KPMG

## Independent Auditor's Report

To the Board of Directors of Meiji Yasuda Life Insurance Company.:

### Opinion

We have audited the accompanying consolidated financial statements of Meiji Yasuda Life Insurance Company ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheets as at March 31, 2022 and 2023, the consolidated statements of income, the consolidated statements of comprehensive income, the consolidated statements of changes in net assets and the consolidated statements of cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2022 and 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Appropriateness of the Company's judgment on the sufficiency of the amount of policy reserves | |
|---|---|
| **The key audit matter** | **How the matter was addressed in our audit** |
| In the consolidated balance sheet of the Group, Policy reserves of ¥37,070,528 million were recognized for the current fiscal year, of which ¥33,497,956 million was the policy reserves of the Company, accounting for a significant portion as large as approximately 68.7% of total liabilities and net assets in the consolidated financial statements.<br><br>As described in Note "II. Basis for preparing consolidated financial statements" under 4. "Summary of Significant Accounting Policies": (16) Policy reserves" to the consolidated financial statements, policy reserves are reported at an amount determined by actuarial calculations in accordance with the statement of calculation procedures for insurance premiums and policy reserves approved by the Financial Services Agency to prepare for future fulfilment of obligations under the insurance contracts, pursuant to Article 116, Paragraph 1 of the "Insurance Business Act."<br><br>In order to validate whether the amount of policy reserves is sufficient, the appointed actuary is engaged to perform a future income and expense analysis, pursuant to the "Insurance Business Act" and other relevant regulations. The analysis involved significant judgment in determining assumptions for estimating future cash flows, as well as a high level of actuarial expertise.<br><br>In addition, if there is deemed to be a risk that the policy reserves provided for in accordance with the statement of calculation procedures for insurance premiums and policy reserves may be insufficient to fulfill future obligations due to a significant deviation between the future cash flows estimated based on the calculation assumptions (such as the expected mortality/morbidity and the expected rate of interest) stipulated in the statement of calculation procedures and recent actual results, additional policy reserves need to be set aside pursuant to Article 69, Paragraph 5 of the "Ordinance for Enforcement of the Insurance Business Act." The procedures to recognize additional policy reserves required a high level of actuarial expertise and involved significant management judgement.<br><br>We, therefore, determined that our assessment of the appropriateness of the Company's judgment on the sufficiency of the amount of policy reserves was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter. | The primary procedures we performed to assess whether the Company's judgment with respect to the sufficiency of the amount of policy reserves was appropriate, included the following:<br><br>We tested the design and operating effectiveness of certain of the Company's internal controls relevant to the recognition of policy reserves. In this assessment, we focused our testing on controls in which management validates the sufficiency of the amount of policy reserves based on the opinion letter and the supplementary report provided by the appointed actuary.<br><br>In addition, we performed the following procedures, with the assistance of actuarial specialists within our firm, with respect to management judgment of the testing to validate the sufficiency of the amount of policy reserves (i.e., a future income and expense analysis):<br><br>• assessed whether the testing to validate the sufficiency of the amount of policy reserves was performed pursuant to the relevant laws and regulations, the "Standard of Practice for Appointed Actuaries of Life Insurance Companies" (issued by the Institute of Actuaries of Japan) and the Company's internal rules, including responses to the establishment of standard policy reserve for foreign currency insurance and compared the policy reserves with the calculation results in the previous fiscal years;<br><br>• evaluated the appointed actuary's opinion letter and the supplementary report by inquiring of the actuary regarding the contents of the reports; |

| **Appropriateness of the valuation of claim reserves for long-term disability insurance in the group insurance business at StanCorp** | |
|---|---|
| **The key audit matter** | **How the matter was addressed in our audit** |
| In the consolidated balance sheets of the Group, Reserves for outstanding claims of ¥926,059 million were reported for the current fiscal year. Of this amount, the claim reserves of StanCorp amounted to ¥779,675 million, a significant portion of which was related to claim reserves for the long-term disability insurance, called Long-Term Disability-Disabled Life Reserves (hereinafter, "LTD-DLR"), in its group insurance business.<br><br>Reserves for outstanding claims are set aside at amounts for which the payment obligation has incurred but the payment to the policyholder has yet to be completed as of the end of the fiscal year. As described in Note "II. Basis for preparing consolidated financial statements" under 4. "Summary of Significant Accounting Policies": (20) Significant Accounting Estimates a. "Claim reserves of StanCorp Financial Group, Inc. (StanCorp)" to the consolidated financial statements, StanCorp's claim reserves for LTD-DLR are recognized at an amount calculated based on the estimated present value of unpaid claims and claim adjustment expenses as of StanCorp's consolidated balance sheet date in accordance with U.S. generally accepted accounting principles.<br><br>While StanCorp evaluates annually whether the amount of claim reserves is appropriate, the selection of an appropriate valuation methodology used in this evaluation required a high level of actuarial expertise. In addition, claim reserves for LTD-DLR are provided for future payment obligations up to the date when the benefit payment would be terminated upon the reinstatement of the insured, and accordingly, the estimate of claim reserves for LTD-DLR reflected key assumptions, such as the claim termination rates, which involved significant management judgment.<br><br>We, therefore, determined that our assessment of the appropriateness of the valuation of claim reserves for LTD-DLR in the group insurance business of StanCorp was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter. | In order to assess the appropriateness of the valuation of claim reserves for LTD-DLR in the group insurance business of StanCorp, we requested the component auditor of StanCorp to perform an audit of StanCorp's financial statements. Then we evaluated the report of the component auditor to conclude on whether the audit procedures (including those set out below) were sufficient by inspecting relevant audit documentation and performing additional procedures, as necessary.<br><br>Such procedures included testing, in accordance with our group audit instructions, of the design and implementation of certain relevant internal controls, with a focus on controls in which StanCorp's actuary evaluates the appropriateness of key assumptions such as the claim termination rates.<br><br>We also focused on the following procedures, performed with the assistance of actuarial specialists within the firm of the component auditor, considering the status of benefit payments due to the spread of COVID-19 infections, trends in economic indicators such as interest rates, inflation rates, and unemployment rate which affected a key assumption of the claim termination rates, and other factors:<br><br>• assessed whether the selection of a valuation methodology to evaluate the appropriateness of the amount of claim reserves complied with U.S. generally accepted accounting principles and was also consistent with general actuarial practices;<br><br>• assessed whether the claim termination rates, which were a key assumption used to estimate the claim reserves, were appropriate;<br><br>• compared, for a selection of relevant contracts, the claim reserve independently calculated by the actuarial specialists with the amount recognized by StanCorp; and<br><br>• assessed the reliability of underlying information used in evaluating whether the amount of claim reserves was appropriate. |

<table>
<tr><th colspan="2">Appropriateness of the valuation of the in-force business related to the individual disability insurance business at StanCorp</th></tr>
<tr><th>The key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>In the consolidated balance sheets of the Group, Other intangible fixed assets of ¥323,778 million were reported for the current fiscal year. Of this amount, the value of the in-force business, or a Value of Business Acquired (“VOBA”), that arose from the acquisition of StanCorp accounted for ¥53,115 million, a significant portion of which was related to the individual disability insurance business.<br><br>As described in Note “II. Basis for preparing consolidated financial statements” under 4. “Summary of Significant Accounting Policies”: (20) Significant Accounting Estimates c. “Impairment of the value of in-force business or the Value of Business Acquired (VOBA) at the StanCorp acquisition” to the consolidated financial statements, the amount of VOBA arising from the acquisition of StanCorp was the estimated present value of future profits expected to be generated from the insurance policies held by StanCorp at the acquisition date, and was recognized in its consolidated financial statements in accordance with U.S. generally accepted accounting principles.<br><br>The VOBA related to the individual disability insurance products is being amortized over a certain period based on their contractual terms in proportion to future premiums. However, if assumptions underlying the actuarial calculations deteriorate, a loss equal to a decline in value of VOBA may be recognized before additional policy reserves are recognized. Accordingly, StanCorp performs the evaluation of VOBA concurrently with its assessment of the sufficiency of the amount of policy reserves (loss recognition testing). As a result of the testing, StanCorp determined that the recognition of a loss was not necessary.<br><br>In the loss recognition testing, the selection of an appropriate methodology used in the testing required a high level of actuarial expertise. In addition, the estimate of future cash flows used in the testing reflected key assumptions, such as the incident rates that estimates the probability of benefit payment being commenced due to the policy holder’s future disability and the claim termination rates that estimates the probability of the benefit payment being terminated due to reinstatement of the disabled insured, that involved significant management judgment.<br><br>We, therefore, determined that our assessment of the appropriateness of the valuation of VOBA related to the individual disability insurance business arising from the acquisition of StanCorp was one of the most significant matters in our audit of the</td><td>In order to assess the appropriateness of the valuation of VOBA related to the individual disability insurance business at StanCorp, we requested the component auditor of StanCorp to perform an audit of StanCorp’s financial statements. Then we evaluated the report of the component auditor to conclude on whether the audit procedures (including those set out below) were sufficient by inspecting relevant audit documentation and performing additional procedures, as necessary.<br><br>Such procedures included testing, in accordance with our group audit instructions, of the design and operating effectiveness of certain of StanCorp’s controls relevant to the loss recognition testing on the individual disability insurance business, with a focus on controls in which StanCorp’s actuary evaluates the appropriateness of key assumptions, such as the incident rates and the claim termination rates.<br><br>We also focused on the following procedures with respect to the results of StanCorp’s loss recognition testing, considering the status of benefit payments due to the spread of COVID-19 infections, trends in economic indicators such as interest rates, inflation rates, and unemployment rate which affected a key assumption of the claim termination rates, and other factors:<br><br>• assessed, with the assistance of actuarial specialists within the firm of the component auditor, whether the selection of a methodology used in the loss recognition testing complied with U.S. generally accepted accounting principles and was also consistent with general actuarial practices;<br><br>• assessed, with the assistance of actuarial specialists within the firm of the component auditor, whether the incident rates and the claim termination rates used in the loss recognition testing were appropriate; and<br><br>• evaluated the reliability of underlying information used to estimate future cash flows in the loss recognition testing.</td></tr>
</table>

| | |
|---|---|
| consolidated financial statements for the current fiscal year, and accordingly, a key audit matter. | |

## Other Information

The other information comprises the information included in the disclosure documents that contain or accompany the audited consolidated financial statements, but does not include the consolidated financial statements and our auditor's report thereon.

We do not perform any work on the other information as we determine such information does not exist.

## Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the provisions of the Insurance Business Act and its related regulations thereunder and in comformity with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The audit committee is responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the

consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Convenience Translation**

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2023 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note "I. Basis of Presentation" to the consolidated financial statements.

**Interest required to be disclosed by the Certified Public Accountants Act of Japan**

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Takuji Kanai
Designated Engagement Partner
Certified Public Accountant

Yukio Kumaki
Designated Engagement Partner
Certified Public Accountant

Hiroki Kobayashi
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Tokyo Office, Japan
August 3, 2023

**Notes to the Reader of Independent Auditor's Report:**
This is a copy of the Independent Auditor's Report and the original copies are kept separately by the Company and KPMG AZSA LLC.

# Meiji Yasuda Life Insurance Company and Consolidated Subsidiaries
## Consolidated Balance Sheets

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| As of March 31 | 2022 | 2023 | 2023 |
| ASSETS: | | | |
| Cash and deposits (*3) | ¥ 859,231 | ¥ 1,411,205 | $ 10,568 |
| Call loans | 40,004 | 90,000 | 674 |
| Monetary claims bought | 182,781 | 171,153 | 1,281 |
| Money held in trust | 175,209 | 146,733 | 1,098 |
| Securities (*1, *2, *3, *4) | 39,213,372 | 39,322,197 | 294,482 |
| Loans (*3, *5, *6) | 4,936,701 | 5,060,437 | 37,897 |
| Tangible fixed assets (*7, *13) | | | |
| Land | 624,917 | 623,010 | 4,665 |
| Buildings | 270,747 | 267,471 | 2,003 |
| Leased assets | 293 | 276 | 2 |
| Construction in progress | 8,614 | 16,762 | 125 |
| Other tangible fixed assets | 6,717 | 6,553 | 49 |
| Subtotal | 911,290 | 914,073 | 6,845 |
| Intangible fixed assets | | | |
| Software | 63,010 | 65,625 | 491 |
| Goodwill | 113,702 | 126,535 | 947 |
| Other intangible fixed assets | 248,560 | 323,778 | 2,424 |
| Subtotal | 425,274 | 515,940 | 3,863 |
| Due from agents | 1,453 | 1,455 | 10 |
| Reinsurance receivables | 169,181 | 191,731 | 1,435 |
| Other assets | 1,106,219 | 730,779 | 5,472 |
| Net defined benefit assets | 184,385 | 219,115 | 1,640 |
| Deferred tax assets | 2,494 | 13,000 | 97 |
| Customers' liabilities under acceptances and guarantees | 5,473 | 5,743 | 43 |
| Allowance for possible loan losses | (10,518) | (11,732) | (87) |
| Total assets | ¥ 48,202,554 | ¥ 48,781,836 | $ 365,324 |

# Meiji Yasuda Life Insurance Company and Consolidated Subsidiaries
## Consolidated Balance Sheets (continued)

| As of March 31 | | Millions of Yen 2022 | | Millions of Yen 2023 | | Millions of U.S. Dollars 2023 |
|---|---|---|---|---|---|---|
| **LIABILITIES:** | | | | | | |
| **Policy reserves and other reserves** | | | | | | |
| Reserve for outstanding claims | ¥ | 795,352 | ¥ | 926,059 | $ | 6,935 |
| Policy reserves | | 36,143,309 | | 37,070,528 | | 277,619 |
| Policyholders' dividend reserves (*8) | | 281,323 | | 288,339 | | 2,159 |
| **Subtotal** | | **37,219,985** | | **38,284,928** | | **286,714** |
| **Due to agents** | | **5,167** | | **6,866** | | **51** |
| **Reinsurance payables** | | **800** | | **39,038** | | **292** |
| **Bonds payable (*9)** | | **669,599** | | **640,735** | | **4,798** |
| **Other liabilities** | | | | | | |
| Payables under securities borrowing transactions | | 3,469,240 | | 3,804,131 | | 28,488 |
| Other liabilities (*10) | | 1,253,117 | | 1,115,188 | | 8,351 |
| **Subtotal** | | **4,722,358** | | **4,919,319** | | **36,840** |
| **Net defined benefit liabilities** | | **8,877** | | **7,709** | | **57** |
| **Reserve for price fluctuation** | | **870,721** | | **1,074,039** | | **8,043** |
| **Deferred tax liabilities** | | **314,918** | | **36,649** | | **274** |
| **Deferred tax liabilities for land revaluation (*13)** | | **78,954** | | **78,178** | | **585** |
| **Acceptances and guarantees** | | **5,473** | | **5,743** | | **43** |
| **Total liabilities** | | **43,896,857** | | **45,093,208** | | **337,700** |
| **NET ASSETS:** | | | | | | |
| **Foundation funds** | | **150,000** | | **100,000** | | **748** |
| **Reserve for redemption of foundation funds** | | **830,000** | | **880,000** | | **6,590** |
| **Reserve for revaluation** | | **452** | | **452** | | **3** |
| **Surplus** | | **413,961** | | **298,693** | | **2,236** |
| **Total funds, reserve and surplus** | | **1,394,414** | | **1,279,146** | | **9,579** |
| **Net unrealized gains (losses) on available-for-sale securities** | | **2,759,564** | | **2,169,500** | | **16,247** |
| **Deferred unrealized gains (losses) on derivatives under hedge accounting** | | **4,821** | | **(27,077)** | | **(202)** |
| **Land revaluation differences (*13)** | | **121,889** | | **121,544** | | **910** |
| **Foreign currency translation adjustments** | | **(22,534)** | | **82,896** | | **620** |
| **Remeasurements of defined benefit plans** | | **46,850** | | **61,969** | | **464** |
| **Total accumulated other comprehensive income** | | **2,910,591** | | **2,408,833** | | **18,039** |
| **Non-controlling interests** | | **692** | | **648** | | **4** |
| **Total net assets** | | **4,305,697** | | **3,688,627** | | **27,623** |
| **Total liabilities and net assets** | ¥ | **48,202,554** | ¥ | **48,781,836** | $ | **365,324** |

# Meiji Yasuda Life Insurance Company and Consolidated Subsidiaries
# Consolidated Statements of Income and
# Consolidated Statements of Comprehensive Income
## [Consolidated Statements of Income]

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| Years ended March 31 | 2022 | 2023 | 2023 |
| ORDINARY INCOME: | | | |
| **Insurance premiums and other** | **¥ 2,809,838** | **¥ 3,670,209** | **$ 27,486** |
| **Investment income** | | | |
| Interest, dividends and other income | 966,359 | 1,092,386 | 8,180 |
| Gains on money held in trust | 2,816 | 2,348 | 17 |
| Gains on sales of securities | 115,088 | 343,669 | 2,573 |
| Gains on redemption of securities | 71,940 | 171,157 | 1,281 |
| Foreign exchange gains | 133,051 | 33,918 | 254 |
| Other investment income | 4,144 | 4,713 | 35 |
| Investment gains on separate accounts | 9,658 | — | — |
| **Subtotal** | **1,303,059** | **1,648,194** | **12,343** |
| **Other ordinary income** | **101,441** | **98,286** | **736** |
| **Total ordinary income** | **4,214,339** | **5,416,690** | **40,565** |
| ORDINARY EXPENSES: | | | |
| **Benefits and other payments** | | | |
| Claims paid | 679,079 | 780,675 | 5,846 |
| Annuity payments | 628,789 | 637,897 | 4,777 |
| Benefit payments | 550,883 | 630,584 | 4,722 |
| Surrender benefits | 666,735 | 963,099 | 7,212 |
| Other refunds | 99,014 | 111,975 | 838 |
| **Subtotal** | **2,624,503** | **3,124,231** | **23,397** |
| **Provision for policy reserves and other reserves** | | | |
| Provision for reserve for outstanding claims | 20,696 | 25,983 | 194 |
| Provision for policy reserves | 270,941 | 446,213 | 3,341 |
| Provision for interest on policyholders' dividend reserves | 57 | 50 | 0 |
| **Subtotal** | **291,695** | **472,247** | **3,536** |
| **Investment expenses** | | | |
| Interest expenses | 52,360 | 80,672 | 604 |
| Losses on trading securities | — | 33 | 0 |
| Losses on sales of securities | 65,987 | 60,583 | 453 |
| Losses on valuation of securities | 5,852 | 4,668 | 34 |
| Losses on redemption of securities | 9,328 | 966 | 7 |
| Losses on derivative financial instruments | 215,416 | 607,210 | 4,547 |
| Provision for allowance for possible loan losses | 2,237 | 931 | 6 |
| Write-off of loans | — | 60 | 0 |
| Depreciation of real estate for non-insurance business | 9,919 | 9,832 | 73 |
| Other investment expenses | 28,601 | 40,158 | 300 |
| Investment losses on separate accounts | — | 11,630 | 87 |
| **Subtotal** | **389,703** | **816,750** | **6,116** |
| **Operating expenses** | **513,982** | **566,231** | **4,240** |
| **Other ordinary expenses** | **163,111** | **166,467** | **1,246** |
| **Total ordinary expenses** | **3,982,997** | **5,145,928** | **38,537** |
| **Ordinary profit** | **¥ 231,341** | **¥ 270,761** | **$ 2,027** |

