraordinary losses:			
Losses on disposal of fixed assets	**1,481**	1,372	**13**
Impairment losses	**2,971**	966	**26**
Provision for reserve for price fluctuation	**2,450**	2,340	**22**
Losses on reduction entry of real estate	**5**	—	**0**
Other extraordinary losses	**1,694**	48	**15**
	8,602	4,727	**77**
Surplus before income taxes	**28,302**	**26,444**	**255**
Income taxes:			
Current	**10,122**	6,537	**91**
Deferred	**(5,084)**	(505)	**(45)**
Total income taxes	**5,038**	**6,031**	**45**
Net surplus	**¥ 23,263**	**¥ 20,412**	**$ 210**

8. Non-consolidated Statements of Changes in Net Assets

Asahi Mutual Life Insurance Company

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

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

8. Non-consolidated Statements of Changes in Net Assets—(Continued)

Asahi Mutual Life Insurance Company

For the year ended March 31, 2020	Millions of Yen Foundation funds and others Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Surplus Other surplus Reserve for future losses	Reserve for fund redemption	Equalized reserve for dividends to policyholders	Unappropriated surplus (loss)	Total surplus	Total foundation funds and others
Beginning balance	**¥91,000**	**¥166,000**	**¥281**	**¥291**	**¥26,200**	**¥9,258**	**¥31,324**	**¥67,073**	**¥324,355**
Changes in the fiscal year:									
Additions to reserve for dividends to policyholders							(2,173)	(2,173)	(2,173)
Additions to reserve for future losses				19			(19)		
Payment of interest on foundation funds							(4,116)	(4,116)	(4,116)
Net surplus							20,412	20,412	20,412
Additions to reserve for fund redemption					9,100		(9,100)		
Reversal of equalized reserve for dividends to policyholders						(1,939)	1,939		
Reversal of land revaluation differences							622	622	622
Net changes, excluding foundation funds and others									
Net changes in the fiscal year	**—**	**—**	**—**	**19**	**9,100**	**(1,939)**	**7,566**	**14,745**	**14,745**
Ending balance	**¥91,000**	**¥166,000**	**¥281**	**¥310**	**¥35,300**	**¥7,318**	**¥38,890**	**¥81,819**	**¥339,100**

For the year ended March 31, 2020	Millions of Yen Valuation and translation adjustments Net unrealized gains (losses) on available-for-sale securities, net of tax	Land revaluation differences	Total valuation and translation adjustments	Total net assets
Beginning balance	**¥99,032**	**¥(44,561)**	**¥54,471**	**¥378,826**
Changes in the fiscal year:				
Additions to reserve for dividends to policyholders				(2,173)
Additions to reserve for future losses				
Payment of interest on foundation funds				(4,116)
Net surplus				20,412
Additions to reserve for fund redemption				
Reversal of equalized reserve for dividends to policyholders				
Reversal of land revaluation differences				622
Net changes, excluding foundation funds and others	(1,406)	(622)	(2,029)	(2,029)
Net changes in the fiscal year	**(1,406)**	**(622)**	**(2,029)**	**12,716**
Ending balance	**¥97,625**	**¥(45,183)**	**¥52,442**	**¥391,543**

8. Non-consolidated Statements of Changes in Net Assets—(Continued)

Asahi Mutual Life Insurance Company

	Millions of U.S. Dollars								
	Foundation funds and others								
				Surplus					
					Other surplus				
For the year ended March 31, 2021	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Reserve for future losses	Reserve for fund redemption	Equalized reserve for dividends to policyholders	Unappropriated surplus (loss)	Total surplus	Total foundation funds and others
Beginning balance	**$821**	**$1,499**	**$ 2**	**$2**	**$318**	**$66**	**$351**	**$739**	**$3,062**
Changes in the fiscal year:									
Additions to reserve for dividends to policyholders							(16)	(16)	(16)
Additions to reserve for future losses				0			(0)		
Payment of interest on foundation funds							(36)	(36)	(36)
Net surplus							210	210	210
Additions to reserve for fund redemption					82		(82)		
Reversal of equalized reserve for dividends to policyholders						(2)	2		
Reversal of land revaluation differences							1	1	1
Net changes, excluding foundation funds and others									
Net changes in the fiscal year	**—**	**—**	**—**	**0**	**82**	**(2)**	**78**	**158**	**158**
Ending balance	**$821**	**$1,499**	**$ 2**	**$2**	**$401**	**$64**	**$429**	**$897**	**$3,221**

	Millions of U.S. Dollars			
	Valuation and translation adjustments			
For the year ended March 31, 2021	Net unrealized gains (losses) on available-for-sale securities, net of tax	Land revaluation differences	Total valuation and translation adjustments	Total net assets
Beginning balance	**$ 881**	**$(408)**	**$ 473**	**$3,536**
Changes in the fiscal year:				
Additions to reserve for dividends to policyholders				(16)
Additions to reserve for future losses				
Payment of interest on foundation funds				(36)
Net surplus				210
Additions to reserve for fund redemption				
Reversal of equalized reserve for dividends to policyholders				
Reversal of land revaluation differences				1
Net changes, excluding foundation funds and others	1,043	(1)	1,042	1,042
Net changes in the fiscal year	**1,043**	**(1)**	**1,042**	**1,200**
Ending balance	**$1,925**	**$(409)**	**$1,516**	**$4,737**

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

Asahi Mutual Life Insurance Company

	Millions of Yen		Millions of U.S. Dollars
For the years ended March 31	2021	2020	2021
Unappropriated surplus (loss)	**¥47,558**	**¥38,890**	**$429**
Reversal of Voluntary surplus reserves:	**108**	**227**	**0**
Reversal of equalized reserve for dividends to policyholders	**108**	**227**	**0**
Total	**47,667**	**39,117**	**430**
Appropriation of surplus (loss):	**15,361**	**14,993**	**138**
Reserve for dividends to policyholders	**2,153**	1,794	**19**
Net surplus (loss):	**13,208**	13,199	**119**
Reserve for future losses	**19**	18	**0**
Interest on foundation funds	**4,089**	4,081	**36**
Voluntary surplus reserves:	**9,100**	9,100	**82**
Reserve for fund redemption	**9,100**	9,100	**82**
Surplus (loss) carried forward	**¥32,305**	**¥24,123**	**$291**

10. Notes to Non-consolidated Financial Statements
Asahi Mutual Life Insurance Company

I. Presentation of Non-consolidated Financial Statements

1. Basis of Presentation

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

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

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

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

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

2. U.S. Dollar Amounts

The translations of yen amounts into U.S. dollar amounts are included solely for the convenience of the reader and have been made, as a matter of arithmetical computation only, at the rate of ¥110.71 = US$1.00, the effective rate of exchange at the balance sheet date of March 31, 2021.

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

II. Notes to Non-consolidated Balance Sheets

1. Significant Accounting Policies

(1) Valuation methods of securities

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

i) Trading securities are stated at fair market value. Costs of sales are determined by the moving average method.

ii) Held-to-maturity debt securities are stated at amortized cost (straight-line method) determined by the moving average method.

iii) Policy-reserve-matching bonds, which are in accordance with "Temporary Treatment of Accounting and Auditing Concerning Policy-reserve-matching Bonds in Insurance Industry" (Industry Audit Committee Report No. 21 issued by the Japanese Institute of Certified Public Accountants ("JICPA")), are stated at amortized cost (straight-line method) determined by the moving average method.

iv) Investments in subsidiaries and affiliates are stated at cost.

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

(2) Policy-reserve-matching bonds

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

(3) Valuation methods of derivative financial instruments

Derivative financial instruments are stated at fair market value.

(4) Revaluation of land

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

- Date of revaluation: March 31, 2001

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

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

(5) Depreciation of tangible fixed assets

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

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

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

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

(6) Foreign currency translation

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

(7) Allowance for possible loan losses

Allowance for possible loan losses is provided in accordance with the Company's standards of self-assessment and write-offs and reserves on credit quality:

i) For credit to borrowers who are legally bankrupt such as being in bankruptcy proceedings or civil rehabilitation (hereinafter "legally bankrupt borrowers") and who are substantially bankrupt (hereinafter "substantially bankrupt borrowers"), the Company provides the remaining amount of credits after the direct write-off described below and the deductions of the amount expected to be collected through the disposal of collateral or the execution of guarantees.

ii) For credit to borrowers who are not currently bankrupt but have a high risk of bankruptcy (hereinafter "not currently bankrupt borrowers"), the Company provides the amounts deemed as necessary considering the borrowers' ability to pay, within the amounts after deductions of the amount expected to be collected through the disposal of collateral or the execution of guarantees.

iii) For credit to borrowers other than the above, the Company provides the amounts calculated by multiplying the book value by the actual ratio of bad debt losses on defaults during a certain past period.

All credit is assessed by the relevant departments in accordance with the Company's standards of self-assessment on credit quality. The results of the assessment are reviewed by the audit department, which is independent of business-related divisions. Subsequently, allowance for possible loan losses is provided based on the results of these assessments.

For credit to legally bankrupt borrowers and substantially bankrupt borrowers, the amounts remaining after deductions of collateral value or the amounts collectible through the execution of guarantees are written-off directly from the book value as the estimated uncollectible amounts. The amounts written-off as of March 31, 2021 and 2020 were ¥28 million (US$0 million) and ¥34 million, respectively.

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

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

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

- The retirement benefit obligation is attributed to each period by the benefit formula method.

- Actuarial differences are amortized under the straight-line method over a period of seven years starting the following year.

- Prior service cost is charged to income when incurred.

(9) Reserve for price fluctuation

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

(10) Accounting for hedging activities

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

The Company mainly applies the following hedging activities:

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

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

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

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

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

(11) Accounting for consumption taxes

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

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

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

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

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

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

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

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

(14) Policy reserves

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

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

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

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

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

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

(15) Software

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

2. Accounting Standards Issued but Not Yet Effective

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

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

i) Overview

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

ii) Schedule date of application

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

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

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

3. Financial Instruments

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

- For accumulation whole life with variable interest rates, accumulation insurance with variable interest rates and new single premium individual annuities which have an effective date on or after April 2, 2012, the Company mainly invests in domestic bonds, engaging in matching asset liability management, or Matching ALM, which aims at matching the duration to outstanding insurance liabilities to avoid interest rate fluctuation risks.

- For individual life insurance and individual annuities other than above, the Company holds yen-denominated fixed income investments, including bonds and loans, as the core of its asset portfolio. The Company also holds domestic stocks, foreign securities and real estate assets to enhance its profitability.

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

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

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

The balance sheet amounts, fair values and the differences between those of major financial assets and liabilities as of March 31, 2021 and 2020 were as follows:

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

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

As of March 31	Millions of Yen		
	2020		
	Balance Sheet Amount	Fair Value	Difference
Cash and deposits	**¥ 30,554**	¥ 30,554	¥ —
Call loans	**82,000**	82,000	—
Monetary claims bought	**26,915**	29,796	2,881
Trading securities	**—**	—	—
Held-to-maturity debt securities	**25,997**	28,878	2,881
Policy-reserve-matching bonds	**—**	—	—
Available-for-sale securities	**918**	918	—
Securities	**4,353,742**	4,693,404	339,661
Trading securities	**20,372**	20,372	—
Held-to-maturity debt securities	**308,469**	344,876	36,406
Policy-reserve-matching bonds	**2,050,330**	2,353,584	303,254
Available-for-sale securities	**1,974,569**	1,974,569	—
Loans	**377,913**	386,550	8,637
Policy loans	**40,553**	40,553	—
Industrial and consumer loans	**337,359**	345,997	8,637
Total assets	**4,871,125**	5,222,305	351,180
Bonds payable	**88,295**	81,164	(7,130)
Payables under securities borrowing transactions	**179,695**	179,695	—
Loans payable	**51,000**	52,776	1,776
Total liabilities	**318,990**	313,636	(5,354)
Derivative financial instruments	**21,251**	21,251	—
Hedge accounting not applied	**566**	566	—
Hedge accounting applied	**20,684**	20,684	—

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

As of March 31	Millions of U.S. Dollars		
	2021		
	Balance Sheet Amount	Fair Value	Difference
Cash and deposits	**$ 319**	$ 319	$ —
Call loans	**1,020**	1,020	—
Monetary claims bought	**226**	247	20
Trading securities	**—**	—	—
Held-to-maturity debt securities	**217**	238	20
Policy-reserve-matching bonds	**—**	—	—
Available-for-sale securities	**8**	8	—
Securities	**41,348**	43,633	2,285
Trading securities	**237**	237	—
Held-to-maturity debt securities	**2,681**	3,016	334
Policy-reserve-matching bonds	**18,418**	20,368	1,950
Available-for-sale securities	**20,011**	20,011	—
Loans	**2,740**	2,810	69
Policy loans	**317**	317	—
Industrial and consumer loans	**2,423**	2,492	69
Total assets	**45,656**	48,031	2,375
Bonds payable	**1,154**	1,177	22
Payables under securities borrowing transactions	**1,615**	1,615	—
Loans payable	**370**	384	13
Total liabilities	**3,139**	3,176	36
Derivative financial instruments	**(284)**	(284)	—
Hedge accounting not applied	**(16)**	(16)	—
Hedge accounting applied	**(267)**	(267)	—

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

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

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

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

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

The amounts of the unlisted stocks and others, including investments in subsidiaries and affiliates, reported in the non-consolidated balance sheets were ¥34,653 million (US$313 million) and ¥20,034 million as of March 31, 2021 and 2020, respectively.

(2) Loans and loans payable

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

As for industrial and consumer loans and loans payable, the fair value of loans is primarily stated at theoretical prices calculated by discounting the future cash flows to the present value. The fair value of loans to legally bankrupt borrowers, substantially bankrupt borrowers and not currently bankrupt borrowers is stated at the amounts by deducting estimated losses from the book value before direct write-offs.

(3) Bonds payable

The fair values of bonds payable are based on the market value, etc. as of March 31, 2021 and 2020, respectively.

(4) Payables under securities borrowing transactions

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

(5) Derivative financial instruments

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

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

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

4. Investments and Rental Properties

The Company holds investment and rental properties such as office buildings in Tokyo and other areas. The carrying amounts and the fair values of investment and rental properties were ¥247,811 million (US$2,238 million) and ¥289,679 million (US$2,616 million) as of March 31, 2021 and ¥249,504 million and ¥289,781 million as of March 31, 2020, respectively. The fair value is mainly based on the value (including some adjustments using the reference prices) of real estate appraisal report prepared by the external real-estate appraiser in accordance with real estate appraisal standards.

5. Securities Lent under Lending Agreements

The amounts of securities lent under lending agreements were ¥265,606 million (US$2,399 million) and ¥225,171 million as of March 31, 2021 and 2020, respectively.

6. Loans

The total amounts of loans to bankrupt borrowers, delinquent loans, delinquent loans three or more months past due and restructured loans, which were included in loans, were ¥677 million (US$6 million) and ¥735 million as of March 31, 2021 and 2020, respectively.

i) Loans to bankrupt borrowers were ¥0 million (US$0 million) and ¥2 million as of March 31, 2021 and 2020, respectively.

ii) Delinquent loans were ¥563 million (US$5 million) and ¥589 million as of March 31, 2021 and 2020, respectively.

iii) Delinquent loans three or more months past due were ¥94 million (US$0 million) and ¥122 million as of March 31, 2021 and 2020, respectively.

iv) Restructured loans were ¥20 million (US$0 million) and ¥20 million as of March 31, 2021 and 2020, respectively.

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

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

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

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

The direct write-offs related to loans decreased the amounts of loans to bankrupt borrowers described above by ¥3 million (US$0 million) and ¥3 million as of March 31, 2021 and 2020, respectively.

In addition, the direct write-offs related to loans decreased the amounts of delinquent loans described above by ¥25 million (US$0 million) and ¥31 million as of March 31, 2021 and 2020, respectively.

7. Accumulated Depreciation of Tangible Fixed Assets

Accumulated depreciation of tangible fixed assets totaled ¥285,435 million (US$2,578 million) and ¥283,126 million as of March 31, 2021 and 2020, respectively.

8. Separate Accounts

Total assets in separate accounts provided for in Article 118 of the Insurance Business Act were ¥28,078 million (US$253 million) and ¥24,381 million as of March 31, 2021 and 2020, respectively. The amounts of separate account liabilities were the same as separate account assets.

9. Receivables from/Payables to Subsidiaries

The total amounts of receivables from/payables to subsidiaries were ¥430 million (US$3 million) and ¥2,104 million (US$19 million) as of March 31, 2021 and ¥322 million and ¥1,712 million as of March 31, 2020, respectively.

10. Receivables from/Payables to Directors and Audit Board Members

There were no receivables from directors and audit board members as of March 31, 2021 and 2020, respectively. The total amounts of payables to directors and audit board members were ¥15 million (US$0 million) and ¥15 million as of March 31, 2021 and 2020, respectively.

11. Deferred Taxes

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

As of March 31	Millions of Yen 2021	Millions of Yen 2020	Millions of U.S. Dollars 2021
Deferred tax assets	**¥ 65,571**	¥68,319	**$ 592**
Valuation allowance for deferred tax assets	**14,467**	22,481	**130**
Subtotal	**51,104**	45,838	**461**
Deferred tax liabilities	**73,930**	37,794	**667**
Net deferred tax assets (liabilities)	**¥(22,826)**	¥ 8,044	**$(206)**

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

As of March 31	Millions of Yen 2021	Millions of Yen 2020	Millions of U.S. Dollars 2021
Deferred tax assets			
Contingency reserve	**¥17,422**	¥14,447	**$157**
Reserve for price fluctuation	**12,744**	12,061	**115**
Reserve for employees' retirement benefits	**8,608**	9,076	**77**
Impairment losses	**7,930**	7,743	**71**
Net unrealized losses on available-for-sale securities	**5,406**	6,279	**48**
Losses on valuation of securities	**4,106**	9,639	**37**
Deferred tax liabilities			
Net unrealized gains on available-for-sale securities	**72,520**	36,552	**655**

(2) The statutory tax rates were 27.9% and 27.9% for the fiscal years ended March 31, 2021 and 2020, respectively. The main factors causing the differences between the statutory tax rates and the actual effective tax rates after considering deferred taxes were as follows:

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

For the year ended March 31	2020
Interest on foundation funds	(4.3)%
Reserve for dividends to policyholders	(1.9)%

12. Reserve for Dividends to Policyholders

For the years ended March 31	Millions of Yen 2021	Millions of Yen 2020	Millions of U.S. Dollars 2021
Balance at the beginning of the fiscal year	**¥32,073**	¥34,104	**$289**
Transfer to reserve from surplus in the previous fiscal year	**1,794**	2,173	**16**
Dividends to policyholders paid out during the fiscal year	**3,820**	4,208	**34**
Increase in interest	**3**	131	**0**
Decrease in others	**—**	128	**—**
Balance at the end of the fiscal year	**¥30,050**	¥32,073	**$271**

13. Stocks of Subsidiaries and Affiliates

The amounts of stocks of subsidiaries and affiliates the Company held as of March 31, 2021 and 2020 were ¥21,367 million (US$193 million) and ¥6,694 million, respectively.

