Annual Report 2023

Year Ended March 31, 2023

Asahi Mutual Life Insurance Company

ASAHI LIFE

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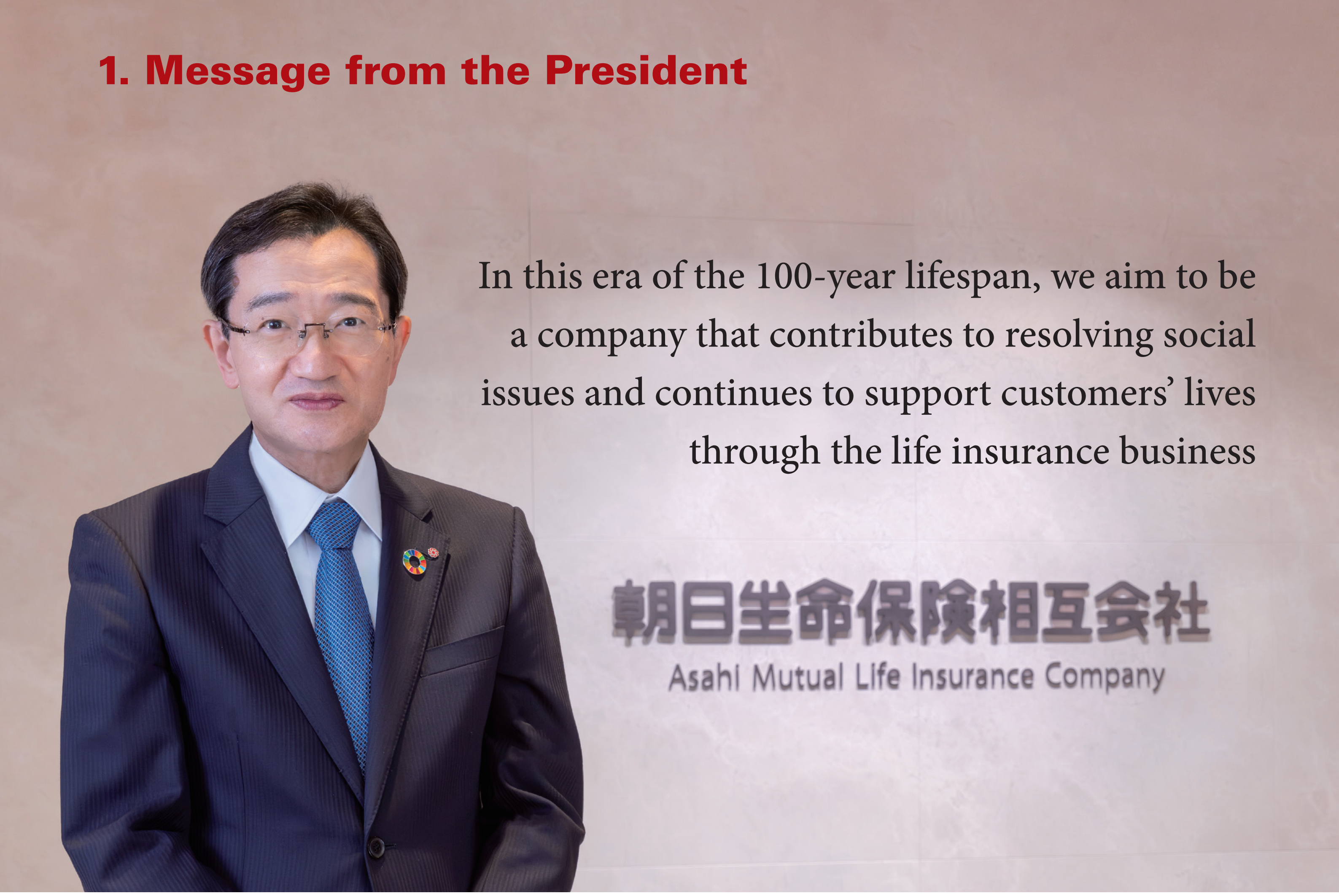


In this era of the 100-year lifespan, we aim to be a company that contributes to resolving social issues and continues to support customers' lives through the life insurance business

Introduction

Thank you for supporting Asahi Life.

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

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

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

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

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

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

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

Financial Results for the Fiscal Year Ended March 31, 2023 (FY 2022)

Looking back at the financial results for the year ended March 31, 2023, in terms of insurance performance, sales were strong in the medical insurance business in the sales representative channel of Asahi Life, and sales of the new products of life insurance subsidiary Nanairo Life insurance Co., Ltd were successful. As a result, despite the challenges posed by the COVID-19 pandemic, annualized premiums from new policies for protection-type products at Asahi Life Group beat the previous year, reaching 126.2% year-on-year.

Meanwhile, regarding the earnings and financial soundness of Asahi Life, fundamental profit fell to 13.3 billion yen, below the previous year, mainly due to the increase in deemed hospitalization benefits related to COVID-19 and the rise in foreign exchange hedging costs[*1]. Although the solvency margin ratio (metric for solvency with respect to claims and benefits) decreased by 21.9 points to 933.0%, compared to the end of the previous fiscal year, due to a decrease in unrealized gains on securities following the rise in overseas interest rates and others, it still exceeds 200% the level insurance companies are required to maintain.

*1 Hedging costs for avoiding foreign exchange rate risk

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

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

In order to address these sorts of changes, the mid-term management plan launched in FY 2021(ended March 31, 2022) focuses on three strategies: the “Third-sector (Products/Services) Strategy,” the “Channel Strategy,” and the “Investment Strategy.” In addition, there are two growth drivers to support these strategies: the “DX[*2] Strategy” and the “Human Resources Strategy.” Through these strategies, we will work to push forward our initiatives currently underway and create new areas of growth.

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

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

Three Strategies in the Mid-term Management Plan

Third-sector (Products/Services) Strategy

◆ Focus on Medical Insurance and Nursing Care Insurance

We pursued product development contributing to pioneering in the third-sector insurance market, especially the medical/lifestyle disease and nursing care/cognitive impairment sectors in which we excel. In April 2022, we launched our “Twin Stage,” a term insurance product covering death or nursing care of business owners that provides comprehensive coverage for risks such as the death or caregiving needs of business owners that could hinder business continuity.

In October 2022, we launched “Ryoyo-Support” which provides protection for a reduction in income suffered during the recuperation period before and after discharge from the hospital, and an increase in medical expenses with lump-sum payment.

In the nursing care insurance sector, an area we particularly focus on, our unique coverage features and extensive product offerings were highly recognized, and our nursing care and cognitive impairment insurance each received the overall 1st place award in the 2023 Oricon Customer Satisfaction® Survey - Rankings of Nursing Care Insurance Products/ Cognitive Impairment Insurance Products Selected by Financial Planners.

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

◆ Providing New Value in the Healthcare Sector

In order to better fulfill our role complementing the social security system to tackle social issues such as promoting good health and prolonging the healthy lifespan, we are collaborating with the University of Tokyo to engage in joint research with the aim of complementing the social security system through the development of new products and services.

Additionally, we launched a new information service in the healthcare field in October 2022 with our new customer app called "Asahi My App", incorporating content that facilitates health checks, nursing care, and prevention of cognitive impairment. By continuing to expand our services for the prevention of nursing care and cognitive impairment through early prevention and detection, and providing new services for the prevention of lifestyle diseases, we will perform a complementary role to the social security system for Japan's super-aged society.

Channel Strategy

◆ Building a Strong Sales Representative Structure

Regarding our primary channel, the sales representative channel, we have continued to strengthen our consulting activities while implementing COVID-19 countermeasures. In response to increasingly diverse customer needs, we have enhanced our sales activities by utilizing digital tools such as online applications and online meetings, as well as by enabling sales representatives to provide information non-face-to-face through a dedicated app.

Furthermore, we have promoted the effective utilization of human resources at each sales office and initiatives for the training of new personnel.

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

◆ Promotion of a Shift to Multiple Channels

In our independent agency channels for individual customers, our subsidiary Nanairo Life Insurance Co., Ltd. launched new medical and cancer insurance products in May 2022, aiming to enhance the competitiveness of our product offerings. We will continue to strengthen product development capabilities and channel sophistication to further expand market share.

In our independent agency channels for the corporate market, primarily tax accountant agencies, Asahi Life worked to grow the number of active agencies we serve by bolstering training provided to staff responsible for such agencies and other such follow-up systems. Moving forward, we will strive to expand our market share, focusing on our forte of products related to coverage for temporary leave from work.

We also worked to set up internet marketing and digital channels by which to provide products to address rapidly growing needs for digital solutions. Regarding digital channels on the internet, we will strive to expand our business through strengthening interactions with customers and streamlining procedures to enhance efficiency.

◆ Expansion of Overseas Business

Asahi Life partnered with a Vietnamese insurance company in 2017 to provide our expertise on telemarketing for medical insurance and other products, in addition to providing a consulting services with an online business model. In FY 2022, we engaged in collaborations with new web marketing partners. Additionally, to further expand our business in Vietnam, we established a local subsidiary in Ho Chi Minh City in March 2023.

Moving forward, we will focus on expanding our insurance business in Vietnam by strengthening relationships with existing partners and exploring new partners through our local subsidiary Asahi Life Consulting Vietnam.

Investment Strategy

In FY 2022, considering the persistent high cost of foreign currency hedging and the rise in domestic interest rates, Asahi Life made efforts to secure income by shifting funds from foreign currency-denominated bonds to yen-denominated bonds and allocating funds to credit investments[*3] that are efficient in terms of risk-return.

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

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

Looking ahead, in anticipation of the introduction of economic value-based regulations[*6] in 2025, we will continue the transition to an economic value-based portfolio. Considering the increased uncertainty in

the global economy due to the impact of global monetary tightening and other factors, we will aim to secure sustained returns on investments by diversifying investment assets to mitigate risks and secure profits. Furthermore, as a responsible institutional investor, we will also strive to contribute to the resolution of environmental issues and other global social problems and thereby reduce investment risk and secure new income opportunities.

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

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

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

*6 In the solvency assessment of insurance companies, the current accounting basis evaluates only assets at fair value, whereas under the new regulations, assets, liabilities, and the difference between them (net assets) are evaluated on an economic value (fair value) basis.

Growth Drivers Underlying Three Strategies

DX Strategy

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

Specifically, we introduced "incoming call authentication*7" for new registrations on the web-enabled "Asahi My Page" in July 2022, digitizing the identity verification process and thereby enabling simplified registration and immediate use. Furthermore, we made it possible for customers to self-process simple benefit claims, aiming to improve customer convenience.

In October 2022, we also launched the new "Asahi My App" for customers.

As part of the transformation of the system infrastructure to drive these initiatives, we are developing a next-generation platform utilizing cloud services.

Additionally, anticipating future business entry into the expanding metaverse*8 market, we have initiated efforts to set up storefronts on external platforms, with the aim of accumulating technological research and knowledge for potential business entry.

To meet the increasingly diverse customer needs driven by the evolution of digital technology, we will continue to promote DX efforts, providing new added value to our customers.

*7 Authentication method conducted through incoming calls from customer-registered phone numbers to verify the individual's identity.

*8 Virtual spaces on the internet.

*9 Executives, department heads, division heads, section managers, branch managers, branch line managers, sales office managers, etc.

*10 An indicator representing the sense of achievement and voluntary motivation towards contributing to the organization or job.

*11 To support the growth of our employees, we utilize a management support cloud system and regularly provide an opportunity for one-on-one discussions between supervisors and employees.

Human Resources Strategy

In order to achieve sustainable growth based on the core concept of "supporting the challenge of the diverse human resources who are building the future of Asahi Life," we are focused on the three major themes of "developing human resources who are committed to always striving," "restructuring our human resources portfolio," and "entrenching work style reforms" by having each and every staff member follow three behavioral guidelines: "Challenging yourself," "Career self-reliance," and "Improve productivity."

For the initiative of "developing human resources who are committed to always striving," we expanded specialized courses for personnel in the investment and overseas departments, enhanced senior management*9 programs for the female workforce, and increased external opportunities for personnel interactions to boost motivation among junior, mid-level, and senior employees.

Additionally, under the initiative of "restructuring our human resources portfolio," we diversified our recruitment methods, including mid-career hires, and strategically allocated personnel to areas supporting our growth strategy.

Furthermore, as part of "entrenching work style reforms," we adopted online communication tools company-wide to facilitate smooth and speedy operations. Moreover, to improve engagement*10 (sense of achievement and contribution), we implemented "1-on-1 Meetings*11" across the entire organization.

While continuing to promote measures under these three major themes, we will advance initiatives based on human capital development policies and other policies to maximize the value of human capital. We will also work towards further enhancing the value of the entire Asahi Life Group through initiatives such as promoting personnel interactions.

Contributions to SDGs Achievement

Efforts to tackle the Sustainable Development Goals (SDGs), adopted by the United Nations as global goals to be achieved by 2030, are picking up steam in Japan. At Asahi Life, our mid-term management plan launched in FY 2021 "Advance: The road to 2030" lays out the following vision for what we want the company to become by 2030: "In this era of the 100-year lifespan, we aim to be a company that contributes to resolving social issues and continues to support customers' lives through the life insurance business." We work towards the achievement of the SDGs and provide value towards the goal of achieving a sustainable society.

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

As measures tackling climate change, one of our priorities for sustainable management, we are aiming to reduce greenhouse gas emissions to "net zero" levels by FY 2050 and have established interim reduction targets for FY 2030, actively engaging the entire organization in initiatives to reduce emissions.

Additionally, we also worked on CSR (Corporate Social Responsibility) activities for local healthcare and welfare, diversity promotion, work style reforms, health and productivity management, and human rights promotion.

Moreover, through the Sustainable Management Promotion Committee headed by Asahi Life's company president we are promoting efforts to address important sustainability-related issues, including addressing the proposals of the Task Force on Climate-related Financial Disclosures (TCFD)*12, and discussions on these matters are also being deepened at the Board of Directors.

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

COVID-19 Countermeasures

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

Prioritizing the health and safety of both our customers and staff, Asahi Life has implemented thorough infection prevention measures, and has been conducting sales activities, including visits, upon confirming the preferences of customers.

For customer service operations, the increase in morbidity claims aligned with the rise in cases of COVID-19, and we responded by enhancing our payment processing system through additional staffing, ensuring prompt payments. We also implemented measures considering the convenience of customers, such as partial omission of some documentation pertaining to the payment of claims and benefits for those who are unable to provide required documentation due to circumstances affecting the customer or medical institution.

On May 8, 2023, the classification of COVID-19 under the Act on the Prevention of Infectious Diseases and Medical Care for Patients with Infectious Diseases was changed to "Class 5 Infectious Disease (equivalent to seasonal influenza)." Consequently, "deemed hospitalization" has been discontinued for cases after May 8, 2023, as they are no longer eligible for hospitalization measures and recommendations.

Conclusion

FY 2023 marks the final year of the mid-term management plan. Asahi Life will always think and act from the perspective and point-of-view of our customers on the basis of our basic management philosophy of "Sincere Service," moving forward, as in the past, we will continue to tackle challenges and grow as we "aim to be a company that contributes to resolving social issues and continues to support customers' lives through the life insurance business in this era of the 100-year lifespan." We look forward to your continued warm support and patronage in the future.

木村 博紀

Hiroki Kimura
President and
Representative Director

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

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

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

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

Progress Towards Strategic Targets

	Status at the end of FY 2022	Year-over-year	FY 2023 targets
Number of customers (Group[*1])	2.775 million	+134 thousand	2.80 million
New policies for protection-type products[*2] (Annualized prmiums, Group[*1])	¥33.7 billion	126.2 %	¥35.0 billion
Number of new nursing care insurance policies (Group[*1])	111 thousand	95.1 %	117 thousand
Policies in force for protection-type products[*2] (Annualized prmiums, Group[*1])	¥320.3 billion	+¥10.4 billion	¥330.0 billion

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

*2 Protection-type products include death protection insurance and third-sector insurance products such as medical insurance, nursing care insurance, and non-participating group medical insurance sold through agency channels but exclude savings-type insurance products.

3. Business Overview

Overview

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

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

We have been enhancing our financial soundness and aim to further enhance it through the accumulation of surplus and recapitalization measures. As of March 31, 2023, we had a non-consolidated solvency margin ratio of 933.0 percent, and insurer financial strength ratings of A- (Stable Outlook) from Fitch, A- (Stable Outlook) from R&I, and A- (Stable Outlook) from JCR.

