November 21, 2023

Financial Results for the Six Months Ended September 30, 2023

Meiji Yasuda Life Insurance Company (Hideki Nagashima, President and Group CEO) announces financial results for the Six Months ended September 30, 2023.

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Note:
This document is a translation from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

1. Unaudited Consolidated Balance Sheets

(Millions of Yen)

	As of Mar. 31, 2023	As of Sep. 30, 2023
ASSETS:		
Cash and deposits	1,411,205	865,982
Call loans	90,000	40,000
Monetary claims bought	171,153	166,567
Money held in trust	146,733	146,716
Securities	39,322,197	41,411,152
Loans	5,060,437	5,311,175
Tangible fixed assets	914,073	931,376
Intangible fixed assets	515,940	535,582
Due from agents	1,455	1,002
Reinsurance receivables	191,731	206,901
Other assets	730,779	985,494
Net defined benefit assets	219,115	220,733
Deferred tax assets	13,000	16,021
Customers' liabilities under acceptances and guarantees	5,743	5,240
Allowance for possible loan losses	(11,732)	(10,717)
Total assets	48,781,836	50,833,229

1. Unaudited Consolidated Balance Sheets (continued)

(Millions of Yen)

	As of Mar. 31, 2023	As of Sep. 30, 2023
LIABILITIES:		
Policy reserves and other reserves	38,284,928	39,326,326
Reserve for outstanding claims	926,059	1,003,874
Policy reserves	37,070,528	37,971,925
Policyholders' dividend reserves	288,339	350,526
Due to agents	6,866	5,586
Reinsurance payables	39,038	65,968
Bonds payable	640,735	640,735
Total Other liabilities	4,919,319	5,083,171
Payables under securities borrowing transactions	3,804,131	3,574,219
Other liabilities	1,115,188	1,508,952
Net defined benefit liabilities	7,709	8,296
Reserve for price fluctuation	1,074,039	1,084,953
Deferred tax liabilities	36,649	272,577
Deferred tax liabilities for land revaluation	78,178	77,627
Acceptances and guarantees	5,743	5,240
Total liabilities	45,093,208	46,570,483
NET ASSETS:		
Foundation funds	100,000	50,000
Reserve for redemption of foundation funds	880,000	930,000
Reserve for revaluation	452	452
Surplus	298,693	190,493
Total funds, reserve and surplus	1,279,146	1,170,946
Net unrealized gains (losses) on available-for-sale securities	2,169,500	2,817,526
Deferred unrealized gains (losses) on derivatives under hedge accounting	(27,077)	(80,382)
Land revaluation differences	121,544	124,507
Foreign currency translation adjustments	82,896	169,298
Remeasurements of defined benefit plans	61,969	57,981
Unrealized gains (losses) on policy reserves and other reserves of overseas subsidiaries	—	2,867
Total accumulated other comprehensive income	2,408,833	3,091,800
Non-controlling interests	648	—
Total net assets	3,688,627	4,262,746
Total liabilities and net assets	48,781,836	50,833,229

2. Unaudited Consolidated Statements of Income

(Millions of Yen)