14. Pledged Assets

Assets pledged as collateral as of March 31, 2021 and 2020 were securities in the amount of ¥32,653 million (US$294 million) and ¥7,030 million, respectively.

15. Policy Reserves for the Reinsurance Contracts

Reserve for outstanding claims for the reinsurance contracts provided in accordance with Article 73, Paragraph 3 of the Enforcement Regulation of the Insurance Business Act which applies mutatis mutandis to Article 71, Paragraph 1 of the Enforcement Regulation of the Insurance Business Act (hereinafter “reserve for outstanding claims for ceded reinsurance”) were ¥6 million (US$0 million) and ¥6 million as of March 31, 2021 and 2020, respectively.

Policy reserves for the reinsurance contracts provided in accordance with Article 71, Paragraph 1 of the Enforcement Regulation of the Insurance Business Act (hereinafter “policy reserves for ceded reinsurance”) were ¥359 million (US$3 million) and ¥366 million as of March 31, 2021 and 2020, respectively.

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

The total amounts of adjustment to redemption of foundation funds and appropriation of net surplus defined in Article 30, Paragraph 2 of the Enforcement Regulation of the Insurance Business Act were ¥213,482 million (US$1,928 million) and ¥97,907 million as of March 31, 2021 and 2020, respectively.

17. Assets with Rights to Sell

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

The market values of these assets that were not sold or pledged as collateral as of March 31, 2021 and 2020 were ¥72,634 million (US$656 million) and ¥72,765 million, respectively. No assets were pledged as collateral as of March 31, 2021 and 2020.

18. Commitment Line

As of March 31, 2021 and 2020, there were unused commitment line agreements under which the Company is the lender of ¥10,240 million (US$92 million) and ¥9,418 million, respectively.

19. Subordinated Bonds Payable

As of March 31, 2021 and 2020, bonds payable are subordinated bonds payable, for which the repayments are subordinated to other obligations.

20. Subordinated Loans Payable

As of March 31, 2021 and 2020, loans payable are subordinated loans payable, for which the repayments are subordinated to other obligations.

21. Contributions to Policyholders Protection Corporation

The estimated future contributions to the Life Insurance Policyholders Protection Corporation of Japan under Article 259 of the Insurance Business Act as of March 31, 2021 and 2020 were ¥8,016 million (US$72 million) and ¥8,609 million, respectively. These contributions are charged as operating expenses in the fiscal years in which they are paid.

22. Reserve for Employees' Retirement Benefits

(1) Summary of retirement benefit plans

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

(2) Defined benefit plan

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

For the years ended March 31	Millions of Yen 2021	Millions of Yen 2020	Millions of U.S. Dollars 2021
Retirement benefit obligations at the beginning of the fiscal year	**¥41,291**	¥43,586	**$372**
Service cost	**1,829**	1,779	**16**
Interest cost	**412**	435	**3**
Actuarial difference occurred during the fiscal year	**866**	(235)	**7**
Retirement benefit payments	**(4,035)**	(4,275)	**(36)**
Retirement benefit obligations at the end of the fiscal year	**¥40,365**	¥41,291	**$364**

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

For the years ended March 31	Millions of Yen 2021	Millions of Yen 2020	Millions of U.S. Dollars 2021
Pension plan assets at the beginning of the fiscal year	**¥ 6,507**	¥ 7,407	**$ 58**
Expected return on pension plan assets	**55**	63	**0**
Actuarial difference occurred during the fiscal year	**1,371**	(877)	**12**
Contributions by the employer	**151**	148	**1**
Retirement benefit payments	**(174)**	(233)	**(1)**
Pension plan assets at the end of the fiscal year	**¥ 7,912**	¥ 6,507	**$ 71**

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

As of March 31	Millions of Yen 2021	Millions of Yen 2020	Millions of U.S. Dollars 2021
a. Funded plan retirement benefit obligation	**¥40,365**	¥41,291	**$364**
b. Pension plan assets	**(7,912)**	(6,507)	**(71)**
c. a + b	**32,452**	34,783	**293**
d. Unrecognized actuarial differences	**(1,829)**	(2,429)	**(16)**
e. Net amount of liabilities and assets presented on the non-consolidated balance sheet	**30,623**	32,353	**276**
f. Reserve for employees' retirement benefits	**30,856**	32,533	**278**
g. Prepaid pension cost	**(233)**	(179)	**(2)**
h. Net amount of liabilities and assets presented on the non-consolidated balance sheet	**¥30,623**	¥32,353	**$276**

iv) Breakdown of retirement benefit expenses

For the years ended March 31	Millions of Yen 2021	Millions of Yen 2020	Millions of U.S. Dollars 2021
Service cost	**¥ 1,829**	¥ 1,779	**$ 16**
Interest cost	**412**	435	**3**
Expected return on pension plan assets	**(55)**	(63)	**(0)**
Amortization of actuarial differences	**95**	896	**0**
Retirement benefit expenses related to defined benefit plan	**¥ 2,281**	¥ 3,049	**$ 20**

v) Breakdown of main pension plan assets

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

As of March 31	2021	2020
Stocks	**45%**	38%
Bonds	**9%**	9%
Others	**46%**	53%
Total	**100%**	100%

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

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

vii) Underlying actuarial assumptions

The main underlying actuarial assumptions were as follows:

As of March 31	2021	2020
Discount rate	**1.0%**	1.0%
Expected long-term rate of return on pension plan assets	**0.9%**	0.9%
Defined benefit corporate pension plans	**1.6%**	1.7%

III. Notes to Non-consolidated Statements of Income

1. Transactions with Subsidiaries and Affiliates

The total amounts of revenues and expenditures in connection with subsidiaries and affiliates were ¥1,067 million (US$9 million) and ¥9,020 million (US$81 million) for the fiscal year ended March 31, 2021 and ¥381 million and ¥9,483 million for the fiscal year ended March 31, 2020, respectively.

2. Investment Income and Expenses

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

For the years ended March 31	Millions of Yen 2021	Millions of Yen 2020	Millions of U.S. Dollars 2021
Domestic bonds	**¥ 9,357**	¥ 21,832	**$ 84**
Domestic stocks and other securities	**3,331**	2,018	**30**
Foreign securities	**2,559**	1	**23**

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

For the years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Domestic bonds	¥ **892**	¥ 690	$ **8**
Domestic stocks and other securities	**1,893**	2,120	**17**
Foreign securities	**2,733**	—	**24**

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

For the years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Domestic stocks and other securities	¥ **17**	¥ 368	$ **0**
Foreign securities	**1**	—	**0**

Losses on trading securities were losses on sales of ¥485 million (US$4 million) for the fiscal year ended March 31, 2021.

Losses on derivative financial instruments included net valuation losses of ¥2,667 million (US$24 million) and losses of ¥1,456 million for the fiscal years ended March 31, 2021 and 2020, respectively.

3. Policy Reserves for the Reinsurance Contracts

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

Provision for reserve for outstanding claims for ceded reinsurance, which was deducted in calculating provision for reserve for outstanding claims for the fiscal year ended March 31, 2020 was ¥2 million.

Reversal of policy reserves for ceded reinsurance, which was deducted in calculating reversal of policy reserves for the fiscal year ended March 31, 2021 was ¥6 million (US$0 million).

Provision for policy reserves for ceded reinsurance, which was added in calculating reversal of policy reserves for the fiscal year ended March 31, 2020 was ¥96 million.

4. Impairment Losses of Fixed Assets

For the fiscal year ended March 31, 2021, impairment losses of fixed assets by the Company were as follows:

(1) Method of grouping

Real estate and other assets used for insurance business operations are classified as one asset group as a whole. Other assets such as real estate for rent, real estate not in use and real estate scheduled to be sold are classified as one group individually.

(2) Background information on recognizing the impairment losses

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

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

For the year ended March 31	Millions of Yen 2021	Millions of U.S. Dollars 2021
Real estate for rent:		
Land	¥ 721	$ 6
Building	156	1
Total real estate for rent (i)	877	7
Real estate not in use:		
Land	457	4
Building	141	1
Total real estate not in use (ii)	598	5
Real estate scheduled to be sold:		
Land	1,309	11
Building	185	1
Total real estate scheduled to be sold (iii)	1,494	13
Total:		
Land	2,488	22
Building	483	4
Total (i) + (ii) + (iii)	¥2,971	$26

(4) Calculation method of recoverable amounts

The recoverable amounts of real estate for rent are determined at net realizable value or value in use. The recoverable amounts for real estate not in use and real estate scheduled to be sold are net realizable value. Value in use is determined as the estimated net future cash flows, reflecting the volatility risk, discounted at 3.4% for the fiscal year ended March 31, 2021. Net realizable value is calculated based on the appraisal value in accordance with “Real Estate Appraisal Standards” or the publicly announced appraisal value after deducting expected disposal costs.

5. Extraordinary Losses

The expenses related to salary guarantees for sales representatives and others as countermeasures to prevent the spread of COVID-19 for the fiscal year ended March 31, 2021 were ¥1,572 million (US$14 million), which were included in other extraordinary losses.

Supplementary Schedules
Asahi Mutual Life Insurance Company

(1) Securities

Fiscal year ended March 31	Millions of Yen 2021 Beginning balance of current fiscal year	Ending balance of current fiscal year	Increase/ decrease
National government bonds	**¥1,728,003**	**¥1,692,106**	**¥ (35,896)**
Local government bonds	**54,671**	**49,130**	**(5,541)**
Corporate bonds:	**945,309**	**973,538**	**28,228**
Public entity bonds	427,378	463,801	36,422
Business bonds	517,930	509,737	(8,193)
Domestic stocks	**288,114**	**447,371**	**159,256**
Foreign securities:	**1,294,012**	**1,368,844**	**74,832**
Stocks	5,563	7,748	2,184
Others	1,288,448	1,361,095	72,647
Other securities	**63,666**	**81,330**	**17,664**
Total	**¥4,373,776**	**¥4,612,320**	**¥238,544**

Fiscal year ended March 31	2020 Beginning balance of current fiscal year	Ending balance of current fiscal year	Increase/ decrease
National government bonds	**¥1,790,446**	**¥1,728,003**	**¥ (62,443)**
Local government bonds	**49,768**	**54,671**	**4,903**
Corporate bonds:	**935,197**	**945,309**	**10,111**
Public entity bonds	403,652	427,378	23,726
Business bonds	531,545	517,930	(13,614)
Domestic stocks	**320,964**	**288,114**	**(32,850)**
Foreign securities:	**1,089,669**	**1,294,012**	**204,342**
Stocks	16,818	5,563	(11,254)
Others	1,072,850	1,288,448	215,597
Other securities	**71,411**	**63,666**	**(7,745)**
Total	**¥4,257,457**	**¥4,373,776**	**¥116,318**

(2) Loans

Fiscal year ended March 31	Millions of Yen 2021 Beginning balance of current fiscal year	Ending balance of current fiscal year	Increase/decrease
Construction	**¥ 980**	**¥ 780**	**¥ (200)**
Manufacturing industry	**48,631**	**41,912**	**(6,718)**
Wholesale and retail	**57,941**	**37,030**	**(20,911)**
Financial and insurance	**104,916**	**93,220**	**(11,696)**
Real estate and rental services	**59,406**	**41,854**	**(17,551)**
Telecommunications	**1,111**	**487**	**(624)**
Transportation and postal services	**39,550**	**24,645**	**(14,904)**
Electric, gas, steam, and water utilities	**13,431**	**14,195**	**764**
Services and others	**7,942**	**7,678**	**(264)**
Others	**3,057**	**6,184**	**3,127**
[Housing and consumer loans]	642	236	(405)
Subtotal	**336,969**	**267,989**	**(68,979)**
Public entities	**390**	**279**	**(111)**
Policy loans	**40,553**	**35,182**	**(5,371)**
Total	**¥377,913**	**¥303,451**	**¥(74,461)**

Fiscal year ended March 31	2020 Beginning balance of current fiscal year	Ending balance of current fiscal year	Increase/decrease
Construction	**¥ 1,180**	**¥ 980**	**¥ (200)**
Manufacturing industry	**53,092**	**48,631**	**(4,460)**
Wholesale and retail	**68,536**	**57,941**	**(10,595)**
Financial and insurance	**130,463**	**104,916**	**(25,547)**
Real estate and rental services	**65,508**	**59,406**	**(6,101)**
Telecommunications	**1,111**	**1,111**	**—**
Transportation and postal services	**41,649**	**39,550**	**(2,099)**
Electric, gas, steam, and water utilities	**8,577**	**13,431**	**4,853**
Services and others	**8,363**	**7,942**	**(421)**
Others	**3,609**	**3,057**	**(551)**
[Housing and consumer loans]	1,166	642	(523)
Subtotal	**382,092**	**336,969**	**(45,123)**
Public entities	**439**	**390**	**(49)**
Policy loans	**44,272**	**40,553**	**(3,719)**
Total	**¥426,804**	**¥377,913**	**¥(48,891)**

(3) Tangible fixed assets and intangible fixed assets

Millions of Yen

Fiscal year ended March 31	2021						
	Beginning balance of current fiscal year	Increase in current fiscal year	Decrease in current fiscal year	Current-year depreciation/ amortization	Ending balance of current fiscal year	Accumulated depreciation/ amortization	Accumulated depreciation/ amortization percentage
Tangible fixed assets:							
Land	¥224,609	¥ 11	¥ 3,539 [2,488]	¥ —	¥221,081	¥ —	
Buildings	152,646	8,553	1,870 [483]	8,796	150,533	276,809	64.8%
Lease assets	1,963	358	13	849	1,459	2,315	61.3
Construction in progress	614	3,648	2,674	—	1,589	—	
Other tangible fixed assets	2,887	887	16	572	3,186	6,310	66.4
Total	¥382,722	¥13,460	¥ 8,114 [2,971]	¥10,219	¥377,849	¥285,435	
Intangible fixed assets:							
Software	19,463	5,713	—	7,454	17,722	25,701	59.2
Other intangible fixed assets	6,077	8,715	5,718	—	9,075	68	0.7
Total	¥ 25,541	¥14,429	¥ 5,718	¥ 7,454	¥ 26,797	¥ 25,769	

Fiscal year ended March 31	2020						
	Beginning balance of current fiscal year	Increase in current fiscal year	Decrease in current fiscal year	Current-year depreciation/ amortization	Ending balance of current fiscal year	Accumulated depreciation/ amortization	Accumulated depreciation/ amortization percentage
Tangible fixed assets:							
Land	¥226,451	¥ 66	¥ 1,908 [498]	¥ —	¥224,609	¥ —	
Buildings	156,225	6,809	1,868 [462]	8,520	152,646	273,686	64.2%
Lease assets	2,922	61	—	1,019	1,963	2,943	60.0
Construction in progress	516	1,945	1,847	—	614	—	
Other tangible fixed assets	2,703	709	51	474	2,887	6,496	69.2
Total	¥388,821	¥ 9,592	¥ 5,676 [961]	¥10,014	¥382,722	¥283,126	
Intangible fixed assets:							
Software	19,599	7,013	8	7,141	19,463	22,289	53.4
Other intangible fixed assets	5,976	7,119	7,018	—	6,077	68	1.1
Total	¥ 25,576	¥14,133	¥ 7,027	¥ 7,141	¥ 25,541	¥ 22,358	

Note: Figures in [ ] under the decrease in current fiscal year column represent impairment losses.