# Meiji Yasuda Life Insurance Company and Consolidated Subsidiaries
## Consolidated Statements of Income and
## Consolidated Statements of Comprehensive Income
## [Consolidated Statements of Income] (continued)

| Years ended March 31 | Millions of Yen 2022 | Millions of Yen 2023 | Millions of U.S. Dollars 2023 |
|---|---|---|---|
| **Extraordinary gains** | | | |
| Gains on disposals of fixed assets | ¥ 124 | ¥ 2,782 | $ 20 |
| Gains on liquidation of subsidiaries and affiliates | − | 480 | 3 |
| **Subtotal** | **124** | **3,263** | **24** |
| **Extraordinary losses** | | | |
| Losses on disposals of fixed assets | 6,419 | 3,044 | 22 |
| Impairment losses (*1) | 556 | 595 | 4 |
| Provision for reserve for price fluctuation | 19,484 | 203,244 | 1,522 |
| Contributions for promotion of social welfare project | 1,587 | 1,725 | 12 |
| Other extraordinary losses | − | 11 | 0 |
| **Subtotal** | **28,047** | **208,621** | **1,562** |
| **Surplus before income taxes and non-controlling interests** | **203,418** | **65,403** | **489** |
| **Income taxes** | | | |
| Current | 12,157 | 54,794 | 410 |
| Deferred | 9,390 | (75,273) | (563) |
| **Total income taxes** | **21,547** | **(20,479)** | **(153)** |
| **Net surplus** | **181,870** | **85,882** | **643** |
| **Net surplus attributable to non-controlling interests** | **71** | **27** | **0** |
| **Net surplus attributable to the Parent Company** | **¥ 181,799** | **¥ 85,855** | **$ 642** |

# Meiji Yasuda Life Insurance Company and Consolidated Subsidiaries
# Consolidated Statements of Income and
# Consolidated Statements of Comprehensive Income
## [Consolidated Statements of Comprehensive Income]

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| Years ended March 31 | 2022 | 2023 | 2023 |
| **Net surplus** | **¥ 181,870** | **¥ 85,882** | **$ 643** |
| **Other comprehensive income (loss)** | (125,206) | (500,949) | (3,751) |
| Net unrealized gains (losses) on available-for-sale securities | (196,584) | (580,917) | (4,350) |
| Deferred unrealized gains (losses) on derivatives under hedge accounting | (23,210) | (32,807) | (245) |
| Land revaluation differences | — | 462 | 3 |
| Foreign currency translation adjustments | 64,061 | 93,612 | 701 |
| Remeasurements of defined benefit plans | 31,136 | 15,118 | 113 |
| Share of other comprehensive income (loss) of associates accounted for under the equity method | (609) | 3,581 | 26 |
| **Comprehensive income (loss)** | **¥ 56,664** | **¥ (415,066)** | **$ (3,108)** |
| Comprehensive income (loss) attributable to the Parent Company | 56,592 | (415,094) | (3,108) |
| Comprehensive income (loss) attributable to non-controlling interests | 71 | 27 | 0 |

# Meiji Yasuda Life Insurance Company and Consolidated Subsidiaries
## Consolidated Statements of Changes in Net Assets

**Year ended March 31, 2022** — **Millions of Yen**

| | Funds, reserves and surplus | | | | |
|---|---|---|---|---|---|
| | Foundation funds | Reserve for redemption of foundation funds | Reserve for revaluation | Surplus | Total funds, reserves and surplus |
| Beginning balance | 250,000 | 730,000 | 452 | 515,259 | 1,495,712 |
| Changes in the fiscal year | | | | | |
| Additions to policyholders' dividend reserves | | | | (178,633) | (178,633) |
| Additions to reserve for redemption of foundation funds | | 100,000 | | | 100,000 |
| Payment of interest on foundation funds | | | | (757) | (757) |
| Net surplus attributable to the Parent Company | | | | 181,799 | 181,799 |
| Redemption of foundation funds | (100,000) | | | | (100,000) |
| Reversal of reserve for fund redemption | | | | (100,000) | (100,000) |
| Reversal of land revaluation differences | | | | (3,706) | (3,706) |
| Net changes, excluding funds, reserves and surplus | | | | | − |
| Net changes in the fiscal year | (100,000) | 100,000 | − | (101,297) | (101,297) |
| Ending balance | 150,000 | 830,000 | 452 | 413,961 | 1,394,414 |

| | Accumulated other comprehensive income (loss) | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Net unrealized gains (losses) on available −for−sale securities | Deferred unrealized gains (losses) on derivatives under hedge accounting | Land revaluation differences | Foreign currency translation adjustments | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | Non−controlling interests | Total net assets |
| Beginning balance | 2,959,118 | 28,261 | 118,183 | (89,185) | 15,714 | 3,032,091 | 681 | 4,528,485 |
| Changes in the fiscal year | | | | | | | | |
| Additions to policyholders' dividend reserves | | | | | | | | (178,633) |
| Additions to reserve for redemption of foundation funds | | | | | | | | 100,000 |
| Payment of interest on foundation funds | | | | | | | | (757) |
| Net surplus attributable to the Parent Company | | | | | | | | 181,799 |
| Redemption of foundation funds | | | | | | | | (100,000) |
| Reversal of reserve for fund redemption | | | | | | | | (100,000) |
| Reversal of land revaluation differences | | | | | | | | (3,706) |
| Net changes, excluding funds, reserves and surplus | (199,554) | (23,440) | 3,706 | 66,650 | 31,136 | (121,500) | 10 | (121,489) |
| Net changes in the fiscal year | (199,554) | (23,440) | 3,706 | 66,650 | 31,136 | (121,500) | 10 | (222,787) |
| Ending balance | 2,759,564 | 4,821 | 121,889 | (22,534) | 46,850 | 2,910,591 | 692 | 4,305,697 |

# Meiji Yasuda Life Insurance Company and Consolidated Subsidiaries
# Consolidated Statements of Changes in Net Assets (continued)

**Year ended March 31, 2023** **Millions of Yen**

| | Funds, reserves and surplus | | | | |
|---|---|---|---|---|---|
| | Foundation funds | Reserve for redemption of foundation funds | Reserve for revaluation | Surplus | Total funds, reserves and surplus |
| Beginning balance | 150,000 | 830,000 | 452 | 413,961 | 1,394,414 |
| Changes in the fiscal year | | | | | |
| Additions to policyholders' dividend reserves | | | | (151,453) | (151,453) |
| Additions to reserve for redemption of foundation funds | | 50,000 | | | 50,000 |
| Payment of interest on foundation funds | | | | (477) | (477) |
| Net surplus attributable to the Parent Company | | | | 85,855 | 85,855 |
| Redemption of foundation funds | (50,000) | | | | (50,000) |
| Reversal of reserve for fund redemption | | | | (50,000) | (50,000) |
| Reversal of land revaluation differences | | | | 807 | 807 |
| Net changes, excluding funds, reserves and surplus | | | | | – |
| Net changes in the fiscal year | (50,000) | 50,000 | – | (115,267) | (115,267) |
| Ending balance | 100,000 | 880,000 | 452 | 298,693 | 1,279,146 |

| | Accumulated other comprehensive income (loss) | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Net unrealized gains (losses) on available –for–sale securities | Deferred unrealized gains (losses) on derivatives under hedge accounting | Land revaluation differences | Foreign currency translation adjustments | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | Non–controlling interests | Total net assets |
| Beginning balance | 2,759,564 | 4,821 | 121,889 | (22,534) | 46,850 | 2,910,591 | 692 | 4,305,697 |
| Changes in the fiscal year | | | | | | | | |
| Additions to policyholders' dividend reserves | | | | | | | | (151,453) |
| Additions to reserve for redemption of foundation funds | | | | | | | | 50,000 |
| Payment of interest on foundation funds | | | | | | | | (477) |
| Net surplus attributable to the Parent Company | | | | | | | | 85,855 |
| Redemption of foundation funds | | | | | | | | (50,000) |
| Reversal of reserve for fund redemption | | | | | | | | (50,000) |
| Reversal of land revaluation differences | | | | | | | | 807 |
| Net changes, excluding funds, reserves and surplus | (590,063) | (31,899) | (344) | 105,431 | 15,118 | (501,757) | (43) | (501,801) |
| Net changes in the fiscal year | (590,063) | (31,899) | (344) | 105,431 | 15,118 | (501,757) | (43) | (617,069) |
| Ending balance | 2,169,500 | (27,077) | 121,544 | 82,896 | 61,969 | 2,408,833 | 648 | 3,688,627 |

# Meiji Yasuda Life Insurance Company and Consolidated Subsidiaries
## Consolidated Statements of Changes in Net Assets (continued)

**Year ended March 31, 2023** — **Millions of U.S. Dollars**

| | Funds, reserves and surplus | | | | |
|---|---|---|---|---|---|
| | Foundation funds | Reserve for redemption of foundation funds | Reserve for revaluation | Surplus | Total funds, reserves and surplus |
| Beginning balance | 1,123 | 6,215 | 3 | 3,100 | 10,442 |
| Changes in the fiscal year | | | | | |
| Additions to policyholders' dividend reserves | | | | (1,134) | (1,134) |
| Additions to reserve for redemption of foundation funds | | 374 | | | 374 |
| Payment of interest on foundation funds | | | | (3) | (3) |
| Net surplus attributable to the Parent Company | | | | 642 | 642 |
| Redemption of foundation funds | (374) | | | | (374) |
| Reversal of reserve for fund redemption | | | | (374) | (374) |
| Reversal of land revaluation differences | | | | 6 | 6 |
| Net changes, excluding funds, reserves and surplus | | | | | — |
| Net changes in the fiscal year | (374) | 374 | — | (863) | (863) |
| Ending balance | 748 | 6,590 | 3 | 2,236 | 9,579 |

| | Accumulated other comprehensive income (loss) | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Net unrealized gains (losses) on available-for-sale securities | Deferred unrealized gains (losses) on derivatives under hedge accounting | Land revaluation differences | Foreign currency translation adjustments | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | Non-controlling interests | Total net assets |
| Beginning balance | 20,666 | 36 | 912 | (168) | 350 | 21,797 | 5 | 32,245 |
| Changes in the fiscal year | | | | | | | | |
| Additions to policyholders' dividend reserves | | | | | | | | (1,134) |
| Additions to reserve for redemption of foundation funds | | | | | | | | 374 |
| Payment of interest on foundation funds | | | | | | | | (3) |
| Net surplus attributable to the Parent Company | | | | | | | | 642 |
| Redemption of foundation funds | | | | | | | | (374) |
| Reversal of reserve for fund redemption | | | | | | | | (374) |
| Reversal of land revaluation differences | | | | | | | | 6 |
| Net changes, excluding funds, reserves and surplus | (4,418) | (238) | (2) | 789 | 113 | (3,757) | (0) | (3,757) |
| Net changes in the fiscal year | (4,418) | (238) | (2) | 789 | 113 | (3,757) | (0) | (4,621) |
| Ending balance | 16,247 | (202) | 910 | 620 | 464 | 18,039 | 4 | 27,623 |

# Meiji Yasuda Life Insurance Company and Consolidated Subsidiaries
# Consolidated Statements of Cash Flows

| | | | | | | Millions of U.S. Dollars |
|---|---|---|---|---|---|---|
| | | Millions of Yen | | | | |
| Years ended March 31 | | 2022 | | 2023 | | 2023 |
| **I Cash flows from operating activities** | | | | | | |
| Surplus before income taxes and non-controlling interests | ¥ | 203,418 | ¥ | 65,403 | $ | 489 |
| Depreciation of real estate for non-insurance business | | 9,919 | | 9,832 | | 73 |
| Depreciation | | 45,749 | | 45,803 | | 343 |
| Impairment losses | | 556 | | 595 | | 4 |
| Amortization of goodwill | | 8,026 | | 9,259 | | 69 |
| Increase (Decrease) in reserve for outstanding claims | | 22,634 | | 30,157 | | 225 |
| Increase (Decrease) in policy reserves | | 446,335 | | 624,840 | | 4,679 |
| Provision for interest on policyholders' dividend reserves | | 57 | | 50 | | 0 |
| Increase (Decrease) in allowance for possible loan losses | | 3,681 | | 1,214 | | 9 |
| Increase (Decrease) in net defined benefit liabilities | | 100 | | 120 | | 0 |
| Increase (Decrease) in reserve for price fluctuation | | 19,484 | | 203,244 | | 1,522 |
| Interest, dividends, and other income | | (966,359) | | (1,092,386) | | (8,180) |
| Losses (Gains) on securities | | (568,774) | | (445,671) | | (3,337) |
| Interest expenses | | 52,360 | | 80,672 | | 604 |
| Foreign exchange losses (gains) | | (5,925) | | (4,461) | | (33) |
| Losses (Gains) on tangible fixed assets | | 6,294 | | 265 | | 1 |
| Investment losses (gains) on equity method | | 7,832 | | 4,939 | | 36 |
| Decrease (Increase) in due from agents | | 114 | | 6 | | 0 |
| Decrease (Increase) in reinsurance receivables | | (135) | | 3,288 | | 24 |
| Decrease (Increase) in other assets (excluding those related to investing and financing activities) | | (34,670) | | (38,626) | | (289) |
| Increase (Decrease) in due to agents | | 1,134 | | 905 | | 6 |
| Increase (Decrease) in reinsurance payables | | (2) | | 38,238 | | 286 |
| Increase (Decrease) in other liabilities (excluding those related to investing and financing activities) | | 204,560 | | (385,145) | | (2,884) |
| Others, net | | (9,848) | | (13,982) | | (104) |
| **Subtotal** | | **(553,455)** | | **(861,436)** | | **(6,451)** |
| Interest, dividends, and other income received | | 987,989 | | 1,074,419 | | 8,046 |
| Interest paid | | (47,928) | | (76,374) | | (571) |
| Policyholders' dividends paid | | (157,424) | | (144,508) | | (1,082) |
| Income taxes paid | | (65,387) | | (3,827) | | (28) |
| **Net cash provided by (used in) operating activities** | ¥ | **163,794** | ¥ | **(11,727)** | $ | **(87)** |

# Meiji Yasuda Life Insurance Company and Consolidated Subsidiaries
# Consolidated Statements of Cash Flows (continued)

| Years ended March 31 | Millions of Yen 2022 | Millions of Yen 2023 | Millions of U.S. Dollars 2023 |
|---|---|---|---|
| **II Cash flows from investing activities** | | | |
| Net decrease (increase) in deposits | ¥ (60,181) | ¥ (89,103) | $ (667) |
| Proceeds from sales and redemption of monetary claims bought | 11,233 | 11,581 | 86 |
| Increase in money held in trust | (5,000) | — | — |
| Purchase of securities | (8,416,665) | (7,302,658) | (54,689) |
| Proceeds from sales and redemption of securities | 6,909,007 | 7,093,570 | 53,123 |
| Loans extended | (994,125) | (1,068,603) | (8,002) |
| Proceeds from collection of loans | 1,099,100 | 1,100,896 | 8,244 |
| Net increase (decrease) in cash collateral under securities | 715,216 | 864,203 | 6,471 |
| **Total investment activities (IIa)** | **(741,415)** | **609,886** | **4,567** |
| **[I + IIa]** | **(577,621)** | **598,159** | **4,479** |
| Purchase of tangible fixed assets | (22,333) | (27,637) | (206) |
| Proceeds from sales of tangible fixed assets | 266 | 10,566 | 79 |
| Purchase of intangible fixed assets | (33,273) | (36,327) | (272) |
| Proceeds from acquisition of business | — | 414 | 3 |
| Others, net | (4,580) | (1,595) | (11) |
| **Net cash provided by (used in) investing activities** | **(801,335)** | **555,307** | **4,158** |
| **III Cash flows from financing activities** | | | |
| Proceeds from borrowings | 200,000 | 71,600 | 536 |
| Redemption of bonds payable | — | (33,301) | (249) |
| Redemption of foundation funds | (100,000) | (50,000) | (374) |
| Payment of interest on foundation funds | (757) | (477) | (3) |
| Others, net | (76) | (87) | 0 |
| **Net cash provided by (used in) financing activities** | **99,165** | **(12,266)** | **(91)** |
| **IV Effect of foreign exchange rate changes on cash and cash equivalents** | **9,020** | **(2,929)** | **(21)** |
| **V Net increase (decrease) in cash and cash equivalents** | **(529,356)** | **528,382** | **3,957** |
| **VI Cash and cash equivalents at the beginning of the year** | **1,318,728** | **789,372** | **5,911** |
| **VII Cash and cash equivalents at the end of the year** | **¥ 789,372** | **¥ 1,317,755** | **$ 9,868** |

# Meiji Yasuda Life Insurance Company and Consolidated Subsidiaries
# Notes to the Consolidated Financial Statements

## I. Basis of Presentation

MEIJI YASUDA LIFE INSURANCE COMPANY (hereafter, “the Company”) has prepared the accompanying consolidated financial statements in accordance with the provisions set forth in the Japanese “Insurance Business Act” and its related accounting regulations in Japan, and in conformity with accounting principles generally accepted in Japan, which may differ in certain respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan. The accounts of overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles in the respective countries of domicile. 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. 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 are rounded down to the nearest million yen. As a result, the totals do not add up. The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan, using the exchange rate prevailing at March 31, 2023, which was ¥133.53 to U.S. $1. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

## II. Basis for preparing consolidated financial statements

### 1. Consolidated subsidiaries

The number of consolidated subsidiaries was 18 as of March 31, 2022 and 2023. The main consolidated subsidiaries as of March 31, 2023 are as follows:

Meiji Yasuda General Insurance Co., Ltd. (Japan)
Meiji Yasuda Asset Management Company Ltd. (Japan)
Meiji Yasuda System Technology Company Limited (Japan)
Pacific Guardian Life Insurance Company, Limited (U.S.A.)
StanCorp Financial Group, Inc. (U.S.A.)
Meiji Yasuda America Incorporated (U.S.A.)