	Six months ended September 30 2022	Six months ended September 30 2023
ORDINARY INCOME:	2,813,478	2,773,724
Insurance premiums and other	1,843,969	1,612,553
Investment income	925,498	1,104,787
Interest, dividends and other income	533,969	629,652
Gains on money held in trust	2,334	256
Gains on trading securities	—	11
Gains on sales of securities	130,322	160,861
Investment gains on separate accounts	—	26,113
Other ordinary income	44,010	56,383
ORDINARY EXPENSES:	2,709,578	2,646,359
Benefits and other payments	1,619,517	1,467,166
Claims paid	394,428	387,423
Annuity payments	301,798	318,616
Benefit payments	331,975	320,430
Surrender benefits	538,203	393,191
Provision for policy reserves and other reserves	452,151	353,401
Provision for reserve for outstanding claims	43,210	3,708
Provision for policy reserves	408,914	349,670
Provision for interest on policyholders' dividend reserves	26	22
Investment expenses	277,554	440,269
Interest expenses	32,818	51,448
Losses on sales of securities	13,632	45,046
Losses on valuation of securities	5,937	11,058
Investment losses on separate accounts	24,218	—
Operating expenses	278,032	307,251
Other ordinary expenses	82,322	78,270
Ordinary profit	103,899	127,365
Extraordinary gains	138	—
Gains on disposals of fixed assets	138	—
Extraordinary losses	13,508	22,238
Losses on disposals of fixed assets	1,728	3,241
Impairment losses	310	923
Losses on sales of stocks of subsidiaries and affiliates	—	1,109
Losses on liquidation of subsidiaries and affiliates	—	30
Losses on restructuring of subsidiaries and affiliates	—	5,014
Provision for reserve for price fluctuation	10,531	10,832
Contributions for promotion of social welfare project	937	1,026
Other extraordinary losses	—	60
Surplus before income taxes and non-controlling interests	90,529	105,126
Income taxes	4,325	11,545
Current	(406)	6,396
Deferred	4,732	5,149
Net surplus	86,203	93,581
Net surplus attributable to non-controlling interests	23	11
Net surplus attributable to the Parent Company	86,180	93,570

3. Unaudited Consolidated Statements of Comprehensive Income

(Millions of Yen)

	Six months ended September 30	
	2022	2023
Net surplus	86,203	93,581
Other comprehensive income (loss)	(715,171)	677,681
Net unrealized gains (losses) on available-for-sale securities	(787,474)	646,998
Deferred unrealized gains (losses) on derivatives under hedge accounting	(40,592)	(53,545)
Foreign currency translation adjustments	115,261	69,450
Remeasurements of defined benefit plans	(4,228)	(3,987)
Share of other comprehensive income (loss) of associates accounted for under the equity method	1,861	18,765
Comprehensive income (loss)	(628,968)	771,263
Comprehensive income (loss) attributable to the Parent Company	(628,991)	771,252
Comprehensive income (loss) attributable to non-controlling interests	23	11

4. Unaudited Consolidated Statements of Cash Flows

(Millions of Yen)

	Six months ended September 30	
	2022	2023
I. Cash flows from operating activities		
Surplus before income taxes and non-controlling interests	90,529	105,126
Depreciation	23,107	25,899
Impairment losses	310	923
Amortization of goodwill	4,768	10,369
Increase (Decrease) in reserve for outstanding claims	45,644	5,481
Increase (Decrease) in policy reserves	504,008	409,579
Provision for interest on policyholders' dividend reserves	26	22
Increase (Decrease) in allowance for possible loan losses	1,144	(1,014)
Increase (Decrease) in net defined benefit liabilities	61	(21)
Increase (Decrease) in reserve for price fluctuation	10,531	10,832
Interest, dividends, and other income	(533,969)	(629,652)
Losses (Gains) on securities	(977,487)	(713,135)
Interest expenses	32,818	51,448
Losses (Gains) on tangible fixed assets	1,589	3,241
Others, net	50,603	207,450
Subtotal	(746,311)	(513,447)
Interest, dividends, and other income received	545,265	625,387
Interest paid	(29,273)	(46,468)
Policyholders' dividends paid	(84,542)	(82,076)
Income taxes refunded (paid)	9,826	(44,966)
Net cash provided by operating activities	(305,034)	(61,571)

4. Unaudited Consolidated Statements of Cash Flows (continued)

(Millions of Yen)