Products

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

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

Insurance Group Strategy

In order to precisely respond to customers' diversifying needs, Asahi Life will partner with Group companies to implement agile product development as well as a "multi-channel" strategy that features expanded independent agency channels, such as insurance shops and telemarketing, in addition to our sales representative channel.

Asahi Mutual Life Insurance Company

朝日生命

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

Nanairo Life Insurance Co., Ltd.

あなた色に輝く日々を
なないろ生命
朝日生命グループ

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

NHS Insurance Group Inc.

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

F.L.P Co., Ltd.

保険相談サロン FLP

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

4. Business Overview for Fiscal Year 2022

Business Performance (Annualized Premiums, Group*1)

● New Policies for Individual Insurance/Individual Annuities

Annualized premiums from new policies for the Group reached 126.4% of the previous fiscal year.
Of these, third-sector products reached 130.5% of the previous fiscal year.

(Billions of Yen)

Years ended March 31	2022	2023	Year-over-year
New Policies (Group)	27.0	34.1	126.4%
Asahi Life	23.2	20.2	–
Nanairo Life	3.8	13.8	–
Third-sector products	23.1	30.2	130.5%

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

Annualized premiums from surrendered and lapsed policies for the Group reached 102.3% of the previous fiscal year.

(Billions of Yen)

Years ended March 31	2022	2023	Year-over-year
Surrendered and lapsed policies (Group)	23.2	23.7	102.3%
Surrender and lapse ratio	4.45%	4.65%	+0.19points

● Policies in Force for Individual Insurance/Individual Annuities

Annualized premiums from policies in force for the Group ended at 99.5% of the end of the previous fiscal year due primarily to declines in savings-type products.
Of these, third-sector products reached 105.4% of the end of the previous fiscal year.

(Billions of Yen)

As of March 31	2022	2023	Year-over-year
Policies in force (Group)	510.9	508.3	99.5%
Asahi Life	507.2	491.7	97.0%
Nanairo Life	3.7	16.5	447.3%
Third-sector products	227.7	240.1	105.4%

● New Policies for Protection-type Products*3

Annualized premiums from new policies for protection-type products, a focus of Asahi Life, reached 126.2% of the previous fiscal year for the Group.

(Billions of Yen)

Years ended March 31	2022	2023	Year-over-year
New policies (Group)	26.7	33.7	126.2%
Asahi Life	22.9	19.9	–
Sales representative channel	18.9	19.0	100.3%
Nanairo Life	3.8	13.8	–

● Policies in Force for Protection-type Products*3

Annualized premiums from policies in force for protection-type products gained +¥10.4 billion on the end of the previous fiscal year for the Group, exhibiting an ongoing increasing trend.

(Billions of Yen)

As of March 31	2022	2023	Year-over-year
Policies in force (Group)	309.9	320.3	+10.4
Asahi Life	306.1	303.7	(2.4)
Sales representative channel	283.1	283.3	+0.2
Nanairo Life	3.7	16.5	+12.8

Notes:

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

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

*3. Protection-type products include death protection insurance and third-sector insurance products such as medical insurance, nursing care insurance, and non-participating group medical insurance sold through agency channels but exclude savings-type insurance products.

Financial Performance (Non-consolidated)

Fundamental Profit

Due to a decrease in underwriting gains caused by mortality and morbidity claims related to COVID-19, fundamental profit decreased ¥31.5 billion relative to the previous fiscal year to ¥13.3 billion.

(Billions of Yen)

Years ended March 31	2022	2023	Year-over-year
Fundamental profit	44.9	13.3	(31.5)
Underwriting gains	76.4	54.2	(22.2)
Negative spread amount	(31.5)	(40.8)	(9.3)

*Starting from FY 2022, fundamental profit is calculated based on a new definition that includes the calculation of hedging costs related to foreign exchange. Figures for FY 2021 are also calculated using the same definition.

Ordinary Profit, Net Surplus

Ordinary profit was ¥17.6 billion, with a net surplus of ¥17.2 billion.

(Billions of Yen)

Years ended March 31	2022	2023	Year-over-year
Ordinary Profit	32.3	17.6	(14.6)
Net Surplus	22.9	17.2	(5.6)

Financial Soundness (Non-consolidated)

Solvency Margin Ratio

Solvency margin ratio decreased 21.9 points relative to the end of the previous fiscal year, dropping to 933.0%.

As of March 31	2022	2023	Year-over-year
Solvency margin ratio	954.9%	933.0%	(21.9points)

Adjusted Net Assets

Adjusted net assets ended at ¥828.4 billion, a decrease of ¥226.0 billion relative to the end of the previous fiscal year.

(Billions of Yen)

As of March 31	2022	2023	Year-over-year
Adjusted net assets	1,054.5	828.4	(226.0)

Net Unrealized Gains/Losses on Securities (general account)

(Billions of Yen)

As of March 31	2022	2023	Year-over-year
Securities	385.8	198.8	(187.0)
Domestic stocks	246.3	258.6	+12.2
Domestic bonds	134.2	2.3	(131.9)
Foreign securities	1.9	(62.5)	(64.5)
Other securities	1.3	(1.5)	(2.9)

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

Capital Base

Foundation funds, which are the counterparts of paid-in capital for joint stock corporations, serve as the primary source of capital for Japanese mutual companies. Unlike paid-in capital, however, foundation funds have a stated maturity and accrue interest payment obligations. If the principal amount of the foundation funds is repaid by insurance companies out of their net assets, the Insurance Business Act requires that an amount equivalent to the repayment be set aside in the net assets portion of the balance sheet as reserve for redemption of foundation funds. As of March 31, 2023, the balance of foundation funds was ¥51.0 billion and the amount of reserve for redemption of foundation funds was ¥206.0 billion, respectively.

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

Results of Operations (Non-consolidated)

● Selected Data of Statements of Income

(Billions of Yen)

Years ended March 31	2022	2023	Year-over-year
Ordinary income:	597.9	629.5	105.3%
Premium and other income:	387.1	379.2	98.0%
Insurance premiums from individual insurance and individual annuities	366.6	358.8	97.9%
Investment income:	144.9	144.1	99.4%
Interest, dividends and other income	120.5	118.4	98.3%
Gains on sales of securities	11.9	16.1	134.9%
Other ordinary income:	65.7	106.1	161.3%
Reversal of policy reserves	54.3	95.1	175.2%
Ordinary expenses:	565.6	611.8	108.2%
Claims and other payments:	381.4	404.3	106.0%
Claims	107.5	110.7	103.0%
Annuities	116.7	112.4	96.3%
Benefits	72.9	94.5	129.6%
Surrender benefits	79.2	81.7	103.2%
Investment expenses:	36.6	64.8	177.1%
Losses on sales of securities	11.1	25.5	228.4%
Losses on valuation of securities	0.2	0.1	42.0%
Losses on derivative financial instruments	2.5	18.8	749.9%
Operating expenses	110.3	106.0	96.1%
Other ordinary expenses	33.6	33.9	101.0%
Ordinary profit	32.3	17.6	54.6%
Extraordinary gains:	2.9	11.8	406.0%
Gains on disposal of fixed assets	2.9	1.8	64.6%
Reversal of reserve for price fluctuation	–	10.0	–
Extraordinary losses:	6.5	6.0	92.5%
Losses on disposal of fixed assets	2.7	2.7	99.5%
Impairment losses	1.1	3.2	286.2%
Provision for reserve for price fluctuation	2.5	–	–
Surplus before income taxes	28.6	23.4	81.8%
Total income taxes	5.7	6.2	108.0%
Net surplus	22.9	17.2	75.3%

Ordinary income was ¥629.5 billion (105.3% of the previous fiscal year), of which ¥379.2 billion (98.0%) was premiums and other income. Investment income decreased to ¥144.1 billion (99.4%) mainly due to a drop in interest, dividends and other income.

Ordinary expenses were ¥611.8 billion (108.2%), including claims and other payments of ¥404.3 billion (106.0%), driven by an increase in mortality and morbidity claims related to COVID-19. Investment expenses were to ¥64.8 billion (177.1%) due primarily to increased losses on sales of securities and derivative financial instruments. Operating expenses were ¥106.0 billion (96.1%).

This resulted in an ordinary profit of ¥17.6 billion (54.6%).

Extraordinary gains were ¥11.8 billion (406.0%), and extraordinary losses were ¥6.0 billion (92.5%).

Total income taxes reached ¥6.2 billion (108.0%).

As a result of the above factors, net surplus was ¥17.2 billion (75.3%).

Assets, Liabilities and Net Assets (Non-consolidated)

● Selected Assets Data (Billions of Yen)

As of March 31	2022	2023	Year-over-year
Total assets:	5,504.1	5,285.6	(218.4)
Cash, deposits and call loans	146.8	207.6	+60.8
Monetary claims bought	22.5	20.2	(2.2)
Securities:	4,565.8	4,303.7	(262.0)
Domestic bonds	2,627.8	2,609.7	(18.1)
Domestic stocks	472.5	507.6	+35.0
Foreign securities	1,395.6	1,088.2	(307.4)
Loans	311.4	303.9	(7.4)
Tangible fixed assets	368.5	359.4	(9.0)
Others	88.9	90.4	+1.5

● Selected Liabilities/Net Assets Data (Billions of Yen)

As of March 31	2022	2023	Year-over-year
Total liabilities:	5,002.2	4,855.9	(146.2)
Policy reserves and other reserves:	4,425.7	4,331.5	(94.2)
Policy reserves	4,365.0	4,269.9	(95.1)
Bonds payable	102.4	150.5	+48.1
Others	474.0	373.8	(100.2)
Total net assets:	501.9	429.7	(72.1)
Total foundation funds and others:	374.7	347.4	(27.2)
Foundation funds	91.0	51.0	(40.0)
Reserve for redemption of foundation funds	166.0	206.0	+40.0
Reserve for revaluation	0.2	0.2	–
Surplus:	117.4	90.2	(27.2)
Reserve for future losses	0.3	0.3	+0.0
Other surplus:	117.0	89.8	(27.2)
Reserve for fund redemption	53.5	22.6	(30.9)
Equalized reserve for dividends to policyholders	6.9	7.0	+0.1
Unappropriated surplus (loss)	56.6	60.1	+3.5
Total valuation and translation adjustments:	127.1	82.2	(44.9)
Net unrealized gains (losses) on available-for-sale securities, net of tax	173.9	130.6	(43.2)
Land revaluation differences	(46.7)	(48.4)	(1.6)
Total liabilities and net assets	5,504.1	5,285.6	(218.4)

As of March 31, 2023, total assets were ¥5,285.6 billion, with securities accounting for ¥4,303.7 billion, loans at ¥303.9 billion, and tangible fixed assets at ¥359.4 billion. For securities, foreign securities decreased due to the reduction of foreign currency-denominated bond balances, considering the increase in foreign exchange hedging costs mainly due to the rise in overseas interest rates.

Total liabilities were ¥4,855.9 billion, of which policy reserves accounted for ¥4,269.9 billion.

Total net assets were ¥429.7 billion, of which total foundation funds and others amounted to ¥347.4 billion, and total valuation and translation adjustments amounted to ¥82.2 billion. Reserve for redemption of foundation funds increased by ¥40 billion as a result of transferring the same amount from reserve for fund redemption to reserve for redemption of foundation funds following the redemption of ¥40 billion of foundation funds prior to the redemption date.

Non-Financial Highlights

Number of Customers

(End of FY 2022, Group)

2.775 million

Asahi Life Group had 2.775 million customers as of the end of FY 2022, an increase of 134 thousand from the end of the previous fiscal year.

Total Payments of Claims, Annuities and Benefits

(FY 2022, Non-consolidated)

¥ **317.6** billion

Claims, annuities, and benefits payments made in FY 2022 totaled ¥317.6 billion.

Customer Satisfaction

(End of FY 2022, Non-consolidated)

76.1 %

Customer satisfaction reached 76.1%, a decrease of 2.5 points from the previous fiscal year.

Offices

(April 1, 2023)

58 branches

566 sales offices

Asahi Life has 58 branches and 566 sales offices throughout Japan where sales representatives provide the right products and services for each and every customer's needs in a face-to-face context.

Greenhouse Gas Emissions

(End of FY 2022, Non-consolidated)

■ Life Insurance Business*1

Scope1 + Scope2:	50.9	thousand tons - CO2e
Scope1:	23.5	thousand tons - CO2e
Scope2:	27.4	thousand tons - CO2e
Scope 3 (Categories 1 to 14):	57.8	thousand tons - CO2e

■ Investment and Financing Portfolio*2

Scope 3 (Category 15):	639.5	thousand tons - CO2e

As measures tackling climate change, one of our priorities for sustainable management, we established FY 2030 interim reduction targets for greenhouse gas emissions based on the reference year of 2020 (life insurance business: a 50% reduction, investment portfolio: a 39% reduction), aiming to reduce greenhouse gas emissions to "net zero" levels by FY 2050.

In FY 2021, we made steady progress with a 11% reduction in the life insurance business. Additionally, the investment portfolio achieved a reduction of 1%.

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

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

Number of Employees

(End of FY 2022)

18,609

Of which **14,484** are sales representatives

Of which **4,125** are office staff

Asahi Life consists of 18,609 employees, of whom 14,484 are sales representatives and 4,125 are office staff.

Employee Satisfaction (Asahi Engagement Score)

(Surveyed in December 2022)

72.4%

Employee satisfaction (Asahi Engagement Score) reached 72.4%, an improvement of 0.3 points from the previous fiscal year.

* An index quantifying satisfaction with seven indicators from the employee awareness survey conducted at our company.

Ratio of Female Managers

(as of the Beginning of FY 2023)

21.7%

Working on initiatives such as "Female career independence" and "Support for work-home balance" since FY 2006, we achieved a female manager ratio of 21.7% as of the beginning of FY 2023.

* Based on the Act on Promotion of Women's Active Engagement in Professional Life, female managers include those at the level of section chief or higher, and those below the level of section chief whose job responsibilities and level of responsibility are equivalent to that of a section chief.

Gender Wage Gap

(FY 2022)

	Sales representatives	Office staff	Total
Regular employees	104.9%	48.6%	36.4%
Of which, management positions	—	88.9	88.9
Of which, non-management positions	—	60.9	60.9
Irregular employees	—	57.3	57.3
All employees	104.9	47.8	37.6

The gender wage gap among regular employees is 48.6% for office staff, influenced by past personnel systems. Meanwhile, because of the personnel system revision of FY 2021 the gender wage gap for management positions is 88.9%.

* Management positions refer to employees at the level of section chief or higher, and also include those below the level of section chief whose job responsibilities and level of responsibility are equivalent to that of a section chief.

Ratio of male employees taking Childcare Leave

(FY 2022)

143%

As part of our support for achieving balance between work and childcare, Asahi Life has worked to promote understanding of support for this balance since FY 2015 and strived to create an environment and corporate culture in which it is easy for employees to take childcare leave.

* Calculated based on the criteria stipulated by the revised Act on Childcare Leave/Caregiver Leave

5. Investments

Investments (General Account)

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

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

FY 2022 Investment Environment

In FY 2022, the Japanese economy was affected by the rise in resource prices, among other factors, but as economic activities were promoted while measures to suppress the COVID-19 pandemic were implemented, it continued to gradually recover.

Internationally, there was a gradual recovery in the first half, but in the second half, the pace of recovery slowed down due to the impact of monetary tightening and other factors.

FY 2022 Initiatives

In FY 2022, considering the increase in hedging costs and the rise in domestic interest rates, Asahi Life shifted funds from foreign currency-denominated bonds to yen-denominated bonds. Furthermore, we opted for a risk-avoidant strategy of diversified investments, improving investment income by actively pursuing credit investments*1 that are efficient in terms of risk-return in preparation for the introduction of economic value-based regulations in 2025.

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

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

Overview of Investment Performance for FY 2022

In FY 2022, Asahi Life shifted funds from foreign currency-denominated bonds to yen-denominated bonds, and actively pursued credit investments that are efficient in terms of risk-return.

For domestic bonds, in consideration of the rise in domestic interest rates, we purchased super-long-term government bonds and assets with credit spreads such as corporate bonds.

For loans, we allocated funds in project finance for domestic and foreign renewable energy-related projects.

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

For foreign securities, considering the increase in foreign exchange hedge costs, we reduced foreign currency-denominated bonds. For alternative investments*2, we focused primarily on funds that offer stable returns and are less susceptible to economic fluctuations.

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

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

Future Initiatives

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

With monetary tightening worldwide and increasing uncertainty about the outlook for the global economy, we will aim to diversify the range of asset classes in which we invest to mitigate risk and secure profits in pursuit of sustainable investment income.