A main subsidiary that is not consolidated, is Meiji Yasuda Life Planning Center Company, Limited.

The non-consolidated subsidiaries are excluded from the range of consolidation, due to all of them being small in scale from a total asset, sales, current profit/loss and (profit) surplus perspective. This exclusion from consolidation would not prevent a reasonable understanding of the consolidated financial position of the Company and its subsidiaries and the results of their operations.

## 2. Affiliates

The number of affiliates accounted for by the equity method was 9 and 10 as of March 31, 2022 and 2023, respectively. The main affiliates accounted for by the equity method as of March 31, 2023 are as follows:

Founder Meiji Yasuda Life Insurance Co., Ltd. (China)
PT Avrist Assurance (Indonesia)
TU Europa S.A. (Poland)
TUiR Warta S.A. (Poland)
Thai Life Insurance Public Company Limited (Thailand)

One affiliate of TU Europa S.A. is newly included in the scope of the equity method in the fiscal year ended March 31, 2023 as TU Europa S.A. acquired a majority of the voting rights of the affiliate.

The non-consolidated subsidiaries (e.g., Meiji Yasuda Life Planning Center Company, Limited and others, along with certain affiliates) are excluded from the scope of the equity method due to their immaterial effect, individually and in aggregate, on the consolidated net income and consolidated surplus.

## 3. Fiscal year-end of consolidated subsidiaries

The fiscal year-ends of consolidated overseas subsidiaries are December 31. The consolidated financial statements include the accounts of such subsidiaries as of their fiscal year-ends, with appropriate adjustments made for material transactions occurring between their respective fiscal year-ends and the date of the consolidated financial statements.

## 4. Summary of Significant Accounting Policies

### (1) Securities

Securities held by the Company are classified and accounted for as follows:

a. Trading securities are stated at market value at the balance sheet date. The cost of sales is determined by the moving average method.

b. Held-to-maturity debt securities are stated at amortized cost using the moving average method and the amortization is calculated using the straight-line method.

c. Policy-reserve-matching bonds are stated at amortized cost in accordance with the Industry Audit Committee Report No.21, “Temporary Treatment of Accounting and Auditing Concerning Policy-Reserve-Matching Bonds in the Insurance Industry,” issued by the Japanese Institute of Certified Public Accountants (JICPA). The cost of sales is determined by the moving average method and the amortization of discount/premium is calculated using the straight-line method.

d. Equity securities issued by subsidiaries and affiliates are stated at cost using the moving average method. The subsidiaries are prescribed under Article 2, Paragraph 12 of the “Insurance Business Act” and Article 13-5-2, Paragraph 3 of the “Order for Enforcement of the Insurance Business Act.” The affiliates are under Paragraph 4 of the order.

e. Available-for-sale securities are stated at market value at the balance sheet date. The cost of sales is determined by the moving average method. Stocks and others of which market value is not available are stated at cost using the moving average method. Unrealized gains and losses on available-for-sale securities are reported as a component of net assets in the consolidated balance sheets.

### (2) Money held in trust

Money held in trust is stated at fair value.

### (3) 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, individual annuities and group pensions as policy-reserve-matching bonds in accordance with the Industry Audit Committee Report No.21, "Temporary Treatment of Accounting and Auditing Concerning Policy-Reserve-Matching Bonds in the Insurance Industry" issued by the JICPA.

In addition, some sub-groups assigned for individual life insurance, individual annuities and group pensions have been abolished in the fiscal year ended March 31, 2023 as the need for risk management using policy-reserve-matching bonds is now considered highly unlikely.

The impact of this change on the consolidated balance sheets and the consolidated statements of income is immaterial.

### (4) Derivative transactions

Derivative transactions are stated at fair value.

### (5) Tangible fixed assets

Tangible fixed assets (excluding leased assets) owned by the Company are depreciated as follows:

a. Buildings
   Calculated using the straight-line method.

b. Other tangible fixed assets
   Calculated using the declining-balance method.

Tangible fixed assets are presented at cost, net of accumulated depreciation and impairment losses.

Tangible fixed assets owned by the Company's overseas consolidated subsidiaries are depreciated by mainly using the straight-line method.

Leased assets related to finance leases that do not transfer ownership to the lessees are depreciated by using the straight-line method, with the lease period being considered as useful lives of assets and residual value being set at zero.

### (6) Software

Capitalized software for internal use owned by the Company and subsidiaries (included in intangible fixed assets in the consolidated balance sheets) is amortized using the straight-line method over the estimated useful lives. Intangible fixed assets owned by certain overseas consolidated subsidiaries are amortized based on each country's accounting standard, such as U.S. generally accepted accounting principles (hereafter, "U.S. GAAP").

### (7) Allowance for possible loan losses

Allowance for possible loan losses of the Company is provided pursuant to its standards for self-assessment of asset quality and internal rules for write-offs of loans and allowance for possible loan losses.

For loans to borrowers that are legally bankrupt (hereafter, "bankrupt borrowers") and for loans to borrowers that are not yet legally bankrupt but substantially bankrupt (hereafter, "substantially bankrupt borrowers"), an allowance is provided based on the total amounts of the loans after deduction of charge-offs and any amounts expected to be collected through the disposal of collateral and the execution of guarantees.

For loans to borrowers that have high possibility of bankruptcy (hereafter, "borrowers with high possibility of bankruptcy"), an allowance is provided at the amount deemed necessary based on an overall solvency assessment, net of the expected collection by disposal of collateral and by executing guarantees.

For other loans, an allowance is provided by multiplying the claim amount by an anticipated default rate calculated based on the Company's actual default experience for a certain period in the past.

All loans are assessed by the department concerned based on the Company's standards for the self-assessment of asset quality and an independent department is responsible for audit of its self-assessment. The allowance for possible loan losses is provided based on the result of the assessment.

For loans with collateral to bankrupt borrowers and substantially bankrupt borrowers, the amount of loans exceeding the value of estimated recovery through disposal of collateral or execution of guarantees is deemed uncollectible and written off. The amount of loans written off for the years ended March 31, 2022 and 2023 amounted to ¥3 million and ¥16 million (U.S. $0 million), respectively.

Certain overseas consolidated subsidiaries directly deduct an allowance for possible loan losses from the assets in the consolidated balance sheets as of March 31, 2022 and 2023, respectively. The amount is as follows:

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| **Years ended March 31** | **2022** | **2023** | **2023** |
| Loans | ¥ 1,227 | ¥ 899 | $ 6 |

### (8) Net defined benefit liabilities and assets

Net defined benefit liabilities and assets are provided based on the estimate of retirement benefit obligations and plan assets at the balance sheet date.

Assumptions of the Company used in accounting for the defined benefit plans for the years ended March 31, 2022 and 2023 were as follows:

| Years ended March 31 | 2022 | 2023 |
|---|---|---|
| Method of attributing benefit to period of service | Benefit formula basis | Benefit formula basis |
| Amortization period for actuarial differences | 10 years | 10 years |
| Amortization period for past service cost | 10 years | 10 years |

### (9) Reserve for price fluctuation

Reserve for price fluctuation of the Company and the domestic consolidated insurance subsidiary is calculated pursuant to Article 115 of the "Insurance Business Act".

### (10) Foreign currency translation

Assets and liabilities denominated in foreign currencies, except for equity securities issued by unconsolidated subsidiaries and affiliates, are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. Equity securities issued by unconsolidated subsidiaries and affiliates are translated into Japanese yen at the exchange rates on the dates of acquisition. Assets, liabilities, revenues and expenses of the Company's overseas consolidated subsidiaries are translated into Japanese yen at the exchange rate at the end of their fiscal year, and translation adjustments are included in "foreign currency translation adjustments" in the net assets section of the consolidated balance sheets.

### (11) Method of hedge accounting

Methods of hedge accounting of the Company are in accordance with the ASBJ Statement No. 10, "Accounting Standard for Financial Instruments". These methods consist primarily of:
- the special hedge accounting using interest rate swaps to hedge against cash flow volatility related to loans receivable;
- the fair value hedge accounting using forward exchange contracts to hedge against exchange rate fluctuation risk related to foreign currency denominated bonds;
- the deferred hedge accounting using currency swaps to hedge against exchange rate fluctuation risk related to foreign currency denominated bonds;
- the allocation method using currency swaps to hedge against exchange rate fluctuation risk related to foreign currency denominated loans and bonds payable; and
- the deferred hedge accounting using interest rate swaps to hedge against interest rate fluctuation risk related to insurance liabilities, from the year ended March 31, 2010, based on the Industry Audit Committee Report No. 26, "Accounting and Auditing Treatments related to Application of Accounting Standard for Financial Instruments in the Insurance Industry," issued by the JICPA.

Hedge effectiveness for the deferred hedge accounting to hedge against interest rate fluctuation risk related to insurance liabilities is assessed by verifying the correlation between interest rates that would be used in calculating theoretical prices of hedged items and hedging instruments.

### (12) Goodwill on consolidation

Goodwill (including goodwill relating to affiliates) is amortized on the straight-line basis over 20 years. However, immaterial amounts of goodwill are fully recognized as expenses as incurred.

### (13) 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 insignificant risk of change in value.

### (14) Accounting for consumption taxes

National and local consumption taxes of the Company are accounted for using the tax-excluded method. Non-deductible consumption taxes are recognized as expenses for the period, except for those relating to purchases of depreciable fixed assets which are not charged to expense but deferred as other assets and amortized over a five-year period on the straight-line basis pursuant to the “Corporation Tax Act”.

### (15) Income Taxes

The provision for income taxes is calculated based on the pretax surplus included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying the effective income tax rates that are based on the enacted statutory rates to the temporary differences.

### (16) Policy reserves

Regarding contracts for which the insurer’s liability under insurance policies has started as of the end of the fiscal year, policy reserves of the Company are set aside 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”, in order to prepare for future fulfilment of obligations under the insurance contracts.

Of policy reserves, insurance premium reserves are calculated by the following methods:

a. Reserves for policies subject to the standard policy reserve rules are calculated based on the methods stipulated by the Prime Minister (Notification of the Minister of Finance No. 48, 1996).

b. Reserves for policies not subject to the standard policy reserve requirements are calculated based on the net level premium method.

   In addition, if there is deemed to be a risk of being unable to fulfill future obligations in the policy reserves set aside in accordance with the statement of calculation procedures approved by the Financial Service Agency due to a significant deviation between the future cash flows estimated based on the calculation assumptions (such as the expected mortality/morbidity and the expected rate of interest) stipulated in the statement of calculation procedures and recent actual results, additional policy reserves need to be set aside pursuant to Article 69, Paragraph 5 of the “Ordinance for Enforcement of the Insurance Business Act”. In accordance with this provision, the following reserves are set aside:

   ・The policy reserves set aside in the fiscal year ended March 31, 2015 for variable life insurance contracts, and single premium endowment contracts concluded on or after September 2, 1995.

・The policy reserves set aside in the fiscal year ended March 31, 2018 for single premium individual annuity contracts concluded on or after April 2, 1998.

・The policy reserves for the difference arising from calculations of premium reserves using the expected rate of interest of 2.00% for 2 years since the fiscal year ended March 31, 2021, for individual annuity contracts concluded on or before April 1, 1999 (excluding the single premium Individual annuity policies listed above).

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 "Ordinance for Enforcement of the Insurance Business Act" to cover risks that may occur in the future in order to ensure the performance of future obligations under insurance contracts.

Policy reserves of certain overseas consolidated subsidiaries are recorded using the amount calculated in accordance with U.S. GAAP.

### (17) Reserve for Incurred But Not Reported (IBNR) Claims

Reserve for Incurred But Not Reported (IBNR) claims is defined as a reserve for claims and benefits for which incidents prescribed in policy clauses are incurred but not reported to the Company (hereinafter "IBNR claims"). For the fiscal year ended March 31, 2022, reserve for IBNR claims is stated in the amount calculated by using the formula stipulated in the main text of Article 1, Paragraph 1 of the Ministry of Finance Notification No. 234 (hereinafter referred to as "IBNR Notification") in 1998. For the fiscal year ended March 31, 2023, the amount of reserve for IBNR claims can no longer be calculated appropriately by using the formula stipulated in the main text of Article 1, Paragraph 1 of the IBNR Notification, due to a change in the conditions applied to policyholders eligible for hospitalization benefits for "quasi hospitalization," which requires obtaining diagnosis of COVID-19 infection and undergoing treatment at accommodation facilities or their homes under the supervision of physicians or other specialists (hereinafter referred to as "quasi hospitalization") during the fiscal year ended March 31, 2023. Accordingly, the Company now records the amount of such reserve by using the following method in accordance with a proviso of Article 1, Paragraph 1 of the IBNR Notification.

(Outline of Calculation Method)
The Company first deducts the amount pertaining to quasi hospitalization for policyholders other than policyholders categorized at high risk of serious symptoms (hereinafter "four categories") from the total amount of required reserve for IBNR claims and payments of benefits and others of all fiscal years set forth in the main text of Article 1, Paragraph 1 of the IBNR Notification, and then calculates the amount of reserve for IBNR claims in the same manner as that stipulated in the main text of Article 1, Paragraph 1 of the IBNR Notification.

The amount pertaining to quasi hospitalization for policyholders classified into the four categories used to estimate the amounts of payments pertaining to quasi hospitalization for policyholders other than policyholders classified into the four categories diagnosed on or before September 25, 2022 was estimated by multiplying the ratio of the accumulated amount of claims paid for quasi hospitalization for those aged 65 years or older (one of the four categories), to the accumulated amount of claims paid for quasi hospitalization for all four categories diagnosed on or after September 26, 2022 by the amount pertaining to quasi hospitalization for those aged 65 years or older diagnosed on or before September 25, 2022.

### (18) Recognition of Insurance Premiums, Benefits and Claims, and Other Payments

Insurance premiums of the Company are, in principle, recorded for insurance contracts for which insurance premium has been received and under which the insurer’s liability has commenced by the relevant amounts received.

Also, premiums which corresponds to the period that is not expired at the end of the fiscal year, are set aside in the policy reserves in accordance with Article 116 of the “Insurance Business Act”, and Article 69, Paragraph 1, Item 2 of the “Ordinance for Enforcement of the Insurance Business Act”.

Benefits and claims (excluding reinsurance premiums) of the Company are recorded for contracts 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 addition, the Company recognizes outstanding claims with the amount of unpaid claims over the contracts for which payment obligation exists at the end of the fiscal year or for which incidents prescribed in policy clause already incurred but not reported to the Company, pursuant to Article 117 of the “Insurance Business Act” and Article 72 of the “Ordinance for Enforcement of the Insurance Business Act”.

### (19) Policy acquisition costs

Policy acquisition costs of the Company are expensed when incurred.

Policy acquisition costs of certain overseas consolidated subsidiaries are calculated based on each country’s accounting standard, such as U.S. GAAP.

### (20) Significant Accounting Estimates

Significant accounting estimates that are identified pursuant to Accounting Standards for Disclosure of Accounting Estimates (ASBJ Statement No. 31), are as follows.

#### a. Claim reserves of StanCorp Financial Group, Inc. (StanCorp)

(i) Amount recorded in the consolidated financial statements at the end of the fiscal year
The amounts of ¥653,086 million and ¥779,675 million (U.S. $5,838 million) are recorded in Reserve for outstanding claims of the consolidated balance sheets for the fiscal years ended March 31, 2022 and 2023, respectively. Claim reserves for the long-term disabled disability insurance, called Long-Term Disability-Disabled Life Reserves, in its group insurance business accounts for a significant portion of the reserve.

(ii) Other information that contributes to the understanding of users of consolidated financial statements about the contents of accounting estimates
StanCorp’s claim reserves are recognized at an amount calculated based on the estimated present value of unpaid claims and claim adjustment expenses as of the StanCorp’s balance sheet date in accordance with U.S. GAAP. While StanCorp evaluates annually whether the amount of claim reserves is appropriate, key assumptions such as claim termination rates are used for this evaluation.

Those assumptions are subject to a high degree of uncertainty and may greatly affect the future cash flow estimates on the consolidated balance sheets at the end of the next fiscal year.

**b. Impairment of goodwill arising from the acquisition of StanCorp**

(i) Amount recorded in the consolidated financial statements at the end of the fiscal year
The balance of the goodwill recognized at the time of the acquisition of StanCorp is recorded as Goodwill of ¥113,702 million and ¥121,920 million (U.S. $913 million) on the consolidated balance sheets for the fiscal years ended March 31, 2022 and 2023, respectively. The goodwill allocated to its group insurance business accounts for a significant portion.

(ii) Other information that contributes to the understanding of users of consolidated financial statements about the contents of accounting estimates
Goodwill arising from the acquisition of StanCorp is recognized in the consolidated financial statements of StanCorp, and is tested for impairment by StanCorp in accordance with U.S. GAAP. In the impairment testing, StanCorp evaluates the indication of impairment in accordance with U.S. GAAP, and assesses qualitative factors to determine whether it is more likely than not that the fair value of the group insurance business is less than its carrying amount including goodwill (qualitative assessment). Additionally, StanCorp performs a quantitative impairment test based on its earnings forecast.
This evaluation uses key assumptions such as premium growth rates and the insurance benefit ratios.