	Six months ended September 30	
	2022	2023
Ⅱ. Cash flows from investing activities		
Net decrease (increase) in deposits	(65,166)	(28,758)
Proceeds from sales and redemption of monetary claims bought	5,140	4,516
Increase in money held in trust	—	(11,800)
Purchase of securities	(4,238,001)	(3,258,518)
Proceeds from sales and redemption of securities	3,627,848	3,347,376
Loans extended	(449,448)	(641,984)
Proceeds from collection of loans	494,643	510,590
Net increase (decrease) in cash collateral under securities borrowing / lending transactions	1,095,946	(417,669)
Total investment activities (IIa)	470,962	(496,248)
[I + IIa]	165,927	(557,819)
Purchase of tangible fixed assets	(18,150)	(26,135)
Proceeds from sales of tangible fixed assets	5,269	—
Purchase of intangible fixed assets	(13,848)	(13,599)
Others, net	(659)	(1,948)
Net cash used in investing activities	443,573	(537,931)
Ⅲ. Cash flows from financing activities		
Proceeds from borrowings	71,600	—
Redemption of foundation funds	(50,000)	(50,000)
Payment of interest on foundation funds	(477)	(302)
Acquisition of stock of subsidiaries without change in scope of consolidation	—	(754)
Others, net	6,759	225
Net cash used in financing activities	27,882	(50,831)
Ⅳ. Effect of foreign exchange rate changes on cash and cash equivalents	18,729	20,250
Ⅴ. Net increase (decrease) in cash and cash equivalents	185,151	(630,083)
Ⅵ. Cash and cash equivalents at the beginning of the period	789,372	1,317,755
Ⅶ. Cash and cash equivalents at the end of the period	974,523	687,671

5. Unaudited Consolidated Statements of Changes in Net Assets

(Millions of Yen)

Six months ended September 30, 2022

	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 period					
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				86,180	86,180
Redemption of foundation funds	(50,000)				(50,000)
Reversal of reserve for fund redemption				(50,000)	(50,000)
Reversal of land revaluation differences				102	102
Net changes, excluding funds, reserves and surplus					—
Net changes in the period	(50,000)	50,000	—	(115,648)	(115,648)
Ending balance	100,000	880,000	452	298,313	1,278,766

	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 period								
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								86,180
Redemption of foundation funds								(50,000)
Reversal of reserve for fund redemption								(50,000)
Reversal of land revaluation differences								102
Net changes, excluding funds, reserves and surplus	(798,976)	(41,685)	(102)	129,718	(4,228)	(715,274)	(48)	(715,322)
Net changes in the period	(798,976)	(41,685)	(102)	129,718	(4,228)	(715,274)	(48)	(830,970)
Ending balance	1,960,587	(36,863)	121,787	107,183	42,622	2,195,317	643	3,474,726

5. Unaudited Consolidated Statements of Changes in Net Assets (continued)

(Millions of Yen)

Six months ended September 30, 2023	Funds, reserves and surplus				
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Surplus	Total funds, reserves and surplus
Beginning balance	100,000	880,000	452	298,693	1,279,146
Cumulative effects of changes in accounting policies				(4,138)	(4,138)
Beginning balance after reflecting the effects of changes in accounting policies	100,000	880,000	452	294,554	1,275,007
Changes in the period					
Additions to policyholders' dividend reserves				(144,240)	(144,240)
Additions to reserve for redemption of foundation funds		50,000			50,000
Payment of interest on foundation funds				(302)	(302)
Net surplus attributable to the Parent Company				93,570	93,570
Redemption of foundation funds	(50,000)				(50,000)
Reversal of reserve for fund redemption				(50,000)	(50,000)
Reversal of land revaluation differences				(2,963)	(2,963)
Changes in equity attributable to the Parent Company arising from transactions with non-controlling interests				(124)	(124)
Net changes, excluding funds, reserves and surplus					—
Net changes in the period	(50,000)	50,000	—	(104,061)	(104,061)
Ending balance	50,000	930,000	452	190,493	1,170,946