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

Responsible Investment Initiatives

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

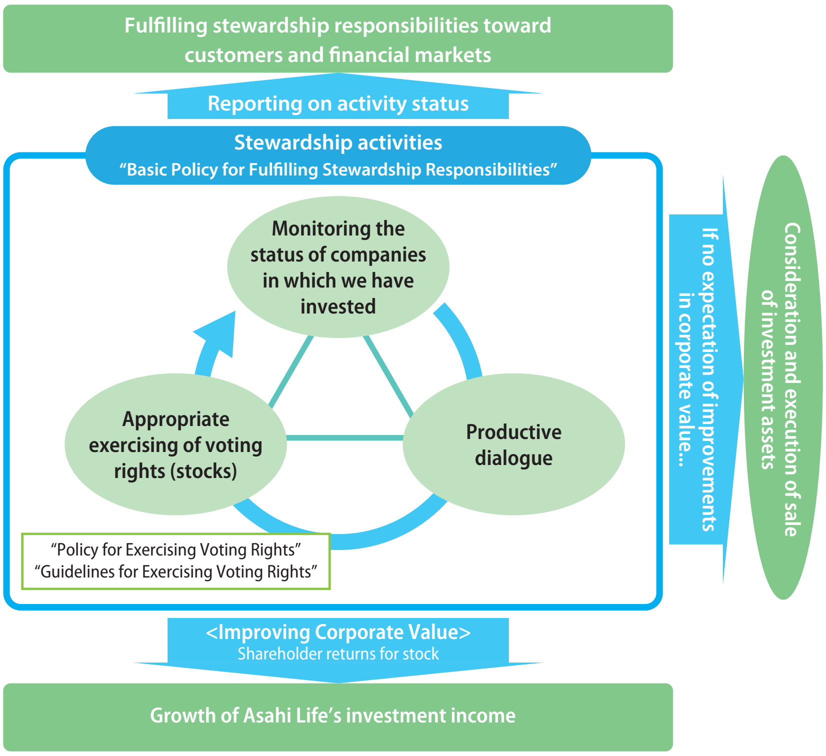
In particular, we have focused on "climate change" and "good physical health" as priority themes in our efforts to resolve social issues as we accelerate ESG investment initiatives.

ESG Investment Initiatives

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

Stewardship Initiatives

Asahi Life aims to make stable and efficient investment of the assets entrusted in us by our customers in the form of insurance premiums in preparation for future payments of claims, benefits and others. We view stewardship activities as extremely important work in order to improve the effectiveness of our investment activities in the medium to long term.



Dialogue - Engagement

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

When engaging in dialogue with the companies in which we invest, we first select companies on the basis of analysis and understanding of trends in company performance, financial condition, content of their business plans and progress thereof, status of initiatives on sustainability issues, and corporate governance structure, then set key issues for each matter and begin an exchange of opinions.

Primary Stewardship Themes

Bolstering shareholder returns

Approach to shareholder returns

Bolstering initiatives on sustainability-related issues

<Priority Initiative Themes>
Climate change, good physical health

Status of initiatives to resolve or make improvements to issues

Building corporate governance systems

Sustainability management
Status of system-building

6. Multiple Channel System

Overview of the Sales Representative Channel

As people's medical and nursing care expenses become a serious social problem in Japan's superaged society, we will provide the medical and nursing care insurance products and services in which Asahi Life specializes, as well as provide value in the healthcare field, such as that offered through the early prevention and detection of diseases for the prevention of serious illness, aiming to exert our market presence as "the go-to company for nursing care insurance."

We will strengthen the training system at each location, expand education and guidance, and enhance face-to-face consulting activities, which are the strengths of the sales representative channel. Additionally, in our effort to handle diversifying demands of our customers, we will improve customer convenience through the use of digital technologies and digitalization of various insurance procedures, and enhance our sales activities by expanding the functionality of digital tools, web applications, and other solutions.

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

Overview of Other Channels

Tax Accounting Agencies

We have signed agency agreements with tax accountants throughout Japan to offer products for management personnel via consulting services for corporate clients. We also have personnel responsible for such tax accounting agencies in place across the country to bolster our support infrastructure.

Telemarketing

We sell easy-to-understand third-sector products such as medical insurance over the phone to the members of credit card companies.

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

Direct Sales

In collaboration with advertising management and other industries, we sell cognitive impairment insurance and other third-sector products for which administrative procedures can be conducted entirely over the internet. We also provide various forms of training for call center operators to enhance that support structure and enable them to better explain the relevant products and procedures.

Overseas Business

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

To expand our business in Vietnam, we established a local subsidiary, which commenced operations in April 2023. Moving forward, through the local subsidiary, we aim to strengthen existing businesses through new partnerships, diversify channels by expanding face-to-face sales channels, and further expand our business in Vietnam.

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

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

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

With respect to the climate change-related thematic areas of "governance," "strategy," "risk management," and "metrics and targets" contained in the TCFD's climate recommendations, we will work to make full disclosures regarding the status of initiatives that "contribute to the achievement of a sustainable society" from both our primary business, life insurance, and from our investment activities as an institutional investor.

Governance

Asahi Life has established the Asahi Life Environmental Policy for the implementation of climate change initiatives and other initiatives to protect the Earth's environment. We recognize the initiatives to protect the Earth's environment as an important issue in sustainability management and in accordance with this policy, each employee is engaged in environmentally conscious actions in all areas of business activities.

In our investment activities, Asahi Life views investment based on our Basic Policy on ESG Investment and Basic Policy for Fulfilling Stewardship Responsibilities as "responsible investment" which includes our initiatives to tackle climate change.

Based on these policies, the Sustainability Management Promotion Committee, headed by Asahi Life's company president, is promoting initiatives related to sustainability, including environmental initiatives with a focus on climate change mitigation, in addition to the core business initiatives of a life insurance company.

Strategy (Risks/Opportunities)

The risks posed to Asahi Life by climate change are separated into "physical risks[*1]" and "transition risks[*2]", or alternatively into "life insurance business" and "investment" risks.

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

Scenario analysis of the impact of climate change on Asahi Life based on 1.5°C and 4°C average temperature increase scenarios leads us to believe that we should focus in the short term on transition risk, and primarily for investment.

On the other hand, we also recognize that as the average temperature increases in the long term, the impact of "physical risks" will increase to primarily the life insurance business.

We will examine the impact as determined by scenario analysis as we move ahead with business activities in the future and contribute to the achievement of a decarbonized society.

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

*1 Direct/indirect losses caused by climate change.

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

Life Insurance Business

Various studies are being conducted on the health impacts of the rise in average temperatures.

In the long term, as there is a potential increase in deaths and hospitalizations due to heatstroke and other causes, considered as a "physical risk," we are taking measures, such as estimating the increased amount of death claims due to heatstroke and other causes.

Additionally, there is a possibility of increased business costs due to the promotion of efforts to reduce greenhouse gas emissions and strengthening of regulations, considered as a “transition risk,” and we will continue to assess these impacts.

Investment

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

As part of our responsible investment initiatives, we engage in investment that considers non-financial information across all assets.

Additionally, to achieve net-zero greenhouse gas emissions by 2050, we have developed a roadmap up to 2030, based on which we engage in dialogues with listed investee companies and companies that we have financed or from which we have purchased bonds. These dialogues focus on setting and raising medium- to long-term reduction targets, and formulating specific reduction strategies to support their climate change initiatives.

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

Meanwhile, we also view steps to resolve climate change problems as potential opportunities to generate revenue by providing us with new investment opportunities.

Moving forward, Asahi Life will actively invest in themed assets such as renewable energy project finance that contributes to the resolution of climate change issues.

There is no established quantitative analysis method for “physical risks” and “transition risks” associated with climate change, and we are engaging in exploratory investigations and analyses. Most recently, we have used MSCI's Climate Value at Risk (CVaR) to investigate and analyze the impact of policy risks, technological opportunities, and physical risks in climate change scenarios on domestic and international equities and bonds.

Moving forward, we aim to enhance our initiatives, including quantitative analysis of climate change risks, consideration of these analyses in investment strategies, and the development of a screening system for investee companies that takes ESG factors into account.

Risk Management

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

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

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

These various risks facing Asahi Life are organized into and evaluated as “risk profiles” and regularly reported at Management Meetings.

We will continue working towards effective risk management.

Metrics and Targets

Asahi Life has set interim greenhouse gas emission reduction targets for FY 2030 and net-zero greenhouse gas emissions targets for FY 2050, undertaking the following initiatives in response to climate change and as part of efforts to achieve the goals of the Paris Agreement.

Life Insurance Business

- Reducing energy consumption through power-saving measures
- Transitioning to renewable energy for owned properties, considering the domestic and international energy situation.

(Non-consolidated)

Category	Emission results (Units: Thousands of tons - CO2e)		Reduction targets	
	FY 2020	FY 2021	FY 2030 (compared to FY 2020)	FY 2050
Scope1+Scope2	57.5	50.9	−50%	Net zero
Scope 1	26.8	23.5		
Scope 2	30.6	27.4		
Scope 3 (Categories 1 to 14)	65.3	57.8	−50%	Net zero

* An overview of these categories is provided below, based on the Ministry of the Environment and Ministry of Economy, Trade and Industry's "Basic Guidelines on Accounting for Greenhouse Gas Emissions Throughout the Supply Chain."
Scope 1: Direct GHG emissions by the company itself (combustion of fuels, industrial processes).
Scope 2: Indirect emissions from the use of electricity, heat, or steam supplied by others.
Scope 3: Emissions by others related to the company's activities.

Investment

- Prioritizing dialogue (engagement) with investee companies rather than by pulling out of such companies (divestment), and promoting the establishment or addition of emission reduction targets and specific initiatives at these companies to encourage their efforts against climate change.
- Actively promoting investments in assets with themes contributing to the resolution of climate change issues.

(Non-consolidated)

Category	Emission results (Units: Thousands of tons - CO2e)		Reduction targets	
	FY 2020	FY 2021	FY 2030 (compared to FY 2020)	FY 2050
Scope 3 (Category 15)	646.3	639.5	−39%	Net zero

* Category 15: Target assets are stocks, corporate bonds, and loans of publicly listed companies in Japan. Measurement is focused on Scope 1 + Scope 2 emissions of companies in which investments were made.

8. Governance Structure

Corporate Governance

Basic Philosophy on Corporate Governance

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

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

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

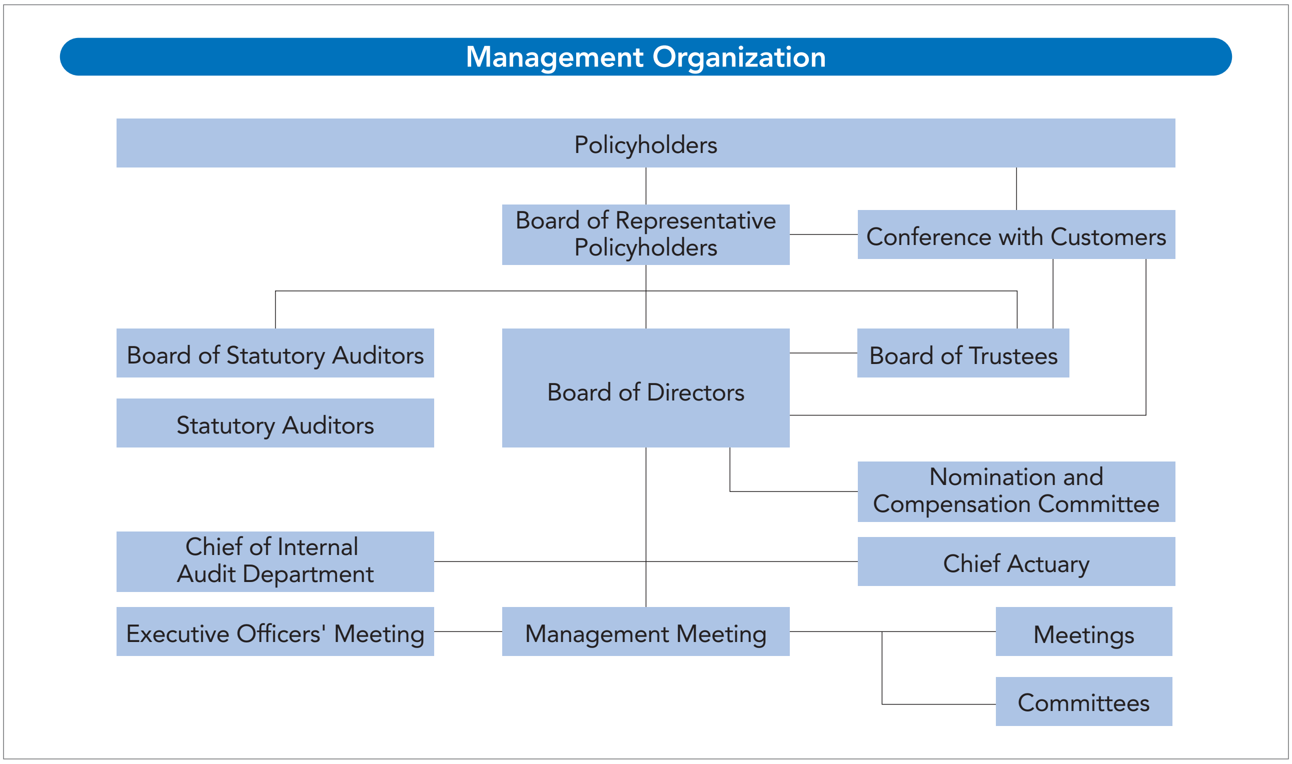
We promote sustainable management that contributes to the achievement of a sustainable society and make efforts to achieve effective corporate governance in order to both maintain our financial soundness and make decisions in a transparent, fair, quick, and decisive manner.

Overview of the Corporate Governance Structure

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

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

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



Board of Representative Policyholders

Framework and Functions of the Board of Representative Policyholders

Asahi Life has adopted a mutual company corporate structure that is only permitted for insurance companies. Under this structure, the company is comprised of individual insurance policyholders, who are considered members of the company. Therefore, the General Meeting of Policyholders serves as the highest decision-making body at Asahi Life, but since it is difficult to realistically hold a General Meeting for all roughly 1.87 million policyholders, we have established a Board of Representative Policyholders in accordance with the Insurance Business Act to act on behalf of the General Meeting of Policyholders.

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

Reported issues:

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

Resolutions:

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

Promoting Compliance

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

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

Basic Policy/Compliance with Standards

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

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

Organization/System

Asahi Life holds discussions on compliance with the Compliance Committee. The Committee is composed of the Company President as chair, as well as Management Meeting members and third-party lawyers. The Committee discusses compliance issues with the expert input of the third-party lawyers. Additionally, the Compliance Control Department implements specific measures pertaining to compliance.

Protecting Customer Information

Management System to Appropriately Protect Information Assets

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

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

Risk Management Structure

Overview

The environment surrounding life insurance companies is constantly changing. Against such a backdrop, Asahi Life believes it is very important to accurately ascertain various risks and manage them appropriately and strictly. This helps to boost financial health and stabilize profits, which will eventually lead to increased corporate value. In order to ensure the fulfillment of our long-term obligations with respect to our insurance policies, we value risk management as one of our most important management issues and are working to further improve and strengthen our risk management structure.

Risk Management Structure

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

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

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

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

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

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

Risk Appetite

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

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

Enterprise Risk Management (ERM)

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

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

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

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

In quantitative risk evaluations, we evaluate the sufficiency of our own capital (surplus) based on both accounting standards and economic value. Specifically, in economic value-based evaluations, we monitor and manage the sufficiency of current surplus against overall risk volume (i.e., the Economic Solvency Ratio, ESR). Also, we have set our ESR targets to keep the ESR at the stable level.

Asset Liability Management (ALM)

Asahi Life engages in asset liability management (ALM) that is guided by the asset and risk management policies established by liability groups. These liability groups are categorized according to the characteristics of insurance policies. Based on the asset and risk management policies, we confirm the appropriateness of our investments. We structure our asset portfolio concentrating on yen interest-bearing assets such as domestic bonds and loans, taking into consideration the adaptation of existing assets to the liability characteristics of insurance policies. The majority of domestic bonds are classified as policy-reserve-matching bonds, which are valued at their amortized cost, with the aim of reducing the impact of interest rate fluctuations.

