November 22, 2024

Financial Results for the Six Months Ended September 30, 2024

Meiji Yasuda Life Insurance Company (Hideki Nagashima, President and Group CEO) announces financial results for the Six Months ended September 30, 2024.

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1. Unaudited Consolidated Balance Sheets

(Millions of Yen)

	As of Mar. 31, 2024	As of Sep. 30, 2024
ASSETS:		
Cash and deposits	903,727	898,954
Call loans	220,000	105,000
Monetary claims bought	160,302	155,266
Money held in trust	143,117	187,538
Securities	43,166,464	42,883,323
Loans	5,368,752	5,656,791
Tangible fixed assets	936,164	943,705
Intangible fixed assets	516,548	641,130
Due from agents	1,493	987
Reinsurance receivables	201,949	255,704
Other assets	826,747	1,168,048
Net defined benefit assets	403,432	407,558
Deferred tax assets	6,159	13,359
Customers' liabilities under acceptances and guarantees	5,063	4,791
Allowance for possible loan losses	(9,511)	(8,580)
Total assets	52,850,412	53,313,579

1. Unaudited Consolidated Balance Sheets (continued)

(Millions of Yen)

	As of Mar. 31, 2024	As of Sep. 30, 2024
LIABILITIES:		
Policy reserves and other reserves	39,463,472	40,526,601
Reserve for outstanding claims	991,828	1,234,913
Policy reserves	38,182,098	38,937,375
Policyholders' dividend reserves	289,545	354,312
Due to agents	8,053	7,013
Reinsurance payables	74,833	118,354
Bonds payable	640,735	893,150
Total Other liabilities	4,896,162	4,601,354
Payables under securities borrowing transactions	3,672,093	3,233,330
Other liabilities	1,224,069	1,368,024
Net defined benefit liabilities	8,500	9,442
Reserve for price fluctuation	1,130,468	1,126,935
Deferred tax liabilities	762,784	576,578
Deferred tax liabilities for land revaluation	77,509	77,390
Acceptances and guarantees	5,063	4,791
Total liabilities	47,067,583	47,941,612
NET ASSETS:		
Foundation funds	50,000	—
Reserve for redemption of foundation funds	930,000	980,000
Reserve for revaluation	452	452
Surplus	250,733	118,647
Total funds, reserve and surplus	1,231,186	1,099,100
Net unrealized gains (losses) on available-for-sale securities	4,174,889	3,750,607
Deferred unrealized gains (losses) on derivatives under hedge accounting	(67,728)	(66,766)
Land revaluation differences	124,222	124,201
Foreign currency translation adjustments	146,673	298,349
Remeasurements of defined benefit plans	171,714	163,424
Net unrealized gains (losses) on policy reserves and other reserves of overseas subsidiaries	1,871	3,049
Total accumulated other comprehensive income	4,551,643	4,272,866
Total net assets	5,782,829	5,371,967
Total liabilities and net assets	52,850,412	53,313,579

2. Unaudited Consolidated Statements of Income

(Millions of Yen)