Those assumptions involve a high degree of uncertainty and may greatly affect the future cash flow estimates on the consolidated financial statements of the next fiscal year.

As a result of the testing, no impairment losses are recognized.

**c. Impairment of the value of in-force business or the Value of Business Acquired (VOBA) at the StanCorp acquisition**

(i) Amount recorded in the consolidated financial statements at the end of the fiscal year
The balance of the VOBA recognized at the time of the acquisition of StanCorp is recorded as ¥44,819 million and ¥53,115 million (U.S. $397 million) in Other intangible fixed assets of the consolidated balance sheets for the fiscal years ended March 31, 2022 and 2023, respectively. The balance related to the individual disability insurance business accounts for a significant portion of the VOBA.

(ii) Other information that contributes to the understanding of users of consolidated financial statements about the contents of the accounting estimates
The amount of VOBA arising from the acquisition of consolidated overseas subsidiaries is the estimated present value of future profits expected to be generated from the insurance policies held by StanCorp at the acquisition date, and is recognized in its consolidated financial statements in accordance with U.S. GAAP.
Key assumptions such as the incident rates and the claim termination rates are used for the calculation of the VOBA. In addition, the VOBA is being amortized over a certain period based on their contractual terms in proportion to future premiums.

If the assumptions listed above deteriorate, a loss equal to a decline in value of VOBA may be recognized before additional policy reserves are recognized. Accordingly, this evaluation is performed with its assessment of the sufficiency of the amount of policy reserves.

Those assumptions involve a high degree of uncertainty, and may greatly affect the future cash flow estimates on the consolidated financial statements of the next fiscal year.

As a result of the testing, no impairment losses are recognized.

## (Change in accounting policies)

(For the year ended March 31, 2022)
The Company adopted the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30: July 4, 2019) and other relevant standards at the beginning of the fiscal year ended March 31, 2022.

In accordance with the transitional treatments set forth in Paragraph 19 of the “Accounting Standard for Fair Value Measurement” and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10), the Company adopts new accounting policies prescribed in the “Accounting Standard for Fair Value Measurement” and other relevant standards for the reporting of its current and future financial results, prospectively.

Accordingly, the valuation of stocks included in available-for-sale securities with fair value, is conducted using the fair value method based on closing market prices at the end of the fiscal year, whereas these stocks were valued at the average of the market price during the final month of each fiscal year.

Moreover, the Company began to disclose fair value hierarchy in line with the adoption of the “Accounting Standard for Fair Value Measurement.”

(For the year ended March 31, 2023)
The Company adopted the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31: June 17, 2021; hereinafter the “Implementation Guidance”) at the beginning of the fiscal year ended March 31, 2023. In accordance with the transitional treatments set forth in Paragraph 27-2 of the Implementation Guidance, the Company adopts new accounting policies prescribed in this Implementation Guidance for the reporting of its current and future financial results, prospectively.

Accordingly, the Company has changed accounting methods for some investment trusts which had been classified as securities of which fair value is extremely difficult to determine and whose balance sheet amount had been accounted for based on acquisition costs. The balance sheet amount of these instruments is now recorded at fair value. Moreover, the Company began to disclose fair value hierarchy in line with the adoption of the Implementation Guidance.

In accordance with Paragraph 27-3 of the Implementation Guidance, notes on investment trusts as part of the fair value hierarchy of financial instruments in "VIII. Financial Instruments” for the previous fiscal year have been omitted.

## III. Notes to Consolidated Balance Sheets

### *1. Securities Lending

Securities loaned under security lending agreements, including securities under securities borrowing transactions, amounted to ¥4,758,137 million and ¥4,943,329 million (U.S. $37,020 million) as of March 31, 2022 and 2023, respectively.

### *2. Securities sold under Repurchase Agreements

Securities sold under repurchase agreements amounted to ¥236,593 million and ¥339,705 million (U.S. $2,544 million) as of March 31, 2022 and 2023, respectively.

### *3. Pledged Assets

Assets pledged as collateral were cash and deposits in the amount of ¥559 million and ¥2,118 million (U.S. $15 million), securities in the amounts of ¥1,898 million and ¥61,917 million (U.S. $463 million), and loans in the amounts of ¥159,179 million and ¥200,343 million (U.S. $1,500 million) as of March 31, 2022 and 2023, respectively.

### *4. Equity Securities issued by Unconsolidated Subsidiaries and Affiliates

The total amounts of equity securities issued by unconsolidated subsidiaries and affiliates were ¥202,576 million and ¥234,804 million (U.S. $1,758 million) as of March 31, 2022 and 2023, respectively.

### *5. Loans

The amounts of risk-monitored loans, which comprised (1) bankrupt and quasi-bankrupt loans, (2) doubtful loans, (3) loans in arrears for three months or longer and (4) restructured loans, were ¥28,373 million and ¥30,944 million (U.S. $231 million) as of March 31, 2022 and 2023, respectively.

The amounts of bankrupt and quasi-bankrupt loans were ¥421 million and ¥420 million (U.S. $3 million) as of March 31, 2022 and 2023, respectively.

The amounts of loans deemed uncollectible and directly deducted from the loans in the consolidated balance sheet as of March 31, 2022 and 2023 were ¥3 million and ¥16 million (U.S. $0 million) for bankrupt and quasi-bankrupt loans, respectively.

Bankrupt and quasi- bankrupt loans are loans to borrowers that have been found or are likely to be found legally bankrupt through fillings for the commencement of bankruptcy, corporate reorganization or civil rehabilitation proceedings, and loans to borrowers of similar status.

The amounts of doubtful loans were ¥11,339 million and ¥12,508 million (U.S. $93 million) as of March 31, 2022 and 2023, respectively.

Doubtful loans are loans with a high probability of failure in the receipt of principal or interest under terms of the loan agreement due to the borrower’s deteriorated financial status and/or business performance even though the borrower has yet to enter the state of bankruptcy. These loans do not include bankrupt and quasi-bankrupt loans.

The amounts of loans in arrears for three months or longer were ¥98 million and ¥110 million (U.S. $0 million) as of March 31, 2022 and 2023, respectively.

Loans in arrears for three months or longer represent the loans on which payments of principal or interest are past due over three months from the day following the contractual due date. These loans do not include bankrupt and quasi-bankrupt loans or doubtful loans.

The amounts of restructured loans were ¥16,513 million and ¥17,904 million (U.S. $134 million) as of March 31, 2022 and 2023, respectively.

Restructured loans represent the loans which have been restructured to provide relief to the borrowers by reducing or waiving interest payments, by rescheduling repayments of principal or payments of interest, or by waiving claims for borrowers in order to support their recovery from financial difficulties. Restructured loans do not include bankrupt and quasi-bankrupt loans, doubtful loans, or loans in arrears for three months or longer.

## *6. Loan Commitments

The amounts of loan commitments outstanding were ¥65,864 million and ¥152,091 million (U.S. $1,139 million) as of March 31, 2022 and 2023, respectively.

## *7. Accumulated Depreciation

Accumulated depreciation of tangible fixed assets amounted to ¥474,328 million and ¥483,481 million (U.S. $3,620 million) as of March 31, 2022 and 2023, respectively.

## *8. Policyholders' Dividend Reserves

Changes in policyholders' dividend reserves for the years ended March 31, 2022 and 2023 were as follows:

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| **Years ended March 31** | **2022** | **2023** | **2023** |
| Balance at the beginning of the fiscal year | ¥ 260,030 | ¥ 281,323 | $ 2,106 |
| Transfer from surplus in the previous fiscal year | 178,633 | 151,453 | 1,134 |
| Dividend payments to policyholders during the fiscal year | (157,424) | (144,508) | (1,082) |
| Interest accrued during the fiscal year | 83 | 71 | 0 |
| Balance at the end of the fiscal year | 281,323 | 288,339 | 2,159 |

## *9. Subordinated Bonds

As of March 31, 2022, bonds payable in liabilities included subordinated bonds and foreign currency-denominated subordinated bonds of ¥640,735 million, the repayments of which are subordinated to other obligations. As of March 31, 2023, bonds payable in liabilities consisted entirely of subordinated bonds and foreign currency-denominated subordinated bonds, the repayments of which are subordinated to other obligations.

## *10. Subordinated Borrowings

As of March 31, 2022 and 2023, other liabilities in liabilities included subordinated borrowings of ¥200,000 million and ¥271,600 million (U.S. $2,033 million), and the repayments of which are subordinated to other obligations.

### 11. Separate Accounts

The total amounts of assets held in separate accounts defined in Article 118, Paragraph 1 of the "Insurance Business Act" were ¥707,095 million and ¥589,743 million (U.S. $4,416 million) as of March 31, 2022 and 2023, respectively. The amounts of separate account liabilities were the same as these figures.

### 12. Contributions to the Life Insurance Policyholders Protection Corporation

The Company estimated future contributions to the Life Insurance Policyholders Protection Corporation in the amounts of ¥45,414 million and nil as of March 31, 2022 and 2023, respectively, pursuant to Article 259 of the "Insurance Business Act".

These contributions are recognized as operating expenses when contributed.

### *13. Revaluation of land

The Company revalued certain parcels of land owned for operational use as of March 31, 2000, as permitted by the "Act on Revaluation of Land".

The difference in value before and after revaluation is directly included in net assets in the consolidated balance sheets and presented as land revaluation differences, after net of income taxes which is presented as deferred tax liabilities for land revaluation in the consolidated balance sheets. As a revaluation method stipulated in Article 3, Paragraph 3 of the act, the Company used the publicly announced appraisal value with certain adjustments (detailed in Article 2, Item 1 of the "Order for Enforcement of the Act on Revaluation of Land") for the revaluation.

The Company also revalued certain parcels of land acquired from former Yasuda Mutual Life Insurance Company upon the merger on January 1, 2004 as of March 31, 2001, as permitted by the act. As a revaluation method stipulated in Article 3, Paragraph 3 of the act, the former company used the publicly announced appraisal value with certain adjustments (detailed in Article 2, Item 1 of the order) and appraisal value (detailed in Article 2, Item 5 of the order) for the revaluation.

## IV. Notes to Consolidated Statements of Income

### *1. Impairment of Fixed Assets

The details of the impairment losses on fixed assets are as follows:

#### (1) Method for grouping the assets

The Company and certain consolidated subsidiaries group all the fixed assets held and utilized mainly for the insurance business as one asset group for the impairment test.
For real estate for non-insurance business and idle assets, each asset is treated as an independent unit for the impairment test.

#### (2) Description of impairment losses recognized

For the years ended March 31, 2022 and 2023, the Company recognized impairment losses on real estate for non-insurance business that experienced a significant deterioration of profitability and on the idle assets that experienced a significant decline in fair value. For these assets, the Company reduced the carrying amount to a recoverable amount which is either fair value less costs to dispose or value-in-use, and recognized impairment losses as extraordinary losses in the consolidated statements of income.

### (3) Details of fixed assets resulting in impairment losses

For the year ended March 31, 2022

| Asset group | Number of properties impaired | Land | Buildings | Other intangible fixed assets | Total |
|---|---|---|---|---|---|
| | | | | | Millions of Yen |
| Real estate for non-insurance business | 0 | ¥ – | ¥ – | ¥ – | ¥ – |
| Idle assets | 9 | 310 | 242 | 3 | 556 |
| Total | 9 | 310 | 242 | 3 | 556 |

For the year ended March 31, 2023

| Asset group | Number of properties impaired | Land | Buildings | Total |
|---|---|---|---|---|
| | | | | Millions of Yen |
| Real estate for non-insurance business | 0 | ¥ – | ¥ – | ¥ – |
| Idle assets | 6 | 255 | 339 | 595 |
| Total | 6 | 255 | 339 | 595 |

For the year ended March 31, 2023

| Asset group | Land | Buildings | Total |
|---|---|---|---|
| | | | Millions of U.S. Dollars |
| Real estate for non-insurance business | $ – | $ – | $ – |
| Idle assets | 1 | 2 | 4 |
| Total | 1 | 2 | 4 |

### (4) Calculation method of recoverable amounts

The recoverable amounts of real estate for non-insurance business are determined at net realizable value or value in use. The recoverable amounts for idle assets are net realizable value. Value in use is mainly determined as the estimated net future cash flows, reflecting the volatility risk, discounted at 1.82% and 1.73% for the years ended March 31, 2022 and 2023, respectively. Net realizable value is calculated based on the appraisal value with reference to “Real Estate Appraisal Standards” or the publicly announced appraisal value. In addition, the Company recognized impairment losses associated with certain affiliates in the fiscal year ended March 31, 2022 in light of their current operating environment. These losses are included into investment losses (gains) on equity method classified under other ordinary expenses.

## V. Notes to Consolidated Statements of Comprehensive Income

The components of other comprehensive income (reclassification adjustments and income tax effects relating to other comprehensive income) for the years ended March 31, 2022 and 2023 were as follows:

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| **Years ended March 31** | **2022** | **2023** | **2023** |
| **Net unrealized gains (losses) on available-for-sale securities:** | | | |
| Amount arising during the fiscal year | ¥ (229,166) | ¥ (723,944) | $ (5,421) |
| Reclassification adjustments | (40,483) | (58,435) | (437) |
| Before income tax effect adjustments | (269,649) | (782,379) | (5,859) |
| Income tax effects | 73,065 | 201,462 | 1,508 |
| Net unrealized gains (losses) on available-for-sale securities | (196,584) | (580,917) | (4,350) |
| **Deferred unrealized gains (losses) on derivatives under hedge accounting:** | | | |
| Amount arising during the fiscal year | ¥ (30,545) | ¥ (44,348) | $ (332) |
| Reclassification adjustments | (1,673) | (1,192) | (8) |
| Before income tax effect adjustments | (32,219) | (45,540) | (341) |
| Income tax effects | 9,008 | 12,733 | 95 |
| Deferred unrealized gains (losses) on derivatives under hedge accounting | (23,210) | (32,807) | (245) |
| **Land revaluation differences:** | | | |
| Amount arising during the fiscal year | ¥ – | ¥ – | $ – |
| Reclassification adjustments | – | – | – |
| Before income tax effect adjustments | – | – | – |
| Income tax effects | – | 462 | 3 |
| Land revaluation differences | – | 462 | 3 |
| **Foreign currency translation adjustments:** | | | |
| Amount arising during the fiscal year | ¥ 64,061 | ¥ 93,612 | $ 701 |
| Reclassification adjustments | — | — | – |
| Before income tax effect adjustments | 64,061 | 93,612 | 701 |
| Income tax effects | — | — | – |
| Foreign currency translation adjustments | 64,061 | 93,612 | 701 |
| **Remeasurements of defined benefit plans:** | | | |
| Amount arising during the fiscal year | ¥ 48,895 | ¥ 30,156 | $ 225 |
| Reclassification adjustments | (6,125) | (9,979) | (74) |
| Before income tax effect adjustments | 42,770 | 20,176 | 151 |
| Income tax effects | (11,633) | (5,058) | (37) |
| Remeasurements of defined benefit plans | 31,136 | 15,118 | 113 |
| **Share of other comprehensive income of affiliates accounted for by the equity method:** | | | |
| Amount arising during the year | ¥ 1,161 | ¥ 4,998 | $ 37 |
| Reclassification adjustments | (1,771) | (1,417) | (10) |
| Share of other comprehensive income of affiliates accounted for by the equity method | (609) | 3,581 | 26 |
| **Total other comprehensive income** | (125,206) | (500,949) | (3,751) |

## VI. Notes to Consolidated Statements of Changes in Net Assets

### 1. Foundation Funds

Foundation funds serve as the primary source of capital for Japanese mutual life insurance companies. These funds are similar to loans, as interest payments, maturity dates and other items must be established at the time of the offering. In the event of a bankruptcy or similar development, repayment of the principal and interest of foundation funds is subordinated to the repayment of amounts owed to ordinary creditors and insurance claims and benefit payments owed to policyholders. Upon redemption of foundation funds, mutual companies are required to make an addition to the reserve for redemption of foundation funds, which serves as retained earnings, equal to the amount redeemed. As a result, the full amount of foundation funds remains in net assets even after redemption.

Having redeemed foundation funds totaling ¥100,000 million and ¥50,000 million (U.S. $374 million) in the fiscal year ended March 31, 2022 and 2023, respectively, the Company has transferred reserves for fund redemption of the same amount to reserve for redemption of foundation funds as defined under Article 56 of the “Insurance Business Act.”

## VII. Notes to Consolidated Statements of Cash Flows

### 1. Cash and Cash Equivalents

The components of cash and cash equivalents in the consolidated statements of cash flows as of March 31, 2022 and 2023 were as follows:

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| **As of March 31** | **2022** | **2023** | **2023** |
| Cash and deposits | ¥ 859,231 | ¥ 1,411,205 | $ 10,568 |
| Time deposits (over 3 months) | (127,798) | (216,901) | (1,624) |
| Call loans | 40,004 | 90,000 | 674 |
| Money held in trust (matured within 3 months) | 17,600 | 27,200 | 203 |
| Securities (matured within 3 months from the date of acquisition) | 334 | 6,251 | 46 |
| Cash and cash equivalents | 789,372 | 1,317,755 | 9,868 |

### 2. Major Components of Increases in Assets and Liabilities Due to the Acquisition of Business

In the fiscal year ended March 31, 2023, assets and liabilities increased due to the acquisition of a recordkeeping business from Securian Financial Group, Inc. by a subsidiary of StanCorp Financial Group, Inc., a consolidated subsidiary of the Company. The relationship between the acquisition cost of the acquired business and net proceeds from the acquisition of business is described below.

| | Millions of yen | Millions of U.S. Dollars |
|---|---|---|
| Assets | ¥ 217,579 | $ 1,629 |
| Cash and deposits | 34,783 | 260 |
| Liabilities | (181,883) | (1,362) |
| Policy reserves and other reserves | (181,883) | (1,362) |
| Consideration for the acquisition | 35,696 | 267 |
| Contingent consideration for the acquisition | (1,327) | (9) |
| Cash and cash equivalents included in acquired assets | (34,783) | (260) |
| Net proceeds from the acquisition of business | 414 | 3 |

## VIII. Financial Instruments

### 1. Qualitative information on financial instruments

The Company develops the asset and liability management based on surplus, and it monitors a surplus derived from the difference between the economic values of assets and liabilities as a measure of financial soundness, in order to manage its investment assets (excluding the assets of the separate account prescribed in Article 118, Paragraph 1 of the “Insurance Business Act”).