	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	Unrealized gains (losses) on policy reserves and other reserves of overseas subsidiaries	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Beginning balance	2,169,500	(27,077)	121,544	82,896	61,969	—	2,408,833	648	3,688,627
Cumulative effects of changes in accounting policies	(1,836)					4,157	2,321		(1,817)
Beginning balance after reflecting the effects of changes in accounting policies	2,167,663	(27,077)	121,544	82,896	61,969	4,157	2,411,154	648	3,686,810
Changes in the period									
Additions to policyholders' dividend reserves									(144,240)
Additions to reserve for redemption of foundation funds									50,000
Payment of interest on foundation funds									(302)
Net surplus attributable to the Parent Company									93,570
Redemption of foundation funds									(50,000)
Reversal of reserve for fund redemption									(50,000)
Reversal of land revaluation differences									(2,963)
Changes in equity attributable to the Parent Company arising from transactions with non-controlling interests									(124)
Net changes, excluding funds, reserves and surplus	649,863	(53,304)	2,963	86,401	(3,987)	(1,290)	680,645	(648)	679,997
Net changes in the period	649,863	(53,304)	2,963	86,401	(3,987)	(1,290)	680,645	(648)	575,935
Ending balance	2,817,526	(80,382)	124,507	169,298	57,981	2,867	3,091,800	—	4,262,746

Notes to the Unaudited Consolidated Financial Statements

I. Basis for Preparing Consolidated Financial Statements

1. Consolidated Subsidiaries

The number of consolidated subsidiaries was 18 as of September 30, 2023. The consolidated subsidiaries include 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 MEIJI YASUDA LIFE INSURANCE COMPANY (hereafter, “the Company”) and its subsidiaries and the results of their operations.

2. Affiliates

The number of affiliates accounted for by the equity method was 7 as of September 30, 2023. The main affiliates accounted for by the equity method as of September 30, 2023 include as follows:

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

PT Avrist Assurance and its 2 subsidiaries have been excluded from the scope of the equity method as of September 30, 2023, due to the sales of its shares.

The subsidiaries not consolidated (e.g., Meiji Yasuda Life Planning Center Company, Limited and others, and certain affiliates) and 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. Interim Closing Dates of Consolidated Subsidiaries

The interim closing dates of consolidated overseas subsidiaries are June 30. The consolidated financial statements include the accounts of such subsidiaries as of June 30, 2023, with appropriate adjustments made for material transactions occurring between their respective interim closing dates and the date of the consolidated financial statements.

4. Amortization of Goodwill

Goodwill recorded by a U.S. subsidiary was previously amortized on the straight-line basis over 20 years. However, since the U.S. subsidiary is now allowed to select the method of amortization based on FASB Accounting Standards Codification Topic 350 “Intangibles-Goodwill and Other”, the Company changed the method of amortization to the straight-line method over 10 years from this fiscal year.
Accordingly, compared to the previous method, for the six months ended September 30, 2023, ordinary profit and surplus before income taxes and non-controlling interests both decreased by ¥5,184 million.

5. 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. Securities without market prices 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.

(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 period amounted to ¥17 million, respectively.

(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 six months ended September 30, 2023 were as follows:

Method of attributing benefit to period of service	Benefit formula basis
Amortization period for actuarial differences	10 years
Amortization period for past service cost	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 Committee Practical Guidelines 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) 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.

(13) 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 prepaid expenses and amortized over a five-year period on the straight-line basis pursuant to the “Corporation Tax Act”.

(14) Policy reserves

Regarding contracts for which the insurer’s liability under insurance policies has started as of the end of the six months ended September 30, 2023, 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.

(15) 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, 2023, 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 September 30, 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 the termination of special measures of paying 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”) on May 8, 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 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.

From the current fiscal year, the Company changed the calculation method to deduction of the amount pertaining to all quasi hospitalization instead of the deduction of the amount pertaining to quasi hospitalization for policyholders other than who are categorized at high risk of serious symptoms, due to the termination of the special measures of quasi hospitalization.