(4) Policy reserves and other reserves

(i) Reserve for outstanding claims

Fiscal year ended March 31	Millions of Yen 2021 Beginning balance of current fiscal year	 Ending balance of current fiscal year	 Increase/decrease
Individual life insurance	¥26,542	¥26,020	¥ (521)
Individual annuities	2,082	1,706	(376)
Group insurance	653	654	1
Group annuities	9	9	(0)
Others	90	181	90
Total	¥29,378	¥28,572	¥ (806)

Fiscal year ended March 31	2020 Beginning balance of current fiscal year	 Ending balance of current fiscal year	 Increase/decrease
Individual life insurance	¥24,725	¥26,542	¥1,817
Individual annuities	2,060	2,082	22
Group insurance	654	653	(1)
Group annuities	29	9	(19)
Others	110	90	(19)
Total	¥27,580	¥29,378	¥1,798

(ii) Policy reserves

Fiscal year ended March 31	Millions of Yen 2021 Beginning balance of current fiscal year	 Ending balance of current fiscal year	 Increase/decrease
Individual life insurance	¥2,844,590	¥2,846,924	¥ 2,334
Individual annuities	1,499,098	1,450,825	(48,273)
Group insurance	9,941	10,088	146
Group annuities	16,314	15,567	(747)
Others	98,051	95,966	(2,085)
Total	¥4,467,997	¥4,419,372	¥(48,624)

Fiscal year ended March 31	2020 Beginning balance of current fiscal year	 Ending balance of current fiscal year	 Increase/decrease
Individual life insurance	¥2,855,729	¥2,844,590	¥(11,139)
Individual annuities	1,559,955	1,499,098	(60,857)
Group insurance	9,783	9,941	158
Group annuities	17,118	16,314	(804)
Others	100,789	98,051	(2,737)
Total	¥4,543,377	¥4,467,997	¥(75,380)

(iii) Reserve for dividends to policyholders

Fiscal year ended March 31	Millions of Yen 2021 Beginning balance of current fiscal year	Ending balance of current fiscal year	Increase/decrease
Individual life insurance	¥30,298	¥28,508	¥(1,790)
Individual annuities	1,339	1,222	(116)
Group insurance	277	186	(90)
Group annuities	—	—	—
Others	157	132	(25)
Total	¥32,073	¥30,050	¥(2,023)

Fiscal year ended March 31	2020 Beginning balance of current fiscal year	Ending balance of current fiscal year	Increase/decrease
Individual life insurance	¥32,353	¥30,298	¥(2,054)
Individual annuities	1,471	1,339	(131)
Group insurance	103	277	174
Group annuities	—	—	—
Others	176	157	(19)
Total	¥34,104	¥32,073	¥(2,031)

(5) Allowance and other reserves

Fiscal year ended March 31	Millions of Yen 2021 Beginning balance of current fiscal year	Ending balance of current fiscal year	Increase/decrease
Allowance for possible loan losses	¥ 391	¥ 406	¥ 15
Reserve for employees' retirement benefits	32,533	30,856	(1,677)
Reserve for price fluctuation	43,230	45,680	2,450

Fiscal year ended March 31	2020 Beginning balance of current fiscal year	Ending balance of current fiscal year	Increase/decrease
Allowance for possible loan losses	¥ 375	¥ 391	¥ 15
Reserve for employees' retirement benefits	33,640	32,533	(1,106)
Reserve for price fluctuation	40,890	43,230	2,340

(6) Operating expenses

Fiscal years ended March 31	Millions of Yen 2021	2020
Marketing operations:		
Sales staff expenses	¥ 30,879	¥ 28,007
Agency expenses	12,691	12,350
Selection expenses	33	38
Subtotal	**43,604**	**40,396**
Marketing administration:		
Sales office management fee	18,231	18,227
Advertising expense	338	337
Subtotal	**18,570**	**18,565**
General and administrative expenses:		
Personnel expenses	19,544	19,650
Non-personnel expenses:	28,028	27,092
contribution money, sponsorship money and dues	217	184
Policyholder protection fund	575	617
Subtotal	**48,148**	**47,360**
Total	**¥110,323**	**¥106,323**

(7) Separate accounts

(i) Assets

Fiscal year ended March 31	Millions of Yen 2021 Beginning balance of current fiscal year	Ending balance of current fiscal year	Increase/decrease
Cash and deposits:			
Deposits	¥ 2,619	¥ 1,676	¥ (943)
Subtotal	**2,619**	**1,676**	**(943)**
Securities:			
National government bonds	4,375	5,421	1,045
Corporate bonds	1,404	707	(697)
Domestic stocks	5,641	9,011	3,370
Foreign securities	8,950	11,167	2,216
Subtotal	**20,372**	**26,307**	**5,935**
Other assets:			
Accrued income	138	138	0
Suspense payments	1,256	8	(1,247)
Subtotal	**1,394**	**146**	**(1,247)**
General account lending	(5)	(52)	(46)
Total	**¥24,381**	**¥28,078**	**¥ 3,696**

Fiscal year ended March 31	2020		
	Beginning balance of current fiscal year	Ending balance of current fiscal year	Increase/decrease
Cash and deposits:			
Deposits	¥ 1,958	¥ 2,619	¥ 660
Subtotal	**1,958**	**2,619**	**660**
Securities:			
National government bonds	3,499	4,375	876
Corporate bonds	1,826	1,404	(421)
Domestic stocks	9,265	5,641	(3,623)
Foreign securities	10,819	8,950	(1,869)
Subtotal	**25,410**	**20,372**	**(5,038)**
Other assets:			
Accounts receivable	10	1,256	1,246
Accrued income	169	138	(30)
Subtotal	**179**	**1,394**	**1,215**
General account lending	11	(5)	(16)
Total	**¥27,560**	**¥24,381**	**¥(3,178)**

(ii) Liabilities

Fiscal year ended March 31	Millions of Yen		
	2021		
	Beginning balance of current fiscal year	Ending balance of current fiscal year	Increase/decrease
Policy reserves and other reserves	**¥24,523**	**¥28,189**	**¥ 3,665**
General account borrowing	**(141)**	**(110)**	**30**
Total	**¥24,381**	**¥28,078**	**¥ 3,696**

Fiscal year ended March 31	2020		
	Beginning balance of current fiscal year	Ending balance of current fiscal year	Increase/decrease
Policy reserves and other reserves	**¥27,688**	**¥24,523**	**¥(3,164)**
General account borrowing	**(127)**	**(141)**	**(13)**
Total	**¥27,560**	**¥24,381**	**¥(3,178)**

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INDEX TO UNAUDITED INTERIM FINANCIAL STATEMENTS

Independent Auditor's Review Report

The Board of Directors
Asahi Mutual Life Insurance Company

We have reviewed the accompanying interim consolidated financial statements of Asahi Mutual Life Insurance Company and its consolidated subsidiaries (the Group), which comprise the interim consolidated balance sheet as at September 30, 2022, the interim consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the six-month periods ended September 30, 2022 and 2021 and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Interim Consolidated Financial Statements

Management is responsible for the preparation of these interim consolidated financial statements in accordance with the Insurance Business Act and related rules and regulations applicable to the mutual life industry and accounting principles for semiannual consolidated financial statements generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation of interim consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on these interim consolidated financial statements based on our review. We conducted our review in accordance with the Practical Guidelines on Review Engagements 2400 (JICPA Auditing Standards Committee Practical Guidelines No.1, January 26, 2016). Practical Guidelines on Review Engagements 2400 requires us to conclude whether, on the basis of our review, anything has come to our attention that causes us to believe that the interim consolidated financial statements are not, in all material respects, prepared in accordance with the Insurance Business Act and related rules and regulations applicable to the mutual life industry and accounting principles for semiannual consolidated financial statements generally accepted in Japan. Practical Guidelines on Review Engagements 2400 also requires that we comply with the Code of Professional Ethics in Japan.

A review of interim financial statements conducted in accordance with the Practical Guidelines on Review Engagements 2400 is a limited assurance engagement. The review consists of making inquiries, primarily of management and persons responsible for financial and accounting matters and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in Japan. Accordingly, we do not express an audit opinion on the interim consolidated financial statements.

Auditor's Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim consolidated financial statements referred to above have not been prepared, in all material respects, in accordance with the Insurance Business Act and related rules and regulations applicable to the mutual life industry and accounting principles for semiannual consolidated financial statements generally accepted in Japan.

We have previously audited, in accordance with auditing standards generally accepted in Japan, the consolidated balance sheet of the Group as at March 31, 2022, and the related consolidated statements of income, comprehensive income, changes in net assets and cash flows for the year then ended (not presented herein); and in our report dated July 29, 2022, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying interim consolidated balance sheet as at March 31, 2022, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Convenience Translation

We have reviewed the translation of these interim consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, based on our review, the accompanying interim consolidated financial statements have been properly translated on the basis described in Note I.2.

Ernst & Young ShinNihon LLC
Tokyo, Japan
December 12, 2022

/S/ Yuji Ozawa

Yuji Ozawa
Designated Engagement Partner
Certified Public Accountant

/S/ Makoto Kubodera

Makoto Kubodera
Designated Engagement Partner
Certified Public Accountant

Interim Consolidated Balance Sheets
Asahi Mutual Life Insurance Company and its Consolidated Subsidiaries

	Millions of Yen		Millions of U.S. Dollars
	Interim Consolidated Balance Sheet As of September 30, 2022	Annual Consolidated Balance Sheet As of March 31, 2022	Interim Consolidated Balance Sheet As of September 30, 2022
ASSETS:			
Cash and deposits	¥ 49,798	¥ 47,030	$ 343
Call loans	66,000	111,000	455
Monetary claims bought	21,281	22,534	146
Securities	4,398,619	4,536,365	30,375
Loans	292,608	311,416	2,020
Tangible fixed assets	366,133	369,142	2,528
Intangible fixed assets	35,062	33,255	242
Agency accounts receivable	11	11	0
Reinsurance receivables	16,727	6,788	115
Other assets	52,383	64,605	361
Net defined benefit assets	484	524	3
Deferred tax assets	23,406	168	161
Allowance for possible loan losses	(712)	(550)	(4)
Total assets	**¥5,321,803**	**¥5,502,292**	**$36,750**
LIABILITIES:			
Policy reserves and other reserves:			
Reserve for outstanding claims	¥ 38,414	¥ 32,025	$ 265
Policy reserves	4,315,336	4,365,560	29,799
Reserve for dividends to policyholders	29,177	28,644	201
	4,382,928	4,426,229	30,266
Reinsurance payables	382	776	2
Bonds payable	102,424	102,424	707
Other liabilities	347,057	378,694	2,396
Net defined benefit liabilities	32,288	32,852	222
Reserve for price fluctuation	49,470	48,210	341
Deferred tax liabilities	—	2,913	—
Deferred tax liabilities for land revaluation	15,591	15,711	107
Total liabilities	**4,930,144**	**5,007,812**	**34,045**
NET ASSETS:			
Foundation funds	51,000	91,000	352
Reserve for redemption of foundation funds	206,000	166,000	1,422
Reserve for revaluation	281	281	1
Consolidated surplus	77,097	111,982	532
Total foundation funds and others	334,379	369,264	2,309
Net unrealized gains (losses) on available-for-sale securities, net of tax	106,085	173,938	732
Land revaluation differences	(47,047)	(46,739)	(324)
Accumulated remeasurements of defined benefit plans	(1,826)	(2,077)	(12)
Total accumulated other comprehensive income	57,210	125,121	395
Non-controlling interests	69	94	0
Total net assets	**391,659**	**494,480**	**2,704**
Total liabilities and net assets	**¥5,321,803**	**¥5,502,292**	**$36,750**

Interim Consolidated Statements of Income
Asahi Mutual Life Insurance Company and its Consolidated Subsidiaries

	Millions of Yen		Millions of U.S. Dollars
For the six months ended September 30	**2022**	**2021**	**2022**
Ordinary income:			
Premium and other income	¥205,245	¥192,500	$1,417
Investment income:			
Interest, dividends and other income	61,521	59,793	424
Gains on sales of securities	10,764	6,820	74
Investment gains on separate accounts	—	1,365	—
	80,307	71,587	554
Other ordinary income	57,925	35,864	400
Total ordinary income	**343,479**	**299,953**	**2,371**
Ordinary expenses:			
Claims and other payments:			
Claims	53,258	53,257	367
Annuities	52,991	55,666	365
Benefits	49,680	33,516	343
Surrender benefits	40,117	38,700	277
	201,627	183,528	1,392
Provision for policy reserves and other reserves:			
Provision for reserve for outstanding claims	6,389	4	44
Provision for interest on policyholders' dividend reserves	1	1	0
	6,391	5	44
Investment expenses:			
Interest expenses	1,834	2,586	12
Losses on sales of securities	16,913	916	116
Losses on valuation of securities	2	4	0
Investment losses on separate accounts	949	—	6
	36,826	14,431	254
Operating expenses	66,250	60,589	457
Other ordinary expenses	18,396	16,754	127
Total ordinary expenses	**329,492**	**275,309**	**2,275**
Ordinary profit	**13,986**	**24,643**	**96**
Extraordinary gains	**242**	**340**	**1**
Extraordinary losses	**1,908**	**1,916**	**13**
Surplus before income taxes	**12,320**	**23,067**	**85**
Income taxes including deferred taxes	**1,325**	**5,461**	**9**
Total income taxes	**1,325**	**5,461**	**9**
Net surplus	**10,994**	**17,606**	**75**
Net surplus attributable to non-controlling interests	**26**	**24**	**0**
Net surplus attributable to the Parent Company	**¥ 10,968**	**¥ 17,581**	**$ 75**

Interim Consolidated Statements of Comprehensive Income
Asahi Mutual Life Insurance Company and its Consolidated Subsidiaries

For the six months ended September 30	Millions of Yen 2022	Millions of Yen 2021	Millions of U.S. Dollars 2022
Net surplus	**¥ 10,994**	**¥ 17,606**	**$ 75**
Other comprehensive income:			
Net unrealized gains (losses) on available-for-sale securities, net of tax	(67,853)	8,689	(468)
Remeasurements of defined benefit plans	250	164	1
Total other comprehensive income	**(67,602)**	**8,854**	**(466)**
Comprehensive income:			
Comprehensive income attributable to the Parent Company	(56,634)	26,435	(391)
Comprehensive income attributable to non-controlling interests	26	24	0
Total comprehensive income	**¥(56,608)**	**¥ 26,460**	**$ (390)**

Interim Consolidated Statements of Changes in Net Assets

Asahi Mutual Life Insurance Company and its Consolidated Subsidiaries

	Millions of Yen				
	Foundation funds and others				
For the six months ended September 30, 2022	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Consolidated surplus	Total foundation funds and others
Beginning balance	**¥ 91,000**	**¥166,000**	**¥ 281**	**¥111,982**	**¥369,264**
Changes in the interim period:					
Additions to reserve for dividends to policyholders				(2,121)	(2,121)
Additions to reserve for redemption of foundation funds		40,000		(40,000)	
Payment of interest on foundation funds				(4,040)	(4,040)
Net surplus attributable to the Parent Company				10,968	10,968
Redemption of foundation funds	(40,000)				(40,000)
Reversal of land revaluation differences				308	308
Net changes, excluding foundation funds and others					
Net changes in the interim period	**(40,000)**	**40,000**	**—**	**(34,884)**	**(34,884)**
Ending balance	**¥ 51,000**	**¥206,000**	**¥ 281**	**¥ 77,097**	**¥334,379**

	Millions of Yen					
	Accumulated other comprehensive income					
For the six months ended September 30, 2022	Net unrealized gains (losses) on available-for-sale securities, net of tax	Land revaluation differences	Accumulated remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Beginning balance	**¥173,938**	**¥(46,739)**	**¥(2,077)**	**¥125,121**	**¥ 94**	**¥ 494,480**
Changes in the interim period:						
Additions to reserve for dividends to policyholders						**(2,121)**
Additions to reserve for redemption of foundation funds						
Payment of interest on foundation funds						**(4,040)**
Net surplus attributable to the Parent Company						**10,968**
Redemption of foundation funds						**(40,000)**
Reversal of land revaluation differences						**308**
Net changes, excluding foundation funds and others	(67,853)	(308)	250	(67,911)	(25)	**(67,936)**
Net changes in the interim period	**(67,853)**	**(308)**	**250**	**(67,911)**	**(25)**	**(102,821)**
Ending balance	**¥106,085**	**¥(47,047)**	**¥(1,826)**	**¥ 57,210**	**¥ 69**	**¥ 391,659**

Interim Consolidated Statements of Changes in Net Assets—(Continued)
Asahi Mutual Life Insurance Company and its Consolidated Subsidiaries

	Millions of Yen				
	Foundation funds and others				
For the six months ended September 30, 2021	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Consolidated surplus	Total foundation funds and others
Beginning balance	**¥ 91,000**	**¥166,000**	**¥ 281**	**¥ 97,154**	**¥354,436**
Changes in the interim period:					
Additions to reserve for dividends to policyholders				(2,153)	(2,153)
Payment of interest on foundation funds				(4,089)	(4,089)
Net surplus attributable to the Parent Company				17,581	17,581
Reversal of land revaluation differences				257	257
Net changes, excluding foundation funds and others					
Net changes in the interim period	**—**	**—**	**—**	**11,596**	**11,596**
Ending balance	**¥ 91,000**	**¥166,000**	**¥ 281**	**¥108,751**	**¥366,033**

	Millions of Yen					
	Accumulated other comprehensive income					
For the six months ended September 30, 2021	Net unrealized gains (losses) on available-for-sale securities, net of tax	Land revaluation differences	Accumulated remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Beginning balance	**¥213,201**	**¥(45,354)**	**¥(1,349)**	**¥166,497**	**¥ 79**	**¥ 521,014**
Changes in the interim period:						
Additions to reserve for dividends to policyholders						**(2,153)**
Payment of interest on foundation funds						**(4,089)**
Net surplus attributable to the Parent Company						**17,581**
Reversal of land revaluation differences						**257**
Net changes, excluding foundation funds and others	8,689	(257)	164	8,596	(11)	**8,585**
Net changes in the interim period	**8,689**	**(257)**	**164**	**8,596**	**(11)**	**20,181**
Ending balance	**¥221,891**	**¥(45,612)**	**¥(1,184)**	**¥175,094**	**¥ 68**	**¥ 541,195**

Interim Consolidated Statements of Changes in Net Assets—(Continued)
Asahi Mutual Life Insurance Company and its Consolidated Subsidiaries

For the six months ended September 30, 2022	Millions of U.S. Dollars — Foundation funds and others: Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Consolidated surplus	Total foundation funds and others
Beginning balance	**$ 628**	**$ 1,146**	**$ 1**	**$ 773**	**$ 2,549**
Changes in the interim period:					
Additions to reserve for dividends to policyholders				(14)	(14)
Additions to reserve for redemption of foundation funds		276		(276)	
Payment of interest on foundation funds				(27)	(27)
Net surplus attributable to the Parent Company				75	75
Redemption of foundation funds	(276)				(276)
Reversal of land revaluation differences				2	2
Net changes, excluding foundation funds and others					
Net changes in the interim period	**(276)**	**276**	**—**	**(240)**	**(240)**
Ending balance	**$ 352**	**$ 1,422**	**$ 1**	**$ 532**	**$ 2,309**

For the six months ended September 30, 2022	Millions of U.S. Dollars — Accumulated other comprehensive income: Net unrealized gains (losses) on available-for-sale securities, net of tax	Land revaluation differences	Accumulated remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Beginning balance	**$ 1,201**	**$ (322)**	**$ (14)**	**$ 864**	**$ 0**	**$ 3,414**
Changes in the interim period:						
Additions to reserve for dividends to policyholders						**(14)**
Additions to reserve for redemption of foundation funds						
Payment of interest on foundation funds						**(27)**
Net surplus attributable to the Parent Company						**75**
Redemption of foundation funds						**(276)**
Reversal of land revaluation differences						**2**
Net changes, excluding foundation funds and others	(468)	(2)	1	(468)	(0)	**(469)**
Net changes in the interim period	**(468)**	**(2)**	**1**	**(468)**	**(0)**	**(710)**
Ending balance	**$ 732**	**$ (324)**	**$ (12)**	**$ 395**	**$ 0**	**$ 2,704**