Stress Tests

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

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

Officers (as of July 4, 2023)

President and Representative Director
Hiroki Kimura

Representative Director and Senior Managing Executive Officer
Yasuhiro Iguchi

Director and Management Executive Officer
Kenichi Ikeda

Director and Management Executive Officer
Kouichi Kashimada

Director and Executive Officer
Masahiro Shimotori

Director and Executive Officer
Takahiro Ono

Director
Kenichiro Ishijima

Director
Kazuko Ohya*1

Director
Takashi Tsukamoto*1

Director
Takaaki Ishii*1

Director
Tatsuya Tanaka*1

Standing Statutory Auditor
Kaoru Masuda

Standing Statutory Auditor
Shinichiro Ogawa

Statutory Auditor
Tadayuki Seki*2

Statutory Auditor
Mitsuyoshi Shibata*2

Statutory Auditor
Yoichi Kikuchi*2

*1 Outside director

*2 Outside statutory auditor

9. Consolidated Financial Statements

Consolidated Balance Sheets

Asahi Mutual Life Insurance Company and its Consolidated Subsidiaries

	Millions of Yen		Millions of U.S. Dollars
As of March 31	2023	2022	2023
ASSETS:			
Cash and deposits	¥ 50,601	¥ 47,030	$ 378
Call loans	166,000	111,000	1,243
Monetary claims bought	20,292	22,534	151
Securities	4,249,612	4,536,365	31,825
Loans	303,961	311,416	2,276
Tangible fixed assets:			
Land	212,541	216,027	1,591
Buildings	142,153	146,679	1,064
Lease assets	1,360	2,194	10
Construction in progress	1,062	1,175	7
Other tangible fixed assets	2,906	3,065	21
	360,023	369,142	2,696
Intangible fixed assets:			
Software	24,380	23,347	182
Other intangible fixed assets	13,672	9,907	102
	38,053	33,255	284
Agency accounts receivable	6	11	0
Reinsurance receivables	26,871	6,788	201
Other assets	58,965	64,605	441
Net defined benefit assets	421	524	3
Deferred tax assets	8,745	168	65
Customers' liabilities under acceptances and guarantees	600	–	4
Allowance for possible loan losses	(648)	(550)	(4)
Total assets	**¥ 5,283,507**	**¥ 5,502,292**	**$ 39,567**
LIABILITIES:			
Policy reserves and other reserves:			
Reserve for outstanding claims	¥ 36,411	¥ 32,025	$ 272
Policy reserves	4,272,203	4,365,560	31,994
Reserve for dividends to policyholders	27,103	28,644	202
	4,335,719	4,426,229	32,470
Reinsurance payables	826	776	6
Bonds payable	150,555	102,424	1,127
Other liabilities	294,447	378,694	2,205
Net defined benefit liabilities	31,548	32,852	236
Reserve for price fluctuation	38,210	48,210	286
Deferred tax liabilities	0	2,913	0
Deferred tax liabilities for land revaluation	15,062	15,711	112
Acceptances and guarantees	600	–	4
Total liabilities	**4,866,969**	**5,007,812**	**36,448**
NET ASSETS:			
Foundation funds	51,000	91,000	381
Reserve for redemption of foundation funds	206,000	166,000	1,542
Reserve for revaluation	281	281	2
Consolidated surplus	79,001	111,982	591
Total foundation funds and others	336,283	369,264	2,518
Net unrealized gains (losses) on available-for-sale securities, net of tax	130,668	173,938	978
Land revaluation differences	(48,406)	(46,739)	(362)
Accumulated remeasurements of defined benefit plans	(2,104)	(2,077)	(15)
Total accumulated other comprehensive income	80,157	125,121	600
Non-controlling interests	96	94	0
Total net assets	**416,537**	**494,480**	**3,119**
Total liabilities and net assets	**¥ 5,283,507**	**¥ 5,502,292**	**$ 39,567**

Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Asahi Mutual Life Insurance Company and its Consolidated Subsidiaries

[Consolidated Statements of Income]

	Millions of Yen		Millions of U.S. Dollars
For the years ended March 31	**2023**	**2022**	**2023**
Ordinary income:			
Premium and other income	¥ 418,799	¥ 395,434	$ 3,136
Investment income:			
Interest, dividends and other income	117,878	120,142	882
Gains on sales of securities	16,117	11,950	120
Gains on redemption of securities	98	317	0
Foreign exchange gains	1,913	3,067	14
Other investment income	7,102	6,872	53
Investment gains on separate accounts	429	2,199	3
	143,540	144,550	1,074
Other ordinary income	109,299	70,423	818
Total ordinary income	**671,638**	**610,408**	**5,029**
Ordinary expenses:			
Claims and other payments:			
Claims	110,749	107,517	829
Annuities	112,411	116,767	841
Benefits	97,218	73,011	728
Surrender benefits	81,755	79,236	612
Other payments	15,104	5,988	113
	417,238	382,521	3,124
Provision for policy reserves and other reserves:			
Provision for reserve for outstanding claims	4,386	3,453	32
Provision for interest on policyholders' dividend reserves	3	3	0
	4,389	3,456	32
Investment expenses:			
Interest expenses	3,986	4,876	29
Losses on trading securities	–	1,133	–
Losses on sales of securities	25,525	11,177	191
Losses on valuation of securities	114	273	0
Losses on redemption of securities	466	48	3
Losses on derivative financial instruments	18,826	2,510	140
Provision for allowance for possible loan losses	99	141	0
Depreciation of rental real estate and other assets	5,565	5,511	41
Other investment expenses	10,313	10,981	77
	64,899	36,655	486
Operating expenses	137,405	123,403	1,029
Other ordinary expenses	37,914	35,050	283
Total ordinary expenses	**661,847**	**581,087**	**4,956**
Ordinary profit	**9,791**	**29,321**	**73**
Extraordinary gains:			
Gains on disposal of fixed assets	1,889	2,925	14
Reversal of reserve for price fluctuation	9,999	–	74
Other extraordinary gains	–	3	–
	11,888	2,928	89
Extraordinary losses:			
Losses on disposal of fixed assets	2,720	2,751	20
Impairment losses	3,289	1,149	24
Provision for reserve for price fluctuation	–	2,530	–
Other extraordinary losses	44	130	0
	6,054	6,561	45
Surplus before income taxes	**15,625**	**25,687**	**117**

For the years ended March 31	Millions of Yen 2023	Millions of Yen 2022	Millions of U.S. Dollars 2023
Income taxes:			
Current	(1,284)	10,963	(9)
Deferred	5,343	(5,012)	40
Total income taxes	**4,058**	**5,950**	**30**
Net surplus	**11,566**	**19,737**	**86**
Net surplus attributable to non-controlling interests	**53**	**51**	**0**
Net surplus attributable to the Parent Company	**¥ 11,513**	**¥ 19,685**	**$ 86**

[Consolidated Statements of Comprehensive Income]

For the years ended March 31	Millions of Yen 2023	Millions of Yen 2022	Millions of U.S. Dollars 2023
Net surplus	**¥ 11,566**	**¥ 19,737**	**$ 86**
Other comprehensive income:			
Net unrealized gains (losses) on available-for-sale securities, net of tax	(43,270)	(39,263)	(324)
Remeasurements of defined benefit plans	(26)	(728)	0
Total other comprehensive income	**(43,296)**	**(39,991)**	**(324)**
Comprehensive income:			
Comprehensive income attributable to the Parent Company	(31,783)	(20,305)	(238)
Comprehensive income attributable to non-controlling interests	53	51	0
Total comprehensive income	**¥ (31,730)**	**¥ (20,254)**	**$ (237)**

Consolidated Statements of Changes in Net Assets

Asahi Mutual Life Insurance Company and its Consolidated Subsidiaries

Millions of Yen

For the year ended March 31, 2023	Foundation funds and others				
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Consolidated surplus	Total foundation funds and others
Beginning balance	¥ 91,000	¥ 166,000	¥ 281	¥ 111,982	¥ 369,264
Changes in the fiscal year:					
Additions to reserve for dividends to policyholders				(2,121)	(2,121)
Additions to reserve for redemption of foundation funds		40,000		(40,000)	
Payment of interest on foundation funds				(4,040)	(4,040)
Net surplus attributable to the Parent Company				11,513	11,513
Redemption of foundation funds	(40,000)				(40,000)
Reversal of land revaluation differences				1,666	1,666
Net changes, excluding foundation funds and others					
Net changes in the fiscal year	**(40,000)**	**40,000**	**–**	**(32,981)**	**(32,981)**
Ending balance	**¥ 51,000**	**¥ 206,000**	**¥ 281**	**¥ 79,001**	**¥ 336,283**

Millions of Yen

For the year ended March 31, 2023	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Net unrealized gains (losses) on available-for-sale securities, net of tax	Land revaluation differences	Accumulated remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Beginning balance	¥ 173,938	¥ (46,739)	¥ (2,077)	¥ 125,121	¥ 94	¥ 494,480
Changes in the fiscal year:						
Additions to reserve for dividends to policyholders						(2,121)
Additions to reserve for redemption of foundation funds						
Payment of interest on foundation funds						(4,040)
Net surplus attributable to the Parent Company						11,513
Redemption of foundation funds						(40,000)
Reversal of land revaluation differences						1,666
Net changes, excluding foundation funds and others	(43,270)	(1,666)	(26)	(44,963)	1	(44,962)
Net changes in the fiscal year	**(43,270)**	**(1,666)**	**(26)**	**(44,963)**	**1**	**(77,943)**
Ending balance	**¥ 130,668**	**¥ (48,406)**	**¥ (2,104)**	**¥ 80,157**	**¥ 96**	**¥ 416,537**

Millions of Yen

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

Millions of Yen

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

Millions of U.S. Dollars

For the year ended March 31, 2023	Foundation funds and others				
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Consolidated surplus	Total foundation funds and others
Beginning balance	$ 681	$ 1,243	$ 2	$ 838	$ 2,765
Changes in the fiscal year:					
Additions to reserve for dividends to policyholders				(15)	(15)
Additions to reserve for redemption of foundation funds		299		(299)	
Payment of interest on foundation funds				(30)	(30)
Net surplus attributable to the Parent Company				86	86
Redemption of foundation funds	(299)				(299)
Reversal of land revaluation differences				12	12
Net changes, excluding foundation funds and others					
Net changes in the fiscal year	**(299)**	**299**	**–**	**(246)**	**(246)**
Ending balance	**$ 381**	**$ 1,542**	**$ 2**	**$ 591**	**$ 2,518**

Millions of U.S. Dollars

For the year ended March 31, 2023	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Net unrealized gains (losses) on available-for-sale securities, net of tax	Land revaluation differences	Accumulated remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Beginning balance	$ 1,302	$ (350)	$ (15)	$ 937	$ 0	$ 3,703
Changes in the fiscal year:						
Additions to reserve for dividends to policyholders						(15)
Additions to reserve for redemption of foundation funds						
Payment of interest on foundation funds						(30)
Net surplus attributable to the Parent Company						86
Redemption of foundation funds						(299)
Reversal of land revaluation differences						12
Net changes, excluding foundation funds and others	(324)	(12)	(0)	(336)	0	(336)
Net changes in the fiscal year	**(324)**	**(12)**	**(0)**	**(336)**	**0**	**(583)**
Ending balance	**$ 978**	**$ (362)**	**$ (15)**	**$ 600**	**$ 0**	**$ 3,119**

Consolidated Statements of Cash Flows

Asahi Mutual Life Insurance Company and its Consolidated Subsidiaries

	Millions of Yen		Millions of U.S. Dollars
For the years ended March 31	2023	2022	2023
I. Cash flows from operating activities			
Surplus before income taxes	¥ 15,625	¥ 25,687	$ 117
Depreciation of rental real estate and other assets	5,565	5,511	41
Depreciation	13,439	12,811	100
Impairment losses	3,289	1,149	24
Increase (decrease) in reserve for outstanding claims	4,386	3,453	32
Increase (decrease) in policy reserves	(93,356)	(53,812)	(699)
Provision for interest on policyholders' dividend reserves	3	3	0
Increase (decrease) in allowance for possible loan losses	99	141	0
Increase (decrease) in net defined benefit liabilities	(1,119)	(1,008)	(8)
Increase (decrease) in reserve for price fluctuation	(9,999)	2,530	(74)
Interest, dividends and other income	(117,878)	(120,142)	(882)
(Gains) losses on securities	9,461	(1,833)	70
(Gains) losses on derivative financial instruments	18,826	2,510	140
Interest expenses	3,986	4,876	29
Foreign exchange (gains) losses, net	(1,913)	(3,067)	(14)
(Gains) losses on tangible fixed assets	(468)	(636)	(3)
(Increase) decrease in reinsurance receivables	(20,082)	(5,801)	(150)
(Increase) decrease in other assets except from investing and financing activities	(3,867)	(3,396)	(28)
Increase (decrease) in reinsurance payables	50	95	0
Increase (decrease) in other liabilities except from investing and financing activities	1,680	(437)	12
Others, net	12,250	4,050	91
Subtotal	(160,021)	(127,314)	(1,198)
Interest, dividends and other income received	120,844	121,824	904
Interest paid	(3,693)	(5,178)	(27)
Dividends to policyholders paid	(3,664)	(3,562)	(27)
Income taxes (paid) refunded	(10,344)	(11,462)	(77)
Net cash provided by (used in) operating activities	**(56,880)**	**(25,694)**	**(425)**
II. Cash flows from investing activities			
Proceeds from sales and redemptions of monetary claims bought	2,199	2,573	16
Purchases of securities	(563,641)	(438,244)	(4,221)
Proceeds from sales and redemptions of securities	801,416	559,515	6,001
Disbursements for loans	(65,193)	(55,639)	(488)
Proceeds from collections of loans	74,249	50,961	556
Proceeds from derivative financial instruments	(129,065)	(49,969)	(966)
Increase (decrease) in payables under securities borrowing transactions	2,698	737	20
Others, net	–	(1,133)	–
①Total of investing activities	122,663	68,801	918
[I + ①]	65,782	43,106	492
Purchases of tangible fixed assets	(8,232)	(8,703)	(61)
Proceeds from sales of tangible fixed assets	4,147	8,084	31
Others, net	(14,332)	(11,328)	(107)
Net cash provided by (used in) investing activities	**104,245**	**56,854**	**780**
III. Cash flows from financing activities			
Proceeds from debt borrowing	10,000	–	74
Redemption of debt borrowing	(2,000)	–	(14)
Proceeds from issuance of bonds	48,131	15,000	360
Redemption of bonds	–	(40,349)	–
Redemption of foundation funds	(40,000)	–	(299)
Payment of interest on foundation funds	(4,040)	(4,089)	(30)
Dividends paid to non-controlling interests	(51)	(36)	(0)
Others, net	(834)	(803)	(6)
Net cash provided by (used in) financing activities	**11,205**	**(30,279)**	**83**
IV. Net increase (decrease) in cash and cash equivalents	**58,570**	**880**	**438**
V. Cash and cash equivalents at the beginning of the year	**158,030**	**157,149**	**1,183**
VI. Cash and cash equivalents at the end of the year	**¥ 216,601**	**¥ 158,030**	**$ 1,622**

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 ¥133.53 = US$1.00, the effective rate of exchange at the balance sheet date of March 31, 2023.

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, 2023 and 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 fiscal year ended March 31, 2023. 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.

(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).

Note for the fiscal year ended March 31, 2022

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.

(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 were ¥5 million (US$0 million) and ¥24 million as of March 31, 2023 and 2022, 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 six years starting the following year.
- Prior service cost is charged to income when incurred.

Previously, actuarial differences were amortized under the straight-line method over a period of seven years. This period has been shortened to six years effective from the fiscal year ended March 31, 2023, since the average remaining working lives of the employees have fallen below seven years.

The impact of this change on ordinary profit and surplus before income taxes for the fiscal year ended March 31, 2023 is immaterial.

Note for the fiscal year ended March 31, 2022

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.

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

With respect to reserve for outstanding claims incurred but not reported events (referring to claims for which the occurrence of the insured events has not been reported but the Company finds that insured events have already occurred; hereinafter the same), the scope of payment of hospitalization benefits was changed in the fiscal year ended March 31, 2023 with regard to people with diagnoses of COVID-19 given and under the care of a doctor and the like at an accommodation facility or at home ("deemed hospitalizations"). As a result of this change, an appropriate amount of reserves cannot be obtained with the calculation method set forth in the main rules in Article 1, Paragraph 1 of the Japanese Ministry of Finance Public Notice No.234, 1998 ("IBNR Notice"). The Company therefore records the amount that was calculated using the following method, pursuant to provisions in the proviso of Article 1, Paragraph 1 of IBNR Notice (the "Proviso").

(Overview of the calculation method)

The Company calculates the reserve for outstanding claims incurred but not reported events for deemed hospitalizations and the others separately.