(16) 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.

Income taxes, inhabitants' taxes and income taxes-deferred for the interim consolidated accounting period are calculated based on the assumption that the policyholders' dividend reserves and the reserve for reduction entry of real estate will be set aside or reversed in accordance with the appropriation method of retained earnings for the current fiscal year.

(17) 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 six months ended September 2023, 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 six months ended September 2023 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”.

(Change in accounting policy)

(18) Certain overseas consolidated subsidiaries adopted FASB Accounting Standards Codification 326 Financial Instruments - Credit Loss

Effective January 1, 2023, certain overseas consolidated subsidiaries have adopted FASB Accounting Standards Codification 326 “Financial Instruments - Credit Loss” to change the measurement method of financial instruments by recognizing the impairment of financial assets using current expected credit loss model.
This change in accounting policy has been applied retroactively and the cumulative effects of the change in accounting policy is reflected in the beginning balance of the book value of net assets for the six months ended September 30, 2023.

Accordingly, for the six months ended September 30, 2023, the beginning balance of securities decreased by ¥269 million, loans decreased by ¥6,672 million, reinsurance receivables decreased by ¥929 million, deferred tax assets increased by ¥1,753 million, other liabilities increased by ¥414 million, retained earnings decreased by ¥6,532 million.

(19) Certain affiliates accounted for by the equity method have applied IFRS 9 Financial Instruments and IFRS 17 Insurance Contracts

Certain affiliates accounted for by the equity method have applied IFRS 9 Financial Instruments and IFRS 17 Insurance Contracts from January 1, 2023.
This change in accounting policy has been applied retroactively and the cumulative effects of the change in accounting policy is reflected in the beginning balance of the book value of net assets for the six months ended September 30, 2023.

Accordingly, for the six months ended September 30, 2023, the beginning balance of securities increased by ¥4,715 million, retained earnings increased by ¥2,393 million, net unrealized gains on available-for-sale securities decreased by ¥1,836 million, unrealized gains (losses) on policy reserves and other reserves of overseas subsidiaries increased by ¥4,157 million.

II. Notes to the Unaudited Consolidated Balance Sheet as of September 30, 2023

1. Securities Lending

Securities loaned under security lending agreements, including securities under securities borrowing transactions, amounted to ¥5,220,955 million as of September 30, 2023.

2. Securities Sold under Repurchase Agreements

Securities sold under repurchase agreements amounted to ¥426,971 million as of September 30, 2023.

3. Pledged Assets

Assets pledged as collateral were cash and deposits in the amount of ¥2,645 million, securities in the amount of ¥131,213 million and loans in the amount of ¥226,825 million as of September 30, 2023.

4. 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 ¥28,108 million as of September 30, 2023.

The amounts of bankrupt and quasi-bankrupt loans were ¥425 million as of September 30, 2023.

The amounts of loans deemed uncollectible and directly deducted from the loans in the consolidated balance sheet as of September 30, 2023 were ¥17 million for bankrupt and quasi-bankrupt loans.

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 ¥12,108 million as of September 30, 2023.

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 be in 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 ¥119 million as of September 30, 2023.

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 ¥15,454 million as of September 30, 2023.

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.

5. Loan Commitments

The amounts of loan commitments outstanding were ¥145,093 million as of September 30, 2023.

6. Policyholders' Dividend Reserves

Changes in policyholders' dividend reserves for the six months ended September 30, 2023 were as follows:

	Millions of Yen
Balance at the beginning of the period	¥288,339
Transfer from surplus in the previous fiscal year	144,240
Dividend payments to policyholders during the period	(82,076)
Interest accrued during the period	22
Balance at the end of the period	350,526

7. Subordinated Bonds

As of September 30, 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.

8. Subordinated Borrowings

As of September 30, 2023, other liabilities in liabilities included subordinated loan of ¥271,600 million, and the repayments of which are subordinated to other obligations.