Interim Consolidated Statements of Cash Flows

Asahi Mutual Life Insurance Company and its Consolidated Subsidiaries

For the six months ended September 30	Millions of Yen 2022	Millions of Yen 2021	Millions of U.S. Dollars 2022
I. Cash flows from operating activities			
Surplus before income taxes	¥ 12,320	¥ 23,067	$ 85
Depreciation of rental real estate and other assets	2,779	2,804	19
Depreciation	6,889	5,921	47
Impairment losses	464	273	3
Increase (decrease) in reserve for outstanding claims	6,389	4	44
Increase (decrease) in policy reserves	(50,223)	(27,982)	(346)
Provision for interest on policyholders' dividend reserves	1	1	0
Increase (decrease) in allowance for possible loan losses	145	34	1
Increase (decrease) in net defined benefit liabilities	(302)	(304)	(2)
Increase (decrease) in reserve for price fluctuation	1,260	1,230	8
Interest, dividends and other income	(61,521)	(59,793)	(424)
(Gains) losses on securities	7,469	(7,313)	51
(Gains) losses on derivative financial instruments	8,156	2,068	56
Interest expenses	1,834	2,586	12
Foreign exchange (gains) losses, net	(4,439)	(139)	(30)
(Gains) losses on tangible fixed assets	(226)	(302)	(1)
Others, net	(1,114)	4,056	(7)
Subtotal	(70,118)	(53,786)	(484)
Interest, dividends and other income received	63,996	63,294	441
Interest paid	(1,987)	(2,766)	(13)
Dividends to policyholders paid	(1,590)	(1,620)	(10)
Income taxes (paid) refunded	(5,632)	(6,738)	(38)
Net cash provided by (used in) operating activities	**(15,331)**	**(1,618)**	**(105)**
II. Cash flows from investing activities			
Proceeds from sales and redemptions of monetary claims bought	1,232	1,293	8
Purchases of securities	(396,440)	(156,314)	(2,737)
Proceeds from sales and redemptions of securities	490,938	186,079	3,390
Disbursements for loans	(20,239)	(28,249)	(139)
Proceeds from collections of loans	43,270	31,453	298
Proceeds from derivative financial instruments	(135,022)	(22,187)	(932)
Increase (decrease) in payables under securities borrowing transactions	40,024	317	276
①Total of investing activities	23,762	12,391	164
[I + ①]	8,430	10,773	58
Purchases of tangible fixed assets	(3,048)	(4,029)	(21)
Proceeds from sales of tangible fixed assets	507	1,679	3
Others, net	(6,541)	(4,724)	(45)
Net cash provided by (used in) investing activities	**14,680**	**5,317**	**101**
III. Cash flows from financing activities			
Proceeds from debt borrowing	5,000	—	34
Redemption of debt borrowing	(2,000)	—	(13)
Redemption of foundation funds	(40,000)	—	(276)
Payment of interest on foundation funds	(4,040)	(4,089)	(27)
Dividends paid to non-controlling interests	(51)	(36)	(0)
Others, net	(489)	(376)	(3)
Net cash provided by (used in) financing activities	**(41,580)**	**(4,501)**	**(287)**
IV. Net increase (decrease) in cash and cash equivalents	**(42,231)**	**(802)**	**(291)**
V. Cash and cash equivalents at the beginning of the interim period	**158,030**	**157,149**	**1,091**
VI. Cash and cash equivalents at the end of the interim period	**¥ 115,798**	**¥ 156,347**	**$ 799**

* Range of cash and cash equivalents

Cash and cash equivalents in consolidated cash flow statements includes cash in hand, cash at bank and short-term investments with redemption period of three months and less than three months, which can be withdrawn anytime and can be converted to cash with ease.

Notes to Interim Consolidated Financial Statements
Asahi Mutual Life Insurance Company and its Consolidated Subsidiaries

I. Presentation of Interim Consolidated Financial Statements

1. Basis of Presentation

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

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

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

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

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

2. U.S. Dollar Amounts

The translations of yen amounts into U.S. dollar amounts are included solely for the convenience of the reader and have been made, as a matter of arithmetical computation only, at the rate of ¥144.81 = US$1.00, the effective rate of exchange at the balance sheet date of September 30, 2022.

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

3. Principles of Consolidation

(1) Scope of consolidation

The consolidated subsidiaries as of September 30, 2022 and 2021, and as of March 31, 2022 are listed below:

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

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

Each non-consolidated subsidiary is small in scale in terms of total assets, amount of sales, net income and surplus for the interim period. As such non-consolidated subsidiaries are not considered to materially affect any reasonable determination as to the financial position and results of operation of the Company's group, these companies are excluded from the consolidation.

(2) Application of equity method

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

(3) Interim period-end of consolidated subsidiaries

The interim period-end of the consolidated subsidiaries is September 30.

II. Notes to Interim Consolidated Balance Sheets

1. Significant Accounting Policies

(1) Valuation methods of securities

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

i) Trading securities are stated at fair market value. Costs of sales are determined by the moving average method.

ii) Held-to-maturity debt securities are stated at amortized cost (straight-line method) determined by the moving average method.

iii) Policy-reserve-matching bonds, which are in accordance with "Temporary Treatment of Accounting and Auditing Concerning Policy-reserve-matching Bonds in Insurance Industry" (Industry Audit Committee Report No. 21 issued by the Japanese Institute of Certified Public Accountants ("JICPA")), are stated at amortized cost (straight-line method) determined by the moving average method.

iv) Investments in unconsolidated subsidiaries and affiliates not accounted for under the equity method are stated at cost.

v) Available-for-sale securities except for the following are stated at fair market value based on the market prices at the balance sheet date, of which costs of sales are determined by the moving average method. Available-for-sale securities, of which public and corporate bonds including foreign bonds with the difference between acquisition cost and face value considered as an adjustment of interest, are stated at amortized cost (straight-line method) determined by the moving average method. Stocks and others without a market price are stated at cost determined by the moving average method. Net unrealized gains or losses on these available-for-sale securities, net of tax, are recorded as a separate component of net assets.

(2) Policy-reserve-matching bonds

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

(3) Revaluation of land

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

- Date of revaluation: March 31, 2001

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

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

(4) Depreciation of tangible fixed assets

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

(For the interim reporting purposes, the amount for the semi-annual period is determined.)

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

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

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

(5) Foreign currency translation

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

(6) Allowance for possible loan losses

Allowance for possible loan losses is provided in accordance with the Company's standards of self-assessment and write-offs and reserves on credit quality:

i) For credit to borrowers who are legally bankrupt such as being in bankruptcy proceedings or civil rehabilitation (hereinafter "legally bankrupt borrowers") and who are substantially bankrupt (hereinafter "substantially bankrupt borrowers"), the Company provides the remaining amount of credits after the direct write-off described below and the deductions of the amount expected to be collected through the disposal of collateral or the execution of guarantees.

ii) For credit to borrowers who are not currently bankrupt but have a high risk of bankruptcy (hereinafter "borrowers with high possibility of bankruptcy"), the Company provides the amounts deemed as necessary considering the borrowers' ability to pay, within the amounts after deductions of the amount expected to be collected through the disposal of collateral or the execution of guarantees.

iii) For credit to borrowers other than the above, the Company provides the amounts calculated by multiplying the book value by the actual ratio of bad debt losses on defaults during a certain past period.

All credit is assessed by the relevant departments in accordance with the Company's standards of self-assessment on credit quality. The results of the assessment are reviewed by the audit department, which is independent of business-related divisions. Subsequently, allowance for possible loan losses is provided based on the results of these assessments.

For consolidated subsidiaries, the Company records the allowance amounts deemed necessary in accordance mainly with the Company's standards of self-assessment and write-offs and reserves on credit quality.

For credit to legally bankrupt borrowers and substantially bankrupt borrowers, the amounts remaining after deductions of collateral value or the amounts collectible through the execution of guarantees are written-off directly from the book value as the estimated uncollectible amounts. The amounts written-off were ¥6 million (US$0 million) and ¥24 million as of September 30, 2022 and as of March 31, 2022, respectively.

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

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

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

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

(8) Accounting for hedging activities

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

The Company mainly applies the following hedging activities:

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

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

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

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

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

(9) Valuation methods of derivative financial instruments

Derivative financial instruments are stated at fair market value.

(10) Reserve for price fluctuation

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

(11) Accounting for consumption taxes

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

Consumption taxes other than deferred consumption taxes are recognized as an expense for the current interim period.

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

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

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

(13) Reinsurance revenue

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

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

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

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

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

(15) Reinsurance premiums

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

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

(16) Policy reserves

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

Of policy reserves, the premium reserves at the end of the interim period are calculated by the following method:

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

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

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

(17) Software

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

2. Accounting Changes

The Company and part of its subsidiaries have applied "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, revised on June 17, 2021) from the reporting period ended September 30, 2022.

In accordance with the transitional treatment set forth in Paragraph 27-2 of Implementation Guidance on Accounting Standard for Fair Value Measurement, the Company has applied new accounting policies prospectively. Following this, some investment trusts are categorized into some levels in the following "Note 5. Matters Concerning Fair Value of Major Financial Instruments and Breakdown by Input Level".

Note for the fiscal year ended March 31, 2022

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

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

3. Group Tax Sharing System

The Company and part of its subsidiaries have applied the group tax sharing system from the reporting period ended September 30, 2022. As a result, the Company has applied the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (ASBJ PITF No.42, issued on August 12, 2021) to the accounting and disclosure treatment of corporate tax, local corporate tax and tax effect accounting.

4. Financial Instruments

The balance sheet amounts, fair values and the differences between those of major financial assets and liabilities as of September 30, 2022 and as of March 31, 2022 were as follows. The following table does not include cash and deposits, call loans and payables under securities borrowing transactions which are mostly settled in a short term and their fair values approximate their book values.

As of September 30	Millions of Yen		
	2022		
	Balance Sheet Amount	Fair Value	Difference
Monetary claims bought	¥ 21,281	¥ 23,350	¥ 2,069
Held-to-maturity debt securities	20,355	22,424	2,069
Available-for-sale securities	926	926	—
Securities	4,322,557	4,355,903	33,345
Trading securities	25,627	25,627	—
Held-to-maturity debt securities	273,578	298,195	24,617
Policy-reserve-matching bonds	2,048,634	2,057,362	8,728
Available-for-sale securities	1,974,717	1,974,717	—
Loans	292,608	297,621	5,013
Policy loans	31,113	31,113	—
Industrial and consumer loans	261,494	266,508	5,013
Total assets	4,636,447	4,676,875	40,427
Bonds payable	102,424	99,046	(3,377)
Loans payable	44,000	45,295	1,295
Total liabilities	146,424	144,342	(2,081)
Derivative financial instruments	(18,846)	(18,846)	—
Hedge accounting not applied	(1,805)	(1,805)	—
Hedge accounting applied	(17,040)	(17,040)	—

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

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

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

As of September 30	Millions of U.S. Dollars		
	2022		
	Balance Sheet Amount	Fair Value	Difference
Monetary claims bought	$ 146	$ 161	$ 14
Held-to-maturity debt securities	140	154	14
Available-for-sale securities	6	6	—
Securities	29,849	30,080	230
Trading securities	176	176	—
Held-to-maturity debt securities	1,889	2,059	169
Policy-reserve-matching bonds	14,147	14,207	60
Available-for-sale securities	13,636	13,636	—
Loans	2,020	2,055	34
Policy loans	214	214	—
Industrial and consumer loans	1,805	1,840	34
Total assets	32,017	32,296	279
Bonds payable	707	683	(23)
Loans payable	303	312	8
Total liabilities	1,011	996	(14)
Derivative financial instruments	(130)	(130)	—
Hedge accounting not applied	(12)	(12)	—
Hedge accounting applied	(117)	(117)	—

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

Unlisted stocks and others, including investments in subsidiaries and affiliates, without market prices are not included in the table above. The amounts of the unlisted stocks and others, including investments in subsidiaries and affiliates, reported in the interim consolidated balance sheets were ¥21,725 million (US$150 million) and ¥22,156 million as of September 30, 2022 and as of March 31, 2022, respectively.

Investment trusts for which the treatments are applied in accordance with Paragraph 24-3 and 24-9 of "Implementation Guidance on Accounting Standard for Fair Value Measurement" are included in the table above.

Investments in partnerships and others for which the treatments are applied in accordance with Paragraph 24-16 of "Implementation Guidance on Accounting Standard for Fair Value Measurement" are not included the table above. The amount of the investments in partnerships and others, reported in the interim consolidated balance sheet was ¥54,336 million (US$375 million) as of September 30, 2022.

Note for the fiscal year ended March 31, 2022

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

5. Matters Concerning Fair Value of Major Financial Instruments and Breakdown by Input Level

Fair values of financial instruments are categorized into the following three levels in accordance with the observability and significance of the inputs used to measure the fair value.

Level 1: Fair values measured by unadjusted quoted prices in active markets for identical assets or liabilities

Level 2: Fair values measured by inputs which are directly or indirectly observable other than Level 1 inputs

Level 3: Fair values measured by significant unobservable inputs

When several inputs that have significant impact on fair value measurement are used and those inputs are categorized into different levels, the fair value is categorized into the lowest priority level for fair value measurement among the levels to which each of the inputs belongs.

(1) Financial assets and liabilities recorded at fair values on the interim consolidated balance sheet as of September 30, 2022 and consolidated balance sheet as of March 31, 2022

As of September 30	Millions of Yen			
	2022			
	Fair Value			
	Level 1	Level 2	Level 3	Total
Monetary claims bought	¥ —	¥ —	¥ 926	¥ 926
Available-for-sale securities	—	—	926	926
Securities*1	585,275	1,201,919	64,211	1,851,406
Trading securities	23,538	2,089	—	25,627
National government bonds and local government bonds	6,307	—	—	6,307
Corporate bonds	—	1,289	—	1,289
Domestic stocks	7,467	—	—	7,467
Foreign stocks	6,923	—	—	6,923
Foreign bonds	2,840	799	—	3,639
Available-for-sale securities	561,737	1,199,830	64,211	1,825,778
National government bonds and local government bonds	35,761	6,207	—	41,968
Corporate bonds	—	477,314	—	477,314
Domestic stocks	376,912	—	—	376,912
Foreign bonds	64,494	539,463	64,211	668,168
Others	84,568	176,844	—	261,413
Total assets	585,275	1,201,919	65,137	1,852,332
Derivative financial instruments*2	—	(20,256)	1,409	(18,846)
Currency-related	—	(20,256)	—	(20,256)
Stock-related	—	—	1,409	1,409

*1 Investment trusts for which the treatments are applied in accordance with Paragraph 24-3 and 24-9 of "Implementation Guidance on Accounting Standard for Fair Value Measurement" are not included in the table above. The amount of the investment trusts for which the treatments are applied in accordance with Paragraph 24-3 of the implementation guidance, reported in the interim consolidated balance sheet was ¥143,760 million (US$992 million) as of September 30, 2022.
The amount of the investment trusts for which the treatments are applied in accordance with Paragraph 24-9 of the implementation guidance, reported in the interim consolidated balance sheet was ¥5,178 million (US$35 million) as of September 30, 2022.

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

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

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

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

As of September 30	Millions of U.S. Dollars			
	2022			
	Fair Value			
	Level 1	Level 2	Level 3	Total
Monetary claims bought	$ —	$ —	$ 6	$ 6
Available-for-sale securities	—	—	6	6
Securities*1	4,041	8,299	443	12,785
Trading securities	162	14	—	176
National government bonds and local government bonds	43	—	—	43
Corporate bonds	—	8	—	8
Domestic stocks	51	—	—	51
Foreign stocks	47	—	—	47
Foreign bonds	19	5	—	25
Available-for-sale securities	3,879	8,285	443	12,608
National government bonds and local government bonds	246	42	—	289
Corporate bonds	—	3,296	—	3,296
Domestic stocks	2,602	—	—	2,602
Foreign bonds	445	3,725	443	4,614
Others	583	1,221	—	1,805
Total assets	4,041	8,299	449	12,791
Derivative financial instruments*2	—	(139)	9	(130)
Currency-related	—	(139)	—	(139)
Stock-related	—	—	9	9

*1 Investment trusts for which the treatments are applied in accordance with Paragraph 24-3 and 24-9 of "Implementation Guidance on Accounting Standard for Fair Value Measurement" are not included in the table above.The amount of the investment trusts for which the treatments are applied in accordance with Paragraph 24-3 of the implementation guidance, reported in the interim consolidated balance sheet was ¥143,760 million (US$992 million) as of September 30, 2022.
The amount of the investment trusts for which the treatments are applied in accordance with Paragraph 24-9 of the implementation guidance, reported in the interim consolidated balance sheet was ¥5,178 million (US$35 million) as of September 30, 2022.