Based on this risk management, the Company mainly invests in securities and loans. Securities held primarily consist of bonds, stocks and investment trusts. Loans primarily consist of loans to domestic corporate borrowers. Securities held by certain overseas consolidated subsidiaries primarily consist of bonds, and loans primarily consist of loans to overseas borrowers.

Derivatives are mainly used for hedging activities as a primary method of hedging against invested asset risk, insurance liability risk and bonds payable risk.

Methods of hedge accounting are in accordance with the ASBJ Statement No. 10, “Accounting Standard for Financial Instruments”. These methods consist primarily of:
- the special hedge accounting using interest rate swaps to hedge against cash flow volatility related to loans;
- the fair value hedge accounting using forward exchange contracts to hedge against exchange rate fluctuation risk related to foreign currency denominated bonds;
- the deferred hedge accounting using currency swaps to hedge against exchange rate fluctuation risk related to foreign currency denominated bonds;
- the allocation method using currency swaps to hedge against exchange rate fluctuation risk related to foreign currency denominated loans and bonds payable; and
- the deferred hedge accounting using interest rate swaps to hedge against interest rate fluctuation risk related to insurance liabilities.

Securities held by the Company and certain overseas consolidated subsidiaries are exposed to market risk (interest rate fluctuation risk, exchange rate fluctuation risk and price fluctuation risk) and credit risk. Loans are exposed to credit risk and interest rate fluctuation risk. Derivative transactions are exposed to market risk and credit risk.

Some of the bonds payable of the Company and certain overseas consolidated subsidiaries which are denominated in foreign currencies are exposed to exchange rate fluctuation risk.

With regard to the interest rate fluctuation risk management, the Company manages the fluctuation risk on the basis of economic values from a surplus management perspective, by purchasing super long-term bonds to keep asset duration stable and using interest rate swaps for the interest rate risk hedge against insurance liabilities.

To manage the exchange rate fluctuation risk, the Company hedges against exchange rate fluctuation using forward exchange contracts where necessary for appropriate controls of exchange rate fluctuation risk.

To manage price fluctuation risk and other market risks, the Company performs integrated management for outstanding balances and the profit and loss situation of securities and derivative transactions and also monitors loss limits to minimize unexpected losses.

In addition to the Value at Risk (VaR) method to measure the maximum expected loss, the Company performs stress tests periodically to simulate conditions that might arise in the event of sharp market fluctuations that exceed normal forecasts.

The profit and loss status and compliance with these procedures are monitored by the investment risk management department, reported regularly (or immediately in urgent cases) to the risk management verification committee and, on important matters, reported directly to the Board of Directors and Committees.

To manage credit risk, the Company carefully identifies risks in each transaction and limits investments to those that are assessed to be of high quality.

Where credit risk assessment is particularly important regarding corporate loans, the credit risk management department ensures that a rigorous screening system is in place, and monitors borrowers and internal credit rating using corporate screening methods. The Company follows careful discussions by the Investment Council to make decisions on highly important deals.

Further, the Company sets exposure limits based on counterparties' creditworthiness to ensure that risk is not concentrated among certain companies or groups, and diversifies investments.

With regard to derivative transactions, the Company limits risk by setting up policies and establishing limits by the type of transaction and by each counterparty. At the same time, a system of internal checks is in place by segregating the departments executing the transactions from the administrative departments to ensure risk management is on an appropriate footing.

## 2. Fair value of financial instruments

The amounts of the principal financial assets and liabilities reported in the consolidated balance sheets at the end of the fiscal years ended March 31, 2022 and 2023, their fair values and the differences between them, were as presented in the following table. In addition, notes for cash are omitted. Moreover, the Company omitted notes for deposits other than CDs; money held in trust that is jointly invested and has a nature similar to deposits; payables under repurchase agreements; and payables under securities borrowing transactions, based on the assumption that the fair value of these instruments approximates book value due to short-term nature of their contracts.

| As of March 31 | Millions of Yen | | |
|---|---|---|---|
| | 2022 | | |
| | Balance sheet amount | Fair value | Difference |
| Deposits | ¥ 12,998 | ¥ 12,998 | ¥ — |
| Available-for-sale securities (CDs) | 12,998 | 12,998 | — |
| Monetary claims bought | 182,781 | 191,256 | 8,475 |
| Held-to-maturity debt securities | 175,607 | 184,082 | 8,475 |
| Available-for-sale securities | 7,173 | 7,173 | — |
| Money held in trust | 157,609 | 157,609 | — |
| Trading securities | 4,608 | 4,608 | — |
| Available-for-sale securities | 153,000 | 153,000 | — |
| Securities | 38,955,322 | 40,269,048 | 1,313,725 |
| Trading securities | 1,898,003 | 1,898,003 | — |
| Held-to-maturity debt securities | 3,539,261 | 4,064,631 | 525,370 |
| Policy-reserve-matching bonds | 12,578,485 | 13,366,841 | 788,355 |
| Available-for-sale securities | 20,939,573 | 20,939,573 | — |
| Loans | 4,936,701 | 5,117,463 | 180,762 |
| Policy loans | 194,834 | 194,834 | — |
| Industrial and consumer loans | 4,741,867 | 4,922,629 | 180,762 |
| Allowance for possible loan losses (*1) | (9,167) | — | — |
| | 4,927,533 | 5,117,463 | 189,930 |
| Bonds payable | 669,599 | 685,178 | 15,578 |
| Borrowings | 200,000 | 197,260 | (2,740) |
| Derivative financial instruments (*2) | (446,488) | (446,488) | — |
| Hedge accounting is not applied | (85,965) | (85,965) | — |
| Hedge accounting is applied | (360,523) | (360,523) | — |

(*1) The amounts are general allowance for possible losses on loans and specific allowance for possible loan losses related to the loans.

(*2) The amounts of receivables and payables arising from derivative transactions are shown as net amounts.

(*3) In accordance with Paragraph 5 of the Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19: March 31, 2020) and Paragraph 27 of the Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31: July 4, 2019), unlisted stocks and others of which market value is not available are not included in securities presented in the above table concerning the fair value of financial instruments and the table concerning the fair value hierarchy of financial instruments. Investments in capital partnerships are similarly excluded from the table for the same reason.

The amount of stocks and others of which market value is not available, as reported in the consolidated balance sheets, was ¥242,969 million as of March 31, 2022. Of this, the amount of stocks of subsidiaries and affiliates was ¥202,576 million. The amount of investments in capital partnerships reported in the consolidated balance sheets totaled ¥15,079 million as of March 31, 2022.

Impairment losses on unlisted stocks and others of which market value is not available and investments in capital partnerships were ¥1,541 million for the year ended March 31, 2022.

| As of March 31 | Millions of Yen | | | Millions of U.S. Dollars | | |
|---|---|---|---|---|---|---|
| | 2023 | | | 2023 | | |
| | Balance sheet amount | Fair value | Difference | Balance sheet amount | Fair value | Difference |
| Deposits | ¥ 11,999 | ¥ 11,999 | ¥ — | $ 89 | $ 89 | $ — |
| Available-for-sale securities (CDs) | 11,999 | 11,999 | — | 89 | 89 | — |
| Monetary claims bought | 171,153 | 175,564 | 4,410 | 1,281 | 1,314 | 33 |
| Held-to-maturity debt securities | 165,258 | 169,668 | 4,410 | 1,237 | 1,270 | 33 |
| Available-for-sale securities | 5,895 | 5,895 | — | 44 | 44 | — |
| Money held in trust | 119,533 | 119,533 | — | 895 | 895 | — |
| Trading securities | 4,544 | 4,544 | — | 34 | 34 | — |
| Available-for-sale securities | 114,988 | 114,988 | — | 861 | 861 | — |
| Securities | 39,137,04 | 39,590,004 | 452,958 | 293,095 | 296,487 | 3,392 |
| Trading securities | 1,605,779 | 1,605,779 | — | 12,025 | 12,025 | — |
| Held-to-maturity debt securities | 3,341,999 | 3,739,172 | 397,173 | 25,028 | 28,002 | 2,974 |
| Policy-reserve-matching bonds | 13,838,01 | 13,906,096 | 68,081 | 103,632 | 104,142 | 509 |
| Stocks of subsidiaries and affiliates | 108,953 | 96,657 | (12,296) | 815 | 723 | (92) |
| Available-for-sale securities | 20,242,29 | 20,242,298 | — | 151,593 | 151,593 | — |
| Loans | 5,060,437 | 5,090,462 | 30,025 | 37,897 | 38,122 | 224 |
| Policy loans | 179,688 | 179,688 | — | 1,345 | 1,345 | — |
| Industrial and consumer loans | 4,880,749 | 4,910,774 | 30,025 | 36,551 | 36,776 | 224 |
| Allowance for possible loan losses (*1) | (10,292) | — | — | (77) | — | — |
| | 5,050,145 | 5,090,462 | 40,317 | 37,820 | 38,112 | 301 |
| Bonds payable | 640,735 | 632,941 | (7,793) | 4,798 | 4,740 | (58) |
| Borrowings | 271,600 | 252,096 | (19,503) | 2,033 | 1,887 | (146) |
| Derivative financial instruments (*2) | (89,146) | (89,146) | — | (667) | (667) | — |
| Hedge accounting is not applied | (23,173) | (23,173) | — | (173) | (173) | — |
| Hedge accounting is applied | (65,973) | (65,973) | — | (494) | (494) | — |

(*1) The amounts are general allowance for possible losses on loans and specific allowance for possible loan losses related to the loans.

(*2) The amounts of receivables and payables arising from derivative transactions are shown as net amounts.

(*3) In accordance with Paragraph 5 of the Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19: March 31, 2020) and Paragraph 24-16 of the Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No.31: June 17, 2021), unlisted stocks and others of which market value is not available are not included in securities presented in the above table concerning the fair value of financial instruments and the table concerning the fair value hierarchy of financial instruments. Investments in capital partnerships are similarly excluded from the table for the same reason.

The amount of stocks and others of which market value is not available, as reported in the consolidated balance sheets, was ¥161,505 million (U.S. $1,209 million) as of March 31, 2023. Of this, the amount of stocks of subsidiaries and affiliates was ¥125,850 million (U.S. $942 million). The amount of investments in capital partnerships reported in the consolidated balance sheets totaled ¥23,646 million (U.S. $177 million) as of March 31, 2023.

Impairment losses on unlisted stocks and others of which market value is not available and investments in capital partnerships was ¥1,073 million (U.S. $8 million) for the year ended March 31, 2023.

Notes:

a. Maturity analysis of monetary claims and securities with maturities

| As of March 31 | Millions of Yen | | | | | |
|---|---|---|---|---|---|---|
| | 2022 | | | | | |
| | Within 1 year | Over 1 year to 3 years | Over 3 years to 5 years | Over 5 years to 7 years | Over 7 years to 10 years | Over 10 years |
| Deposits (CDs) | ¥ 12,998 | ¥ — | ¥ — | ¥ — | ¥ — | ¥ — |
| Monetary claims bought | — | — | — | — | — | 182,781 |
| Loans* | 500,177 | 725,947 | 722,555 | 520,564 | 810,766 | 1,455,017 |
| Securities | 1,089,456 | 1,779,932 | 1,755,345 | 3,120,451 | 6,849,998 | 15,815,149 |
| Held-to-maturity debt securities | 177,431 | 412,710 | 625,103 | 253,554 | 567,930 | 1,502,530 |
| Policy-reserve-matching bonds | 112,780 | 16,879 | 80,807 | 695,584 | 2,295,505 | 9,376,927 |
| Available-for-sale securities with maturities | 799,244 | 1,350,341 | 1,049,434 | 2,171,312 | 3,986,563 | 4,935,691 |
| Total | 1,602,633 | 2,505,879 | 2,477,900 | 3,641,016 | 7,660,765 | 17,452,948 |

| As of March 31 | Millions of Yen | | | | | | Millions of U.S. Dollars | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2023 | | | | | | 2023 | | | | | |
| | Within 1 year | Over 1 year to 3 years | Over 3 years to 5 years | Over 5 years to 7 years | Over 7 years to 10 years | Over 10 years | Within 1 year | Over 1 year to 3 years | Over 3 years to 5 years | Over 5 years to 7 years | Over 7 years to 10 years | Over 10 years |
| Deposits (CDs) | ¥ 11,999 | ¥ — | ¥ — | ¥ — | ¥ — | ¥ — | $ 89 | $ — | $ — | $ — | $ — | $ — |
| Monetary claims bought | — | — | — | — | — | 171,153 | — | — | — | — | — | 1,281 |
| Loans* | 498,444 | 803,988 | 620,647 | 636,070 | 733,763 | 1,579,497 | 3,732 | 6,021 | 4,647 | 4,763 | 5,495 | 11,828 |
| Securities | 773,890 | 1,478,877 | 2,615,253 | 3,393,673 | 6,971,670 | 15,594,018 | 5,795 | 11,075 | 19,585 | 25,415 | 52,210 | 116,782 |
| Held-to-maturity debt securities | 218,976 | 552,203 | 455,501 | 87,759 | 562,041 | 1,465,516 | 1,639 | 4,135 | 3,411 | 657 | 4,209 | 10,975 |
| Policy-reserve-matching bonds | 3,467 | 32,933 | 254,377 | 1,040,326 | 2,911,125 | 9,595,784 | 25 | 246 | 1,905 | 7,790 | 21,801 | 71,862 |
| Available-for-sale securities with maturities | 551,446 | 893,741 | 1,905,374 | 2,265,587 | 3,498,504 | 4,532,717 | 4,129 | 6,693 | 14,269 | 16,966 | 26,200 | 33,945 |
| Total | 1,284,334 | 2,282,866 | 3,235,900 | 4,029,744 | 7,705,434 | 17,344,669 | 9,618 | 17,096 | 24,233 | 30,178 | 57,705 | 129,893 |

(*) Bankruptcy and reorganization claims, which are expected to be unrecoverable, are not included in this table, and they were ¥6,837 million and ¥8,326 million (U.S. $62 million) as of March 31, 2022 and 2023, respectively.

(*) Policy loans are not included because they have no defined maturity dates.

b. Maturity analysis of bonds payable and borrowings.

| As of March 31 | Millions of Yen | | | | | |
|---|---|---|---|---|---|---|
| | 2022 | | | | | |
| | Within 1 year | Over 1 year to 3 years | Over 3 years to 5 years | Over 5 years to 7 years | Over 7 years to 10 years | Over 10 years |
| Bonds payable | ¥ 28,864 | ¥ — | ¥ — | ¥ — | ¥ — | ¥ 640,735 |
| Borrowings | — | — | — | — | — | 200,000 |
| Total | 28,864 | — | — | — | — | 840,735 |

| As of March 31 | Millions of Yen | | | | | | Millions of U.S. Dollars | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2023 | | | | | | 2023 | | | | | |
| | Within 1 year | Over 1 year to 3 years | Over 3 years to 5 years | Over 5 years to 7 years | Over 7 years to 10 years | Over 10 years | Within 1 year | Over 1 year to 3 years | Over 3 years to 5 years | Over 5 years to 7 years | Over 7 years to 10 years | Over 10 years |
| Bonds payable | ¥— | ¥ — | ¥ — | ¥ — | ¥ — | ¥ 640,735 | $ — | $ — | $ — | $ — | $ — | $ 4,798 |
| Borrowings | — | — | — | — | — | 271,600 | — | — | — | — | — | 2,033 |
| Total | — | — | — | — | — | 912,335 | — | — | — | — | — | 6,832 |

### 3. Fair value hierarchy of financial instruments

Fair values of financial instruments are classified into three different levels of fair value hierarchy, defined as follows, in accordance with the observability and significance of input used in fair value measurements.

Level 1: Fair value measured at (unadjusted) quoted prices in active markets for the same assets or liabilities

Level 2: Fair value calculated by using directly or indirectly observable input other than Level 1

Level 3: Fair value calculated using significant unobservable input

In addition, multiple inputs that exert a significant impact on calculation results may be used in fair value measurements. In such cases, the Company classifies the fair value of assets and liabilities into the level with lowest priority among the levels to which each input belongs in terms of fair value measurement.