	Six months ended September 30	
	2023	2024
ORDINARY INCOME:	2,773,724	3,093,207
Insurance premiums and other	1,612,553	1,806,672
Investment income	1,104,787	1,007,974
Interest, dividends and other income	629,652	667,814
Gains on money held in trust	256	885
Gains on trading securities	11	—
Gains on sales of securities	160,861	308,679
Investment gains on separate accounts	26,113	—
Other ordinary income	56,383	278,559
Reversal of policy reserves	—	218,317
ORDINARY EXPENSES:	2,646,359	3,013,528
Benefits and other payments	1,467,166	1,796,388
Claims paid	387,423	409,323
Annuity payments	318,616	310,146
Benefit payments	320,430	368,360
Surrender benefits	393,191	529,749
Provision for policy reserves and other reserves	353,401	51,989
Provision for reserve for outstanding claims	3,708	51,970
Provision for policy reserves	349,670	—
Provision for interest on policyholders' dividend reserves	22	19
Investment expenses	440,269	703,251
Interest expenses	51,448	69,849
Losses on sales of securities	45,046	76,547
Losses on valuation of securities	11,058	1,719
Foreign exchange losses	—	205,752
Investment losses on separate accounts	—	5,654
Operating expenses	307,251	355,081
Other ordinary expenses	78,270	106,817
Ordinary profit	127,365	79,679
Extraordinary gains	—	3,726
Gains on disposals of fixed assets	—	3,726
Extraordinary losses	22,238	5,147
Losses on disposals of fixed assets	3,241	3,109
Impairment losses	923	622
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	10,832	—
Contributions for promotion of social welfare project	1,026	1,414
Other extraordinary losses	60	—
Surplus before income taxes and non-controlling interests	105,126	78,258
Income taxes	11,545	9,261
Current	6,396	38,072
Deferred	5,149	(28,810)
Net surplus	93,581	68,996
Net surplus attributable to non-controlling interests	11	—
Net surplus attributable to the Parent Company	93,570	68,996

3. Unaudited Consolidated Statements of Comprehensive Income

(Millions of Yen)

	Six months ended September 30	
	2023	2024
Net surplus	93,581	68,996
Other comprehensive income (loss)	677,681	(278,755)
Net unrealized gains (losses) on available-for-sale securities	646,998	(426,740)
Deferred unrealized gains (losses) on derivatives under hedge accounting	(53,545)	1,152
Foreign currency translation adjustments	69,450	137,404
Remeasurements of defined benefit plans	(3,987)	(8,290)
Share of other comprehensive income (loss) of associates accounted for under the equity method	18,765	17,718
Comprehensive income (loss)	771,263	(209,759)
Comprehensive income (loss) attributable to the Parent Company	771,252	(209,759)
Comprehensive income (loss) attributable to non-controlling interests	11	—

4. Unaudited Consolidated Statements of Cash Flows

(Millions of Yen)

	Six months ended September 30	
	2023	2024
I. Cash flows from operating activities		
Surplus before income taxes and non-controlling interests	105,126	78,258
Depreciation	25,899	30,878
Impairment losses	923	622
Amortization of goodwill	10,369	12,543
Increase (Decrease) in reserve for outstanding claims	5,481	40,208
Increase (Decrease) in policy reserves	409,579	27,436
Provision for interest on policyholders' dividend reserves	22	19
Increase (Decrease) in allowance for possible loan losses	(1,014)	(930)
Increase (Decrease) in net defined benefit liabilities	(21)	(53)
Increase (Decrease) in reserve for price fluctuation	10,832	(3,726)
Interest, dividends, and other income	(629,652)	(667,814)
Losses (Gains) on securities	(713,135)	337,378
Interest expenses	51,448	69,849
Losses (Gains) on tangible fixed assets	3,241	3,097
Others, net	207,450	(405,911)
Subtotal	(513,447)	(478,144)
Interest, dividends, and other income received	625,387	687,303
Interest paid	(46,468)	(63,577)
Policyholders' dividends paid	(82,076)	(86,209)
Income taxes refunded (paid)	(44,966)	(30,184)
Net cash provided by operating activities	(61,571)	29,187

4. Unaudited Consolidated Statements of Cash Flows (continued)

(Millions of Yen)