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

i) Investment trusts for which the treatments are applied in accordance with Paragraph 24-3 and 24-9 of "Implementation Guidance on Accounting Standard for Fair Value Measurement"

a) Reconciliation between the beginning and ending balance, and net unrealized gains (losses) recognized as gains (losses) for the interim period, of the investment trusts for which the treatments are applied in accordance with Paragraph 24-3 of "Implementation Guidance on Accounting Standard for Fair Value Measurement"

For the six months ended September 30	Millions of Yen 2022	Millions of U.S. Dollars 2022
Beginning balance	¥121,141	$836
Gains (losses) and other comprehensive income for the interim period:	13,686	94
Gains (losses) recorded for the interim period*1	1,027	7
Other comprehensive income recorded for the interim period*2	12,658	87
Net amount of purchase, sale, and redemption	8,932	61
Amount of investment trusts whose NAV is deemed as market value	—	—
Amount of investment trusts whose NAV is not deemed as market value	—	—
Ending balance	143,760	992
Net unrealized gains (losses) on investment trusts held at the balance sheet date among the amount recorded to gains (losses) for the interim period*1	1,027	7

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

b) Breakdown of balance by restriction on cancellation as of the end of interim period

As of September 30	Millions of Yen 2022	Millions of U.S. Dollars 2022
Investment trusts which need more than 1 month to cancel from the notification of cancellation	¥ 50,807	$350
Other than above	92,952	641

c) Reconciliation between the beginning and ending balance, and net unrealized gains (losses) recognized as gains (losses) for the interim period, of the investment trusts for which the treatments are applied in accordance with Paragraph 24-9 of "Implementation Guidance on Accounting Standard for Fair Value Measurement"

For the six months ended September 30	Millions of Yen 2022	Millions of U.S. Dollars 2022
Beginning balance	¥ 5,104	$ 35
Gains (losses) and other comprehensive income for the interim period:	74	0
Gains (losses) recorded for the interim period*1	—	—
Other comprehensive income recorded for the interim period*2	74	0
Net amount of purchase, sale, and redemption	(0)	(0)
Amount of investment trusts whose NAV is deemed as market value	—	—
Amount of investment trusts whose NAV is not deemed as market value	—	—
Ending balance	5,178	35
Net unrealized gains (losses) on investment trusts held at the balance sheet date among the amount recorded to gains (losses) for the interim period*1	—	—

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

(2) Financial assets and liabilities not recorded at fair values on the interim consolidated balance sheet as of September 30, 2022 and consolidated balance sheet as of March 31, 2022

As of September 30	Millions of Yen			
	2022			
	Fair Value			
	Level 1	Level 2	Level 3	Total
Monetary claims bought	¥ —	¥ 21,945	¥ 478	¥ 22,424
Held-to-maturity debt securities	—	21,945	478	22,424
Securities	1,667,307	512,540	175,709	2,355,558
Held-to-maturity debt securities	36,592	85,893	175,709	298,195
National government bonds and local government bonds	36,592	—	—	36,592
Corporate bonds	—	85,893	—	85,893
Foreign bonds	—	—	175,709	175,709
Policy-reserve-matching bonds	1,630,715	426,647	—	2,057,362
National government bonds and local government bonds	1,630,715	46,261	—	1,676,976
Corporate bonds	—	380,386	—	380,386
Loans	—	—	297,621	297,621
Policy loans	—	—	31,113	31,113
Industrial and consumer loans	—	—	266,508	266,508
Total assets	1,667,307	534,486	473,809	2,675,603
Bonds payable	—	99,046	—	99,046
Loans payable	—	—	45,295	45,295
Total liabilities	—	99,046	45,295	144,342

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

As of September 30	Millions of U.S. Dollars			
	2022			
	Fair Value			
	Level 1	Level 2	Level 3	Total
Monetary claims bought	$ —	$ 151	$ 3	$ 154
Held-to-maturity debt securities	—	151	3	154
Securities	11,513	3,539	1,213	16,266
Held-to-maturity debt securities	252	593	1,213	2,059
National government bonds and local government bonds	252	—	—	252
Corporate bonds	—	593	—	593
Foreign bonds	—	—	1,213	1,213
Policy-reserve-matching bonds	11,261	2,946	—	14,207
National government bonds and local government bonds	11,261	319	—	11,580
Corporate bonds	—	2,626	—	2,626
Loans	—	—	2,055	2,055
Policy loans	—	—	214	214
Industrial and consumer loans	—	—	1,840	1,840
Total assets	11,513	3,690	3,271	18,476
Bonds payable	—	683	—	683
Loans payable	—	—	312	312
Total liabilities	—	683	312	996

(3) Description of the evaluation methods and inputs used to measure fair value

i) Securities including monetary claims bought which are treated as securities based on “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10)

Fair values of securities for which unadjusted quoted market prices in active markets are available are categorized as Level 1, which mainly include listed stocks, listed investment trusts and government bonds. In the case the market is inactive even if the quoted market price is available, those securities are categorized as Level 2, which mainly include corporate bonds and foreign bonds. In the case the quoted market price is not available, fair values are measured by evaluation methods such as discounting future cash flows. In evaluation, the Company maximizes the use of observable inputs including swap rates, interest rate swap spreads, currency basis and others. When significant unobservable inputs are used to measure fair values, those securities are categorized as Level 3.

The fair value of unlisted investment trusts, which have no restriction on cancellation that are significant enough to require compensation for risk from market participants, are based on the quoted prices and others offered by counterparty financial institutions and categorized as level 2.

ii) Loans

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

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

iii) Bonds payable

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

iv) Loans payable

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

v) Derivative financial instruments

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

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

(4) Quantitative information about financial assets and liabilities measured and stated in the interim consolidated balance sheet as of September 30, 2022 and consolidated balance sheet as of March 31, 2022 at fair value and categorized as Level 3

i) Quantitative information on significant unobservable inputs

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

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

	Millions of Yen			
	Monetary claims bought	Securities		Derivative financial instruments
For the six months ended September 30, 2022	Available-for- sale securities	Available-for- sale securities		
	Others (i)	Foreign bonds (ii)	Total (i) + (ii)	Stock-related
Beginning balance	¥957	¥29,482	¥30,440	¥ 270
Gains (losses) and other comprehensive income for the interim period:	(19)	(1,816)	(1,835)	(329)
Gains (losses) recorded for the interim period*1	(10)	548	538	(329)
Other comprehensive income recorded for the interim period*2	(9)	(2,364)	(2,373)	—
Net amount of purchase, sale, issue, and settlement	(11)	—	(11)	1,469
Transfer to fair values of Level 3*3	—	41,541	41,541	—
Transfer from fair values of Level 3*4	—	(4,997)	(4,997)	—
Ending balance	926	64,211	65,137	1,409
Net unrealized gains (losses) on financial assets and liabilities held at the balance sheet date among the amount recorded to gains (losses) for the interim period*1	—	548	548	(329)

*1 Those amounts are included in investment income and investment expenses in the interim consolidated statement of income.
*2 Those amounts are included in net unrealized gains (losses) on available-for-sale securities, net of tax in other comprehensive income in the interim consolidated statement of comprehensive income.
*3 Those amounts are transferred from level 2 to level 3 because of lack of observable data. Those transfers were made at the end of the interim period.
*4 Those amounts are transferred from level 3 to level 2 since it has become possible to obtain observable data. Those transfers were made at the end of the interim period.

	Millions of Yen			
	Monetary claims bought	Securities		Derivative financial instruments
For the year ended March 31, 2022	Available-for-sale securities	Available-for-sale securities		
	Others (i)	Foreign bonds (ii)	Total (i) + (ii)	Stock-related
Beginning balance	¥969	¥26,853	¥27,822	¥ —
Gains (losses) and other comprehensive income for the fiscal year:	16	75	91	(24)
Gains (losses) recorded for the fiscal year*1	(20)	2,406	2,385	(24)
Other comprehensive income recorded for the fiscal year*2	36	(2,330)	(2,293)	—
Net amount of purchase, sale, issue, and settlement	(28)	10,711	10,682	294
Transfer to fair values of Level 3	—	—	—	—
Transfer from fair values of Level 3*3	—	(8,157)	(8,157)	—
Ending balance	957	29,482	30,440	270
Net unrealized gains (losses) on financial assets and liabilities held at the balance sheet date among the amount recorded to gains (losses) for the fiscal year*1	—	2,406	2,406	(24)

*1 Those amounts are included in investment income and investment expenses in the consolidated statement of income.
*2 Those amounts are included in net unrealized gains (losses) on available-for-sale securities, net of tax in other comprehensive income in the consolidated statement of comprehensive income.
*3 Those amounts are transferred from level 3 to level 2 since it has become possible to obtain observable data. Those transfers were made at the end of the fiscal year.

	Millions of U.S. Dollars			
	Monetary claims bought	Securities		Derivative financial instruments
	Available-for-sale securities	Available-for-sale securities		
For the six months ended September 30, 2022	Others (i)	Foreign bonds (ii)	Total (i) + (ii)	Stock-related
Beginning balance	$ 6	$ 203	$ 210	$ 1
Gains (losses) and other comprehensive income for the interim period:	(0)	(12)	(12)	(2)
Gains (losses) recorded for the interim period*1	(0)	3	3	(2)
Other comprehensive income recorded for the interim period*2	(0)	(16)	(16)	—
Net amount of purchase, sale, issue, and settlement	(0)	—	(0)	10
Transfer to fair values of Level 3*3	—	286	286	—
Transfer from fair values of Level 3*4	—	(34)	(34)	—
Ending balance	6	443	449	9
Net unrealized gains (losses) on financial assets and liabilities held at the balance sheet date among the amount recorded to gains (losses) for the interim period*1	—	3	3	(2)

*1 Those amounts are included in investment income and investment expenses in the interim consolidated statement of income.
*2 Those amounts are included in net unrealized gains (losses) on available-for-sale securities, net of tax in other comprehensive income in the interim consolidated statement of comprehensive income.
*3 Those amounts are transferred from level 2 to level 3 because of lack of observable data. Those transfers were made at the end of the interim period.
*4 Those amounts are transferred from level 3 to level 2 since it has become possible to obtain observable data. Those transfers were made at the end of the interim period.

iii) Description of the fair value evaluation process

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

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

6. Investments and Rental Properties

The fair values of investment and rental properties are omitted because there have been no significant changes compared with the corresponding fair values at the end of the previous fiscal year.

7. Claims

The total amounts of claims against bankrupt and quasi-bankrupt obligors, claims with collection risk, delinquent loans three or more months past due and restructured loans, which were included in claims, were ¥581 million (US$4 million) and ¥609 million as of September 30, 2022 and as of March 31, 2022, respectively.

i) Claims against bankrupt and quasi-bankrupt obligors were ¥431 million (US$2 million) and ¥453 million as of September 30, 2022 and as of March 31, 2022, respectively.

ii) Claims with collection risk were ¥50 million (US$0 million) and ¥70 million as of September 30, 2022 and as of March 31, 2022, respectively.

iii) Delinquent loans three or more months past due were ¥80 million (US$0 million) and ¥66 million as of September 30, 2022 and as of March 31, 2022, respectively.

iv) Restructured loans were ¥20 million (US$0 million) and ¥20 million as of September 30, 2022 and as of March 31, 2022, respectively.

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

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

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

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

The direct write-offs related to claims decreased the amounts of claims against bankrupt and quasi-bankrupt obligors described above by ¥6 million (US$0 million) and ¥24 million as of September 30, 2022 and as of March 31, 2022, respectively.

8. Separate Accounts

Total assets in separate accounts provided for in Article 118 of the Insurance Business Act were ¥26,286 million (US$181 million) and ¥28,175 million as of September 30, 2022 and as of March 31, 2022, respectively. The amounts of separate account liabilities were the same as separate account assets.

9. Reserve for Dividends to Policyholders

The changes in reserve for dividends to policyholders for the reporting periods ended September 30, 2022 and March 31, 2022 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	For the six months ended September 30, 2022	For the fiscal year ended March 31, 2022	For the six months ended September 30, 2022
Balance at the beginning of the reporting period	¥28,644	¥30,050	$197
Transfer to reserve from surplus in the previous fiscal year	2,121	2,153	14
Dividends to policyholders paid out during the reporting period	1,590	3,562	10
Increase in interest	1	3	0
Balance at the end of the reporting period	¥29,177	¥28,644	$201

10. Pledged Assets

Assets pledged as collateral were securities in the amount of ¥16,137 million (US$111 million) and ¥80,591 million as of September 30, 2022 and as of March 31, 2022, respectively.

11. Unamortized Ceding Commissions

The amounts of unamortized ceding commissions for reinsurance contracts stipulated in Article 1, Paragraph 5 of the Japanese Ministry of Finance Public Notice No. 50, 1996 were ¥16,452 million (US$113 million) and ¥6,391 million as of September 30, 2022 and as of March 31, 2022, respectively.

12. Securities Lent under Lending Agreements

The amounts of securities lent under lending agreements were ¥247,832 million (US$1,711 million) and ¥218,367 million as of September 30, 2022 and as of March 31, 2022, respectively.

13. Redemption of Foundation Funds

The Company redeemed ¥40,000 million (US$276 million) of foundation funds, which is part of ¥80,000 million of foundation funds offered in August 2015, prior to the redemption date. Accompanying the redemption, the Company transferred the same amount from reserve for fund redemption to reserve for redemption of foundation funds in accordance with Article 56 of the Insurance Business Act.

14. Assets with Rights to Sell

The Company has the legal right to sell or collateralize securities borrowed under loan agreements. The market values of these assets that were not sold or pledged as collateral were ¥16,935 million (US$116 million) and ¥25,709 million as of September 30, 2022 and as of March 31, 2022, respectively. No assets were pledged as collateral as of September 30, 2022 and as of March 31, 2022.

15. Commitment Line

As of September 30, 2022 and as of March 31, 2022, there were unused commitment line agreements under which the Company is the lender of ¥12,466 million (US$86 million) and ¥13,947 million, respectively.

16. Subordinated Bonds Payable

As of September 30, 2022 and as of March 31, 2022, bonds payable are subordinated bonds payable, for which the repayments are subordinated to other obligations.

17. Subordinated Loans Payable

As of September 30, 2022 and as of March 31, 2022, other liabilities included subordinated loans payable of ¥44,000 million (US$303 million) and ¥41,000 million, respectively, for which the repayments are subordinated to other obligations.

III. Notes to Interim Consolidated Statements of Income

1. Investment Income and Expenses

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

	Millions of Yen		Millions of U.S. Dollars
For the six months ended September 30	**2022**	**2021**	**2022**
Domestic bonds	¥3,742	¥2,739	$25
Domestic stocks and other securities	801	4,076	5
Foreign securities	6,221	4	42

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

For the six months ended September 30	Millions of Yen 2022	Millions of Yen 2021	Millions of U.S. Dollars 2022
Domestic bonds	¥ 2,628	¥ 17	$18
Domestic stocks and other securities	577	346	3
Foreign securities	13,707	552	94

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

For the six months ended September 30	Millions of Yen 2022	Millions of Yen 2021	Millions of U.S. Dollars 2022
Domestic stocks and other securities	¥—	¥ 4	$—
Foreign securities	2	—	0

2. Reinsurance Revenue and Reinsurance Premiums

The increased amount of unamortized ceding commissions for reinsurance contracts stipulated in Article 1, Paragraph 5 of the Japanese Ministry of Finance Public Notice No. 50, 1996 for the interim period ended September 30, 2022 was ¥11,872 million (US$81 million), which was included in reinsurance revenue among premium and other income.

The decreased amount of unamortized ceding commissions for reinsurance contracts stipulated in Article 1, Paragraph 5 of the Japanese Ministry of Finance Public Notice No. 50, 1996 for the interim period ended September 30, 2022 was ¥1,812 million (US$12 million), which was included in reinsurance premiums among claims and other payments.

3. Income Tax Expense

The simplified method is applied for tax effect accounting to calculate income tax expense for the interim period ended September 30. Therefore, deferred taxes are included in income taxes.

Independent Auditor's Review Report

The Board of Directors
Asahi Mutual Life Insurance Company

We have reviewed the accompanying interim non-consolidated financial statements of Asahi Mutual Life Insurance Company (the Company), which comprise the interim non-consolidated balance sheet as at September 30, 2022, the interim non-consolidated statements of income and changes in net assets for the six-month periods ended September 30, 2022 and 2021 and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Interim Non-Consolidated Financial Statements

Management is responsible for the preparation of these interim non-consolidated financial statements in accordance with the Insurance Business Act and related rules and regulations applicable to the mutual life industry and accounting principles for semiannual financial statements generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation of interim non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on these interim non-consolidated financial statements based on our review. We conducted our review in accordance with the Practical Guidelines on Review Engagements 2400 (JICPA Auditing Standards Committee Practical Guidelines No.1, January 26, 2016). Practical Guidelines on Review Engagements 2400 requires us to conclude whether, on the basis of our review, anything has come to our attention that causes us to believe that the interim non-consolidated financial statements are not, in all material respects, prepared in accordance with the Insurance Business Act and related rules and regulations applicable to the mutual life industry and accounting principles for semiannual financial statements generally accepted in Japan. Practical Guidelines on Review Engagements 2400 also requires that we comply with the Code of Professional Ethics in Japan.

A review of interim financial statements conducted in accordance with the Practical Guidelines on Review Engagements 2400 is a limited assurance engagement. The review consists of making inquiries, primarily of management and persons responsible for financial and accounting matters and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in Japan. Accordingly, we do not express an audit opinion on the interim non-consolidated financial statements.

Auditor's Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim non-consolidated financial statements referred to above have not been prepared, in all material respects, in accordance with the Insurance Business Act and related rules and regulations applicable to the mutual life industry and accounting principles for semiannual financial statements generally accepted in Japan.

We have previously audited, in accordance with auditing standards generally accepted in Japan, the non-consolidated balance sheet of the Company as at March 31, 2022, and the related non-consolidated statements of income, changes in net assets and proposed appropriation of surplus(loss) for the year then ended (not presented herein); and in our report dated July 29, 2022, we expressed an unqualified opinion on those non-consolidated financial statements. In our opinion, the information set forth in the accompanying interim non-consolidated balance sheet as at March 31, 2022, is fairly stated, in all material respects, in relation to the non-consolidated balance sheet from which it has been derived.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Convenience Translation

We have reviewed the translation of these interim non-consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, based on our review, the accompanying interim non-consolidated financial statements have been properly translated on the basis described in Note I.2.