## (1) Financial assets and liabilities whose balance sheet amounts are presented at fair value

Millions of Yen

| As of March 31 | 2022 | | | |
|---|---|---|---|---|
| Category | Fair value | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| Deposits (CDs) | ¥ — | ¥ 12,998 | ¥ — | ¥ 12,998 |
| Monetary claims bought | — | 7,173 | — | 7,173 |
| Available-for-sale securities | — | 7,173 | — | 7,173 |
| Money held in trust | — | 157,609 | — | 157,609 |
| Trading securities | — | 4,608 | — | 4,608 |
| Available-for-sale securities | — | 153,000 | — | 153,000 |
| Securities | 10,135,349 | 9,350,511 | 166,027 | 19,651,888 |
| Trading securities | 1,601,609 | 149,133 | — | 1,750,743 |
| National & local government bonds | 138,073 | — | — | 138,073 |
| Corporate bonds | — | 75,936 | — | 75,936 |
| Domestic stocks | 59,140 | — | — | 59,140 |
| Other | 1,404,395 | 73,197 | — | 1,477,592 |
| Available-for-sale securities | 8,533,739 | 9,201,378 | 166,027 | 17,901,144 |
| National & local government bonds | 2,274,673 | 121,976 | — | 2,396,650 |
| Corporate bonds | — | 1,637,238 | — | 1,637,238 |
| Domestic stocks | 4,486,044 | 2,408 | — | 4,488,452 |
| Other | 1,773,021 | 7,439,754 | 166,027 | 9,378,803 |
| Derivative financial instruments | 363 | 54,324 | 3,525 | 58,212 |
| Currency related | — | 13,386 | — | 13,386 |
| Interest rate related | — | 40,937 | — | 40,937 |
| Stock related | 363 | — | 3,525 | 3,888 |
| Bond related | — | — | — | — |
| Total assets | 10,135,712 | 9,582,617 | 169,552 | 19,887,882 |
| Derivative financial instruments | 80 | 504,620 | — | 504,701 |
| Currency related | — | 477,599 | — | 477,599 |
| Interest rate related | — | 27,021 | — | 27,021 |
| Stock related | 80 | — | — | 80 |
| Bond related | — | — | — | — |
| Total liabilities | 80 | 504,620 | — | 504,701 |

(*) The above table does not include investment trusts subject to transitional treatment in accordance with Paragraph 26 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31: July 4, 2019). The value of such investment trusts, which are recognized as financial assets on the consolidated balance sheet, amounts to ¥3,185,687 million as of March 31, 2022.

| | Millions of Yen | | | | Millions of U.S. Dollars | | | |
|---|---|---|---|---|---|---|---|---|
| **As of March 31** | | | | **2023** | | | | **2023** |
| Category | **Fair value** | | | | **Fair value** | | | |
| | **Level 1** | **Level 2** | **Level 3** | **Total** | **Level 1** | **Level 2** | **Level 3** | **Total** |
| Deposits (CDs) | ¥ — | ¥ 11,999 | ¥ — | ¥ 11,999 | $ — | $ 89 | $ — | $ 89 |
| Monetary claims bought | — | 5,895 | — | 5,895 | — | 44 | — | 44 |
| Available-for-sale securities | — | 5,895 | — | 5,895 | — | 44 | — | 44 |
| Money held in trust | — | 119,533 | — | 119,533 | — | 895 | — | 895 |
| Trading securities | — | 4,544 | — | 4,544 | — | 34 | — | 34 |
| Available-for-sale securities | — | 114,988 | — | 114,988 | — | 861 | — | 861 |
| Securities | 10,170,588 | 11,250,721 | 105,795 | 21,527,105 | 76,167 | 84,256 | 792 | 161,215 |
| Trading securities | 1,440,141 | 163,672 | 1,965 | 1,605,779 | 10,785 | 1,225 | 14 | 12,025 |
| National & local government bonds | 109,129 | — | — | 109,129 | 817 | — | — | 817 |
| Corporate bonds | — | 54,701 | — | 54,701 | — | 409 | — | 409 |
| Domestic stocks | 102,088 | — | — | 102,088 | 764 | — | — | 764 |
| Other | 1,228,922 | 108,971 | 1,965 | 1,339,859 | 9,203 | 816 | 14 | 10,034 |
| Available-for-sale securities | 8,730,446 | 11,087,049 | 103,829 | 19,921,325 | 65,381 | 83,030 | 777 | 149,189 |
| National & local government bonds | 1,765,441 | 115,961 | — | 1,881,403 | 13,221 | 868 | — | 14,089 |
| Corporate bonds | — | 1,599,830 | — | 1,599,830 | — | 11,981 | — | 11,981 |
| Domestic stocks | 4,497,426 | 2,045 | — | 4,499,471 | 33,681 | 15 | — | 33,696 |
| Other | 2,467,579 | 9,369,211 | 103,829 | 11,940,620 | 18,479 | 70,165 | 777 | 89,422 |
| Derivative financial instruments | 1,504 | 74,816 | 1,740 | 78,061 | 11 | 560 | 13 | 584 |
| Currency related | — | 45,481 | — | 45,481 | — | 340 | — | 340 |
| Interest rate related | — | 29,269 | — | 29,269 | — | 219 | — | 219 |
| Stock related | 328 | — | 1,740 | 2,068 | 2 | — | 13 | 15 |
| Bond related | 1,176 | 65 | — | 1,241 | 8 | 0 | — | 9 |
| Total assets | 10,172,093 | 11,462,965 | 107,535 | 21,742,594 | 76,178 | 85,845 | 805 | 162,829 |
| Derivative financial instruments | 177 | 167,030 | — | 167,208 | 1 | 1,250 | — | 1,252 |
| Currency related | — | 107,748 | — | 107,748 | — | 806 | — | 806 |
| Interest rate related | — | 59,070 | — | 59,070 | — | 442 | — | 442 |
| Stock related | 46 | — | — | 46 | 0 | — | — | 0 |
| Bond related | 130 | 211 | — | 342 | 0 | 1 | — | 2 |
| Total liabilities | 177 | 167,030 | — | 167,208 | 1 | 1,250 | — | 1,252 |

(*) In accordance with Paragraph 24-7 of "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31: June 17, 2021), investment trusts whose fair value is deemed to coincide with net asset value per unit are not included in the above table. The amount of these investment trusts presented in the consolidated balance sheets is ¥320,972 million (U.S. $2,403 million). Adjustments for such investment trusts from the beginning balance to the ending balance are as presented in the following table.

| | Millions of Yen | Millions of U.S. Dollars |
|---|---|---|
| For the year ended March 31, 2023 | Investment trusts whose fair value is deemed to coincide with net asset value per unit in accordance with Paragraph 24-3 of the Implementation Guidance on Accounting Standard for Fair Value Measurement | Investment trusts whose fair value is deemed to coincide with net asset value per unit in accordance with Paragraph 24-3 of the Implementation Guidance on Accounting Standard for Fair Value Measurement |
| Balance at the beginning of the fiscal year | ¥ 247,723 | $ 1,855 |
| Profit (loss) or other comprehensive income (loss) for the period | | |
| Recognized as net unrealized gains (losses) on available-for-sale securities | 2,744 | 20 |
| Bought, sold and redeemed | | |
| Bought | 73,458 | 550 |
| Sold | (2,954) | (22) |
| Balance at the end of the fiscal year | 320,972 | 2,403 |

In addition, the main restrictions on surrender, etc. of investment trusts to which Paragraph 24-3 of the implementation guidance applies is the prohibition of voluntary surrender, etc., and the amount of such investment trusts recorded on the consolidated balance sheets was ¥320,972 million (U.S. $2,403 million).

## (2) Financial assets and liabilities whose balance sheet amounts are not presented at fair value

Millions of Yen

| As of March 31 | 2022 | | | |
|---|---|---|---|---|
| Category | Fair value | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| Monetary claims bought | ¥ — | ¥ 181,774 | ¥ 2,308 | ¥ 184,082 |
| Held-to-maturity debt securities | — | 181,774 | 2,308 | 184,082 |
| Securities | 15,784,018 | 1,644,449 | 3,004 | 17,431,472 |
| Held-to-maturity debt securities | 3,377,897 | 683,729 | 3,004 | 4,064,631 |
| National & local government bonds | 3,372,115 | 174,058 | — | 3,546,173 |
| Corporate bonds | — | 420,506 | — | 420,506 |
| Other | 5,782 | 89,164 | 3,004 | 97,951 |
| Policy-reserve-matching bonds | 12,406,120 | 960,720 | — | 13,366,841 |
| National & local government bonds | 12,076,749 | — | — | 12,076,749 |
| Corporate bonds | — | 36,800 | — | 36,800 |
| Other | 329,371 | 923,919 | — | 1,253,291 |
| Loans | — | — | 5,117,463 | 5,117,463 |
| Policy loans | — | — | 194,834 | 194,834 |
| Industrial and consumer loans | — | — | 4,922,629 | 4,922,629 |
| Total assets | 15,784,018 | 1,826,223 | 5,122,776 | 22,733,019 |
| Bonds payable | — | 685,178 | — | 685,178 |
| Borrowings | — | 197,260 | — | 197,260 |
| Total liabilities | — | 882,438 | — | 882,438 |

| | Millions of Yen | | | | Millions of U.S. Dollars | | | |
|---|---|---|---|---|---|---|---|---|
| **As of March 31** | | | | **2023** | | | | **2023** |
| Category | **Fair value** | | | | **Fair value** | | | |
| | **Level 1** | **Level 2** | **Level 3** | **Total** | **Level 1** | **Level 2** | **Level 3** | **Total** |
| Monetary claims bought | ¥ ― | ¥ 169,056 | ¥ 612 | ¥ 169,668 | $ ― | $ 1,266 | $ 4 | $ 1,270 |
| Held-to-maturity debt securities | ― | 169,056 | 612 | 169,668 | ― | 1,266 | 4 | 1,270 |
| Securities | 15,611,758 | 2,127,168 | 2,999 | 17,741,926 | 116,915 | 15,930 | 22 | 132,868 |
| Held-to-maturity debt securities | 3,117,035 | 619,137 | 2,999 | 3,739,172 | 23,343 | 4,636 | 22 | 28,002 |
| National & local government bonds | 3,110,114 | 167,952 | ― | 3,278,066 | 23,291 | 1,257 | ― | 24,549 |
| Corporate bonds | ― | 373,489 | ― | 373,489 | ― | 2,797 | ― | 2,797 |
| Other | 6,920 | 77,695 | 2,999 | 87,616 | 51 | 581 | 22 | 656 |
| Policy-reserve-matching bonds | 12,398,065 | 1,508,031 | ― | 13,906,096 | 92,848 | 11,293 | ― | 104,142 |
| National & local government bonds | 12,017,358 | ― | ― | 12,017,358 | 89,997 | ― | ― | 89,997 |
| Corporate bonds | ― | 44,057 | ― | 44,057 | ― | 329 | ― | 329 |
| Other | 380,706 | 1,463,973 | ― | 1,844,680 | 2,851 | 10,963 | ― | 13,814 |
| Stocks of subsidiaries and affiliates | 96,657 | ― | ― | 96,657 | 723 | ― | ― | 723 |
| Loans | ― | ― | 5,090,462 | 5,090,462 | ― | ― | 38,122 | 38,122 |
| Policy loans | ― | ― | 179,688 | 179,688 | ― | ― | 1,345 | 1,345 |
| Industrial and consumer loans | ― | ― | 4,910,774 | 4,910,774 | ― | ― | 36,776 | 36,776 |
| Total assets | 15,611,758 | 2,296,224 | 5,094,075 | 23,002,058 | 116,915 | 17,196 | 38,149 | 172,261 |
| Bonds payable | ― | 632,941 | ― | 632,941 | ― | 4,740 | ― | 4,740 |
| Borrowings | ― | 252,096 | ― | 252,096 | ― | 1,887 | ― | 1,887 |
| Total liabilities | ― | 885,037 | ― | 885,037 | ― | 6,628 | ― | 6,628 |

Notes:

a. Explanations on valuation methods and inputs used in fair value measurements

(i) Deposits, monetary claims bought, money held in trust and securities
Regarding deposits, monetary claims bought, and money held in trust and securities, the fair values of these instruments are classified into Level 1 when unadjusted quoted prices are available from active markets. This includes mainly listed stocks and government bonds. When publicly announced quoted prices are only available from inactive markets, the Company classifies the fair value of instruments into Level 2. This includes mainly negotiable deposits, local government bonds and corporate bonds.

When quoted prices are unavailable, the Company measures the fair value of instruments based on theoretical prices calculated by discounting the net future cash flows to the present value, or the value at the end of fiscal year based on data provided by pricing vendors or transactional counterparts. In the course of the above valuation process, the Company utilizes observable inputs as much as possible. When significant unobservable inputs are used in its fair value measurement, the Company classifies the fair value into Level 3.

For investment trusts without quoted prices, the Company deems their fair value to coincide with the net asset value per unit, provided there are no significant restrictions requiring the compensation of market participants for risks associated with surrender or repurchase. The Company classifies the fair value of these investment trusts into Level 2.

(ii) Derivative financial instruments
With regard to derivative financial instruments, the Company classifies their fair values into Level 1 when unadjusted quoted prices from active markets are available. This includes mainly stock index futures and bond futures.

However, most derivative financial instruments are traded over the counter and, accordingly, publicly announced quoted prices for these instruments are unavailable. Because of this, the fair value of foreign exchange contracts is stated at theoretical prices based on the TTM, WM Reuters rate or discount rate at the balance sheet date, while the fair value of currency swaps, interest rate swaps and other similar derivative financial instruments is stated at value based on data provided by pricing vendors. The fair values of the above instruments are classified into Level 2.

Since instruments subject to the allocation method for currency swaps are treated as an integral part of the hedged foreign currency denominated loans and bonds payable, their fair values are included in the fair values of the relevant loans and bonds payable. Moreover, since instruments subject to special hedge accounting treatment for interest rate swaps are treated as an integral part of the hedged foreign currency denominated loans, their fair values are included in the fair values of the relevant loans. When significant unobservable inputs are used in its fair value measurement, the Company classifies the fair value into Level 3.

(iii) Loans

The fair values of industrial and consumer loans are, in principle, stated at value calculated by discounting the net future cash flows to the present value utilizing unobservable input. Accordingly, the Company classifies their fair values into Level 3.

The fair values of loans to bankrupt borrowers, substantially bankrupt borrowers and borrowers with high possibility of bankruptcy, are stated at value calculated by deducting the estimated amount of loan losses from the book value of loans before direct write-off.

As credit exposure for policy loans without specific repayment periods is limited to the amount of the cash surrender value, the Company regards the book value as the fair value with the assumption that the fair value approximates the book value considering factors such as projected repayment period and interest condition. Accordingly, the fair values of these loans are classified into Level 3.

(iv) Bonds payable

The fair values of bonds issued by the Company are stated at value at the end of fiscal year based on data provided by pricing vendors. The fair values of these instruments are classified into Level 2.

(v)Borrowings

The fair values of borrowings by the Company are stated at value at the end of fiscal year based on data provided by pricing vendors regarding bonds being issued under the backing of the relevant borrowings. The fair values of these instruments are classified into Level 2.

b. Information regarding financial assets and liabilities whose consolidated balance sheet amounts are stated at fair value and classified into Level 3

(i) Quantitative information regarding significant unobservable inputs

| Category | Valuation technique | Significant unobservable inputs | Range of input |
|---|---|---|---|
| Derivative financial instruments | | | |
| Index option transactions | Black–Scholes model | (*2) | (*2) |

(*1) In addition to the above, in the fiscal year ended March 31, 2022, available-for-sales securities classified under monetary claims bought and available-for-sale securities classified under securities included instruments whose fair values are classified into Level 3. In the fiscal year ended March 31, 2023, trading securities and available-for-sales securities classified under securities included instruments whose fair values are classified into Level 3. However, these instruments are not included in the above table as they are valued based on unadjusted prices provided by third parties.

(*2) Inputs used include implied volatility, such as S&P 500 Index.

(ii) Reconciliation from the beginning balance to the ending balance and net unrealized gains and losses recognized in the statement of income

**Millions of Yen**

| For the year ended March 31, 2022 | Monetary claims bought | Securities | Derivative financial instruments | Total |
|---|---|---|---|---|
| | Available-for-sale securities | Available-for-sale securities | Index option transactions | |
| | | Other | | |
| Balance at the beginning of the fiscal year | ¥ 8,721 | ¥ 162,617 | ¥ 3,112 | ¥ 174,450 |
| Profit (loss) or other comprehensive income (loss) for the period | | | | |
| Recognized in the consolidated statement of income (*1) | — | — | 2,616 | 2,616 |
| Recognized in other comprehensive income (loss) (*2) | (1,547) | 4,463 | 346 | 3,262 |
| Bought, sold, issued and settled | | | | |
| Bought | — | 36,741 | 2,264 | 39,005 |
| Sold | — | (32,631) | — | (32,631) |
| Settled | — | — | (4,814) | (4,814) |
| Transferred to Level 3 fair value (*3) | — | 9,240 | — | 9,240 |
| Transferred from Level 3 fair value (*4) | (7,173) | (14,404) | — | (21,577) |
| Balance at the end of the fiscal year | — | 166,027 | 3,525 | 169,552 |
| Net unrealized gains (losses) recorded on financial assets and liabilities held at the consolidated balance sheet date and included in the consolidated statement of income (*1) | — | — | 1,247 | 1,247 |

| | Millions of Yen | | | | Millions of U.S. Dollars | | | |
|---|---|---|---|---|---|---|---|---|
| For the year ended March 31, 2023 | Securities | Securities | Derivative financial instruments | Total | Securities | Securities | Derivative financial instruments | Total |
| | Trading securities | Available-for-sale securities | Index option transactions | | Trading securities | Available-for-sale securities | Index option transactions | |
| | Other | Other | | | Other | Other | | |
| Balance at the beginning of the fiscal year | ¥ — | ¥ 166,027 | ¥ 3,525 | ¥ 169,552 | $ — | $ 1,243 | $ 26 | $ 1,269 |
| Profit (loss) or other comprehensive income (loss) for the period | | | | | | | | |
| Recognized in the consolidated statement of income (*1) | (34) | 52 | (3,953) | (3,935) | (0) | 0 | (29) | (29) |
| Recognized in other comprehensive income (loss) (*2) | — | (7,101) | 541 | (6,560) | — | (53) | 4 | (49) |
| Bought, sold, issued and settled | | | | | | | | |
| Bought | 2,000 | 9,100 | 3,050 | 14,150 | 14 | 68 | 22 | 105 |
| Sold | — | (82,921) | — | (82,921) | — | (620) | — | (620) |
| Settled | — | — | (1,423) | (1,423) | — | — | (10) | (10) |
| Transferred to Level 3 fair value (*3) | — | 18,673 | — | 18,673 | — | 139 | — | 139 |
| Balance at the end of the fiscal year | 1,965 | 103,829 | 1,740 | 107,535 | 14 | 777 | 13 | 805 |
| Net unrealized gains (losses) recorded on financial assets and liabilities held at the consolidated balance sheet date and included in the consolidated statement of income (*1) | (34) | — | (1,337) | (1,372) | (0) | — | (10) | (10) |

(*1) Included in interest, dividends, and other income under investment income and losses on trading securities and losses on derivative financial instruments under investment expenses.
(*2) Included in net unrealized gains (losses) on available-for-sale securities and foreign currency translation adjustments under other comprehensive income.
(*3) Indicating transfer from Level 2 fair value to Level 3 fair value due to the lack of observable data. This transfer is carried out at the end of the fiscal year.
(*4) Indicating transfer from Level 3 fair value to Level 2 fair value due to newly available observable data. This transfer is carried out at the end of the fiscal year.