The amount of reserve for outstanding claims incurred but not reported events other than deemed hospitalizations is calculated using the same manner as that set forth in the main rules in Article 1, Paragraph 1 of IBNR Notice excluding the amount related to deemed hospitalizations from a required amount of reserves for incurred but not reported events and the amount of claim payments for all the fiscal years, as set forth in the main rules in Article 1, Paragraph 1 of IBNR Notice.

The amount of reserve for outstanding claims incurred but not reported events for deemed hospitalizations is calculated based on the amount for deemed hospitalizations of those at high risk of serious illness after September 26, 2022, the number of new infections and the number of new infections over the last three months, considering the average days it takes from the occurrence of the insured events to the filing of claims.

Note for the fiscal year ended March 31, 2022

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 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 fiscal year ended March 31, 2023.

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 6. 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. Accounting Standards Issued but Not Yet Effective

Note for the fiscal year ended March 31, 2022

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.

4. Changes in Reporting Method

Note for the fiscal year ended March 31, 2022

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, 2023 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	2023		
	Balance Sheet Amount	Fair Value	Difference
Monetary claims bought	¥ 20,292	¥ 22,187	¥ 1,894
Held-to-maturity debt securities	19,395	21,290	1,894
Available-for-sale securities	897	897	–
Securities	4,175,095	4,212,252	37,156
Trading securities	26,198	26,198	–
Held-to-maturity debt securities	269,436	291,147	21,711
Policy-reserve-matching bonds	2,093,763	2,109,209	15,445
Available-for-sale securities	1,785,696	1,785,696	–
Loans	303,961	310,838	6,876
Policy loans	30,254	30,254	–
Industrial and consumer loans	273,707	280,583	6,876
Total assets	4,499,350	4,545,278	45,927
Bonds payable	150,555	147,092	(3,462)
Loans payable	49,000	50,490	1,490
Total liabilities	199,555	197,583	(1,972)
Derivative financial instruments	(9,204)	(9,204)	–
Hedge accounting not applied	(1,807)	(1,807)	–
Hedge accounting applied	(7,397)	(7,397)	–

* 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

As of March 31	2023		
	Balance Sheet Amount	Fair Value	Difference
Monetary claims bought	$ 151	$ 166	$ 14
Held-to-maturity debt securities	145	159	14
Available-for-sale securities	6	6	–
Securities	31,267	31,545	278
Trading securities	196	196	–
Held-to-maturity debt securities	2,017	2,180	162
Policy-reserve-matching bonds	15,680	15,795	115
Available-for-sale securities	13,372	13,372	–
Loans	2,276	2,327	51
Policy loans	226	226	–
Industrial and consumer loans	2,049	2,101	51
Total assets	33,695	34,039	343
Bonds payable	1,127	1,101	(25)
Loans payable	366	378	11
Total liabilities	1,494	1,479	(14)
Derivative financial instruments	(68)	(68)	–
Hedge accounting not applied	(13)	(13)	–
Hedge accounting applied	(55)	(55)	–

* 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 ¥21,577 million (US$161 million) as of March 31, 2023.

Investment trusts which are accounted for in accordance with Paragraph 24-3 and 24-9 of "Implementation Guidance on Accounting Standard for Fair Value Measurement" are included in the table above.

Investments in partnerships and others which are accounted for in accordance with Paragraph 24-16 of "Implementation Guidance on Accounting Standard for Fair Value Measurement" are not included in the table above. The amount of the investments in partnerships and others, reported in the consolidated balance sheet was ¥52,939 million (US$396 million) as of March 31, 2023.

Note for the fiscal year ended March 31, 2022

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.

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 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 as of March 31, 2022.

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 sheets

Millions of Yen

As of March 31	2023			
	Fair Value			
	Level 1	Level 2	Level 3	Total
Monetary claims bought	¥ –	¥ –	¥ 897	¥ 897
Available-for-sale securities	–	–	897	897
Securities*1	547,776	1,060,016	64,899	1,672,692
Trading securities	–	26,198	–	26,198
Others	–	26,198	–	26,198
Available-for-sale securities	547,776	1,033,818	64,899	1,646,493
National government bonds and local government bonds	24,700	2,683	–	27,383
Corporate bonds	–	374,147	–	374,147
Domestic stocks	431,919	–	–	431,919
Foreign bonds	8,310	477,007	64,899	550,216
Others	82,846	179,980	–	262,826
Total assets	547,776	1,060,016	65,796	1,673,589
Derivative financial instruments*2	0	(9,755)	549	(9,204)
Currency-related	–	(9,755)	–	(9,755)
Stock-related	0	–	549	550

*1 Investment trusts which are accounted for in accordance with Paragraph 24-3 and 24-9 of "Implementation Guidance on Accounting Standard for Fair Value Measurement" are not included in the table above. The balance sheet amount of the investment trusts which are accounted for in accordance with paragraph 24-3 of the implementation guidance, was ¥134,005 million (US$1,003 million) as of March 31, 2023. The balance sheet amount of the investment trusts which are accounted for in accordance with Paragraph 24-9 of the implementation guidance, was ¥5,196 million (US$38 million) as of March 31, 2023.
*2 Assets and liabilities generated by derivative financial instruments are offset and presented net. Net liabilities in total are presented in parentheses.

Millions of Yen

As of March 31	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.

Millions of U.S. Dollars

As of March 31	2023			
	Fair Value			
	Level 1	Level 2	Level 3	Total
Monetary claims bought	$ –	$ –	$ 6	$ 6
Available-for-sale securities	–	–	6	6
Securities*1	4,102	7,938	486	12,526
Trading securities	–	196	–	196
Others	–	196	–	196
Available-for-sale securities	4,102	7,742	486	12,330
National government bonds and local government bonds	184	20	–	205
Corporate bonds	–	2,801	–	2,801
Domestic stocks	3,234	–	–	3,234
Foreign bonds	62	3,572	486	4,120
Others	620	1,347	–	1,968
Total assets	4,102	7,938	492	12,533
Derivative financial instruments*2	0	(73)	4	(68)
Currency-related	–	(73)	–	(73)
Stock-related	0	–	4	4

*1 Investment trusts which are accounted for in accordance with Paragraph 24-3 and 24-9 of "Implementation Guidance on Accounting Standard for Fair Value Measurement" are not included in the table above. The balance sheet amount of the investment trusts which are accounted for in accordance with paragraph 24-3 of the implementation guidance, was ¥134,005 million (US$1,003 million) as of March 31, 2023. The balance sheet amount of the investment trusts which are accounted for in accordance with Paragraph 24-9 of the implementation guidance, was ¥5,196 million (US$38 million) as of March 31, 2023.

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

i) Investment trusts which are accounted for in accordance with Paragraph 24-3 and 24-9 of "Implementation Guidance on Accounting Standard for Fair Value Measurement"

a) Reconciliation between the beginning and ending balance, and net unrealized gains (losses) recognized as gains (losses) for the fiscal year, of the investment trusts which are accounted for in accordance with Paragraph 24-3 of "Implementation Guidance on Accounting Standard for Fair Value Measurement"

	Millions of Yen	Millions of U.S. Dollars
For the year ended March 31	2023	2023
Beginning balance	¥ 121,141	$ 907
Gains (losses) and other comprehensive income for the fiscal year:	642	4
Gains (losses) recorded for the fiscal year*1	1,926	14
Other comprehensive income recorded for the fiscal year*2	(1,283)	(9)
Net amount of purchase, sale, and redemption	12,221	91
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	134,005	1,003
Net unrealized gains (losses) on investment trusts held at the balance sheet date among the amount recorded to gains (losses) for the fiscal year*1	1,926	14

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

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

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

	Millions of Yen	Millions of U.S. Dollars
As of March 31	2023	2023
Investment trusts which need more than 1 month to cancel from the notification of cancellation	¥ 45,332	$ 339
Other than above	88,672	664

c) Reconciliation between the beginning and ending balance, and net unrealized gains (losses) recognized as gains (losses) for the fiscal year, of the investment trusts which are accounted for in accordance with Paragraph 24-9 of "Implementation Guidance on Accounting Standard for Fair Value Measurement"

	Millions of Yen	Millions of U.S. Dollars
For the year ended March 31	2023	2023
Beginning balance	¥ 5,104	$ 38
Gains (losses) and other comprehensive income for the fiscal year:	93	0
Gains (losses) recorded for the fiscal year*1	–	–
Other comprehensive income recorded for the fiscal year*2	93	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	5,196	38
Net unrealized gains (losses) on investment trusts held at the balance sheet date among the amount recorded to gains (losses) for the fiscal year*1	–	–

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

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

Millions of Yen

As of March 31	2023			
	Fair Value			
	Level 1	Level 2	Level 3	Total
Monetary claims bought	¥ –	¥ 20,842	¥ 447	¥ 21,290
Held-to-maturity debt securities	–	20,842	447	21,290
Securities	1,715,893	510,901	173,562	2,400,357
Held-to-maturity debt securities	36,263	81,322	173,562	291,147
National government bonds and local government bonds	36,263	–	–	36,263
Corporate bonds	–	81,322	–	81,322
Foreign bonds	–	–	173,562	173,562
Policy-reserve-matching bonds	1,679,630	429,579	–	2,109,209
National government bonds and local government bonds	1,679,630	46,179	–	1,725,809
Corporate bonds	–	383,400	–	383,400
Loans	–	–	310,838	310,838
Policy loans	–	–	30,254	30,254
Industrial and consumer loans	–	–	280,583	280,583
Total assets	1,715,893	531,744	484,848	2,732,485
Bonds payable	–	147,092	–	147,092
Loans payable	–	–	50,490	50,490
Total liabilities	–	147,092	50,490	197,583

Millions of Yen

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

Millions of U.S. Dollars

As of March 31	2023			
	Fair Value			
	Level 1	Level 2	Level 3	Total
Monetary claims bought	$ –	$ 156	$ 3	$ 159
Held-to-maturity debt securities	–	156	3	159
Securities	12,850	3,826	1,299	17,976
Held-to-maturity debt securities	271	609	1,299	2,180
National government bonds and local government bonds	271	–	–	271
Corporate bonds	–	609	–	609
Foreign bonds	–	–	1,299	1,299
Policy-reserve-matching bonds	12,578	3,217	–	15,795
National government bonds and local government bonds	12,578	345	–	12,924
Corporate bonds	–	2,871	–	2,871
Loans	–	–	2,327	2,327
Policy loans	–	–	226	226
Industrial and consumer loans	–	–	2,101	2,101
Total assets	12,850	3,982	3,631	20,463
Bonds payable	–	1,101	–	1,101
Loans payable	–	–	378	378
Total liabilities	–	1,101	378	1,479

(3) Description of the evaluation methods and inputs used to measure fair value

i) Securities including monetary claims bought which are treated as securities based on “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10)

Fair values of securities for which unadjusted quoted market prices in active markets are available are categorized as Level 1, which mainly include listed stocks, listed investment trusts and government bonds. In the case the market is inactive even if the quoted market price is available, those securities are categorized as Level 2, which mainly include corporate bonds and foreign bonds. In the case the quoted market price is not available, fair values are measured by evaluation methods such as discounting future cash flows. In evaluation, the Company maximizes the use of observable inputs including swap rates, interest rate swap spreads, currency basis and others. When significant unobservable inputs are used to measure fair values, those securities are categorized as Level 3.

The fair value of unlisted investment trusts, which have no restriction on cancellation that is significant enough to require compensation for risk from market participants, are based on the quoted prices and others offered by counterparty financial institutions and categorized as level 2.

Note for the fiscal year ended March 31, 2022

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 sheets at fair value and categorized as Level 3

i) Quantitative information on significant unobservable inputs

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

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

Millions of Yen

For the year ended March 31, 2023	Monetary claims bought	Securities	Total (i) + (ii)	Derivative financial instruments
	Available-for-sale securities	Available-for-sale securities		
	Others (i)	Foreign bonds (ii)		Stock-related
Beginning balance	¥ 957	¥ 29,482	¥ 30,440	¥ 270
Gains (losses) and other comprehensive income for the fiscal year:	(39)	(1,498)	(1,538)	(1,981)
Gains (losses) recorded for the fiscal year*1	(20)	298	278	(1,981)
Other comprehensive income recorded for the fiscal year*2	(18)	(1,797)	(1,816)	–
Net amount of purchase, sale, issue, and settlement	(20)	–	(20)	2,262
Transfer to fair values of Level 3*3	–	41,912	41,912	–
Transfer from fair values of Level 3*4	–	(4,997)	(4,997)	–
Ending balance	897	64,899	65,796	550
Net unrealized gains (losses) on financial assets and liabilities held at the balance sheet date among the amount recorded to gains (losses) for the fiscal year*1	(20)	298	278	(1,981)

*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 2 to level 3 because of lack of observable data. Those transfers were made at the end of the fiscal year.
*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 fiscal year.

Millions of Yen

For the year ended March 31, 2022	Monetary claims bought	Securities	Total (i) + (ii)	Derivative financial instruments
	Available-for-sale securities	Available-for-sale securities		
	Others (i)	Foreign bonds (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

For the year ended March 31, 2023	Monetary claims bought Available-for-sale securities Others (i)	Securities Available-for-sale securities Foreign bonds (ii)	Total (i) + (ii)	Derivative financial instruments Stock-related
Beginning balance	$ 7	$ 220	$ 227	$ 2
Gains (losses) and other comprehensive income for the fiscal year:	(0)	(11)	(11)	(14)
Gains (losses) recorded for the fiscal year*1	(0)	2	2	(14)
Other comprehensive income recorded for the fiscal year*2	(0)	(13)	(13)	–
Net amount of purchase, sale, issue, and settlement	(0)	–	(0)	16
Transfer to fair values of Level 3*3	–	313	313	–
Transfer from fair values of Level 3*4	–	(37)	(37)	–
Ending balance	6	486	492	4
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	(0)	2	2	(14)

*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 2 to level 3 because of lack of observable data. Those transfers were made at the end of the fiscal year.
*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 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 ¥237,083 million (US$1,775 million) and ¥287,980 million (US$2,156 million) as of March 31, 2023 and ¥239,331 million and ¥283,478 million as of March 31, 2022, 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 ¥199,653 million (US$1,495 million) and ¥218,367 million as of March 31, 2023 and 2022, respectively.

9. 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 ¥521 million (US$3 million) and ¥609 million as of March 31, 2023 and 2022, respectively.

i) Claims against bankrupt and quasi-bankrupt obligors were ¥386 million (US$2 million) and ¥453 million as of March 31, 2023 and 2022, respectively.

ii) Claims with collection risk were ¥30 million (US$0 million) and ¥70 million as of March 31, 2023 and 2022, respectively.

iii) Delinquent loans three or more months past due were ¥85 million (US$0 million) and ¥66 million as of March 31, 2023 and 2022, respectively.

iv) Restructured loans were ¥20 million (US$0 million) and ¥20 million as of March 31, 2023 and 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 ¥5 million (US$0 million) and ¥24 million as of March 31, 2023 and 2022, respectively.

10. Accumulated Depreciation of Tangible Fixed Assets

Accumulated depreciation of tangible fixed assets totaled ¥282,149 million (US$2,113 million) and ¥286,793 million as of March 31, 2023 and 2022, respectively.

11. Separate Accounts

Total assets in separate accounts provided for in Article 118 of the Insurance Business Act were ¥26,438 million (US$197 million) and ¥28,175 million as of March 31, 2023 and 2022, 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	2023	2022	2023
Balance at the beginning of the fiscal year	¥ 28,644	¥ 30,050	$ 214
Transfer to reserve from surplus in the previous fiscal year	2,121	2,153	15
Dividends to policyholders paid out during the fiscal year	3,664	3,562	27
Increase in interest	3	3	0
Balance at the end of the fiscal year	¥ 27,103	¥ 28,644	$ 202

13. Stocks of Unconsolidated Subsidiaries and affiliates

The amounts of stocks of unconsolidated subsidiaries and affiliates the Company held as of March 31, 2023 and 2022 were ¥8,131 million (US$60 million) and ¥7,888 million, respectively.

14. Pledged Assets

Assets pledged as collateral as of March 31, 2023 and 2022 were securities in the amount of ¥3,224 million (US$24 million) and ¥80,591 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, 2023 and 2022 were ¥26,106 million (US$195 million) and ¥6,391 million, respectively.

16. Redemption of Foundation Funds

The Company redeemed ¥40,000 million (US$299 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.