Ernst & Young ShinNihon LLC
Tokyo, Japan
December 12, 2022

/S/ Yuji Ozawa

Yuji Ozawa
Designated Engagement Partner
Certified Public Accountant

/S/ Makoto Kubodera

Makoto Kubodera
Designated Engagement Partner
Certified Public Accountant

Interim Non-consolidated Balance Sheets
Asahi Mutual Life Insurance Company

	Millions of Yen		Millions of U.S. Dollars
	Interim Non-consolidated Balance Sheet As of September 30, 2022	Annual Non-consolidated Balance Sheet As of March 31, 2022	Interim Non-consolidated Balance Sheet As of September 30, 2022
ASSETS:			
Cash and deposits	¥ 35,318	¥ 35,852	$ 243
Call loans	66,000	111,000	455
Monetary claims bought	21,281	22,534	146
Securities	4,444,794	4,565,837	30,693
Loans	292,608	311,416	2,020
Tangible fixed assets	365,585	368,550	2,524
Intangible fixed assets	30,458	28,743	210
Agency accounts receivable	11	11	0
Reinsurance receivables	229	393	1
Other assets	45,642	60,054	315
Prepaid pension cost	282	318	1
Deferred tax assets	21,109	—	145
Allowance for possible loan losses	(712)	(550)	(4)
Total assets	**¥5,322,608**	**¥5,504,161**	**$36,755**
LIABILITIES:			
Policy reserves and other reserves:			
Reserve for outstanding claims	¥ 36,590	¥ 32,018	$ 252
Policy reserves	4,314,092	4,365,068	29,791
Reserve for dividends to policyholders	29,177	28,644	201
	4,379,859	4,425,731	30,245
Reinsurance payables	313	752	2
Bonds payable	102,424	102,424	707
Other liabilities:			
Income taxes payable	1,792	4,474	12
Lease obligations	1,705	2,194	11
Asset retirement obligations	918	914	6
Others	339,651	368,354	2,345
	344,067	375,938	2,375
Reserve for employees' retirement benefits	29,544	29,847	204
Reserve for price fluctuation	49,470	48,210	341
Deferred tax liabilities	—	3,622	—
Deferred tax liabilities for land revaluation	15,591	15,711	107
Total liabilities	**4,921,271**	**5,002,238**	**33,984**
NET ASSETS:			
Foundation funds	51,000	91,000	352
Reserve for redemption of foundation funds	206,000	166,000	1,422
Reserve for revaluation	281	281	1
Surplus:			
Reserve for future losses	366	347	2
Other surplus:			
Reserve for fund redemption	22,600	53,500	156
Equalized reserve for dividends to policyholders	7,093	6,983	48
Unappropriated surplus (loss)	54,960	56,614	379
Subtotal	84,653	117,097	584
	85,019	117,444	587
Total foundation funds and others	342,301	374,726	2,363
Net unrealized gains (losses) on available-for-sale securities, net of tax	106,083	173,936	732
Land revaluation differences	(47,047)	(46,739)	(324)
Total valuation and translation adjustments	59,036	127,197	407
Total net assets	**401,337**	**501,923**	**2,771**
Total liabilities and net assets	**¥5,322,608**	**¥5,504,161**	**$36,755**

Interim Non-consolidated Statements of Income
Asahi Mutual Life Insurance Company

For the six months ended September 30	Millions of Yen 2022	Millions of Yen 2021	Millions of U.S. Dollars 2022
Ordinary income:			
Premium and other income:			
Insurance premiums	¥188,073	¥191,636	$1,298
	188,630	192,500	1,302
Investment income:			
Interest, dividends and other income	61,896	60,008	427
Gains on sales of securities	10,764	6,820	74
Investment gains on separate accounts	—	1,365	—
	80,711	71,818	557
Other ordinary income	56,168	33,484	387
Total ordinary income	**325,510**	**297,802**	**2,247**
Ordinary expenses:			
Claims and other payments:			
Claims	53,258	53,257	367
Annuities	52,991	55,666	365
Benefits	48,606	33,516	335
Surrender benefits	40,117	38,700	277
	197,201	183,528	1,361
Provision for policy reserves and other reserves:			
Provision for reserve for outstanding claims	4,571	4	31
Provision for interest on policyholders' dividend reserves	1	1	0
	4,573	5	31
Investment expenses:			
Interest expenses	1,834	2,586	12
Losses on sales of securities	16,913	916	116
Losses on valuation of securities	2	4	0
Investment losses on separate accounts	949	—	6
	36,826	14,431	254
Operating expenses	52,214	56,901	360
Other ordinary expenses	16,613	16,592	114
Total ordinary expenses	**307,429**	**271,460**	**2,122**
Ordinary profit	**18,080**	**26,342**	**124**
Extraordinary gains	**242**	**340**	**1**
Extraordinary losses	**1,908**	**1,916**	**13**
Surplus before income taxes	**16,415**	**24,767**	**113**
Income taxes including deferred taxes	**2,987**	**5,491**	**20**
Total income taxes	**2,987**	**5,491**	**20**
Net surplus	**¥ 13,427**	**¥ 19,276**	**$ 92**

Interim Non-consolidated Statements of Changes in Net Assets
Asahi Mutual Life Insurance Company

	Millions of Yen								
	Foundation funds and others								
				Surplus					
					Other surplus				
For the six months ended September 30, 2022	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Reserve for future losses	Reserve for fund redemption	Equalized reserve for dividends to policyholders	Unappropriated surplus (loss)	Total surplus	Total foundation funds and others
Beginning balance	**¥ 91,000**	**¥166,000**	**¥281**	**¥347**	**¥ 53,500**	**¥6,983**	**¥56,614**	**¥117,444**	**¥374,726**
Changes in the interim period:									
Additions to reserve for dividends to policyholders							(2,121)	(2,121)	(2,121)
Additions to reserve for future losses				19			(19)		
Additions to reserve for redemption of foundation funds		40,000			(40,000)			(40,000)	
Payment of interest on foundation funds							(4,040)	(4,040)	(4,040)
Net surplus							13,427	13,427	13,427
Redemption of foundation funds	(40,000)								(40,000)
Additions to reserve for fund redemption					9,100		(9,100)		
Additions to equalized reserve for dividends to policyholders						110	(110)		
Reversal of land revaluation differences							308	308	308
Net changes, excluding foundation funds and others									
Net changes in the interim period	**(40,000)**	**40,000**	**—**	**19**	**(30,900)**	**110**	**(1,654)**	**(32,425)**	**(32,425)**
Ending balance	**¥ 51,000**	**¥206,000**	**¥281**	**¥366**	**¥ 22,600**	**¥7,093**	**¥54,960**	**¥ 85,019**	**¥342,301**

	Millions of Yen			
	Valuation and translation adjustments			
For the six months ended September 30, 2022	Net unrealized gains (losses) on available-for-sale securities, net of tax	Land revaluation differences	Total valuation and translation adjustments	Total net assets
Beginning balance	**¥173,936**	**¥(46,739)**	**¥127,197**	**¥ 501,923**
Changes in the interim period:				
Additions to reserve for dividends to policyholders				**(2,121)**
Additions to reserve for future losses				
Additions to reserve for redemption of foundation funds				
Payment of interest on foundation funds				**(4,040)**
Net surplus				**13,427**
Redemption of foundation funds				**(40,000)**
Additions to reserve for fund redemption				
Additions to equalized reserve for dividends to policyholders				
Reversal of land revaluation differences				**308**
Net changes, excluding foundation funds and others	(67,852)	(308)	(68,160)	**(68,160)**
Net changes in the interim period	**(67,852)**	**(308)**	**(68,160)**	**(100,586)**
Ending balance	**¥106,083**	**¥(47,047)**	**¥ 59,036**	**¥ 401,337**

Interim Non-consolidated Statements of Changes in Net Assets—(Continued)
Asahi Mutual Life Insurance Company

For the six months ended September 30, 2021	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Reserve for future losses	Reserve for fund redemption	Equalized reserve for dividends to policyholders	Unappropriated surplus (loss)	Total surplus	Total foundation funds and others
	Millions of Yen								
	Foundation funds and others								
				Surplus					
					Other surplus				
Beginning balance	**¥91,000**	**¥166,000**	**¥281**	**¥328**	**¥44,400**	**¥7,091**	**¥47,558**	**¥ 99,378**	**¥356,660**
Changes in the interim period:									
Additions to reserve for dividends to policyholders							(2,153)	(2,153)	(2,153)
Additions to reserve for future losses				19			(19)		
Payment of interest on foundation funds							(4,089)	(4,089)	(4,089)
Net surplus							19,276	19,276	19,276
Additions to reserve for fund redemption					9,100		(9,100)		
Reversal of equalized reserve for dividends to policyholders						(108)	108		
Reversal of land revaluation differences							257	257	257
Net changes, excluding foundation funds and others									
Net changes in the interim period	**—**	**—**	**—**	**19**	**9,100**	**(108)**	**4,279**	**13,290**	**13,290**
Ending balance	**¥91,000**	**¥166,000**	**¥281**	**¥347**	**¥53,500**	**¥6,983**	**¥51,838**	**¥112,668**	**¥369,950**

For the six months ended September 30, 2021	Net unrealized gains (losses) on available-for-sale securities, net of tax	Land revaluation differences	Total valuation and translation adjustments	Total net assets
	Millions of Yen			
	Valuation and translation adjustments			
Beginning balance	**¥213,200**	**¥(45,354)**	**¥167,845**	**¥524,505**
Changes in the interim period:				
Additions to reserve for dividends to policyholders				**(2,153)**
Additions to reserve for future losses				
Payment of interest on foundation funds				**(4,089)**
Net surplus				**19,276**
Additions to reserve for fund redemption				
Reversal of equalized reserve for dividends to policyholders				
Reversal of land revaluation differences				**257**
Net changes, excluding foundation funds and others	8,688	(257)	8,431	**8,431**
Net changes in the interim period	**8,688**	**(257)**	**8,431**	**21,722**
Ending balance	**¥221,889**	**¥(45,612)**	**¥176,277**	**¥546,228**

Interim Non-consolidated Statements of Changes in Net Assets—(Continued)

Asahi Mutual Life Insurance Company

For the six months ended September 30, 2022	Millions of U.S. Dollars								
	Foundation funds and others								
				Surplus					
					Other surplus				
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Reserve for future losses	Reserve for fund redemption	Equalized reserve for dividends to policyholders	Unappropriated surplus (loss)	Total surplus	Total foundation funds and others
Beginning balance	**$ 628**	**$1,146**	**$ 1**	**$2**	**$ 369**	**$48**	**$390**	**$ 811**	**$2,587**
Changes in the interim period:									
Additions to reserve for dividends to policyholders							(14)	(14)	(14)
Additions to reserve for future losses				0			(0)		
Additions to reserve for redemption of foundation funds		276			(276)			(276)	
Payment of interest on foundation funds							(27)	(27)	(27)
Net surplus							92	92	92
Redemption of foundation funds	(276)								(276)
Additions to reserve for fund redemption					62		(62)		
Additions to equalized reserve for dividends to policyholders						0	(0)		
Reversal of land revaluation differences							2	2	2
Net changes, excluding foundation funds and others									
Net changes in the interim period	**(276)**	**276**	**—**	**0**	**(213)**	**0**	**(11)**	**(223)**	**(223)**
Ending balance	**$ 352**	**$1,422**	**$ 1**	**$2**	**$ 156**	**$48**	**$379**	**$ 587**	**$2,363**

For the six months ended September 30, 2022	Millions of U.S. Dollars			
	Valuation and translation adjustments			
	Net unrealized gains (losses) on available-for-sale securities, net of tax	Land revaluation differences	Total valuation and translation adjustments	Total net assets
Beginning balance	**$1,201**	**$(322)**	**$ 878**	**$3,466**
Changes in the interim period:				
Additions to reserve for dividends to policyholders				**(14)**
Additions to reserve for future losses				
Additions to reserve for redemption of foundation funds				
Payment of interest on foundation funds				**(27)**
Net surplus				**92**
Redemption of foundation funds				**(276)**
Additions to reserve for fund redemption				
Additions to equalized reserve for dividends to policyholders				
Reversal of land revaluation differences				**2**
Net changes, excluding foundation funds and others	(468)	(2)	(470)	**(470)**
Net changes in the interim period	**(468)**	**(2)**	**(470)**	**(694)**
Ending balance	**$ 732**	**$(324)**	**$ 407**	**$2,771**

Notes to Interim Non-consolidated Financial Statements
Asahi Mutual Life Insurance Company

I. Presentation of Interim Non-consolidated Financial Statements

1. Basis of Presentation

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

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

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

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

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

2. U.S. Dollar Amounts

The translations of yen amounts into U.S. dollar amounts are included solely for the convenience of the reader and have been made, as a matter of arithmetical computation only, at the rate of ¥144.81 = US$1.00, the effective rate of exchange at the balance sheet date of September 30, 2022.

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

II. Notes to Interim Non-consolidated Balance Sheets

1. Significant Accounting Policies

(1) Valuation methods of securities

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

i) Trading securities are stated at fair market value. Costs of sales are determined by the moving average method.

ii) Held-to-maturity debt securities are stated at amortized cost (straight-line method) determined by the moving average method.

iii) Policy-reserve-matching bonds, which are in accordance with "Temporary Treatment of Accounting and Auditing Concerning Policy-reserve-matching Bonds in Insurance Industry" (Industry Audit Committee Report No. 21 issued by the Japanese Institute of Certified Public Accountants ("JICPA")), are stated at amortized cost (straight-line method) determined by the moving average method.

iv) Investments in subsidiaries and affiliates are stated at cost.

v) Available-for-sale securities except for the following are stated at fair market value based on the market prices at the balance sheet date, of which costs of sales are determined by the moving average method. Available-for-sale securities, of which public and corporate bonds including foreign bonds with the difference between acquisition cost and face value considered as an adjustment of interest, are stated at amortized cost (straight-line method) determined by the moving average method. Stocks and others without a market price are stated at cost determined by the moving average method. Net unrealized gains or losses on these available-for-sale securities, net of tax, are recorded as a separate component of net assets.

(2) Policy-reserve-matching bonds

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

(3) Valuation methods of derivative financial instruments

Derivative financial instruments are stated at fair market value.

(4) Revaluation of land

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

- Date of revaluation: March 31, 2001

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

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

(5) Depreciation of tangible fixed assets

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

(For the interim reporting purposes, the amount for the semi-annual period is determined.)

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

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

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

(6) Foreign currency translation

Foreign currency-denominated assets and liabilities are translated into Japanese yen at the effective exchange rate prevailing at the balance sheet date.

(7) Allowance for possible loan losses

Allowance for possible loan losses is provided in accordance with the Company's standards of self-assessment and write-offs and reserves on credit quality:

i) For credit to borrowers who are legally bankrupt such as being in bankruptcy proceedings or civil rehabilitation (hereinafter "legally bankrupt borrowers") and who are substantially bankrupt (hereinafter "substantially bankrupt borrowers"), the Company provides the remaining amount of credits after the direct write-off described below and the deductions of the amount expected to be collected through the disposal of collateral or the execution of guarantees.

ii) For credit to borrowers who are not currently bankrupt but have a high risk of bankruptcy (hereinafter "borrowers with high possibility of bankruptcy"), the Company provides the amounts deemed as necessary considering the borrowers' ability to pay, within the amounts after deductions of the amount expected to be collected through the disposal of collateral or the execution of guarantees.

iii) For credit to borrowers other than the above, the Company provides the amounts calculated by multiplying the book value by the actual ratio of bad debt losses on defaults during a certain past period.

All credit is assessed by the relevant departments in accordance with the Company's standards of self-assessment on credit quality. The results of the assessment are reviewed by the audit department, which is independent of business-related divisions. Subsequently, allowance for possible loan losses is provided based on the results of these assessments.

For credit to legally bankrupt borrowers and substantially bankrupt borrowers, the amounts remaining after deductions of collateral value or the amounts collectible through the execution of guarantees are written-off directly from the book value as the estimated uncollectible amounts. The amounts written-off were ¥6 million (US$0 million) and ¥24 million as of September 30, 2022 and as of March 31, 2022, respectively.

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

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

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

- The retirement benefit obligation is attributed to each period by the benefit formula method.

- Actuarial differences are amortized under the straight-line method over a period of seven years starting the following year.

- Prior service cost is charged to income when incurred.

(9) Reserve for price fluctuation

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

(10) Accounting for hedging activities

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

The Company mainly applies the following hedging activities:

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

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

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

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

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

(11) Accounting for consumption taxes

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

Consumption taxes other than deferred consumption taxes are recognized as an expense for the current interim period.

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

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

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

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

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

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

(14) Policy reserves

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

Of policy reserves, the premium reserves at the end of the interim period are calculated by the following method:

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

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

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

(15) Software

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

2. Accounting Changes

The Company has applied "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, revised on June 17, 2021) from the reporting period ended September 30, 2022.

In accordance with the transitional treatment set forth in Paragraph 27-2 of Implementation Guidance on Accounting Standard for Fair Value Measurement, the Company has applied new accounting policies prospectively. Following this, some investment trusts are categorized into some levels in the following "Note 5. Matters Concerning Fair Value of Major Financial Instruments and Breakdown by Input Level".

Note for the fiscal year ended March 31, 2022

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

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

3. Group Tax Sharing System

The Company has applied the group tax sharing system from the reporting period ended September 30, 2022. As a result, the Company has applied the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (ASBJ PITF No.42, issued on August 12, 2021) to the accounting and disclosure treatment of corporate tax, local corporate tax and tax effect accounting.

4. Financial Instruments

The balance sheet amounts, fair values and the differences between those of major financial assets and liabilities as of September 30, 2022 and as of March 31, 2022 were as follows. The following table does not include cash and deposits, call loans and payables under securities borrowing transactions which are mostly settled in a short term and their fair values approximate their book values.

As of September 30	Millions of Yen 2022 Balance Sheet Amount	Fair Value	Difference
Monetary claims bought	¥ 21,281	¥ 23,350	¥ 2,069
Held-to-maturity debt securities	20,355	22,424	2,069
Available-for-sale securities	926	926	—
Securities	4,322,542	4,355,888	33,345
Trading securities	25,627	25,627	—
Held-to-maturity debt securities	273,578	298,195	24,617
Policy-reserve-matching bonds	2,048,634	2,057,362	8,728
Available-for-sale securities	1,974,702	1,974,702	—
Loans	292,608	297,621	5,013
Policy loans	31,113	31,113	—
Industrial and consumer loans	261,494	266,508	5,013
Total assets	4,636,432	4,676,860	40,427
Bonds payable	102,424	99,046	(3,377)
Loans payable	44,000	45,295	1,295
Total liabilities	146,424	144,342	(2,081)
Derivative financial instruments	(18,846)	(18,846)	—
Hedge accounting not applied	(1,805)	(1,805)	—
Hedge accounting applied	(17,040)	(17,040)	—

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

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

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

As of September 30	Millions of U.S. Dollars		
	2022		
	Balance Sheet Amount	Fair Value	Difference
Monetary claims bought	$ 146	$ 161	$ 14
Held-to-maturity debt securities	140	154	14
Available-for-sale securities	6	6	—
Securities	29,849	30,080	230
Trading securities	176	176	—
Held-to-maturity debt securities	1,889	2,059	169
Policy-reserve-matching bonds	14,147	14,207	60
Available-for-sale securities	13,636	13,636	—
Loans	2,020	2,055	34
Policy loans	214	214	—
Industrial and consumer loans	1,805	1,840	34
Total assets	32,017	32,296	279
Bonds payable	707	683	(23)
Loans payable	303	312	8
Total liabilities	1,011	996	(14)
Derivative financial instruments	(130)	(130)	—
Hedge accounting not applied	(12)	(12)	—
Hedge accounting applied	(117)	(117)	—

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

Unlisted stocks and others, including investments in subsidiaries and affiliates, without market prices are not included in the table above. The amounts of the unlisted stocks and others, including investments in subsidiaries and affiliates, reported in the interim non-consolidated balance sheets were ¥67,915 million (US$468 million) and ¥51,645 million as of September 30, 2022 and as of March 31, 2022, respectively.