	Six months ended September 30 2023	2024
Ⅱ. Cash flows from investing activities		
Net decrease (increase) in deposits	(28,758)	15,057
Proceeds from sales and redemption of monetary claims bought	4,516	5,004
Increase in money held in trust	(11,800)	(62,300)
Decrease in money held in trust	—	4,500
Purchase of securities	(3,258,518)	(3,628,474)
Proceeds from sales and redemption of securities	3,347,376	3,773,524
Loans extended	(641,984)	(648,845)
Proceeds from collection of loans	510,590	562,964
Net increase (decrease) in cash collateral under securities borrowing / lending transactions	(417,669)	(243,166)
Total investment activities (IIa)	(496,248)	(221,735)
[I + IIa]	(557,819)	(192,547)
Purchase of tangible fixed assets	(26,135)	(15,336)
Purchase of intangible fixed assets	(13,599)	(53,503)
Acquisition of stock of subsidiaries in change in scope of consolidation	—	(54,503)
Others, net	(1,948)	(1,111)
Net cash used in investing activities	(537,931)	(346,190)
Ⅲ. Cash flows from financing activities		
Proceeds of corporate bonds payable	—	249,677
Redemption of foundation funds	(50,000)	(50,000)
Payment of interest on foundation funds	(302)	(145)
Acquisition of stock of subsidiaries without change in scope of consolidation	(754)	—
Others, net	225	(1,552)
Net cash used in financing activities	(50,831)	197,980
Ⅳ. Effect of foreign exchange rate changes on cash and cash equivalents	20,250	6,368
Ⅴ. Net increase (decrease) in cash and cash equivalents	(630,083)	(112,653)
Ⅵ. Cash and cash equivalents at the beginning of the period	1,317,755	909,889
Ⅶ. Cash and cash equivalents at the end of the period	687,671	797,235

5. Unaudited Consolidated Statements of Changes in Net Assets

(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	Net 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

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

(Millions of Yen)

Six months ended September 30, 2024

	Funds, reserves and surplus				
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Surplus	Total funds, reserves and surplus
Beginning balance	50,000	930,000	452	250,733	1,231,186
Changes in the period					
Additions to policyholders' dividend reserves				(150,958)	(150,958)
Additions to reserve for redemption of foundation funds		50,000			50,000
Payment of interest on foundation funds				(145)	(145)
Net surplus attributable to the Parent Company				68,996	68,996
Redemption of foundation funds	(50,000)				(50,000)
Reversal of reserve for fund redemption				(50,000)	(50,000)
Reversal of land revaluation differences				20	20
Net changes, excluding funds, reserves and surplus					—
Net changes in the period	(50,000)	50,000	—	(132,085)	(132,085)
Ending balance	—	980,000	452	118,647	1,099,100

	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	Net unrealized gains (losses) on policy reserves and other reserves of overseas subsidiaries	Total accumulated other comprehensive income	Total net assets
Beginning balance	4,174,889	(67,728)	124,222	146,673	171,714	1,871	4,551,643	5,782,829
Changes in the period								
Additions to policyholders' dividend reserves								(150,958)
Additions to reserve for redemption of foundation funds								50,000
Payment of interest on foundation funds								(145)
Net surplus attributable to the Parent Company								68,996
Redemption of foundation funds								(50,000)
Reversal of reserve for fund redemption								(50,000)
Reversal of land revaluation differences								20
Net changes, excluding funds, reserves and surplus	(424,282)	962	(20)	151,676	(8,290)	1,178	(278,776)	(278,776)
Net changes in the period	(424,282)	962	(20)	151,676	(8,290)	1,178	(278,776)	(410,862)
Ending balance	3,750,607	(66,766)	124,201	298,349	163,424	3,049	4,272,866	5,371,967

Notes to the Unaudited Consolidated Financial Statements

I. Basis for Preparing Consolidated Financial Statements

1. Consolidated Subsidiaries

The number of consolidated subsidiaries was 21 as of September 30, 2024. 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.)

Anthem Life Insurance Company, Anthem Life & Disability Insurance Company and Greater Georgia Life Insurance Company are newly included in the scope of consolidated subsidiaries as of September 30, 2024.

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, 2024. The main affiliates accounted for by the equity method as of September 30, 2024 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)

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, 2024, with appropriate adjustments made for material transactions occurring between their respective interim closing dates 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. 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 ¥13 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, 2024 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, 2024, 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 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).
・The policy reserves set aside in the fiscal years ended March 31, 2015 and 2024 for variable life insurance contracts.