9. Separate Accounts

The total amount of assets held in separate account defined in Article 118, Paragraph 1 of the "Insurance Business Act" was ¥578,874 million as of September 30, 2023. The amount of separate account liabilities was the same as this figure.

10. 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.

III. Notes to the Unaudited Consolidated Statements of Income for the Six Months Ended September 30, 2023

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 six months ended September 30, 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

Asset group	Number of properties impaired	Millions of Yen		
		Land	Buildings	Total
Real estate for non-insurance business	1	¥ 375	¥ 361	¥ 737
Idle assets	1	73	112	185
Total	2	448	474	923

(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 1.71% for the six months ended September 30, 2023. Net realizable value is calculated based on the appraisal value with reference to “Real Estate Appraisal Standards” or the publicly announced appraisal value.

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

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 ¥50,000 million in the six months ended September 30, 2023, 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.”

V. Notes to the Unaudited Consolidated Statements of Cash Flows for the Six Months Ended September 30, 2023

1. Cash and Cash Equivalents

The components of cash and cash equivalents in the consolidated statements of cash flows as of September 30, 2023 were as follows:

	Millions of Yen
Cash and deposits	¥865,982
Time deposits (over 3 months)	(245,660)
Call loans	40,000
Money held in trust (matured within 3 months)	18,900
Securities (matured within 3 months from the date of acquisition)	8,449
Cash and cash equivalents	687,671

VI. Financial Instruments

1. Fair Value of Financial Instruments

The amounts of the principal financial assets and liabilities reported in the consolidated balance sheets as of September 30, 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.

	Millions of Yen		
	Balance sheet amount	Fair value	Difference
Deposits	¥8,999	¥8,999	¥—
Available-for-sale securities (CDs)	8,999	8,999	—
Monetary claims bought	166,567	166,597	30
Held-to-maturity debt securities	161,173	161,203	30
Available-for-sale securities	5,394	5,394	—
Money held in trust	116,016	116,016	—
Trading securities	4,230	4,230	—
Available-for-sale securities	111,786	111,786	—
Securities	41,208,783	40,710,517	(498,265)
Trading securities	1,859,826	1,859,826	—
Held-to-maturity debt securities	3,201,413	3,485,531	284,117
Policy-reserve-matching bonds	14,514,605	13,745,756	(768,849)
Equity securities issued by subsidiaries and affiliates	117,029	103,495	(13,533)
Available-for-sale securities	21,515,909	21,515,909	—
Loans	5,311,175	5,263,575	(47,599)
Policy loans	174,733	174,733	—
Industrial and consumer loans	5,136,441	5,088,841	(47,599)
Allowance for possible loan losses (*1)	(9,194)	—	—
	5,301,980	5,263,575	(38,405)
Bonds payable	640,735	639,588	(1,146)
Borrowings	271,600	253,914	(17,685)
Derivative financial instruments (*2)	(391,011)	(391,011)	—
Hedge accounting is not applied	(49,841)	(49,841)	—
Hedge accounting is applied	(341,170)	(341,170)	—

(*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, 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 amounts of stocks and others of which market value is not available, as reported in the consolidated balance sheets, were ¥177,830 million as of September 30, 2023. Of this, the amounts of stocks of subsidiaries and affiliates were ¥141,211 million. The amounts of investments in capital partnerships reported in the consolidated balance sheets totaled ¥24,537 million as of September 30, 2023. Impairment losses on unlisted stocks and others of which market value is not available and investments in capital partnerships were ¥1,018 million for the six months September 30, 2023.