Investment trusts for which the treatments are applied in accordance with Paragraph 24-3 and 24-9 of "Implementation Guidance on Accounting Standard for Fair Value Measurement" are included in the table above.

Investments in partnerships and others for which the treatments are applied in accordance with Paragraph 24-16 of "Implementation Guidance on Accounting Standard for Fair Value Measurement" are not included in the table above. The amount of the investments in partnerships and others, reported in the interim non-consolidated balance sheet was ¥54,336 million (US$375 million) as of September 30, 2022.

Note for the fiscal year ended March 31, 2022

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

5. Matters Concerning Fair Value of Major Financial Instruments and Breakdown by Input Level

Fair values of financial instruments are categorized into the following three levels in accordance with the observability and significance of the inputs used to measure the fair value.

Level 1: Fair values measured by unadjusted quoted prices in active markets for identical assets or liabilities

Level 2: Fair values measured by inputs which are directly or indirectly observable other than Level 1 inputs

Level 3: Fair values measured by significant unobservable inputs

When several inputs that have significant impact on fair value measurement are used and those inputs are categorized into different levels, the fair value is categorized into the lowest priority level for fair value measurement among the levels to which each of the inputs belongs.

(1) Financial assets and liabilities recorded at fair values on the interim non-consolidated balance sheet as of September 30, 2022 and non-consolidated balance sheet as of March 31, 2022

As of September 30	Millions of Yen			
	2022			
	Fair Value			
	Level 1	Level 2	Level 3	Total
Monetary claims bought	¥ —	¥ —	¥ 926	¥ 926
Available-for-sale securities	—	—	926	926
Securities*1	585,275	1,201,905	64,211	1,851,391
Trading securities	23,538	2,089	—	25,627
National government bonds and local government bonds	6,307	—	—	6,307
Corporate bonds	—	1,289	—	1,289
Domestic stocks	7,467	—	—	7,467
Foreign stocks	6,923	—	—	6,923
Foreign bonds	2,840	799	—	3,639
Available-for-sale securities	561,737	1,199,815	64,211	1,825,764
National government bonds and local government bonds	35,761	6,207	—	41,968
Corporate bonds	—	477,314	—	477,314
Domestic stocks	376,912	—	—	376,912
Foreign bonds	64,494	539,463	64,211	668,168
Others	84,568	176,830	—	261,399
Total assets	585,275	1,201,905	65,137	1,852,318
Derivative financial instruments*2	—	(20,256)	1,409	(18,846)
Currency-related	—	(20,256)	—	(20,256)
Stock-related	—	—	1,409	1,409

*1 Investment trusts for which the treatments are applied in accordance with Paragraph 24-3 and 24-9 of “Implementation Guidance on Accounting Standard for Fair Value Measurement” are not included in the table above. The amount of the investment trusts for which the treatments are applied in accordance with Paragraph 24-3 of the implementation guidance, reported in the interim non-consolidated balance sheet was ¥143,760 million (US$992 million) as of September 30, 2022.
The amount of the investment trusts for which the treatments are applied in accordance with Paragraph 24-9 of the implementation guidance, reported in the interim non-consolidated balance sheet was ¥5,178 million (US$35 million) as of September 30, 2022.

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

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

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

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

As of September 30	Millions of U.S. Dollars			
	2022			
	Fair Value			
	Level 1	Level 2	Level 3	Total
Monetary claims bought	$ —	$ —	$ 6	$ 6
Available-for-sale securities	—	—	6	6
Securities*1	4,041	8,299	443	12,784
Trading securities	162	14	—	176
National government bonds and local government bonds	43	—	—	43
Corporate bonds	—	8	—	8
Domestic stocks	51	—	—	51
Foreign stocks	47	—	—	47
Foreign bonds	19	5	—	25
Available-for-sale securities	3,879	8,285	443	12,607
National government bonds and local government bonds	246	42	—	289
Corporate bonds	—	3,296	—	3,296
Domestic stocks	2,602	—	—	2,602
Foreign bonds	445	3,725	443	4,614
Others	583	1,221	—	1,805
Total assets	4,041	8,299	449	12,791
Derivative financial instruments*2	—	(139)	9	(130)
Currency-related	—	(139)	—	(139)
Stock-related	—	—	9	9

*1 Investment trusts for which the treatments are applied in accordance with Paragraph 24-3 and 24-9 of "Implementation Guidance on Accounting Standard for Fair Value Measurement" are not included in the table above.The amount of the investment trusts for which the treatments are applied in accordance with Paragraph 24-3 of the implementation guidance, reported in the interim non-consolidated balance sheet was ¥143,760 million (US$992 million) as of September 30, 2022.
The amount of the investment trusts for which the treatments are applied in accordance with Paragraph 24-9 of the implementation guidance, reported in the interim non-consolidated balance sheet was ¥5,178 million (US$35 million) as of September 30, 2022.
*2 Assets and liabilities generated by derivative financial instruments are offset and presented net. Net liabilities in total are presented in parentheses.

i) Investment trusts for which the treatments are applied in accordance with Paragraph 24-3 and 24-9 of "Implementation Guidance on Accounting Standard for Fair Value Measurement"

a) Reconciliation between the beginning and ending balance, and net unrealized gains (losses) recognized as gains (losses) for the interim period, of the investment trusts for which the treatments are applied in accordance with Paragraph 24-3 of "Implementation Guidance on Accounting Standard for Fair Value Measurement"

For the six months ended September 30	Millions of Yen	Millions of U.S. Dollars
	2022	2022
Beginning balance	¥121,141	$836
Gains (losses) and net unrealized gains (losses) on available-for-sale securities, net of tax recorded for the interim period:	13,686	94
Gains (losses) recorded for the interim period*	1,027	7
Net unrealized gains (losses) on available-for-sale securities, net of tax recorded for the interim period	12,658	87
Net amount of purchase, sale, and redemption	8,932	61
Amount of investment trusts whose NAV is deemed as market value	—	—
Amount of investment trusts whose NAV is not deemed as market value	—	—
Ending balance	143,760	992
Net unrealized gains (losses) on investment trusts held at the balance sheet date among the amount recorded to gains (losses) for the interim period*	1,027	7

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

b) Breakdown of balance by restriction on cancellation as of the end of interim period

As of September 30	Millions of Yen 2022	Millions of U.S. Dollars 2022
Investment trusts which need more than 1 month to cancel from the notification of cancellation	¥ 50,807	$350
Other than above	92,952	641

c) Reconciliation between the beginning and ending balance, and net unrealized gains (losses) recognized as gains (losses) for the interim period, of the investment trusts for which the treatments are applied in accordance with Paragraph 24-9 of "Implementation Guidance on Accounting Standard for Fair Value Measurement"

For the six months ended September 30	Millions of Yen 2022	Millions of U.S. Dollars 2022
Beginning balance	¥ 5,104	$ 35
Gains (losses) and net unrealized gains (losses) on available-for-sale securities, net of tax recorded for the interim period:	74	0
Gains (losses) recorded for the interim period*	—	—
Net unrealized gains (losses) on available-for-sale securities, net of tax recorded for the interim period	74	0
Net amount of purchase, sale, and redemption	(0)	(0)
Amount of investment trusts whose NAV is deemed as market value	—	—
Amount of investment trusts whose NAV is not deemed as market value	—	—
Ending balance	5,178	35
Net unrealized gains (losses) on investment trusts held at the balance sheet date among the amount recorded to gains (losses) for the interim period*	—	—

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

(2) Financial assets and liabilities not recorded at fair values on the interim non-consolidated balance sheet as of September 30, 2022 and non-consolidated balance sheet as of March 31, 2022

As of September 30	Millions of Yen			
	2022			
	Fair Value			
	Level 1	Level 2	Level 3	Total
Monetary claims bought	¥ —	¥ 21,945	¥ 478	¥ 22,424
Held-to-maturity debt securities	—	21,945	478	22,424
Securities	1,667,307	512,540	175,709	2,355,558
Held-to-maturity debt securities	36,592	85,893	175,709	298,195
National government bonds and local government bonds	36,592	—	—	36,592
Corporate bonds	—	85,893	—	85,893
Foreign bonds	—	—	175,709	175,709
Policy-reserve-matching bonds	1,630,715	426,647	—	2,057,362
National government bonds and local government bonds	1,630,715	46,261	—	1,676,976
Corporate bonds	—	380,386	—	380,386
Loans	—	—	297,621	297,621
Policy loans	—	—	31,113	31,113
Industrial and consumer loans	—	—	266,508	266,508
Total assets	1,667,307	534,486	473,809	2,675,603
Bonds payable	—	99,046	—	99,046
Loans payable	—	—	45,295	45,295
Total liabilities	—	99,046	45,295	144,342

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

As of September 30	Millions of U.S. Dollars			
	2022			
	Fair Value			
	Level 1	Level 2	Level 3	Total
Monetary claims bought	$ —	$ 151	$ 3	$ 154
Held-to-maturity debt securities	—	151	3	154
Securities	11,513	3,539	1,213	16,266
Held-to-maturity debt securities	252	593	1,213	2,059
National government bonds and local government bonds	252	—	—	252
Corporate bonds	—	593	—	593
Foreign bonds	—	—	1,213	1,213
Policy-reserve-matching bonds	11,261	2,946	—	14,207
National government bonds and local government bonds	11,261	319	—	11,580
Corporate bonds	—	2,626	—	2,626
Loans	—	—	2,055	2,055
Policy loans	—	—	214	214
Industrial and consumer loans	—	—	1,840	1,840
Total assets	11,513	3,690	3,271	18,476
Bonds payable	—	683	—	683
Loans payable	—	—	312	312
Total liabilities	—	683	312	996

(3) Description of the evaluation methods and inputs used to measure fair value

i) Securities including monetary claims bought which are treated as securities based on “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10)

Fair values of securities for which unadjusted quoted market prices in active markets are available are categorized as Level 1, which mainly include listed stocks, listed investment trusts and government bonds. In the case the market is inactive even if the quoted market price is available, those securities are categorized as Level 2, which mainly include corporate bonds and foreign bonds. In the case the quoted market price is not available, fair values are measured by evaluation methods such as discounting future cash flows. In evaluation, the Company maximizes the use of observable inputs including swap rates, interest rate swap spreads, currency basis and others. When significant unobservable inputs are used to measure fair values, those securities are categorized as Level 3.

The fair value of unlisted investment trusts, which have no restriction on cancellation that are significant enough to require compensation for risk from market participants, are based on the quoted prices and others offered by counterparty financial institutions and categorized as level 2.

ii) Loans

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

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

iii) Bonds payable

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

iv) Loans payable

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

v) Derivative financial instruments

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

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

(4) Quantitative information about financial assets and liabilities measured and stated in the interim non-consolidated balance sheet as of September 30, 2022 and non-consolidated balance sheet as of March 31, 2022 at fair value and categorized as Level 3

i) Quantitative information on significant unobservable inputs

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

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

	Millions of Yen			
	Monetary claims bought	Securities		Derivative financial instruments
For the six months ended September 30, 2022	Available-for-sale securities	Available-for-sale securities		
	Others (i)	Foreign bonds (ii)	Total (i) + (ii)	Stock-related
Beginning balance	¥957	¥29,482	¥30,440	¥ 270
Gains (losses) and net unrealized gains (losses) on available-for-sale securities, net of tax recorded for the interim period:	(19)	(1,816)	(1,835)	(329)
Gains (losses) recorded for the interim period*1	(10)	548	538	(329)
Net unrealized gains (losses) on available-for-sale securities, net of tax recorded for the interim period	(9)	(2,364)	(2,373)	—
Net amount of purchase, sale, issue, and settlement	(11)	—	(11)	1,469
Transfer to fair values of Level 3*2	—	41,541	41,541	—
Transfer from fair values of Level 3*3	—	(4,997)	(4,997)	—
Ending balance	926	64,211	65,137	1,409
Net unrealized gains (losses) on financial assets and liabilities held at the balance sheet date among the amount recorded to gains (losses) for the interim period*1	—	548	548	(329)

*1 Those amounts are included in investment income and investment expenses in the interim non-consolidated statement of income.
*2 Those amounts are transferred from level 2 to level 3 because of lack of observable data. Those transfers were made at the end of the interim period.
*3 Those amounts are transferred from level 3 to level 2 since it has become possible to obtain observable data. Those transfers were made at the end of the interim period.

For the year ended March 31, 2022	Millions of Yen			
	Monetary claims bought	Securities		Derivative financial instruments
	Available-for-sale securities	Available-for-sale securities		
	Others (i)	Foreign bonds (ii)	Total (i) + (ii)	Stock-related
Beginning balance	¥969	¥26,853	¥27,822	¥ —
Gains (losses) and net unrealized gains (losses) on available-for-sale securities, net of tax recorded for the fiscal year:	16	75	91	(24)
Gains (losses) recorded for the fiscal year*1	(20)	2,406	2,385	(24)
Net unrealized gains (losses) on available-for-sale securities, net of tax recorded for the fiscal year	36	(2,330)	(2,293)	—
Net amount of purchase, sale, issue, and settlement	(28)	10,711	10,682	294
Transfer to fair values of Level 3	—	—	—	—
Transfer from fair values of Level 3*2	—	(8,157)	(8,157)	—
Ending balance	957	29,482	30,440	270
Net unrealized gains (losses) on financial assets and liabilities held at the balance sheet date among the amount recorded to gains (losses) for the fiscal year*1	—	2,406	2,406	(24)

*1 Those amounts are included in investment income and investment expenses in the non-consolidated statement of income.
*2 Those amounts are transferred from level 3 to level 2 since it has become possible to obtain observable data. Those transfers were made at the end of the fiscal year.

For the six months ended September 30, 2022	Millions of U.S. Dollars			
	Monetary claims bought	Securities		Derivative financial instruments
	Available-for-sale securities	Available-for-sale securities		
	Others (i)	Foreign bonds (ii)	Total (i) + (ii)	Stock-related
Beginning balance	$ 6	$ 203	$ 210	$ 1
Gains (losses) and net unrealized gains (losses) on available-for-sale securities, net of tax recorded for the interim period:	(0)	(12)	(12)	(2)
Gains (losses) recorded for the interim period*1	(0)	3	3	(2)
Net unrealized gains (losses) on available-for-sale securities, net of tax recorded for the interim period	(0)	(16)	(16)	—
Net amount of purchase, sale, issue, and settlement	(0)	—	(0)	10
Transfer to fair values of Level 3*2	—	286	286	—
Transfer from fair values of Level 3*3	—	(34)	(34)	—
Ending balance	6	443	449	9
Net unrealized gains (losses) on financial assets and liabilities held at the balance sheet date among the amount recorded to gains (losses) for the interim period*1	—	3	3	(2)

*1 Those amounts are included in investment income and investment expenses in the interim non-consolidated statement of income.
*2 Those amounts are transferred from level 2 to level 3 because of lack of observable data. Those transfers were made at the end of the interim period.
*3 Those amounts are transferred from level 3 to level 2 since it has become possible to obtain observable data. Those transfers were made at the end of the interim period.

iii) Description of the fair value evaluation process

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

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

6. Investments and Rental Properties

The fair values of investment and rental properties are omitted because there have been no significant changes compared with the corresponding fair values at the end of the previous fiscal year.

7. Securities Lent under Lending Agreements

The amounts of securities lent under lending agreements were ¥247,832 million (US$1,711 million) and ¥218,367 million as of September 30, 2022 and as of March 31, 2022, respectively.

8. Claims

The total amounts of claims against bankrupt and quasi-bankrupt obligors, claims with collection risk, delinquent loans three or more months past due and restructured loans, which were included in claims, were ¥581 million (US$4 million) and ¥609 million as of September 30, 2022 and as of March 31, 2022, respectively.

i) Claims against bankrupt and quasi-bankrupt obligors were ¥431 million (US$2 million) and ¥453 million as of September 30, 2022 and as of March 31, 2022, respectively.

ii) Claims with collection risk were ¥50 million (US$0 million) and ¥70 million as of September 30, 2022 and as of March 31, 2022, respectively.

iii) Delinquent loans three or more months past due were ¥80 million (US$0 million) and ¥66 million as of September 30, 2022 and as of March 31, 2022, respectively.

iv) Restructured loans were ¥20 million (US$0 million) and ¥20 million as of September 30, 2022 and as of March 31, 2022, respectively.

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

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

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

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

The direct write-offs related to claims decreased the amounts of claims against bankrupt and quasi-bankrupt obligors described above by ¥6 million (US$0 million) and ¥24 million as of September 30, 2022 and as of March 31, 2022, respectively.

9. Separate Accounts

Total assets in separate accounts provided for in Article 118 of the Insurance Business Act were ¥26,286 million (US$181 million) and ¥28,175 million as of September 30, 2022 and as of March 31, 2022, respectively. The amounts of separate account liabilities were the same as separate account assets.

10. Reserve for Dividends to Policyholders

The changes in reserve for dividends to policyholders for the reporting periods ended September 30, 2022 and March 31, 2022 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	For the six months ended September 30 2022	For the fiscal year ended March 31, 2022	For the six months ended September 30, 2022
Balance at the beginning of the reporting period	¥28,644	¥30,050	$197
Transfer to reserve from surplus in the previous fiscal year	2,121	2,153	14
Dividends to policyholders paid out during the reporting period	1,590	3,562	10
Increase in interest	1	3	0
Balance at the end of the reporting period	¥29,177	¥28,644	$201

11. Stocks of Subsidiaries and Affiliates

The amounts of stocks of subsidiaries and affiliates the Company held were ¥54,647 million (US$377 million) and ¥37,377 million as of September 30, 2022 and as of March 31, 2022, respectively.

The Company provided capital of ¥8,000 million (US$55 million) to Nanairo Life Insurance Co., Ltd. on November 11, 2022.

12. Pledged Assets

Assets pledged as collateral were securities in the amount of ¥16,137 million (US$111 million) and ¥80,591 million as of September 30, 2022 and as of March 31, 2022, respectively.