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, 2023 and 2022 were ¥21,882 million (US$163 million) and ¥25,709 million, respectively. No assets were pledged as collateral as of March 31, 2023 and 2022.

18. Commitment Line

As of March 31, 2023 and 2022, there were unused commitment line agreements under which the Company is the lender of ¥10,086 million (US$75 million) and ¥13,947 million, respectively.

19. Subordinated Bonds Payable

As of March 31, 2023 and 2022, bonds payable are subordinated bonds payable, for which the repayments are subordinated to other obligations.

20. Subordinated Loans Payable

As of March 31, 2023 and 2022, other liabilities included subordinated loans payable of ¥49,000 million (US$366 million) and ¥41,000 million, respectively, for which the repayments are subordinated to other obligations.

21. Contributions to Policyholders Protection Corporation

Note for the fiscal year ended March 31, 2022

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 was ¥8,260 million. These contributions are charged as operating expenses in the fiscal year in which they are paid.

22. Deferred Taxes

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

	Millions of Yen		Millions of U.S. Dollars
As of March 31	**2023**	**2022**	**2023**
Deferred tax assets	¥ 65,621	¥ 70,651	$ 491
Valuation allowance for deferred tax assets	14,960	15,332	112
Subtotal	50,660	55,319	379
Deferred tax liabilities	41,915	58,064	313
Net deferred tax assets (liabilities)	¥ 8,745	¥ (2,745)	$ 65

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

As of March 31	Millions of Yen 2023	Millions of U.S. Dollars 2023
Deferred tax assets		
Contingency reserve	¥ 17,930	$ 134
Reserve for price fluctuation	10,660	79
Net defined benefit liabilities	8,802	65
Impairment losses	7,356	55
IBNR reserves	4,770	35
Tax loss carried forward	3,526	26
Deferred tax liabilities		
Net unrealized gains on available-for-sale securities	37,793	283

As of March 31	Millions of Yen 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

Tax loss carried forward and the deferred tax assets by carry forward period were as follows:

Millions of Yen

As of March 31	2023			
	Within 1 year	Over 1 to 5 years	Over 5 years	Total
Tax loss carried forward	¥ –	¥ –	¥ 3,526	¥ 3,526
Valuation allowance	–	–	(1,258)	(1,258)
Deferred tax assets	–	–	2,268	2,268*

* The Company considers deferred tax assets recorded for tax loss carried forward to be recoverable as it is expected that there will be taxable income in the future.

Millions of U.S. Dollars

As of March 31	2023			
	Within 1 year	Over 1 to 5 years	Over 5 years	Total
Tax loss carried forward	$ –	$ –	$ $26	$ 26
Valuation allowance	–	–	(9)	(9)
Deferred tax assets	–	–	16	16*

* The Company considers deferred tax assets recorded for tax loss carried forward to be recoverable as it is expected that there will be taxable income in the future.

(2) The statutory tax rates were 27.9% and 27.9% for the fiscal years ended March 31, 2023 and 2022, 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	2023
Interest on foundation funds	(5.2)%

For the year ended March 31	2022
Interest on foundation funds	(4.4)%

(3) The Company and part of its subsidiaries have applied the group tax sharing system from the reporting period ended March 31, 2023. 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.

23. 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

	Millions of Yen		Millions of U.S. Dollars
For the years ended March 31	2023	2022	2023
Retirement benefit obligations at the beginning of the fiscal year	¥ 40,397	¥ 41,202	$ 302
Service cost	1,864	1,889	13
Interest cost	398	407	2
Actuarial difference occurred during the fiscal year	597	520	4
Retirement benefit payments	(3,720)	(3,622)	(27)
Retirement benefit obligations at the end of the fiscal year	¥ 39,538	¥ 40,397	$ 296

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	2023	2022	2023
Pension plan assets at the beginning of the fiscal year	¥ 8,069	¥ 8,782	$ 60
Expected return on pension plan assets	79	80	0
Actuarial difference occurred during the fiscal year	149	(818)	1
Contributions by the employer	243	242	1
Retirement benefit payments	(131)	(217)	(0)
Pension plan assets at the end of the fiscal year	¥ 8,411	¥ 8,069	$ 62

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

	Millions of Yen		Millions of U.S. Dollars
As of March 31	2023	2022	2023
a. Funded plan retirement benefit obligation	¥ 39,538	¥ 40,397	$ 296
b. Pension plan assets	(8,411)	(8,069)	(62)
c. Net amount of liabilities and assets presented on the consolidated balance sheet	31,127	32,327	233
d. Net defined benefit liabilities	31,548	32,852	236
e. Net defined benefit assets	(421)	(524)	(3)
f. Net amount of liabilities and assets presented on the consolidated balance sheet	¥ 31,127	¥ 32,327	$ 233

iv) Breakdown of retirement benefit expenses

	Millions of Yen		Millions of U.S. Dollars
For the years ended March 31	2023	2022	2023
Service cost	¥ 1,864	¥ 1,889	$ 13
Interest cost	398	407	2
Expected return on pension plan assets	(79)	(80)	(0)
Amortization of actuarial differences	409	329	3
Retirement benefit expenses related to defined benefit plan	¥ 2,593	¥ 2,545	$ 19

v) Breakdown of items included in other comprehensive income

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

	Millions of Yen		Millions of U.S. Dollars
For the years ended March 31	2023	2022	2023
Amortization of actuarial differences	¥ (38)	¥ (1,010)	$ (0)
Total	¥ (38)	¥ (1,010)	$ (0)

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:

	Millions of Yen		Millions of U.S. Dollars
For the years ended March 31	2023	2022	2023
Unrecognized actuarial differences	¥ 2,924	¥ 2,885	$ 21
Total	¥ 2,924	¥ 2,885	$ 21

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	2023	2022
Stocks	38%	36%
Bonds	19%	18%
Others	43%	46%
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	2023	2022
Discount rate	1.0%	1.0%
Expected long-term rate of return on pension plan assets	0.8%	0.8%
Defined benefit corporate pension plans	1.6%	1.6%

24. Subsequent Events

Note for the fiscal year ended March 31, 2022

The Company resolved to redeem ¥40,000 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:

	Millions of Yen		Millions of U.S. Dollars
For the years ended March 31	2023	2022	2023
Domestic bonds	¥ 6,720	¥ 4,943	$ 50
Domestic stocks and other securities	1,492	6,239	11
Foreign securities	7,904	767	59

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	2023	2022	2023
Domestic bonds	¥ 3,752	¥ 1,073	$ 28
Domestic stocks and other securities	1,987	1,448	14
Foreign securities	19,785	8,655	148

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	2023	2022	2023
Domestic stocks and other securities	¥ 108	¥ 272	$ 0
Foreign securities	5	1	0

Losses on derivative financial instruments included net valuation losses of ¥4,761 million (US$35 million) for the fiscal year ended March 31, 2023.

Note for the fiscal year ended March 31, 2022

Losses on trading securities were losses on sales of ¥1,133 million for the fiscal year ended March 31, 2022.

Losses on derivative financial instruments included net valuation gains of ¥641 million for the fiscal year ended March 31, 2022.

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, 2023 and 2022 were ¥25,849 million (US193 million) and ¥6,989 million, respectively, which were included in reinsurance revenue among premium and other income.

The decreased amount of unamortized ceding commissions for reinsurance contracts stipulated in Article 1, Paragraph 5 of the Japanese Ministry of Finance Public Notice No. 50, 1996 for the fiscal year ended March 31, 2023 and 2022 were ¥6,135 million (US$45 million) and ¥597 million, respectively, which were included in reinsurance premiums among claims and other payments.

3. Impairment Losses of Fixed Assets

For the fiscal years ended March 31, 2023 and 2022, 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.

(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	2023	2022	2023
Real estate for rent:			
Land	¥ –	¥ –	$ –
Building	–	–	–
Total real estate for rent (i)	–	–	–
Real estate not in use:			
Land	552	622	4
Building	1,683	526	12
Total real estate not in use (ii)	2,235	1,149	16
Real estate scheduled to be sold:			
Land	701	–	5
Building	351	–	2
Total real estate scheduled to be sold (iii)	1,053	–	7
Total:			
Land	1,254	622	9
Building	2,035	526	15
Total (i) + (ii) + (iii)	¥ 3,289	¥ 1,149	$ 24

(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 3.3% for the fiscal years ended March 31, 2023 and 2022, 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.

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 2023	Millions of Yen 2022	Millions of U.S. Dollars 2023
Net unrealized gains on available-for-sale securities, net of tax			
Amount incurred during the fiscal year	¥ (69,449)	¥ (53,451)	$ (520)
Reclassification adjustments	8,708	(530)	65
Before tax adjustment	(60,740)	(53,982)	(454)
Tax effects	17,470	14,719	130
Net unrealized gains on available-for-sale securities, net of tax	(43,270)	(39,263)	(324)
Accumulated remeasurements of defined benefit plans			
Amount incurred during the fiscal year	(447)	(1,339)	(3)
Reclassification adjustments	409	329	3
Before tax adjustment	(38)	(1,010)	(0)
Tax effects	12	282	0
Accumulated remeasurements of defined benefit plans	(26)	(728)	(0)
Total other comprehensive income	¥ (43,296)	¥ (39,991)	$ (324)

V. Notes to Consolidated Statements of Cash Flows

Scope of Cash and Cash Equivalents

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

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

10. Non-consolidated Financial Statements

Non-consolidated Balance Sheets

Asahi Mutual Life Insurance Company

	Millions of Yen		Millions of U.S. Dollars
As of March 31	2023	2022	2023
ASSETS:			
Cash and deposits:			
Cash	¥ 16	¥ 20	$ 0
Deposits	41,656	35,832	311
	41,673	35,852	312
Call loans	166,000	111,000	1,243
Monetary claims bought	20,292	22,534	151
Securities:			
National government bonds	1,693,184	1,669,691	12,680
Local government bonds	50,610	50,540	379
Corporate bonds	865,936	907,641	6,484
Domestic stocks	507,674	472,584	3,801
Foreign securities	1,088,201	1,395,647	8,149
Other securities	98,181	69,731	735
	4,303,789	4,565,837	32,230
Loans:			
Policy loans	30,254	32,199	226
Industrial and consumer loans	273,707	279,217	2,049
	303,961	311,416	2,276
Tangible fixed assets:			
Land	212,541	216,027	1,591
Buildings	141,781	146,310	1,061
Lease assets	1,360	2,194	10
Construction in progress	1,062	1,175	7
Other tangible fixed assets	2,748	2,841	20
	359,493	368,550	2,692
Intangible fixed assets:			
Software	19,813	18,928	148
Other intangible fixed assets	13,683	9,815	102
	33,497	28,743	250
Agency accounts receivable	6	11	0
Reinsurance receivables	687	393	5
Other assets:			
Accounts receivable	14,406	22,778	107
Prepaid expenses	3,385	3,517	25
Accrued income	18,292	20,077	136
Money on deposit	2,791	3,044	20
Derivative financial instruments	5,879	960	44
Cash collateral paid for financial instruments	2,473	7,513	18
Suspense payments	1,355	861	10
Other assets	1,641	1,300	12
	50,226	60,054	376
Prepaid pension cost	424	318	3
Deferred tax assets	5,690	–	42
Customers' liabilities under acceptances and guarantees	600	–	4
Allowance for possible loan losses	(648)	(550)	(4)
Total assets	**¥ 5,285,695**	**¥ 5,504,161**	**$ 39,584**

As of March 31	Millions of Yen 2023	Millions of Yen 2022	Millions of U.S. Dollars 2023
LIABILITIES:			
Policy reserves and other reserves:			
Reserve for outstanding claims	¥ 34,513	¥ 32,018	$ 258
Policy reserves	4,269,904	4,365,068	31,977
Reserve for dividends to policyholders	27,103	28,644	202
	4,331,522	4,425,731	32,438
Reinsurance payables	700	752	5
Bonds payable	150,555	102,424	1,127
Other liabilities:			
Payables under securities borrowing transactions	182,247	179,548	1,364
Loans payable	49,000	41,000	366
Income taxes payable	133	4,474	0
Accounts payable	6,048	27,340	45
Accrued expenses	8,202	7,639	61
Deferred income	366	202	2
Deposits received	494	415	3
Guarantee deposits received	17,473	17,831	130
Derivative financial instruments	15,084	90,445	112
Cash collateral received for financial instruments	9,039	3,791	67
Lease obligations	1,360	2,194	10
Asset retirement obligations	967	914	7
Suspense receipts	148	140	1
	290,565	375,938	2,176
Reserve for employees' retirement benefits	28,727	29,847	215
Reserve for price fluctuation	38,210	48,210	286
Deferred tax liabilities	–	3,622	–
Deferred tax liabilities for land revaluation	15,062	15,711	112
Acceptances and guarantees	600	–	4
Total liabilities	**4,855,944**	**5,002,238**	**36,365**
NET ASSETS:			
Foundation funds	51,000	91,000	381
Reserve for redemption of foundation funds	206,000	166,000	1,542
Reserve for revaluation	281	281	2
Surplus:			
Reserve for future losses	366	347	2
Other surplus:			
Reserve for fund redemption	22,600	53,500	169
Equalized reserve for dividends to policyholders	7,093	6,983	53
Unappropriated surplus (loss)	60,148	56,614	450
Subtotal	89,841	117,097	672
	90,207	117,444	675
Total foundation funds and others	347,489	374,726	2,602
Net unrealized gains (losses) on available-for-sale securities, net of tax	130,668	173,936	978
Land revaluation differences	(48,406)	(46,739)	(362)
Total valuation and translation adjustments	82,261	127,197	616
Total net assets	**429,751**	**501,923**	**3,218**
Total liabilities and net assets	**¥ 5,285,695**	**¥ 5,504,161**	**$ 39,584**

Non-consolidated Statements of Income

Asahi Mutual Life Insurance Company

	Millions of Yen		Millions of U.S. Dollars
For the years ended March 31	**2023**	**2022**	**2023**
Ordinary income:			
Premium and other income:			
Insurance premiums	¥ 377,409	¥ 385,691	$ 2,826
Reinsurance revenue	1,813	1,443	13
	379,223	387,134	2,839
Investment income:			
Interest, dividends and other income:			
Interest and dividends on securities	96,416	99,054	722
Interest on loans	4,964	4,241	37
Rent revenue from real estate	16,180	16,339	121
Other interest and dividends	868	895	6
	118,430	120,531	886
Gains on sales of securities	16,115	11,949	120
Gains on redemption of securities	98	317	0
Foreign exchange gains	1,912	3,065	14
Other investment income	7,167	6,919	53
Investment gains on separate accounts	429	2,199	3
	144,154	144,983	1,079
Other ordinary income:			
Fund receipt from deposit of claims paid	7,536	8,135	56
Reversal of reserve for employees' retirement benefits	1,119	1,008	8
Reversal of policy reserves	95,163	54,304	712
Other ordinary income	2,314	2,343	17
	106,134	65,792	794
Total ordinary income	**629,512**	**597,910**	**4,714**
Ordinary expenses:			
Claims and other payments:			
Claims	110,749	107,517	829
Annuities	112,411	116,767	841
Benefits	94,530	72,938	707
Surrender benefits	81,755	79,236	612
Other payments	2,426	2,403	18
Reinsurance premiums	2,522	2,602	18
	404,395	381,466	3,028
Provision for policy reserves and other reserves:			
Provision for reserve for outstanding claims	2,494	3,446	18
Provision for interest on policyholders' dividend reserves	3	3	0
	2,498	3,449	18
Investment expenses:			
Interest expenses	3,986	4,876	29
Losses on trading securities	–	1,133	–
Losses on sales of securities	25,525	11,177	191
Losses on valuation of securities	114	273	0
Losses on redemption of securities	466	48	3
Losses on derivative financial instruments	18,826	2,510	140
Provision for allowance for possible loan losses	99	141	0
Depreciation of rental real estate and other assets	5,565	5,511	41
Other investment expenses	10,313	10,981	77
	64,899	36,655	486
Operating expenses	106,088	110,388	794
Other ordinary expenses:			
Claim deposit payments	10,019	9,859	75
Taxes	9,197	9,345	68
Depreciation	12,299	12,354	92
Other ordinary expenses	2,466	2,086	18
	33,982	33,646	254
Total ordinary expenses	**611,863**	**565,605**	**4,582**
Ordinary profit	**17,648**	**32,305**	**132**