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”). 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 Ministry of Finance Notification No. 234 (hereinafter referred to as “IBNR Notification”) in 1998, due to the May 8, 2023 termination of special treatments applied for payments of hospitalization and other benefits to policyholders in such status as “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”). 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.

(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 2024, 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 2024 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".

II. Notes to the Unaudited Consolidated Balance Sheet as of September 30, 2024

1. Securities Lending

Securities loaned under security lending agreements, including securities under securities borrowing transactions, amounted to ¥5,176,016 million as of September 30, 2024.

2. Securities Sold under Repurchase Agreements

Securities sold under repurchase agreements amounted to ¥213,046 million as of September 30, 2024.

3. Pledged Assets

Assets pledged as collateral were cash and deposits in the amount of ¥1,682 million, securities in the amount of ¥147,387 million and loans in the amount of ¥267,118 million as of September 30, 2024.

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 ¥29,036 million as of September 30, 2024.

The amounts of bankrupt and quasi-bankrupt loans were ¥387 million as of September 30, 2024.

The amounts of loans deemed uncollectible and directly deducted from the loans in the consolidated balance sheet as of September 30, 2024 were ¥13 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 ¥7,423 million as of September 30, 2024.

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 ¥129 million as of September 30, 2024.

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 ¥21,095 million as of September 30, 2024.

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 ¥142,824 million as of September 30, 2024.

6. Policyholders' Dividend Reserves

Changes in policyholders' dividend reserves for the six months ended September 30, 2024 were as follows:

	Millions of Yen
Balance at the beginning of the period	¥289,545
Transfer from surplus in the previous fiscal year	150,958
Dividend payments to policyholders during the period	(86,209)
Interest accrued during the period	19
Balance at the end of the period	354,312

7. Subordinated Bonds

As of September 30, 2024, 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, 2024, 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 ¥584,235 million as of September 30, 2024. 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, 2024

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, 2024, 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	¥ 55	¥ 489	¥ 545
Idle assets	1	39	37	77
Total	2	95	527	622

(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 1.77% for the six months ended September 30, 2024. Net realizable value is calculated based on the appraisal value with reference to “Real Estate Appraisal Standards” or the publicly announced appraisal value.

2. Amortization of Goodwill Equivalent

Based on the provisions of Paragraph 32 of Transferred Guidance No.4 "Practical Guidelines on the Procedures to Consolidate Equity Accounts in Consolidated Financial Statements", which is applied by mutatis mutandis in Paragraph 9 of Transferred Guidance No.7 "Practical Guidelines on the Preparation of the Equity Method of Accounting", we have amortized ¥28,119 million of goodwill equivalent at once related to some affiliates and recorded it under "Investment losses by equity method" within other ordinary expenses.

IV. Notes to Consolidated Statements of Changes in Net Assets for the Six Months Ended September 30, 2024

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, 2024, 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, 2024

1. Cash and Cash Equivalents

The components of cash and cash equivalents in the consolidated statements of cash flows as of September 30, 2024 were as follows:

	Millions of Yen
Cash and deposits	¥898,954
Time deposits (over 3 months)	(234,658)
Call loans	105,000
Money held in trust (matured within 3 months)	15,300
Securities (matured within 3 months from the date of acquisition)	12,638
Cash and cash equivalents	797,235

2. Breakdown of increased assets and liabilities of the newly consolidated through stock acquisition

Breakdown of assets and liabilities at the start of consolidation, as well as the relationship between the acquisition cost of the shares and the net expenditure for the acquisition, due to the consolidation of three new subsidiaries engaged in group insurance business through the acquisition of shares, are as follows.

	Millions of Yen
Assets	¥213,308
Cash and deposits	37,149
Liabilities	(120,521)
Policy reserves and other reserves	(91,185)
Consideration for the acquisition	92,786
Outstanding amounts of consideration for the acquisition	(1,133)
Cash and cash equivalents included in acquired assets	(37,149)
Net expenditures for the acquisition of shares of subsidiaries	54,503

Note: The above amounts are based on estimates.