(iii) Explanation of fair value measurement process

When quoted prices provided by third parties are used in fair value measurement, the Company verifies the appropriateness of such prices in a proper manner via, for example, confirming valuation techniques and inputs used and comparing fair values with those of similar financial instruments. Verification results are reported to departments in charge of risk management. In this way, the Company ensures the appropriateness of its fair value measurement policies and procedures.

(iv) Explanation of impacts on fair value due to changes in significant unobservable inputs

Index volatility is a significant unobservable input for use in the fair value measurement of index option transactions and an indicator representing the speed and magnitude of changes in the relevant indices. A significant increase (decrease) in volatility therefore causes option prices to rise (fall) considerably. In case of long position in option transactions, such volatility would result in a considerable rise (fall) in the fair value of these instruments.

## IX. Securities

### 1. Trading securities

The unrealized valuation gains (losses) on trading securities included in profits (losses) amounted to ¥(17,083) million and ¥(14,874) million (U.S. $(111) million) for the years ended March 31, 2022 and 2023, respectively.

### 2. Held-to-maturity debt securities

The amounts reported in the consolidated balance sheets and fair values of the held-to-maturity debt securities by security type at the end of the fiscal year, and the differences between them, are shown in the following table. In addition, no held-to-maturity debt securities were sold during the years ended March 31, 2022 and 2023.

| As of March 31 | Millions of Yen | | | | | | Millions of U.S. Dollars | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2022 | | | 2023 | | | 2023 | | |
| | Balance sheet amount | Fair value | Difference | Balance sheet amount | Fair value | Difference | Balance sheet amount | Fair value | Difference |
| Securities whose fair value exceeds the balance sheet amount | | | | | | | | | |
| 1) National & local government bonds | ¥ 3,075,970 | ¥ 3,545,306 | ¥ 469,335 | ¥ 2,920,315 | ¥ 3,277,218 | ¥ 356,902 | $ 21,870 | $ 24,542 | $ 2,672 |
| 2) Corporate bonds | 367,284 | 420,506 | 53,221 | 331,288 | 369,732 | 38,444 | 2,481 | 2,768 | 287 |
| 3) Others | 243,957 | 255,791 | 11,833 | 164,508 | 172,544 | 8,035 | 1,231 | 1,292 | 60 |
| Total | 3,687,213 | 4,221,604 | 534,391 | 3,416,113 | 3,819,495 | 403,382 | 25,583 | 28,604 | 3,020 |
| Securities whose fair value does not exceed the balance sheet amount | | | | | | | | | |
| 1) National & local government bonds | 870 | 866 | (3) | 858 | 848 | (9) | 6 | 6 | (0) |
| 2) Corporate bonds | — | — | — | 3,761 | 3,756 | (4) | 28 | 28 | (0) |
| 3) Others | 26,785 | 26,242 | (542) | 86,524 | 84,740 | (1,784) | 647 | 634 | (13) |
| Total | 27,655 | 27,109 | (546) | 91,144 | 89,345 | (1,798) | 682 | 669 | (13) |

(*) This table includes financial instruments that are deemed appropriate to be treated as securities under the “Financial Instruments and Exchange Act”.

## 3. Policy-reserve-matching bonds

Disposition of policy-reserve-matching bonds amounted to ¥477,685 million and ¥308,305 million (U.S. $2,308 million) resulting in total gains on sales of ¥13,234 million and ¥38,146 million (U.S. $285 million) for the years ended March 31, 2022 and 2023, respectively. Total losses on sales were ¥17,048 million and ¥100 million (U.S. $0 million) for the years ended March 31, 2022 and 2023, respectively. The carrying amounts in the consolidated balance sheets of policy-reserve-matching bonds by security type are shown in the following table, along with their fair values and the differences between these amounts.

| As of March 31 | Millions of Yen | | | | | | Millions of U.S. Dollars | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2022 | | | 2023 | | | 2023 | | |
| | Balance sheet amount | Fair value | Difference | Balance sheet amount | Fair value | Difference | Balance sheet amount | Fair value | Difference |
| Securities whose fair value exceeds the balance sheet amount | | | | | | | | | |
| 1) National & local government bonds | ¥ 7,165,711 | ¥ 8,224,240 | ¥ 1,058,528 | ¥ 7,111,410 | ¥ 7,868,511 | ¥ 757,100 | $ 53,257 | $ 58,926 | $ 5,669 |
| 2) Corporate bonds | 13,686 | 16,322 | 2,635 | 11,050 | 12,853 | 1,802 | 82 | 96 | 13 |
| 3) Others | 429,681 | 439,836 | 10,154 | 406,870 | 415,799 | 8,928 | 3,047 | 3,113 | 66 |
| Total | 7,609,080 | 8,680,399 | 1,071,318 | 7,529,331 | 8,297,163 | 767,832 | 56,386 | 62,137 | 5,750 |
| Securities whose fair value does not exceed the balance sheet amount | | | | | | | | | |
| 1) National & local government bonds | 4,055,209 | 3,852,508 | (202,700) | 4,671,106 | 4,148,846 | (522,260) | 34,981 | 31,070 | (3,911) |
| 2) Corporate bonds | 21,976 | 20,477 | (1,498) | 34,233 | 31,204 | (3,028) | 256 | 233 | (22) |
| 3) Others | 892,220 | 813,455 | (78,764) | 1,603,342 | 1,428,881 | (174,461) | 12,007 | 10,700 | (1,306) |
| Total | 4,969,405 | 4,686,441 | (282,963) | 6,308,683 | 5,608,932 | (699,750) | 47,245 | 42,005 | (5,240) |

## 4. Available-for-sale securities

Disposition of available-for-sale securities amounted to ¥1,986,447 million and ¥3,461,732 million (U.S. $25,924 million) resulting in total gains on sales of ¥101,854 million and ¥305,522 million (U.S. $2,288 million) and total losses of ¥48,939 million and ¥60,482 million (U.S. $452 million) for the years ended March 31, 2022 and 2023, respectively. With regard to available-for-sale securities, acquisition costs, amortized costs, the amounts reported in the consolidated balance sheets and the respective differences by each type of securities are shown in the following table.

| As of March 31 | | | | | | Millions of Yen | | | Millions of U.S. Dollars |
|---|---|---|---|---|---|---|---|---|---|
| | | | 2022 | | | 2023 | | | 2023 |
| | Acquisition or amortized costs | Balance sheet amount | Difference | Acquisition or amortized costs | Balance sheet amount | Difference | Acquisition or amortized costs | Balance sheet amount | Difference |
| Securities whose balance sheet amount exceeds the acquisition or amortized costs | | | | | | | | | |
| (1) Domestic stocks | ¥ 1,344,535 | ¥ 4,299,196 | ¥ 2,954,661 | ¥ 1,367,463 | ¥ 4,341,956 | ¥ 2,974,493 | $ 10,240 | $ 32,516 | $ 22,275 |
| (2) Bonds | 3,334,365 | 3,589,892 | 255,527 | 2,196,069 | 2,367,626 | 171,557 | 16,446 | 17,731 | 1,284 |
| 1) National & local government bonds | 2,096,904 | 2,285,380 | 188,476 | 1,590,523 | 1,717,439 | 126,915 | 11,911 | 12,861 | 950 |
| 2) Corporate bonds | 1,237,460 | 1,304,511 | 67,050 | 605,545 | 650,187 | 44,641 | 4,534 | 4,869 | 334 |
| (3) Others | 7,343,936 | 8,261,131 | 917,194 | 4,645,231 | 5,194,107 | 548,875 | 34,787 | 38,898 | 4,110 |
| Total | 12,022,837 | 16,150,220 | 4,127,383 | 8,208,764 | 11,903,689 | 3,694,925 | 61,475 | 89,146 | 27,671 |
| Securities whose balance sheet amount does not exceed the acquisition or amortized costs | | | | | | | | | |
| (1) Domestic stocks | 216,603 | 189,255 | (27,347) | 173,764 | 157,515 | (16,249) | 1,301 | 1,179 | (121) |
| (2) Bonds | 453,053 | 443,996 | (9,056) | 1,163,277 | 1,113,607 | (49,669) | 8,711 | 8,339 | (371) |
| 1) National & local government bonds | 112,648 | 111,269 | (1,378) | 167,278 | 163,964 | (3,314) | 1,252 | 1,227 | (24) |
| 2) Corporate bonds | 340,404 | 332,726 | (7,677) | 995,998 | 949,643 | (46,355) | 7,458 | 7,111 | (347) |
| (3) Others | 4,598,288 | 4,329,273 | (269,015) | 7,804,646 | 7,200,369 | (604,276) | 58,448 | 53,923 | (4,525) |
| Total | 5,267,945 | 4,962,526 | (305,419) | 9,141,687 | 8,471,492 | (670,195) | 68,461 | 63,442 | (5,019) |

(*) This table includes financial instruments that are deemed appropriate to be treated as securities under the “Financial Instruments and Exchange Act”.
“Acquisition or amortized costs” in the table above refers to book values after deduction of impairment losses. Impairment losses on available-for-sale securities of which market value is available amounted to ¥2,004 million and ¥3,594 million (U.S. $26 million) for the years ended March 31, 2022 and 2023, respectively.

## X. Derivative Transactions

### 1. Hedge accounting not applied

#### (1) Interest-rate related

| As of March 31 | Millions of Yen 2022 Notional amount/contract value (A) | Over 1 year included in (A) | Fair value | Net gains (losses) |
|---|---|---|---|---|
| Interest rate swaps | | | | |
| Receipts fixed, payments floating | ¥ 141,184 | ¥ 138,268 | ¥ (3,405) | ¥ (3,405) |
| Receipts floating, payments fixed | 27,581 | 24,159 | − | − |
| Total | | | | (3,405) |

| As of March 31 | Millions of Yen 2023 Notional amount/contract value (A) | Over 1 year included in (A) | Fair value | Net gains (losses) | Millions of U.S. Dollars 2023 Notional amount/contract value (A) | Over 1 year included in (A) | Fair value | Net gains (losses) |
|---|---|---|---|---|---|---|---|---|
| Interest rate swaps | | | | | | | | |
| Receipts fixed, payments floating | ¥ 37,045 | ¥ 34,623 | ¥ 732 | ¥ 732 | $ 277 | $ 259 | $ 5 | $ 5 |
| Receipts floating, payments fixed | 78,299 | 72,593 | − | − | 586 | 543 | − | − |
| Total | | | | 732 | | | | 5 |

(*) Net gains (losses) represent the fair values.

## (2) Currency-related

| As of March 31 | Millions of Yen | | | |
|---|---|---|---|---|
| | 2022 | | | |
| | Notional amount/contract value (A) | Over 1 year included in (A) | Fair value | Net gains (losses) |
| Foreign currency forward contracts | | | | |
| Sold | ¥ 1,134,865 | ¥ ― | ¥ (82,880) | ¥ (82,880) |
| (U.S. dollar) | 904,313 | ― | (73,420) | (73,420) |
| (Euro) | 114,601 | ― | (3,178) | (3,178) |
| (Australian dollar) | 115,613 | ― | (6,282) | (6,282) |
| (Others) | 337 | ― | 1 | 1 |
| Bought | 249,356 | ― | 4,373 | 4,373 |
| (U.S. dollar) | 164,709 | ― | 4,400 | 4,400 |
| (Euro) | 35,252 | ― | (45) | (45) |
| (Australian dollar) | 49,051 | ― | 18 | 18 |
| (Others) | 341 | ― | (0) | (0) |
| Currency options | | | | |
| Sold | | | | |
| Call | 493,358 | ― | | |
| | [907] | | 14,900 | (13,993) |
| (U.S. dollar) | 493,358 | ― | | |
| | [907] | | 14,900 | (13,993) |
| Bought | | | | |
| Put | 444,806 | ― | | |
| | [907] | | 77 | (830) |
| (U.S. dollar) | 444,806 | ― | | |
| | [907] | | 77 | (830) |
| Cross currency swaps | | | | |
| Receipts foreign currency, payments yen | | | | |
| (Australian dollar) | 93,320 | 93,320 | 5,170 | 5,170 |
| (U.S. dollar) | 38,400 | 38,400 | 1,792 | 1,792 |
| Total | | | | (86,367) |

| As of March 31 | Millions of Yen 2023 Notional amount/contract value (A) | Over 1 year included in (A) | Fair value | Net gains (losses) | Millions of U.S. Dollars 2023 Notional amount/contract value (A) | Over 1 year included in (A) | Fair value | Net gains (losses) |
|---|---|---|---|---|---|---|---|---|
| Foreign currency forward contracts | | | | | | | | |
| Sold | ¥ 19,940 | ¥ ― | ¥ (33) | ¥ (33) | $ 149 | $ ― | $ (0) | $ (0) |
| (U.S. dollar) | 10,764 | ― | (8) | (8) | 80 | ― | (0) | (0) |
| (Euro) | 6,058 | ― | (31) | (31) | 45 | ― | (0) | (0) |
| (Australian dollar) | 3,117 | ― | 6 | 6 | 23 | ― | 0 | 0 |
| Bought | 150,812 | ― | (8,625) | (8,625) | 1,129 | ― | (64) | (64) |
| (U.S. dollar) | 145,667 | ― | (8,645) | (8,645) | 1,090 | ― | (64) | (64) |
| (Euro) | 3,574 | ― | 22 | 22 | 26 | ― | 0 | 0 |
| (Australian dollar) | 1,569 | ― | (3) | (3) | 11 | ― | (0) | (0) |
| Currency options | | | | | | | | |
| Sold | | | | | | | | |
| Call | 1,650,751 | ― | | | 12,362 | ― | | |
| | [26,965] | | 26,614 | 350 | [201] | | 199 | 2 |
| (U.S. dollar) | 1,514,851 | ― | | | 11,344 | ― | | |
| | [26,621] | | 26,310 | 310 | [199] | | 197 | 2 |
| (Euro) | 135,900 | ― | | | 1,017 | ― | | |
| | [344] | | 303 | 40 | [2] | | 2 | 0 |
| Bought | | | | | | | | |
| Put | 1,550,549 | ― | | | 11,611 | ― | | |
| | [26,965] | | 9,015 | (17,949) | [201] | | 67 | (134) |
| (U.S. dollar) | 1,437,698 | ― | | | 10,766 | ― | | |
| | [26,621] | | 8,969 | (17,651) | [199] | | 67 | (132) |
| (Euro) | 112,851 | ― | | | 845 | ― | | |
| | [344] | | 46 | (297) | [2] | | 0 | (2) |
| Cross currency swaps | | | | | | | | |
| Receipts foreign currency, payments yen | | | | | | | | |
| (Australian dollar) | 130,750 | 130,750 | (965) | (965) | 979 | 979 | (7) | (7) |
| (U.S. dollar) | 71,930 | 71,930 | 396 | 396 | 538 | 538 | 2 | 2 |
| Total | | | | (26,827) | | | | (200) |

(*) Net gains (losses) on foreign currency forward contracts and cross currency swaps represent the fair values.
(*) Net gains (losses) on currency options represent the difference between the option fees and the fair values for option transactions.
(*) Option fees are shown in [ ].

### (3) Stock-related

| As of March 31 | | | | Millions of Yen |
|---|---|---|---|---|
| | | | | 2022 |
| | Notional amount/contract value (A) | Over 1 year included in (A) | Fair value | Net gains (losses) |
| Exchange-traded transactions | | | | |
| Yen Stock index futures | | | | |
| Sold | ¥ 1,580 | ¥ — | ¥ (35) | ¥ (35) |
| Bought | 4,159 | — | 201 | 201 |
| Foreign currency-denominated stock index futures | | | | |
| Bought | 4,117 | — | 116 | 116 |
| Foreign currency-denominated stock index options | | | | |
| Bought | | | | |
| Call | 88,702<br>[2,294] | 555<br>[29] | 3,525 | 1,231 |
| Total | | | | 1,513 |

| As of March 31 | Millions of Yen | | | | Millions of U.S. Dollars | | | |
|---|---|---|---|---|---|---|---|---|
| | 2023 | | | | 2023 | | | |
| | Notional amount/contract value (A) | Over 1 year included in (A) | Fair value | Net gains (losses) | Notional amount/contract value (A) | Over 1 year included in (A) | Fair value | Net gains (losses) |
| Exchange-traded transactions | | | | | | | | |
| Yen Stock index futures | | | | | | | | |
| Sold | ¥ — | ¥ — | ¥ — | ¥ — | $ — | $ — | $ — | $ — |
| Bought | 5,322 | — | 146 | 146 | 39 | — | 1 | 1 |
| Foreign currency-denominated stock index futures | | | | | | | | |
| Sold | 2,817 | — | (43) | (43) | 21 | — | (0) | (0) |
| Bought | 3,716 | — | 177 | 177 | 27 | — | 1 | 1 |
| Foreign currency-denominated stock index options | | | | | | | | |
| Bought | | | | | | | | |
| Call | 107,845<br>[3,084] | 640<br>[34] | 1,740 | (1,344) | 807<br>[23] | 4<br>[0] | 13 | (10) |
| Total | | | | (1,062) | | | | (7) |

(*) Net gains (losses) represent the difference between the option fees and the fair values for option transactions.
(*) Option fees are shown in [ ].

### (4) Bond-related

No ending balance as of March 31, 2022.

| As of March 31 | Millions of Yen | | | | Millions of U.S. Dollars | | | |
|---|---|---|---|---|---|---|---|---|
| | 2023 | | | | 2023 | | | |
| | Notional amount/contract value (A) | Over 1 year included in (A) | Fair value | Net gains (losses) | Notional amount/contract value (A) | Over 1 year included in (A) | Fair value | Net gains (losses) |
| Exchange-traded transactions | | | | | | | | |
| Foreign bond futures | | | | | | | | |
| Sold | ¥ 4,575 | ¥ ― | ¥ (130) | ¥ (130) | $ 34 | $ ― | $ (0) | $ (0) |
| Bought | 50,723 | ― | 1,176 | 1,176 | 379 | ― | 8 | 8 |
| OTC transactions | | | | | | | | |
| OTC bond options | | | | | | | | |
| Sold | | | | | | | | |
| Call | 10,000 | ― | ― | ― | 74 | ― | ― | ― |
| | [153] | ― | 211 | (57) | [1] | ― | 1 | (0) |
| Bought | | | | | | | | |
| Put | 10,000 | ― | ― | ― | 74 | ― | ― | ― |
| | [169] | ― | 65 | (104) | [1] | ― | 0 | (0) |
| Total | | | | 884 | | | | 6 |

(*) Net gains (losses) on foreign bond futures represent the fair values.