For the years ended March 31	Millions of Yen 2023	Millions of Yen 2022	Millions of U.S. Dollars 2023
Extraordinary gains:			
Gains on disposal of fixed assets	1,889	2,925	14
Reversal of reserve for price fluctuation	10,000	–	74
Other extraordinary gains	–	3	–
	11,889	2,928	89
Extraordinary losses:			
Losses on disposal of fixed assets	2,738	2,751	20
Impairment losses	3,289	1,149	24
Provision for reserve for price fluctuation	–	2,530	–
Other extraordinary losses	44	130	0
	6,072	6,561	45
Surplus before income taxes	**23,464**	**28,671**	**175**
Income taxes:			
Current	(1,300)	10,788	(9)
Deferred	7,507	(5,041)	56
Total income taxes	**6,207**	**5,747**	**46**
Net surplus	**¥ 17,257**	**¥ 22,924**	**$ 129**

Non-consolidated Statements of Changes in Net Assets

Asahi Mutual Life Insurance Company

Millions of Yen

For the year ended March 31, 2023	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**	**¥ 347**	**¥ 53,500**	**¥ 6,983**	**¥ 56,614**	**¥117,444**	**¥374,726**
Changes in the fiscal year:									
Additions to reserve for dividends to policyholders							(2,121)	(2,121)	(2,121)
Additions to reserve for future losses				19			(19)		
Additions to reserve for redemption of foundation funds		40,000			(40,000)			(40,000)	
Payment of interest on foundation funds							(4,040)	(4,040)	(4,040)
Net surplus							17,257	17,257	17,257
Redemption of foundation funds	(40,000)								(40,000)
Additions to reserve for fund redemption					9,100		(9,100)		
Additions to equalized reserve for dividends to policyholders						110	(110)		
Reversal of land revaluation differences							1,666	1,666	1,666
Net changes, excluding foundation funds and others									
Net changes in the fiscal year	**(40,000)**	**40,000**	**–**	**19**	**(30,900)**	**110**	**3,533**	**(27,237)**	**(27,237)**
Ending balance	**¥ 51,000**	**¥206,000**	**¥ 281**	**¥ 366**	**¥ 22,600**	**¥ 7,093**	**¥ 60,148**	**¥ 90,207**	**¥347,489**

Millions of Yen

For the year ended March 31, 2023	Valuation and translation adjustments			Total net assets
	Net unrealized gains (losses) on available-for-sale securities, net of tax	Land revaluation differences	Total valuation and translation adjustments	
Beginning balance	**¥ 173,936**	**¥ (46,739)**	**¥ 127,197**	**¥ 501,923**
Changes in the fiscal year:				
Additions to reserve for dividends to policyholders				(2,121)
Additions to reserve for future losses				
Additions to reserve for redemption of foundation funds				
Payment of interest on foundation funds				(4,040)
Net surplus				17,257
Redemption of foundation funds				(40,000)
Additions to reserve for fund redemption				
Additions to equalized reserve for dividends to policyholders				
Reversal of land revaluation differences				1,666
Net changes, excluding foundation funds and others	(43,268)	(1,666)	(44,935)	(44,935)
Net changes in the fiscal year	**(43,268)**	**(1,666)**	**(44,935)**	**(72,172)**
Ending balance	**¥ 130,668**	**¥ (48,406)**	**¥ 82,261**	**¥ 429,751**

Millions of Yen

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

Millions of Yen

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

Millions of U.S. Dollars

For the year ended March 31, 2023	Foundation funds and others								
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Surplus					Total foundation funds and others
				Reserve for future losses	Other surplus			Total surplus	
					Reserve for fund redemption	Equalized reserve for dividends to policyholders	Unappropriated surplus (loss)		
Beginning balance	$ 681	$ 1,243	$ 2	$ 2	$ 400	$ 52	$ 423	$ 879	$ 2,806
Changes in the fiscal year:									
Additions to reserve for dividends to policyholders							(15)	(15)	(15)
Additions to reserve for future losses				0			(0)		
Additions to reserve for redemption of foundation funds		299			(299)			(299)	
Payment of interest on foundation funds							(30)	(30)	(30)
Net surplus							129	129	129
Redemption of foundation funds	(299)								(299)
Additions to reserve for fund redemption					68		(68)		
Additions to equalized reserve for dividends to policyholders						0	(0)		
Reversal of land revaluation differences							12	12	12
Net changes, excluding foundation funds and others									
Net changes in the fiscal year	**(299)**	**299**	**–**	**0**	**(231)**	**(0)**	**26**	**(203)**	**(203)**
Ending balance	**$ 381**	**$ 1,542**	**$ 2**	**$ 2**	**$ 169**	**$ 53**	**$ 450**	**$ 675**	**$ 2,602**

Millions of U.S. Dollars

For the year ended March 31, 2023	Valuation and translation adjustments			Total net assets
	Net unrealized gains (losses) on available-for-sale securities, net of tax	Land revaluation differences	Total valuation and translation adjustments	
Beginning balance	$ 1,302	$ (350)	$ 952	$ 3,758
Changes in the fiscal year:				
Additions to reserve for dividends to policyholders				(15)
Additions to reserve for future losses				
Additions to reserve for redemption of foundation funds				
Payment of interest on foundation funds				(30)
Net surplus				129
Redemption of foundation funds				(299)
Additions to reserve for fund redemption				
Additions to equalized reserve for dividends to policyholders				
Reversal of land revaluation differences				12
Net changes, excluding foundation funds and others	(324)	(12)	(336)	(336)
Net changes in the fiscal year	**(324)**	**(12)**	**(336)**	**(540)**
Ending balance	**$ 978**	**$ (362)**	**$ 616**	**$ 3,218**

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	2023	2022	2023
Unappropriated surplus (loss)	**¥ 60,148**	**¥ 56,614**	**$ 450**
Reversal of Voluntary surplus reserves:	**199**	**–**	**1**
Reversal of equalized reserve for dividends to policyholders	199	–	1
Total	**60,348**	**56,614**	**451**
Appropriation of surplus (loss):	**13,935**	**15,390**	**104**
Reserve for dividends to policyholders	2,497	2,121	18
Net surplus (loss):	11,438	13,269	85
Reserve for future losses	15	19	0
Interest on foundation funds	2,323	4,040	17
Voluntary surplus reserves:	9,100	9,210	68
Reserve for fund redemption	9,100	9,100	68
Equalized reserve for dividends to policyholders	–	110	–
Surplus (loss) carried forward	**¥ 46,412**	**¥ 41,223**	**$ 347**

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 ¥133.53 = US$1.00, the effective rate of exchange at the balance sheet date of March 31, 2023.

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.

(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).

Note for the fiscal year ended March 31, 2022

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.

(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 ¥5 million (US$0 million) and ¥24 million as of March 31, 2023 and 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 six years starting the following year.
- Prior service cost is charged to income when incurred.

Previously, actuarial differences were amortized under the straight-line method over a period of seven years. This period has been shortened to six years effective from the fiscal year ended March 31, 2023, since the average remaining working lives of the employees have fallen below seven years.

The impact of this change on ordinary profit and surplus before income taxes for the fiscal year ended March 31, 2023 is immaterial.

Note for the fiscal year ended March 31, 2022

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.

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

With respect to reserve for outstanding claims incurred but not reported events (referring to claims for which the occurrence of the insured events has not been reported but the Company finds that insured events have already occurred; hereinafter the same), the scope of payment of hospitalization benefits was changed in the fiscal year ended March 31, 2023 with regard to people with diagnoses of COVID-19 given and under the care of a doctor and the like at an accommodation facility or at home ("deemed hospitalizations"). As a result of this change, an appropriate amount of reserves cannot be obtained with the calculation method set forth in the main rules in Article 1, Paragraph 1 of the Japanese Ministry of Finance Public Notice No.234, 1998 ("IBNR Notice"). The Company therefore records the amount that was calculated using the following method, pursuant to provisions in the proviso of Article 1, Paragraph 1 of IBNR Notice (the "Proviso").

(Overview of the calculation method)

The Company calculates the reserve for outstanding claims incurred but not reported events for deemed hospitalizations and the others separately.

The amount of reserve for outstanding claims incurred but not reported events other than deemed hospitalizations is calculated using the same manner as that set forth in the main rules in Article 1, Paragraph 1 of IBNR Notice, excluding the amount related to deemed hospitalizations from a required amount of reserves for incurred but not reported events and the amount of claim payments for all the fiscal years, as set forth in the main rules in Article 1, Paragraph 1 of IBNR Notice.

The amount of reserve for outstanding claims incurred but not reported events for deemed hospitalizations is calculated based on the amount for deemed hospitalizations of those at high risk of serious illness after September 26, 2022, the number of new infections and the number of new infections over the last three months, considering the average days it takes from the occurrence of the insured events to the filing of claims.

Note for the fiscal year ended March 31, 2022

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 “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, revised on June 17, 2021) from the fiscal year ended March 31, 2023.

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 6. 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. Accounting Standards Issued but Not Yet Effective

Note for the fiscal year ended March 31, 2022

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.

4. Changes in Reporting Method

Note for the fiscal year ended March 31, 2022

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, 2023 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	2023		
	Balance Sheet Amount	Fair Value	Difference
Monetary claims bought	¥ 20,292	¥ 22,187	¥ 1,894
Held-to-maturity debt securities	19,395	21,290	1,894
Available-for-sale securities	897	897	–
Securities	4,175,083	4,212,239	37,156
Trading securities	26,198	26,198	–
Held-to-maturity debt securities	269,436	291,147	21,711
Policy-reserve-matching bonds	2,093,763	2,109,209	15,445
Available-for-sale securities	1,785,683	1,785,683	–
Loans	303,961	310,838	6,876
Policy loans	30,254	30,254	–
Industrial and consumer loans	273,707	280,583	6,876
Total assets	4,499,337	4,545,265	45,927
Bonds payable	150,555	147,092	(3,462)
Loans payable	49,000	50,490	1,490
Total liabilities	199,555	197,583	(1,972)
Derivative financial instruments	(9,204)	(9,204)	–
Hedge accounting not applied	(1,807)	(1,807)	–
Hedge accounting applied	(7,397)	(7,397)	–

* 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

As of March 31	2023		
	Balance Sheet Amount	Fair Value	Difference
Monetary claims bought	$ 151	$ 166	$ 14
Held-to-maturity debt securities	145	159	14
Available-for-sale securities	6	6	–
Securities	31,267	31,545	278
Trading securities	196	196	–
Held-to-maturity debt securities	2,017	2,180	162
Policy-reserve-matching bonds	15,680	15,795	115
Available-for-sale securities	13,372	13,372	–
Loans	2,276	2,327	51
Policy loans	226	226	–
Industrial and consumer loans	2,049	2,101	51
Total assets	33,695	34,039	343
Bonds payable	1,127	1,101	(25)
Loans payable	366	378	11
Total liabilities	1,494	1,479	(14)
Derivative financial instruments	(68)	(68)	–
Hedge accounting not applied	(13)	(13)	–
Hedge accounting applied	(55)	(55)	–

* 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 ¥75,767 million (US$567 million) as of March 31, 2023.

Investment trusts which are accounted for in accordance with Paragraph 24-3 and 24-9 of "Implementation Guidance on Accounting Standard for Fair Value Measurement" are included in the table above.

Investments in partnerships and others which are accounted for in accordance with Paragraph 24-16 of "Implementation Guidance on Accounting Standard for Fair Value Measurement" are not included in the table above. The amount of the investments in partnerships and others, reported in the non-consolidated balance sheet was ¥52,939 million (US$396 million) as of March 31, 2023.

Note for the fiscal year ended March 31, 2022

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	4,470,179	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.

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 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 as of March 31, 2022.

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 sheets

Millions of Yen

As of March 31	2023			
	Fair Value			
	Level 1	Level 2	Level 3	Total
Monetary claims bought	¥ –	¥ –	¥ 897	¥ 897
Available-for-sale securities	–	–	897	897
Securities[*1]	547,776	1,060,004	64,899	1,672,680
Trading securities	–	26,198	–	26,198
Others	–	26,198	–	26,198
Available-for-sale securities	547,776	1,033,805	64,899	1,646,481
National government bonds and local government bonds	24,700	2,683	–	27,383
Corporate bonds	–	374,147	–	374,147
Domestic stocks	431,919	–	–	431,919
Foreign bonds	8,310	477,007	64,899	550,216
Others	82,846	179,968	–	262,814
Total assets	547,776	1,060,004	65,796	1,673,577
Derivative financial instruments[*2]	0	(9,755)	549	(9,204)
Currency-related	–	(9,755)	–	(9,755)
Stock-related	0	–	549	550

*1 Investment trusts which are accounted for in accordance with Paragraph 24-3 and 24-9 of "Implementation Guidance on Accounting Standard for Fair Value Measurement" are not included in the table above. The balance sheet amount of the investment trusts which are accounted for in accordance with paragraph 24-3 of the implementation guidance, was ¥134,005 million (US$1,003 million) as of March 31, 2023. The balance sheet amount of the investment trusts which are accounted for in accordance with Paragraph 24-9 of the implementation guidance, was ¥5,196 million (US$38 million) as of March 31, 2023.

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

Millions of Yen

As of March 31	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.

Millions of U.S. Dollars

As of March 31	2023			
	Fair Value			
	Level 1	Level 2	Level 3	Total
Monetary claims bought	$ –	$ –	$ 6	$ 6
Available-for-sale securities	–	–	6	6
Securities*1	4,102	7,938	486	12,526
Trading securities	–	196	–	196
Others	–	196	–	196
Available-for-sale securities	4,102	7,742	486	12,330
National government bonds and local government bonds	184	20	–	205
Corporate bonds	–	2,801	–	2,801
Domestic stocks	3,234	–	–	3,234
Foreign bonds	62	3,572	486	4,120
Others	620	1,347	–	1,968
Total assets	4,102	7,938	492	12,533
Derivative financial instruments*2	0	(73)	4	(68)
Currency-related	–	(73)	–	(73)
Stock-related	0	–	4	4

*1 Investment trusts which are accounted for in accordance with Paragraph 24-3 and 24-9 of "Implementation Guidance on Accounting Standard for Fair Value Measurement" are not included in the table above. The balance sheet amount of the investment trusts which are accounted for in accordance with paragraph 24-3 of the implementation guidance, was ¥134,005 million (US$1,003 million) as of March 31, 2023. The balance sheet amount of the investment trusts which are accounted for in accordance with Paragraph 24-9 of the implementation guidance, was ¥5,196 million (US$38 million) as of March 31, 2023.