2. 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
	Fair Value			
	Level 1	Level 2	Level 3	Total
Deposits (CDs)	¥－	¥8,999	¥－	¥8,999
Monetary claims bought	－	5,394	－	5,394
Available-for-sale securities	－	5,394	－	5,394
Money held in trust	－	116,016	－	116,016
Trading securities	－	4,230	－	4,230
Available-for-sale securities	－	111,786	－	111,786
Securities	11,472,618	11,387,940	109,277	22,969,836
Trading securities	1,692,918	164,933	1,973	1,859,826
National & local government bonds	82,272	－	－	82,272
Corporate bonds	－	69,948	－	69,948
Stocks	106,350	221	－	106,572
Others	1,504,294	94,764	1,973	1,601,032
Available-for-sale securities	9,779,699	11,223,006	107,303	21,110,010
National & local government bonds	1,839,983	113,332	－	1,953,316
Corporate bonds	－	1,608,751	－	1,608,751
Stocks	5,382,885	23,733	－	5,406,618
Others	2,556,830	9,477,190	107,303	12,141,324
Derivative financial instruments	51	37,179	5,354	42,585
Currency related	－	20,638	－	20,638
Interest rate related	－	16,541	－	16,541
Stock related	50	－	5,354	5,405
Bond related	0	－	－	0
Asset Total	11,472,669	11,555,529	114,632	23,142,831
Derivative financial instruments	798	432,798	－	433,596
Currency related	－	320,532	－	320,532
Interest rate related	－	110,254	－	110,254
Stock related	208	－	－	208
Bond related	590	2,011	－	2,601
Liability Total	798	432,798	－	433,596

(*)The above table does not include investment trusts of which net asset value is considered as its fair value in accordance with Article 24-7 of the “Implementation Guidance on Accounting Standard for Fair Value Measurement”. The amount of such investment trusts recognized on the consolidated balance sheet is ¥405,899 million. A reconciliation from the beginning balance to the ending balance of the investment trusts of the period is as follows.

	Millions of Yen
	Investment trusts to which Article 24-3 of the “Implementation Guidance on Accounting Standard for Fair Value Measurement” applies and its net asset value is considered as its fair value
Balance at the beginning of the period	¥320,972
Profit (loss) or other comprehensive income (loss) for the period	
Recognized in net unrealized gains on available-for-securities	40,931
Bought, sold and redeemed	
Bought	45,594
Sold	(1,599)
Balance at the end of the period	405,899

In addition, among the investment trusts to which Article 24-3 of the “Implementation Guidance on Accounting Standard for Fair Value Measurement” applies, the main content of restrictions on cancelation and others and the amount recognized in the consolidated balance sheet are ¥405,899 million of those that cannot be cancelled voluntary.

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

				Millions of Yen
	Fair Value			
	Level 1	Level 2	Level 3	Total
Monetary claims bought	¥—	¥160,851	¥351	¥161,203
Held-to-maturity debt securities	—	160,851	351	161,203
Securities	14,939,037	2,395,745	—	17,334,782
Held-to-maturity debt securities	2,901,504	584,026	—	3,485,531
National & local government bonds	2,893,603	159,201	—	3,052,804
Corporate bonds	—	350,907	—	350,907
Others	7,901	73,917	—	81,818
Policy-reserve-matching bonds	11,934,037	1,811,718	—	13,745,756
National & local government bonds	11,528,511	—	—	11,528,511
Corporate bonds	—	41,992	—	41,992
Others	405,526	1,769,725	—	2,175,251
Equity securities issued by subsidiaries and affiliates	103,495	—	—	103,495
Loans	—	—	5,263,575	5,263,575
Policy loans	—	—	174,733	174,733
Industrial and consumer loans	—	—	5,088,841	5,088,841
Asset Total	14,939,037	2,556,596	5,263,926	22,759,561
Bonds payable	—	639,588	—	639,588
Borrowings	—	253,914	—	253,914
Liability Total	—	893,503	—	893,503

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 for which there is no market price, the net asset value per unit is used as the fair value and classified as Level 2 fair value if there are no significant restrictions to the extent that it is required by the market participants to pay for risks in relation to cancellation or repurchase requests.