(*) Net gains (losses) on OTC bond options represent the difference between the option fees and the fair values for option transactions.

(*) Option fees are shown in [ ].

## 2. Hedge accounting applied

### (1) Interest-rate related

| As of March 31 | | | | Millions of Yen |
|---|---|---|---|---|
| | | | | 2022 |
| | Main hedged items | Notional amount/ contract value (A) | Over 1 year included in (A) | Fair value |
| Deferred hedge accounting | | | | |
| Interest rate swaps | | | | |
| Receipts fixed, payments floating | Insurance liabilities | ¥ 672,200 | ¥ 668,900 | ¥ 17,322 |
| Fair value hedge accounting | | | | |
| Interest rate swaps | | | | |
| Receipts floating, payments fixed | Securities (Bonds) | 21,448 | 15,637 | – |
| Special hedge accounting | | | | |
| Interest rate swaps | | | | |
| Receipts fixed, payments floating | Loans | 3,018 | 3,018 | 89 |
| Total | | | | 17,411 |

| As of March 31 | | | | Millions of Yen | | | Millions of U.S. Dollars |
|---|---|---|---|---|---|---|---|
| | | | | 2023 | | | 2023 |
| | Main hedged items | Notional amount/ contract value (A) | Over 1 year included in (A) | Fair value | Notional amount/ contract value (A) | Over 1 year included in (A) | Fair value |
| Deferred hedge accounting | | | | | | | |
| Interest rate swaps | | | | | | | |
| Receipts fixed, payments floating | Insurance liabilities | ¥ 875,500 | ¥ 872,300 | ¥ (30,534) | $ 6,556 | $ 6,532 | $ (228) |
| Fair value hedge accounting | | | | | | | |
| Interest rate swaps | | | | | | | |
| Receipts floating, payments fixed | Securities (Bonds) | 47,589 | 43,568 | – | 356 | 326 | – |
| Special hedge accounting | | | | | | | |
| Interest rate swaps | | | | | | | |
| Receipts fixed, payments floating | Loans | 2,916 | 2,916 | 55 | 21 | 21 | 0 |
| Total | | | | (30,478) | | | (228) |

(*) The fair values of interest rate swaps represent net gains (losses).

## (2) Currency-related

| As of March 31 | Millions of Yen 2022 | | | |
|---|---|---|---|---|
| | Main hedged items | Notional amount/ contract value (A) | Over 1 year included in (A) | Fair value |
| Fair value hedge accounting | | | | |
| Foreign currency forward contracts | | | | |
| Sold | Foreign-currency-denominated bonds | ¥ 4,558,542 | ¥ — | ¥ (365,831) |
| (U.S. dollar) | | 3,225,926 | — | (237,894) |
| (Euro) | | 213,676 | — | (6,309) |
| (Australian dollar) | | 1,033,020 | — | (115,185) |
| (Others) | | 85,918 | — | (6,441) |
| Deferred hedge accounting | | | | |
| Cross currency swaps | | | | |
| Receipts yen, payments foreign currency | | | | |
| (U.S. dollar) | Foreign-currency-denominated bonds | 81,785 | 76,594 | (8,811) |
| (Euro) | | 35,575 | 35,575 | (2,543) |
| (Australian dollar) | | 12,404 | 12,404 | (658) |
| Foreign currency forward contracts, etc., allocated to and/or combined with corresponding hedged items: | | | | |
| Cross Currency swaps | | | | |
| Receipts foreign currency, payments yen | | | | |
| (U.S. dollar) | Foreign-currency-dominated bonds payable | 345,735 | 345,735 | (*) |
| Receipts yen, payments foreign currency | | | | |
| (U.S. dollar) | Foreign-currency-dominated loans | 131,049 | 131,049 | (*) |
| Total | | | | (377,845) |

| As of March 31 | Main hedged items | Millions of Yen 2023 Notional amount/ contract value (A) | Over 1 year included in (A) | Fair value | Millions of U.S. Dollars 2023 Notional amount/ contract value (A) | Over 1 year included in (A) | Fair value |
|---|---|---|---|---|---|---|---|
| Fair value hedge accounting | | | | | | | |
| Foreign currency forward contracts | | | | | | | |
| Sold | Foreign-currency-denominated bonds | ¥ 3,916,592 | ¥ — | ¥ (21,036) | $ 29,331 | $ — | $ (157) |
| (U.S. dollar) | | 2,972,665 | — | (23,342) | 22,262 | — | (174) |
| (Euro) | | 271,655 | — | (6,396) | 2,034 | — | (47) |
| (Australian dollar) | | 633,474 | — | 8,963 | 4,744 | — | 67 |
| (Others) | | 38,796 | — | (261) | 290 | — | (1) |
| Deferred hedge accounting | | | | | | | |
| Cross currency swaps | | | | | | | |
| Receipts yen, payments foreign currency | | | | | | | |
| (U.S. dollar) | Foreign-currency-denominated bonds | 76,594 | 76,594 | (12,494) | 573 | 573 | (93) |
| (Euro) | | 35,575 | 35,575 | (1,793) | 266 | 266 | (13) |
| (Australian dollar) | | 12,404 | 12,404 | (114) | 92 | 92 | (0) |
| Foreign currency forward contracts, etc., allocated to and/or combined with corresponding hedged items: | | | | | | | |
| Cross Currency swaps | | | | | | | |
| Receipts foreign currency, payments yen | | | | | | | |
| (U.S. dollar) | Foreign-currency-dominated bonds payable | 345,735 | 345,735 | (*) | 2,589 | 2,589 | (*) |
| Receipts yen, payments foreign currency | | | | | | | |
| (U.S. dollar) | Foreign-currency-dominated loans | 131,049 | 131,049 | (*) | 981 | 981 | (*) |
| Total | | | | (35,438) | | | (265) |

(*) As foreign currency swaps which apply the currency allotment method are accounted for as combined with foreign currency-denominated bonds payable and loans as hedged items, their fair value is included in the fair value of such foreign currency-denominated bonds payable and loans.

## XI. Retirement Benefit Plans

The following items provide detailed information for the retirement benefit plans.

### 1. Summary of the retirement benefit plans

The Company has defined benefit corporate pension plans and retirement allowance plans, which distribute a lump sum payment on retirement, as defined benefit plans. The Company also has defined contribution pension plans as defined contribution plans.

Certain overseas consolidated subsidiaries have defined benefit plans and defined contribution plans.

As for accrued retirement benefits of certain consolidated subsidiaries, the simplified method is applied.

### 2. Defined benefit plans

#### (1) Changes in the retirement benefit obligations

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| **Years ended March 31** | **2022** | **2023** | **2023** |
| Balance at the beginning of the fiscal year | ¥ 331,337 | ¥ 321,269 | $ 2,405 |
| Service costs | 8,811 | 9,611 | 71 |
| Interest cost on retirement benefit obligations | 4,168 | 4,624 | 34 |
| Actuarial losses (gains) recognized | 969 | (24,000) | (179) |
| Benefits paid | (19,329) | (18,750) | (140) |
| Past service costs | (12,981) | 23 | 0 |
| Others | 8,295 | 12,368 | 92 |
| Balance at the end of the fiscal year | 321,269 | 305,145 | 2,285 |

#### (2) Changes in the plan assets

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| **Years ended March 31** | **2022** | **2023** | **2023** |
| Balance at the beginning of the fiscal year | ¥ 449,995 | ¥ 496,777 | $ 3,720 |
| Expected return on plan assets | 8,075 | 9,122 | 68 |
| Actuarial gains (losses) recognized | 42,760 | 9,182 | 68 |
| Contributions by employer | 2,410 | 2,434 | 18 |
| Benefits paid | (14,096) | (13,521) | (101) |
| Others | 7,632 | 12,556 | 94 |
| Balance at the end of the fiscal year | 496,777 | 516,551 | 3,868 |

### (3) The amount of the retirement benefit obligations and the plan assets, and the amount of the defined benefit liabilities and the defined benefit assets recognized in the consolidated balance sheets

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| **As of March 31** | **2022** | **2023** | **2023** |
| Present value of funded retirement benefit obligations | ¥ 311,843 | ¥ 296,895 | $ 2,223 |
| Plan assets at fair value | (496,777) | (516,551) | (3,868) |
| Net present value of funded retirement benefit obligations | (184,934) | (219,655) | (1,644) |
| Present value of non-funded retirement benefit obligations | 9,426 | 8,249 | 61 |
| Net balance on the consolidated balance sheet | (175,508) | (211,405) | (1,583) |
| Consists of: | | | |
| Defined benefit liabilities | 8,877 | 7,709 | 57 |
| Defined benefit assets | (184,385) | (219,115) | (1,640) |

### (4) The amounts recognized in retirement benefit expenses in the consolidated statements of income

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| **Years ended March 31** | **2022** | **2023** | **2023** |
| Service costs | ¥ 8,811 | ¥ 9,611 | $ 71 |
| Interest cost on retirement benefit obligations | 4,168 | 4,624 | 34 |
| Expected return on plan assets | (8,075) | (9,122) | (68) |
| Amortization of net actuarial losses (gains) | (8,328) | (9,624) | (72) |
| Amortization of net past service costs | (2,716) | (2,718) | (20) |
| Others | 56 | 84 | 0 |
| Retirement benefit expenses | (6,085) | (7,145) | (53) |

### (5) Major components of other comprehensive income and total accumulated other comprehensive income

Major components of other comprehensive income (before income tax effect adjustments) for the years ended March 31, 2022 and 2023 were as follows:

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| **Years ended March 31** | **2022** | **2023** | **2023** |
| Actuarial gains (losses) | ¥ 32,467 | ¥ 22,865 | $ 171 |
| Past service costs | 10,302 | (2,688) | (20) |
| Total | 42,770 | 20,176 | 151 |

Major components of total accumulated other comprehensive income (before income tax effect adjustments) for the years ended March 31, 2022 and 2023 were as follows:

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| **Years ended March 31** | **2022** | **2023** | **2023** |
| Unrecognized actuarial gains (losses) | ¥ 45,579 | ¥ 68,444 | $ 512 |
| Unrecognized past service costs | 19,797 | 17,109 | 128 |
| Total | 65,376 | 85,553 | 640 |

### (6) Plan assets

Plan assets as of March 31, 2022 and 2023 were comprised as follows:

| | % of total fair value of plan assets | |
|---|---|---|
| **As of March 31** | **2022** | **2023** |
| Debt securities | 6.1% | 5.2% |
| Stocks | 34.7% | 37.3% |
| General account of life insurance companies | 27.4% | 27.6% |
| Jointly invested assets | 22.7% | 20.2% |
| Investment trusts | 3.5% | — |
| Cash and deposits | 1.7% | 2.1% |
| Others | 3.9% | 7.6% |
| Total | 100.0 % | 100.0% |

Plan assets include the retirement benefit trusts. The amounts of the retirement benefit trusts were 47.0% and 49.4% of total plan assets as of March 31, 2022 and 2023, respectively.

### (7) The expected long-term rate of return on plan assets

The expected long-term rate of return on plan assets is calculated by aggregating the weighted rate of return derived from each asset category. The expected long-term rate of return for each asset category is based primarily on various aspects of long-term prospects for the economy that include historical performance and the market environment.

### (8) Assumptions used in calculation

Assumptions of the Company and certain overseas consolidated subsidiaries used in accounting for the defined benefit plans for the years ended March 31, 2022 and 2023 were as follows:

| Years ended March 31 | 2022 | 2023 |
|---|---|---|
| Discount rate | | |
| Domestic | 0.9% | 0.9% |
| Overseas | 2.8% | 5.3 to 5.4% |
| Expected long-term rate of return on plan assets | | |
| Domestic | | |
| Defined benefit corporate pension plans | 2.0% | 2.0% |
| Retirement benefit trusts | 0.0% | 0.0% |
| Overseas | 1.6 to 6.3% | 2.0 to 6.3% |

### 3. Defined contribution plans

The amounts recognized as expenses for the defined contribution pension plans were ¥4,548 million and ¥5,450 million (U.S. $40 million) for the years ended March 31, 2022 and 2023, respectively.

## XII. Deferred Taxes

### 1. Deferred tax assets/liabilities

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| As of March 31 | 2022 | 2023 | 2023 |
| Deferred tax assets | ¥ 872,191 | ¥ 961,403 | $ 7,199 |
| Valuation allowance for deferred tax assets | (15,575) | (11,274) | (84) |
| Deferred tax liabilities | (1,169,039) | (973,777) | (7,292) |

### 2. Major components of deferred tax assets/liabilities

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| As of March 31 | 2022 | 2023 | 2023 |
| Deferred tax assets | | | |
| Policy reserves and other reserves | ¥ 551,258 | ¥ 550,329 | $ 4,121 |
| Reserve for price fluctuation | 243,320 | 300,057 | 2,247 |
| Deferred tax liabilities: | | | |
| Net unrealized gains (losses) on available-for-sale securities | 1,028,866 | 863,992 | 6,470 |

### 3. The statutory tax rates

The statutory tax rates were 27.96% and 27.96% for the years ended March 31, 2022 and 2023, respectively. Main factors in the differences between the statutory tax rates and the actual effective tax rates after considering deferred taxes were as follows:

| **Years ended March 31** | **2022** |
|---|---|
| Policyholders' dividend reserves | (20.73) % |

| **Years ended March 31** | **2023** |
|---|---|
| Policyholders' dividend reserves | (61.66) % |
| Increase/decrease in valuation allowance for deferred tax assets | (7.17) % |
| Retained earnings of subsidiaries and others | 6.16 % |

## XIII. Business Combination

Business Combination through Acquisition

Based on a business transfer agreement that came into effect from December 1, 2022, a subsidiary of StanCorp Financial Group, Inc., a consolidated subsidiary of the Company, acquired a recordkeeping business from Securian Financial Group, Inc.

StanCorp Financial Group, Inc. recognizes this transfer as a business acquisition in accordance with Topic 805 "Business Combinations" of the U.S. Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). Details follow.

In addition, amounts described in this note are presented in the local currency (U.S. dollar) at the value as of the date of the business combination. Therefore, these amounts do not coincide with the amounts presented in "VII. Notes to Consolidated Statements of Cash Flows 2. Major Components of Increases in Assets and Liabilities Due to the Acquisition of Business," which are translated into U.S. dollars at the rate prevailing on March 31, 2023.

(1) Overview of business combination

i) Name of the transferrer and the content of the acquired business

Name of the transferrer    Securian Financial Group, Inc.

Content of the acquired business    Recordkeeping business*

* Commissioned administrative operations associated with defined contribution pension plans introduced by corporations as employee benefit programs

ii) Main reasons for business combination

This acquisition was aimed at enabling StanCorp Financial Group, Inc. to achieve further growth through the strengthening of its customer base and the streamlining of its operations in the group pension business.

(2) Period for which the operating results of the acquired business were included in the consolidated financial statements

From December 1, 2022 to December 31, 2022

(3) Acquisition costs of the acquired business and their breakdown

Consideration for the acquisition: U.S. $259 million

Contingent consideration for the acquisition: U.S. $10 million

Acquisition costs: U.S. $269 million

Note: The amount of contingent consideration for the acquisition is not finalized and is currently presented as an estimate.

(4) Main component of acquisition-related expenses and their amount
Advisory fees and others: U.S. $9 million

(5) Amount of assets received and liabilities assumed at the date of business combination and their breakdown
Total assets: U.S. $1,639 million
(Securities U.S. $1,020 million)
Total liabilities: U.S. $1,370 million
(Policy reserves and other reserves U.S. $1,370 million)

(6) Amount of goodwill recorded, reasons for recording goodwill and amortization method and period
i) Amount of goodwill recorded
U.S. $34 million
ii) Reasons for recording goodwill
Goodwill is recognized based on the expected excess earning power as a result of strengthening the customer base and streamlining operations in StanCorp Financial Group, Inc.'s group pension business.
iii) Amortization method and period
Straight-line method over 10 years

(7) Amount of assets allocated to other intangible fixed assets than goodwill, their breakdown by primary type, and weighted average amortization periods for the entirety of these assets and each primary type

| Primary type | Amount | Amortization Period |
|---|---|---|
| Value of Business Acquired (VOBA) | U.S. $223 million | 40 years |
| Value of distribution network acquired | U.S. $90 million | 30 years |
| Total | U.S. $313 million | |

(8) Content of contingent consideration for the acquisition stipulated by the business combination agreement and policies for accounting treatment to be applied to it in and after the fiscal year ended March 31, 2023

The agreement provides for a payment of contingent consideration for the acquisition in line with operating results, etc., following the date of business combination. A variable portion of the contingent consideration is recognized in accordance with U.S. GAAP.

## XIV. Fair Value of Investment and Rental Properties

The carrying amounts of investment and rental properties were ¥621,100 million and ¥622,599 million (U.S. $4,662 million), and their fair values were ¥953,250 million and ¥978,886 million (U.S. $7,330 million) as of March 31, 2022 and 2023, respectively. The Company and certain subsidiaries own office buildings and land in Tokyo and other areas, the fair value of which is mainly based on appraisals by qualified external appraisers.

## XV. Subsequent Events

### 1. Redemption of foundation funds

The Company decided to redeem foundation funds totaling ¥50,000 million (U.S. $374 million) on September 20, 2023 and transfer reserves for fund redemption of the same amount to reserve for redemption of foundation funds as defined under Article 56 of the "Insurance Business Act."

### 2. Appropriation of surplus

The proposed appropriation of surplus of the Company for the year ended March 31, 2023 was approved as planned at the annual meeting of the representatives of policyholders held on July 4, 2023.