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

i) Investment trusts which are accounted for in accordance with Paragraph 24-3 and 24-9 of "Implementation Guidance on Accounting Standard for Fair Value Measurement"

a) Reconciliation between the beginning and ending balance, and net unrealized gains (losses) recognized as gains (losses) for the fiscal year, of the investment trusts which are accounted for in accordance with Paragraph 24-3 of "Implementation Guidance on Accounting Standard for Fair Value Measurement"

	Millions of Yen	Millions of U.S. Dollars
For the year ended March 31	2023	2023
Beginning balance	¥ 121,141	$ 907
Gains (losses) and net unrealized gains (losses) on available-for-sale securities, net of tax recorded for the fiscal year:	642	4
Gains (losses) recorded for the fiscal year *	1,926	14
Net unrealized gains (losses) on available-for-sale securities, net of tax recorded for the fiscal year	(1,283)	(9)
Net amount of purchase, sale, and redemption	12,221	91
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	134,005	1,003
Net unrealized gains (losses) on investment trusts held at the balance sheet date among the amount recorded to gains (losses) for the fiscal year *	1,926	14

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

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

	Millions of Yen	Millions of U.S. Dollars
As of March 31	2023	2023
Investment trusts which need more than 1 month to cancel from the notification of cancellation	¥ 45,332	$ 339
Other than above	88,672	664

c) Reconciliation between the beginning and ending balance, and net unrealized gains (losses) recognized as gains (losses) for the fiscal year, of the investment trusts which are accounted for in accordance with Paragraph 24-9 of "Implementation Guidance on Accounting Standard for Fair Value Measurement"

For the year ended March 31	Millions of Yen 2023	Millions of U.S. Dollars 2023
Beginning balance	¥ 5,104	$ 38
Gains (losses) and net unrealized gains (losses) on available-for-sale securities, net of tax recorded for the fiscal year:	93	0
Gains (losses) recorded for the fiscal year*	–	–
Net unrealized gains (losses) on available-for-sale securities, net of tax recorded for the fiscal year	93	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	5,196	38
Net unrealized gains (losses) on investment trusts held at the balance sheet date among the amount recorded to gains (losses) for the fiscal year*	–	–

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

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

As of March 31	Millions of Yen 2023 Fair Value			
	Level 1	Level 2	Level 3	Total
Monetary claims bought	¥ –	¥ 20,842	¥ 447	¥ 21,290
Held-to-maturity debt securities	–	20,842	447	21,290
Securities	1,715,893	510,901	173,562	2,400,357
Held-to-maturity debt securities	36,263	81,322	173,562	291,147
National government bonds and local government bonds	36,263	–	–	36,263
Corporate bonds	–	81,322	–	81,322
Foreign bonds	–	–	173,562	173,562
Policy-reserve-matching bonds	1,679,630	429,579	–	2,109,209
National government bonds and local government bonds	1,679,630	46,179	–	1,725,809
Corporate bonds	–	383,400	–	383,400
Loans	–	–	310,838	310,838
Policy loans	–	–	30,254	30,254
Industrial and consumer loans	–	–	280,583	280,583
Total assets	1,715,893	531,744	484,848	2,732,485
Bonds payable	–	147,092	–	147,092
Loans payable	–	–	50,490	50,490
Total liabilities	–	147,092	50,490	197,583

Millions of Yen

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

Millions of U.S. Dollars

As of March 31	2023			
	Fair Value			
	Level 1	Level 2	Level 3	Total
Monetary claims bought	$ –	$ 156	$ 3	$ 159
Held-to-maturity debt securities	–	156	3	159
Securities	12,850	3,826	1,299	17,976
Held-to-maturity debt securities	271	609	1,299	2,180
National government bonds and local government bonds	271	–	–	271
Corporate bonds	–	609	–	609
Foreign bonds	–	–	1,299	1,299
Policy-reserve-matching bonds	12,578	3,217	–	15,795
National government bonds and local government bonds	12,578	345	–	12,924
Corporate bonds	–	2,871	–	2,871
Loans	–	–	2,327	2,327
Policy loans	–	–	226	226
Industrial and consumer loans	–	–	2,101	2,101
Total assets	12,850	3,982	3,631	20,463
Bonds payable	–	1,101	–	1,101
Loans payable	–	–	378	378
Total liabilities	–	1,101	378	1,479

(3) Description of the evaluation methods and inputs used to measure fair value

i) Securities including monetary claims bought which are treated as securities based on "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10)

Fair values of securities for which unadjusted quoted market prices in active markets are available are categorized as Level 1, which mainly include listed stocks, listed investment trusts and government bonds. In the case the market is inactive even if the quoted market price is available, those securities are categorized as Level 2, which mainly include corporate bonds and foreign bonds. In the case the quoted market price is not available, fair values are measured by evaluation methods such as discounting future cash flows. In evaluation, the Company maximizes the use of observable inputs including swap rates, interest rate swap spreads, currency basis and others. When significant unobservable inputs are used to measure fair values, those securities are categorized as Level 3.

The fair value of unlisted investment trusts, which have no restriction on cancellation that is significant enough to require compensation for risk from market participants, are based on the quoted prices and others offered by counterparty financial institutions and categorized as level 2.

Note for the fiscal year ended March 31, 2022

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 sheets at fair value and categorized as Level 3

i) Quantitative information on significant unobservable inputs

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

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

Millions of Yen

For the year ended March 31, 2023	Monetary claims bought	Securities	Total (i) + (ii)	Derivative financial instruments
	Available-for-sale securities	Available-for-sale securities		
	Others (i)	Foreign bonds (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 fiscal year:	(39)	(1,498)	(1,538)	(1,981)
Gains (losses) recorded for the fiscal year*1	(20)	298	278	(1,981)
Net unrealized gains (losses) on available-for-sale securities, net of tax recorded for the fiscal year	(18)	(1,797)	(1,816)	–
Net amount of purchase, sale, issue, and settlement	(20)	–	(20)	2,262
Transfer to fair values of Level 3*2	–	41,912	41,912	–
Transfer from fair values of Level 3*3	–	(4,997)	(4,997)	–
Ending balance	897	64,899	65,796	550
Net unrealized gains (losses) on financial assets and liabilities held at the balance sheet date among the amount recorded to gains (losses) for the fiscal year*1	(20)	298	278	(1,981)

*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 2 to level 3 because of lack of observable data. Those transfers were made at the end of the fiscal year.
*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 Yen

For the year ended March 31, 2022	Monetary claims bought	Securities	Total (i) + (ii)	Derivative financial instruments
	Available-for-sale securities	Available-for-sale securities		
	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.

Millions of U.S. Dollars

For the year ended March 31, 2023	Monetary claims bought	Securities	Total (i) + (ii)	Derivative financial instruments
	Available-for-sale securities	Available-for-sale securities		
	Others (i)	Foreign bonds (ii)		Stock-related
Beginning balance	$ 7	$ 220	$ 227	$ 2
Gains (losses) and net unrealized gains (losses) on available-for-sale securities, net of tax recorded for the fiscal year:	(0)	(11)	(11)	(14)
Gains (losses) recorded for the fiscal year*1	(0)	2	2	(14)
Net unrealized gains (losses) on available-for-sale securities, net of tax recorded for the fiscal year	(0)	(13)	(13)	–
Net amount of purchase, sale, issue, and settlement	(0)	–	(0)	16
Transfer to fair values of Level 3*2	–	313	313	–
Transfer from fair values of Level 3*3	–	(37)	(37)	–
Ending balance	6	486	492	4
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	(0)	2	2	(14)

*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 2 to level 3 because of lack of observable data. Those transfers were made at the end of the fiscal year.
*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 ¥240,015 million (US$1,797 million) and ¥290,414 million (US$2,174 million) as of March 31, 2023 and ¥242,418 million and ¥285,844 million as of March 31, 2022, 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 ¥199,653 million (US$1,495 million) and ¥218,367 million as of March 31, 2023 and 2022, respectively.

9. 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 ¥521 million (US$3 million) and ¥609million as of March 31, 2023 and 2022, respectively.

i) Claims against bankrupt and quasi-bankrupt obligors were ¥386 million (US$2 million) and ¥453 million as of March 31, 2023 and 2022, respectively.

ii) Claims with collection risk were ¥30 million (US$0 million) and ¥70 million as of March 31, 2023 and 2022, respectively.

iii) Delinquent loans three or more months past due were ¥85 million (US$0 million) and ¥66 million as of March 31, 2023 and 2022, respectively.

iv) Restructured loans were ¥20 million (US$0 million) and ¥20 million as of March 31, 2023 and 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 ¥5 million (US$0 million) and ¥24 million as of March 31, 2023 and 2022, respectively.

10. Accumulated Depreciation of Tangible Fixed Assets

Accumulated depreciation of tangible fixed assets totaled ¥281,800 million (US$2,110 million) and ¥286,537 million as of March 31, 2023 and 2022, respectively.

11. Separate Accounts

Total assets in separate accounts provided for in Article 118 of the Insurance Business Act were ¥26,438 million (US$197 million) and ¥28,175 million as of March 31, 2023 and 2022, 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 ¥411 million (US$3 million) and ¥2,744 million (US$20 million) as of March 31, 2023 and ¥386 million and ¥2,158 million as of March 31, 2022, respectively.

13. Deferred Taxes

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

	Millions of Yen		Millions of U.S. Dollars
As of March 31	2023	2022	2023
Deferred tax assets	¥ 61,132	¥ 68,186	$ 457
Valuation allowance for deferred tax assets	13,580	13,897	101
Subtotal	47,551	54,288	356
Deferred tax liabilities	41,861	57,911	313
Net deferred tax assets (liabilities)	¥ 5,690	¥ (3,622)	$ 42

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

As of March 31	Millions of Yen 2023	Millions of U.S. Dollars 2023
Deferred tax assets		
Contingency reserve	¥ 17,607	$ 131
Reserve for price fluctuation	10,660	79
Reserve for employees' retirement benefits	8,015	60
Impairment losses	7,356	55
IBNR reserves	4,260	31
Losses on valuation of securities	3,489	26
Deferred tax liabilities		
Net unrealized gains on available-for-sale securities	37,793	283

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

Tax loss carried forward and the deferred tax assets by carry forward period were as follows:

As of March 31	Millions of Yen 2023			
	Within 1 year	Over 1 to 5 years	Over 5 years	Total
Tax loss carried forward	¥ –	¥ –	¥ 1,001	¥ 1,001
Valuation allowance	–	–	–	–
Deferred tax assets	–	–	1,001	1,001*

* The Company considers deferred tax assets recorded for tax loss carried forward to be recoverable as it is expected that there will be taxable income in the future.

As of March 31	Millions of U.S. Dollars 2023			
	Within 1 year	Over 1 to 5 years	Over 5 years	Total
Tax loss carried forward	$ –	$ –	$ 7	$ 7
Valuation allowance	–	–	–	–
Deferred tax assets	–	–	7	7*

* The Company considers deferred tax assets recorded for tax loss carried forward to be recoverable as it is expected that there will be taxable income in the future.

(2) The statutory tax rates were 27.9% and 27.9% for the fiscal years ended March 31, 2023 and 2022, 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	2023
Interest on foundation funds	(3.5)%

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

(3) The Company has applied the group tax sharing system from the fiscal year ended March 31, 2023. 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.

14. Reserve for Dividends to Policyholders

	Millions of Yen		Millions of U.S. Dollars
For the years ended March 31	2023	2022	2023
Balance at the beginning of the fiscal year	¥ 28,644	¥ 30,050	$ 214
Transfer to reserve from surplus in the previous fiscal year	2,121	2,153	15
Dividends to policyholders paid out during the fiscal year	3,664	3,562	27
Increase in interest	3	3	0
Balance at the end of the fiscal year	¥ 27,103	¥ 28,644	$ 202

15. Stocks of Subsidiaries and Affiliates

The amounts of stocks of subsidiaries and affiliates the Company held as of March 31, 2023 and 2022 were ¥62,621 million (US$468 million) and ¥37,377 million, respectively.

The Company provided capital of ¥5,000 million (US$37 million) to Nanairo Life Insurance Co., Ltd. on April 14, 2023.

16. Pledged Assets

Assets pledged as collateral as of March 31, 2023 and 2022 were securities in the amount of ¥3,224 million (US$24 million) and ¥80,591 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") was ¥17 million (US$0 million) and ¥9 million as of March 31, 2023 and 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 ¥357 million (US$2 million) and ¥373 million as of March 31, 2023 and 2022, 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 ¥130,950 million (US$980 million) and ¥174,218 million as of March 31, 2023 and 2022, respectively.

19. Redemption of Foundation Funds

The Company redeemed ¥40,000 million (US$299 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.

20. 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, 2023 and 2022 were ¥21,882 million (US$163 million) and ¥25,709 million, respectively. No assets were pledged as collateral as of March 31, 2023 and 2022.

21. Commitment Line

As of March 31, 2023 and 2022, there were unused commitment line agreements under which the Company is the lender of ¥10,086 million (US$75 million) and ¥13,947 million, respectively.

22. Subordinated Bonds Payable

As of March 31, 2023 and 2022, bonds payable are subordinated bonds payable, for which the repayments are subordinated to other obligations.

23. Subordinated Loans Payable

As of March 31, 2023 and 2022, loans payable are subordinated loans payable, for which the repayments are subordinated to other obligations.

24. Contributions to Policyholders Protection Corporation

Note for the fiscal year ended March 31, 2022

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 were ¥8,260 million. These contributions are charged as operating expenses in the fiscal year in which they are paid.

25. 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	**2023**	**2022**	**2023**
Retirement benefit obligations at the beginning of the fiscal year	¥ 39,489	¥ 40,365	$ 295
Service cost	1,779	1,808	13
Interest cost	394	403	2
Actuarial difference occurred during the fiscal year	601	514	4
Retirement benefit payments	(3,706)	(3,602)	(27)
Retirement benefit obligations at the end of the fiscal year	¥ 38,558	¥ 39,489	$ 288

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	**2023**	**2022**	**2023**
Pension plan assets at the beginning of the fiscal year	¥ 7,123	¥ 7,912	$ 53
Expected return on pension plan assets	60	62	0
Actuarial difference occurred during the fiscal year	181	(809)	1
Contributions by the employer	152	155	1
Retirement benefit payments	(117)	(197)	(0)
Pension plan assets at the end of the fiscal year	¥ 7,399	¥ 7,123	$ 55

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	2023	2022	2023
a. Funded plan retirement benefit obligation	¥ 38,558	¥ 39,489	$ 288
b. Pension plan assets	(7,399)	(7,123)	(55)
c. a + b	31,158	32,365	233
d. Unrecognized actuarial differences	(2,854)	(2,836)	(21)
e. Net amount of liabilities and assets presented on the non-consolidated balance sheet	28,303	29,529	211
f. Reserve for employees' retirement benefits	28,727	29,847	215
g. Prepaid pension cost	(424)	(318)	(3)
h. Net amount of liabilities and assets presented on the non-consolidated balance sheet	¥ 28,303	¥ 29,529	$ 211

iv) Breakdown of retirement benefit expenses

	Millions of Yen		Millions of U.S. Dollars
For the years ended March 31	2023	2022	2023
Service cost	¥ 1,779	¥ 1,808	$ 13
Interest cost	394	403	2
Expected return on pension plan assets	(60)	(62)	(0)
Amortization of actuarial differences	401	317	3
Retirement benefit expenses related to defined benefit plan	¥ 2,515	¥ 2,466	$ 18

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	2023	2022
Stocks	40%	38%
Bonds	11%	10%
Others	49%	52%
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	2023	2022
Discount rate	1.0%	1.0%
Expected long-term rate of return on pension plan assets	0.8%	0.8%
Defined benefit corporate pension plans	1.6%	1.6%

26. Subsequent Events

Note for the fiscal year ended March 31, 2022

The Company resolved to redeem ¥40,000 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 ¥803 million (US$6 million) and ¥10,061 million (US$75 million) for the fiscal year ended March 31, 2023 and ¥623 million and ¥9,338 million for the fiscal year ended March 31, 2022, 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	2023	2022	2023
Domestic bonds	¥ 6,720	¥ 4,943	$ 50
Domestic stocks and other securities	1,490	6,238	11
Foreign securities	7,904	767	59

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	2023	2022	2023
Domestic bonds	¥ 3,752	¥ 1,073	$ 28
Domestic stocks and other securities	1,987	1,448	14
Foreign securities	19,785	8,655	148

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	2023	2022	2023
Domestic stocks and other securities	¥ 108	¥ 272	$ 0
Foreign securities	5	1	0

Losses on derivative financial instruments included net valuation losses of ¥4,761 million (US$35 million) for the fiscal year ended March 31, 2023.

Note for the fiscal year ended March 31, 2022

Losses on trading securities were losses on sales of ¥1,133 million for the fiscal year ended March 31, 2022.

Losses on derivative financial instruments included net valuation gains of ¥641 million for the fiscal year ended March 31, 2022.

3. Policy Reserves for the Reinsurance Contracts

Provisions for reserve for outstanding claims for ceded reinsurance, which were deducted in calculating provision for reserve for outstanding claims were ¥7 million (US$0 million) and ¥2 million for the fiscal years ended March 31, 2023 and 2022, respectively.

Reversal of policy reserves for ceded reinsurance, which was deducted in calculating reversal of policy reserves for the fiscal year ended March 31, 2023 was ¥15 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, 2022 was ¥13 million.

4. Impairment Losses of Fixed Assets

For the fiscal years ended March 31, 2023 and 2022, 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.

(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	**2023**	**2022**	**2023**
Real estate for rent:			
Land	¥ –	¥ –	$ –
Building	–	–	–
Total real estate for rent (i)	–	–	–
Real estate not in use:			
Land	552	622	4
Building	1,683	526	12
Total real estate not in use (ii)	2,235	1,149	16
Real estate scheduled to be sold:			
Land	701	–	5
Building	351	–	2
Total real estate scheduled to be sold (iii)	1,053	–	7
Total:			
Land	1,254	622	9
Building	2,035	526	15
Total (i) + (ii) + (iii)	¥ 3,289	¥ 1,149	$ 24

(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 3.3% for the fiscal years ended March 31, 2023 and 2022, 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.

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

11. Company Overview (as of March 31, 2023)

Tokyo Head Office

Tama Head Office

Company Name:	Asahi Mutual Life Insurance Company
Founded:	March 1, 1888
Total Assets:	5.2856 trillion yen
Number of Offices:	58 branches; 566 sales offices (as of April 1, 2023)
Number of Employees:	18,609 (office staff: 4,125; sales representatives: 14,484)
Location of Tokyo Head Office:	6-1, Yotsuya 1-chome, Shinjuku-ku, Tokyo 160-8570, Japan Tel: 81-3-4214-3111