13. Policy Reserves for the Reinsurance Contracts

Reserves for outstanding claims for the reinsurance contracts provided in accordance with Article 73, Paragraph 3 of the Enforcement Regulation of the Insurance Business Act which applies mutatis mutandis to Article 71, Paragraph 1 of the Enforcement Regulation of the Insurance Business Act (hereinafter “reserve for outstanding claims for ceded reinsurance”) were ¥12 million (US$0 million) and ¥9 million as of September 30, 2022 and as of March 31, 2022, respectively.

Policy reserves for the reinsurance contracts provided in accordance with Article 71, Paragraph 1 of the Enforcement Regulation of the Insurance Business Act (hereinafter “policy reserves for ceded reinsurance”) were ¥281 million (US$1 million) and ¥373 million as of September 30, 2022 and as of March 31, 2022, respectively.

14. Redemption of Foundation funds

The Company redeemed ¥40,000 million (US$276 million) of foundation funds, which is part of ¥80,000 million of foundation funds offered in August 2015, prior to the redemption date. Accompanying the redemption, the Company transferred the same amount from reserve for fund redemption to reserve for redemption of foundation funds in accordance with Article 56 of the Insurance Business Act.

15. Assets with Rights to Sell

The Company has the legal right to sell or collateralize securities borrowed under loan agreements. The market values of these assets that were not sold or pledged as collateral were ¥16,935 million (US$116 million) and ¥25,709 million as of September 30, 2022 and as of March 31, 2022, respectively. No assets were pledged as collateral as of September 30, 2022 and as of March 31, 2022.

16. Commitment Line

As of September 30, 2022 and as of March 31, 2022, there were unused commitment line agreements under which the Company is the lender of ¥12,466 million (US$86 million) and ¥13,947 million, respectively.

17. Subordinated Bonds Payable

As of September 30, 2022 and as of March 31, 2022, bonds payable are subordinated bonds payable, for which the repayments are subordinated to other obligations.

18. Subordinated Loans Payable

As of September 30, 2022 and as of March 31, 2022, other liabilities included subordinated loans payable of ¥44,000 million (US$303 million) and ¥41,000 million, respectively, for which the repayments are subordinated to other obligations.

III. Notes to Interim Non-consolidated Statements of Income

1. Investment Income and Expenses

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

	Millions of Yen		Millions of U.S. Dollars
For the six months ended September 30	**2022**	**2021**	**2022**
Domestic bonds	¥3,742	¥2,739	$25
Domestic stocks and other securities	800	4,076	5
Foreign securities	6,221	4	42

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

	Millions of Yen		Millions of U.S. Dollars
For the six months ended September 30	**2022**	**2021**	**2022**
Domestic bonds	¥ 2,628	¥ 17	$18
Domestic stocks and other securities	577	346	3
Foreign securities	13,707	552	94

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

	Millions of Yen		Millions of U.S. Dollars
For the six months ended September 30	**2022**	**2021**	**2022**
Domestic stocks and other securities	¥—	¥ 4	$—
Foreign securities	2	—	0

2. Policy Reserves for the Reinsurance Contracts

Provision for reserve for outstanding claims for ceded reinsurance, which was deducted in calculating provision for reserve for outstanding claims for the interim period ended September 30, 2022 was ¥3 million (US$0 million).

Reversal of reserve for outstanding claims for ceded reinsurance, which was deducted in calculating provision for reserve for outstanding claims for the interim period ended September 30, 2021 was ¥2 million.

Reversal of policy reserves for ceded reinsurance, which were deducted in calculating reversal of policy reserves for the interim periods ended September 30, 2022 and 2021 were ¥92 million (US$0 million) and ¥67 million, respectively.

3. Interest and Dividend Income

The breakdown of interest, dividends and other income was as follows:

For the six months ended September 30	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Interest on deposits	¥ 0	¥ 0	$ 0
Interest and dividends on securities	50,996	49,363	352
Interest on loans	2,417	2,078	16
Rent revenue from real estate	8,046	8,128	55
Other interest and dividends	436	438	3
Total	¥61,896	¥60,008	$427

4. Income Tax Expense

The simplified method is applied for tax effect accounting to calculate income tax expense for the interim period ended September 30. Therefore, deferred taxes are included in income taxes.

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GLOSSARY OF CERTAIN INSURANCE TERMS

Adjusted net assets.................................... Adjusted net assets are equal to an amount calculated based on assets reflected in the balance sheet (including, but not limited to, assets such as marketable securities and real estate with readily obtainable fair value) minus an amount calculated based on liabilities reflected in the balance sheet (excluding certain amounts such as the reserve for price fluctuation and the contingency reserve), each as calculated according to the method promulgated by the FSA and the Ministry of Finance.

Administrative expense margin .... The difference between the administrative expenses related to the relevant policy assumed by the insurer with respect to a given fiscal year in calculating premiums and the actual administrative expenses for that fiscal year.

Annuity .... A product that provides periodic, typically annual, benefits from a designated time in the future until the death of the insured or for a specific period. A lump sum benefit payment is made upon the death of the insured prior to commencement of annuity payments. If the death of the insured occurs after annuity payments have commenced and prior to the end of the fixed annuity payment term, the remainder of the annuity payments may either be accelerated or may continue to be paid in accordance with the schedule outlined in the policy.

Assumed rate of return.............................. The rate of investment yield assumed by the insurer, with respect to a given policy, in calculating the amount to be set aside as policy reserves.

Contingency reserve .... A reserve included as part of the policy reserves to account for (1) the risk of insurance payment events occurring at a higher than expected rate due to higher than expected mortality and morbidity rates, (2) the risk of actual rates of return being lower than the assumed rates of return related to outstanding policies and (3) the risk associated with any insurance policy with a separate account, that may arise if the amount of the assets in the relevant separate account does not reach the minimum amount of the payment guaranteed under such insurance policy and that may arise as a result of, among other things, the price fluctuation of the assets in such separate account going beyond normal expectation.

Endowment .... Life insurance payable to the policyholder, if living, on the maturity date stated in the policy, or to the beneficiary if the insured dies before that date.

ESR .... Economic solvency ratio (or economic value-based solvency ratio), a solvency indicator valuing assets and liabilities based on market interest rates and other economic factors. Indicates economic capital relative to the risk amount under a certain stress scenario. See "Recent Business — Supplemental Financial Measures — Economic Solvency Ratio (ESR)".

Foundation funds (*kikin*)........................... Foundation funds (*kikin*) serve as capital for Japanese mutual life insurance companies. The principal contributors to foundation funds of such companies, including Asahi Life, historically have been banks. Unlike paid-in capital for joint stock corporations, however, foundation funds have a stated maturity and accrue interest payment obligations on a subordinated basis, making foundation funds similar to subordinated debt. If the principal amount of foundation funds is repaid by insurance companies out of their net surplus, the repaid amounts are carried in the capital portion of the balance sheet as reserve for redemption of foundation funds.

Fundamental profit (*kiso rieki*) — Ordinary profit of a life insurance company, as indicated in its statements of income, includes capital gains and losses from its investment activities as well as other one-time gains and losses. Therefore, profit from the insurance business is not readily ascertainable from the statements of income. For purposes of disclosing the profit from the insurance business, commencing with the fiscal year ended 31 March 2001, life insurance companies in Japan are required under the disclosure standards set by the Life Insurance Association to disclose "fundamental profit", also known as "core profit" or "base profit", a measure of an insurance company's underlying profitability from core insurance operations.

Fundamental profit = Ordinary profit – (Capital gains and losses + Other one-time gains and losses)

In the above formula:

"Capital gains and losses" represents capital gains less capital losses. Capital gains and losses mainly include gains and losses from or on money held in trust, trading securities, sales of securities, valuation of securities and derivative financial instruments and foreign exchange gains and losses.

"Other one-time gains and losses" represents one-time, non-core gains less one-time, non-core losses. Other one-time gains and losses mainly include reversal of or provision for contingency reserve and specific allowance for possible loan losses.

See also "Recent Business — Supplemental Financial Measures — Fundamental Profit".

General account assets — The aggregate of a life insurer's assets, other than those allocated to separate accounts. General account assets are invested by the insurer to meet fixed guaranteed rates of return for policyholders, and the insurer bears the investment risk on such assets.

In force — A policy that is shown on records to be in force on a given date and that has not matured by death or otherwise or been surrendered or otherwise terminated. In force refers to the period of coverage, i.e., the period during which the occurrence of insured events can result in liabilities.

Investment yield margin — The difference, with respect to a given year, between the actual rate of return on investments for that year and the assumed rate of return used in calculating premiums.

Lapse — The termination or temporary discontinuance of an insurance policy due to non-payment of premiums within a specified time period.

Medical insurance — Insurance related to medical care, for example where the insurance company pays fixed amounts in accordance with the number of days in hospital by the insured.

Morbidity — The relative incidence of disability due to disease or physical impairment.

Mortality rate — Rates of death, varying by such parameters as age, gender and health, used in pricing and computing liabilities for future policyholder benefits for life insurance and annuity products.

Mortality rate margin — The difference between the mortality rate assumed by the insurer with respect to a given year in calculating premiums and the actual mortality rate for that year.

Negative spread	Negative spread = (R – A) × G In the above formula: A = Average assumed rate of return, which represents the amount the numerator of which is the expected interest (calculated based on the assumed rate of return) and the denominator of which is the general account policy reserves. R = Rate of return on investments included in fundamental profit, which represents the amount the numerator of which is investment income included in fundamental profit, minus the interest on accumulated dividends to policyholders and the denominator of which is the general account policy reserves. G = General account policy reserves, which represents the general account policy reserves excluding the contingency reserve, and is the accrued policy reserves calculated as follows in accordance with the Hardy method: (policy reserves at the beginning of the relevant fiscal year, plus the policy reserves at the end of the relevant fiscal year, minus the assumed rate of return) multiplied by 1/2. The calculation of negative spread was standardised by the life insurance industry beginning in the fiscal year ended 31 March 2002, while certain rules relating to the calculation of fundamental profit have undergone changes with effect from the beginning of the current fiscal year ending 31 March 2023.
Net level premium method	Under the net level premium method, insurers must set aside policy reserves assuming that the pure insurance premium remains constant over the term of the policy. The net level premium method increases an insurer's administrative expense burden in the early years of a policy, when actual administrative expenses exceed the portion of the pure insurance premium in such early years covering administrative expenses. Under an alternative method of calculating policy reserves, known as the Zillmer method, the pure insurance premium portion is reduced in the first year of the policy, allowing, in effect, policy acquisition costs to be deferred.
Non-participating policy	Policies which do not allocate dividends but which generally feature lower premiums than participating policies and semi-participating policies.
Nursing care insurance	Insurance where the insurance company pays claims or benefits related to certain conditions requiring nursing care.
Participating policy	Policies under which the policyholder is eligible to share in the disposable surplus of the insurer – calculated based on mortality rate margin, investment yield margin and administrative expense margin – through the receipt of annual policyholder dividends. If the combined effect of actual mortality and morbidity rates, rates of return on investments and administrative expense levels during a given period is more favourable to the insurer compared to the assumptions by it used when pricing these products, a net surplus will generally result for that period. A portion of the net surplus attributable to participating policies may then be distributed to the policyholder as policyholder dividends.
Policy reserves and other reserves	The policy reserves and other reserves are composed of the policy reserves, the reserve for outstanding claims and the reserve for dividends to policyholders.

Premium reserve (other than unearned premiums) .... A reserve included in the policy reserves to account for the payment of future payment obligations, other than with respect to unearned premiums.

Premiums .... Payments and considerations received with respect to insurance policies issued or reinsured by an insurer.

Protection-type insurance .... Protection-type insurance products include death protection insurance and third sector insurance products such as medical insurance, nursing care insurance and non-participating group medical insurance sold through the agency channel, but excludes savings-type insurance products.

Pure insurance premium .... The portion of the premium covering insurance underwriting risk, based on factors such as mortality rates, rates of return on investments and policy surrender and lapse ratios, and excluding the portion covering administrative expenses.

Rate of return on investments .... Investment return earned by the insurer on its invested assets.

Reinsurance... The acceptance by one or more insurers of a portion of risk underwritten by another insurer (ceding insurer) that has directly written the coverage of a policy in return for a portion of the premium related thereto. The legal rights of the policyholder generally are not affected by the reinsurance transaction, and the insurer issuing the insurance contract remains liable to the policyholder for payment of policy benefits.

Reserve for outstanding claims................. A reserve used to fund payments that are incurred, but have not yet been paid, on outstanding claims existing as of the end of the fiscal year and expected to be paid in the following fiscal year. The reserve for outstanding claims is one of the three reserves composing policy reserves and other reserves.

Reserve for dividends to policyholders ..... A reserve used to fund the payment of policyholder dividends. The reserve for policyholder dividends is one of the three reserves composing policy reserves and other reserves. For a mutual life insurance company, transfer to reserve for policyholder dividends is treated as dispositions of net surplus.

Reserve for price fluctuation...................... Pursuant to provisions of the Insurance Business Act, Japanese insurers are required to maintain a reserve to cover losses due to price fluctuations in assets subject to market price volatility, particularly investments in stock, bonds and foreign currency-denominated investments. This reserve may be used only to reduce deficits arising from price fluctuations of those assets unless otherwise approved by the Commissioner of the FSA.

Semi-participating policies .... In contrast to participating policies, semi-participating policies allocate dividends calculated at fixed-yearly intervals (usually five years). These dividends are based solely on the investment yield margin, whereby policyholders receive a portion of such margin at the end of the relevant period. Semi-participating policies generally feature lower premiums than participating policies and generally distribute smaller dividends relative to participating policies.

Separate account .... Assets related to the insurer's individual variable insurance, individual variable annuities and group variable annuities with separate account policy riders are allocated to the insurer's separate account. Separate account assets and liabilities represent funds that are administered and invested by the insurer to meet specific investment objectives of policyholders. The investments in each separate account are booked and administered separately from those in other separate accounts and the insurer's general account.

Seven major diseases .... The three major diseases of cancer, cerebral stroke and acute myocardial infarction, and the four lifestyle-related diseases of hypertension, diabetes, chronic renal failure and hepatic cirrhosis.

Solvency margin ratio .... The solvency margin ratio for life insurance companies is calculated on a non-consolidated basis pursuant to the following formula:

$$\text{Solvency margin ratio} = \frac{\text{Total solvency margin}}{\text{Total risk} \times \frac{1}{2}} \times 100$$

In the above formula:

"Total solvency margin" represents the sum of the following:

- net assets (less certain items);
- reserve for price fluctuation;
- contingency reserve and special catastrophe reserve;
- general reserve for possible loan losses;
- sum of net unrealised gains/losses on certain securities and deferred hedge gains (losses) (multiplied by 90 per cent. if gains or 100 per cent. if losses) and land (multiplied by 85 per cent. if gains or 100 per cent. if losses); and
- certain other items (including perpetual subordinated debt which satisfy certain requirements (such as deferral of interest payment obligations) and dated subordinated debt with maturity longer than five years).

"Total risk" is a quantified measure of the total unforeseeable risk borne by the insurance company, which consists of risk amounts calculated based on standards specified by the Commissioner of the FSA as follows:

- the amount of the "(general) insurance risk" and "third sector insurance risk", that is, the risk which may arise as a result of the actual rate of occurrence of insurance events exceeding normal expectation;
- the amount of the "assumed yield risk", that is, the risk of failing to secure the assumed yield which serves as the basis of calculation of the policy reserves;
- the amount of the "investment risk", that is, the sum of (i) the amount equal to the "risk of price fluctuation", or the risk which may arise due to, among other things, fluctuation of prices of securities and any other assets held by the insurance company beyond normal expectation, (ii) the amount equal to the "credit risk", or the risk which may arise due to, among other things, default of obligations by the other party to any transaction with respect to the securities and any other assets held by the insurance company, (iii) the amount equal to the "affiliate companies'

risk", or the risk which may arise due to, among other things, investment in any affiliate company, (iv) the amount equal to the "derivative transaction risk", or the risk which may arise due to, among other things, certain securities futures or forward transactions or certain derivative transactions, (v) the amount equal to the "credit spread risk", or the risk which may arise due to credit derivatives transactions, and (vi) the amount equal to the "reinsurance risk", or the risk which may arise due to reinsurance transactions;

- the amount of the "business management risk", that is, the other risks which cannot be foreseen in the ordinary course of the company's business; and

- the amount of the "guaranteed minimum benefit risk", that is, the risk associated with any insurance policy with a separate account, that may arise if the amount of the assets in the relevant separate account does not reach the minimum amount of the payment guaranteed under such insurance policy due to price fluctuations of the assets in such separate account or other reasons which may arise beyond normal expectation.

Surrender.. The cancellation of a policy by a policyholder. The policyholder generally receives the "cash value" of the policy, an amount available in cash upon surrender of a policy before it becomes payable upon death or maturity, minus the surrender charge to be calculated pursuant to a pre-determined formula. After a "surrender period" (usually several years) has elapsed, there is generally no charge for ending the contract.

Surrender and lapse ratio .... The ratio of the annualised net premiums that are surrendered or lapsed in a given period to the annualised net premiums in force at the beginning of such period.

Third sector insurance (also known as supplemental insurance) .... In the Japanese insurance industry, life insurance products and nonlife insurance products are called "first sector" and "second sector" insurance products, respectively, and insurance products which have intermediate characteristics of both products, such as medical insurance, nursing care insurance and personal accident insurance, are called "third sector" insurance products.

Underwriting... The process of examining, accepting and rejecting insurance risks, and classifying those accepted, in order to charge an appropriate premium for each accepted risk.

Unearned premium reserve........................ A reserve included in the policy reserves to account for the payment of future obligations based on the portion of premiums received by the insurer for which protection has not yet been provided.

Zillmer method .... A method by which insurers may calculate policy reserves, which, in effect, allows policy acquisition costs to be deferred. Under this method, the pure insurance premium portion used in the calculation of policy reserves is reduced in the first year of the policy. This reduction makes the policy reserves provisions smaller than those under the net level premium method. In years following the first year, the reduction in reserve provisions in the first year are gradually adjusted to eliminate the difference between the net level premium method and the Zillmer method over a predetermined term of, for example, five or 10 years.

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