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, 2024, 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	¥32,995	¥32,995	¥―
Available-for-sale securities (CDs)	32,995	32,995	―
Monetary claims bought	155,266	150,860	(4,406)
Held-to-maturity debt securities	150,834	146,428	(4,406)
Available-for-sale securities	4,432	4,432	―
Money held in trust	162,438	162,438	―
Available-for-sale securities	162,438	162,438	―
Securities	42,636,778	41,950,487	(686,290)
Trading securities	2,346,509	2,346,509	―
Held-to-maturity debt securities	2,929,048	3,146,094	217,046
Policy-reserve-matching bonds	14,913,062	14,014,050	(899,012)
Equity securities issued by subsidiaries and affiliates	97,032	92,707	(4,324)
Available-for-sale securities	22,351,124	22,351,124	―
Loans	5,656,791	5,598,482	(58,309)
Policy loans	163,411	163,411	―
Industrial and consumer loans	5,493,380	5,435,071	(58,309)
Allowance for possible loan losses (*1)	(7,094)	―	―
	5,649,696	5,598,482	(51,214)
Bonds payable	893,150	896,138	2,988
Borrowings	271,600	255,106	(16,493)
Derivative financial instruments (*2)	154,771	154,771	―
Hedge accounting is not applied	84,259	84,259	―
Hedge accounting is applied	70,512	70,512	―

(*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) and Paragraph 24-16 of the Implementation Guidance on Accounting Standard for Fair Value Measurement(ASBJ Guidance No. 31), 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 ¥214,423 million as of September 30, 2024. Of this, the amounts of stocks of subsidiaries and affiliates were ¥181,407 million. The amounts of investments in capital partnerships reported in the consolidated balance sheets totaled ¥32,121 million as of September 30, 2024. Impairment losses on unlisted stocks and others of which market value is not available and investments in capital partnerships were ¥51 million for the six months September 30, 2024.

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)	¥－	¥32,995	¥－	¥32,995
Monetary claims bought	－	4,432	－	4,432
Available-for-sale securities	－	4,432	－	4,432
Money held in trust	－	162,438	－	162,438
Available-for-sale securities	－	162,438	－	162,438
Securities	12,211,479	11,913,206	88,701	24,213,388
Trading securities	2,160,834	185,675	－	2,346,509
National & local government bonds	191,106	3,239	－	194,345
Corporate bonds	－	91,593	－	91,593
Stocks	89,667	－	－	89,667
Others	1,880,060	90,842	－	1,970,902
Available-for-sale securities	10,050,645	11,727,530	88,701	21,866,878
National & local government bonds	1,592,495	107,479	－	1,699,975
Corporate bonds	－	1,565,621	－	1,565,621
Stocks	6,041,829	760	－	6,042,590
Others	2,416,320	10,053,668	88,701	12,558,691
Derivative financial instruments	340	279,395	9,807	289,543
Currency related	－	261,839	－	261,839
Interest rate related	－	17,503	－	17,503
Stock related	229	－	9,807	10,037
Bond related	110	51	－	162
Asset Total	12,211,820	12,392,467	98,509	24,702,797
Derivative financial instruments	424	134,347	－	134,772
Currency related	－	44,442	－	44,442
Interest rate related	－	89,791	－	89,791
Bond related	424	113	－	538
Liability Total	424	134,347	－	134,772

(*)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 ¥484,246 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	¥459,496
Profit (loss) or other comprehensive income (loss) for the period	
Recognized in net unrealized gains on available-for-securities	(20,900)
Bought, sold and redeemed	
Bought	46,771
Sold	(1,122)
Balance at the end of the period	484,246