(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, trading securities and available-for-sales securities classified under securities include 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

	Securities		Derivative Financial Instruments	Total
	Trading securities	Available-for-sale securities	Index option transaction	
	Others	Others		
Balance at the beginning of the period	¥1,965	¥103,829	¥1,740	¥107,535
Profit (losses) or other comprehensive income for six months ended September 30, 2023				
Appropriated as profit (losses) (*1)	8	53	2,074	2,135
Appropriated as other comprehensive income (*2)	—	5,531	161	5,693
Purchase, Sale, Issue and Settlement				
Purchase	—	1,069	2,053	3,122
Sale	—	(1,207)	—	(1,207)
Settlement	—	—	(674)	(674)
Redemption	—	(2,854)	—	(2,854)
Transferred to Level 3 fair value (*3)	—	881	—	881

Balance at the end of the period	1,973	107,303	5,354	114,632
Unrealized gains (losses) of financial assets and liabilities held at the balance sheet date within the amount appropriated as profit (losses) during the period (*1)	8	—	1,840	1,848

(*1) Included in interest, dividends, and other income and gains on trading securities under investment income 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 six months ended September 30, 2023.

(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.

VII. Securities

1. 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 period, and the differences between them, were shown in the following table.

			Millions of Yen
	Balance sheet amount	Fair value	Difference
Securities whose fair value exceeds the balance sheet amount			
1) National & local government bonds	¥2,795,403	¥3,050,627	¥255,223
2) Corporate bonds	307,001	335,060	28,058
3) Others	141,323	146,613	5,290
Total	3,243,728	3,532,301	288,572
Securities whose fair value does not exceed the balance sheet amount			
1) National & local government bonds	2,229	2,176	(52)
2) Corporate bonds	16,021	15,847	(173)
3) Others	100,608	96,408	(4,199)
Total	118,858	114,433	(4,424)

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

2. Policy-Reserve-Matching Bonds

The carrying amounts in the consolidated balance sheets of policy-reserve-matching bonds by security type were shown in the following table, along with their fair values and the differences between these amounts.

			Millions of Yen
	Balance sheet amount	Fair value	Difference
Securities whose fair value exceeds the balance sheet amount			
1) National & local government bonds	¥6,687,828	¥7,109,673	¥421,844
2) Corporate bonds	11,043	12,206	1,163
3) Others	1,342	1,345	3
Total	6,700,214	7,123,224	423,010
Securities whose fair value does not exceed the balance sheet amount			
1) National & local government bonds	5,288,570	4,418,838	(869,732)
2) Corporate bonds	33,594	29,786	(3,807)
3) Others	2,492,225	2,173,906	(318,319)
Total	7,814,390	6,622,531	(1,191,859)

3. Available-for-Sale Securities

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 were shown in the following table.

			Millions of Yen
	Acquisition or amortized costs	Balance sheet amount	Difference
Securities whose balance sheet amount exceeds the acquisition or amortized costs			
(1) Domestic stocks	¥1,510,671	¥5,376,245	¥3,865,573
(2) Bonds	1,767,041	1,899,176	132,134
1) National & local government bonds	1,244,142	1,330,376	86,234
2) Corporate bonds	522,899	568,799	45,899
(3) Others	4,788,245	5,587,241	798,995
Total	8,065,959	12,862,663	4,796,704
Securities whose balance sheet amount does not exceed the acquisition or amortized costs			
(1) Domestic stocks	33,127	30,373	(2,754)
(2) Bonds	1,761,731	1,662,890	(98,840)
1) National & local government bonds	661,120	622,939	(38,181)
2) Corporate bonds	1,100,610	1,039,951	(60,659)
(3) Others	7,857,490	7,086,161	(771,329)
Total	9,652,350	8,779,425	(872,924)

(*) 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.

VIII. Fair Value of Investment and Rental Properties

Since there were no significant changes compared to the end of the previous fiscal year, the disclosure of items related to the fair value of rental properties is omitted.