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 ¥484,246 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	¥―	¥146,428	¥―	¥146,428
Held-to-maturity debt securities	―	146,428	―	146,428
Securities	14,550,265	2,702,587	―	17,252,853
Held-to-maturity debt securities	2,605,942	540,152	―	3,146,094
National & local government bonds	2,595,857	155,578	―	2,751,435
Corporate bonds	―	324,122	―	324,122
Others	10,084	60,452	―	70,537
Policy-reserve-matching bonds	11,851,615	2,162,435	―	14,014,050
National & local government bonds	11,403,692	―	―	11,403,692
Corporate bonds	―	39,813	―	39,813
Others	447,922	2,122,621	―	2,570,544
Equity securities issued by subsidiaries and affiliates	92,707	―	―	92,707
Loans	―	―	5,598,482	5,598,482
Policy loans	―	―	163,411	163,411
Industrial and consumer loans	―	―	5,435,071	5,435,071
Asset Total	14,550,265	2,849,015	5,598,482	22,997,763
Bonds payable	―	896,138	―	896,138
Borrowings	―	255,106	―	255,106
Liability Total	―	1,151,245	―	1,151,245

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

	Securities	Derivative Financial Instruments	Total
	Available-for-sale securities	Index option transaction	
	Others		
			Millions of Yen
Balance at the beginning of the period	¥106,232	¥6,450	¥112,683
Profit (losses) or other comprehensive income for six months ended September 30, 2024			
Appropriated as profit (losses) (*1)	48	3,986	4,034
Appropriated as other comprehensive income (*2)	2,113	875	2,988
Purchase, Sale, Issue and Settlement			
Purchase	481	3,185	3,666
Sale	(23,377)	—	(23,377)
Settlement	—	(4,689)	(4,689)
Transferred to Level 3 fair value (*3)	3,204	—	3,204
Balance at the end of the period	88,701	9,807	98,509
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)	—	2,152	2,152

(*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, 2024.

(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	¥2,537,974	¥2,734,760	¥196,785
2) Corporate bonds	285,213	305,239	20,025
3) Others	105,812	108,318	2,506
Total	2,929,000	3,148,318	219,317
Securities whose fair value does not exceed the balance sheet amount			
1) National & local government bonds	16,787	16,674	(112)
2) Corporate bonds	19,137	18,883	(253)
3) Others	114,957	108,646	(6,311)
Total	150,882	144,204	(6,677)

(*) 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	¥6,193,946	¥6,498,012	¥304,065
2) Corporate bonds	13,423	14,385	961
3) Others	1,378,928	1,429,879	50,951
Total	7,586,298	7,942,277	355,978
Securities whose fair value does not exceed the balance sheet amount			
1) National & local government bonds	6,021,828	4,905,680	(1,116,147)
2) Corporate bonds	27,437	25,428	(2,009)
3) Others	1,277,499	1,140,664	(136,834)
Total	7,326,764	6,071,773	(1,254,991)

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.

	Acquisition or amortized costs	Balance sheet amount	Difference
			Millions of Yen
Securities whose balance sheet amount exceeds the acquisition or amortized costs			
(1) Domestic stocks	¥1,512,354	¥6,021,698	¥4,509,343
(2) Bonds	1,612,334	1,710,359	98,025
1) National & local government bonds	1,075,612	1,138,760	63,148
2) Corporate bonds	536,721	571,598	34,877
(3) Others	6,954,639	8,023,269	1,068,629
Total	10,079,328	15,755,327	5,675,998
Securities whose balance sheet amount does not exceed the acquisition or amortized costs			
(1) Domestic stocks	23,355	20,891	(2,463)
(2) Bonds	1,638,918	1,555,237	(83,681)
1) National & local government bonds	620,780	561,214	(59,565)
2) Corporate bonds	1,018,137	994,022	(24,115)
(3) Others	5,603,154	5,219,534	(383,619)
Total	7,265,428	6,795,663	(469,764)

(*) 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. Business combination

a. StanCorp Financial Group, Inc. (hereinafter, “StanCorp”), a consolidated subsidiary of the Company, acquired all shares issued by three subsidiaries of Elevance Health, Inc. on April 1, 2024. These acquired companies are engaged in group insurance business. StanCorp also signed an agreement with Elevance Health, Inc. to form a sales alliance leveraging customer bases possessed by both companies.

StanCorp recognizes this acquisition of shares as a business acquisition in accordance with Topic 805 “Business Combinations” announced by the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). Details follow.

(1) Overview of business combination

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

Name of the acquired companies	Anthem Life Insurance Company Anthem Life & Disability Insurance Company Greater Georgia Life Insurance Company
Content of the acquired business	Group insurance business

ii) Main reasons for the business combination

This business combination was aimed at enabling StanCorp to achieve further growth in the group insurance business through the strengthening of its customer base, the streamlining of its operations and other positive effects afforded by the acquisition.

iii) Date of the business combination

April 1, 2024

iv) Legal form of the business combination
Acquisition of shares

v) Name of acquired companies after the business combination
Anthem Life Insurance Company
Anthem Life & Disability Insurance Company
Greater Georgia Life Insurance Company

vi) Voting rights acquired
100%

vii) Main reason for determining the controlling company
Having acquired majority stakes in the acquired companies, StanCorp, a consolidated subsidiary of the Company, has a full control of their decision-making bodies.

(2) Period for which the operating results of the acquired business were included in the consolidated financial statements
From April 1, 2024, to June 30, 2024

(3) Acquisition costs of the acquired businesses and their breakdown
Consideration for the acquisition: U.S. $576 million
Acquisition costs: U.S. $576 million
In addition, the consideration for the sales alliance agreement will amount to U.S. $220 million.
Note: The above amounts are based on estimates.

(4) Main component of acquisition-related expenses and their amount
Advisory fees and others: U.S. $23 million

(5) Amount of assets received and liabilities assumed at the date of business combination and their breakdown

Total assets:	U.S. $1,324 million
Securities:	U.S. $570 million
Total liabilities:	U.S. $748 million
Policy reserves and other reserves:	U.S. $566 million

Note: The above amounts are based on estimates.

(6) Amount of goodwill recorded, reasons for recording goodwill and amortization method and period
i) Amount of goodwill recorded
U.S. $268 million
Note: The above amount is not finalized and based on an estimate.
ii) Reasons for recording goodwill
Goodwill is recognized based on the expected profitability in excess of fair value as a result of strengthening the customer base and streamlining operations in StanCorp's group insurance business.
iii) Amortization method and period
Straight-line method: 10 years

(7) Amount of assets allocated to other intangible fixed assets other 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. $61million	1 year

Note: The above amount is based on an estimate.

In addition, the price of the sales alliance agreement and its weighted average amortization period are as follows.

Primary type	Amount	Amortization period
Value of new policies to be obtained via the sales alliance agreement	U.S. $220 million	20 years

b. On August 14, 2024, StanCorp, a consolidated subsidiary of the Company, entered into an agreement with The Allstate Corporation to acquire all shares issued by two subsidiaries, including an insurance subsidiary engaged in group insurance business. These companies will become wholly-owed subsidiaries of StanCorp upon the transfer of the shares. Premised on the approval of relevant authorities in Japan and the United States, this transfer is expected to be completed around January to June 2025.

StanCorp recognizes this transfer as a business acquisition in accordance with Topic 805 “Business Combinations” announced by the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). Details follow.

(1) Overview of business combination

i) Name of the companies to be acquired and the content of their business

Name of the companies to be acquired	American Heritage Life Insurance Company American Heritage Service Company
Content of their business	Group insurance business and Related administrative services business

ii) Main reasons for the business combination

This business combination is aimed at enabling StanCorp to achieve further growth in the group insurance business through the strengthening of its business foundation and the streamlining of its operations.

(2) Acquisition costs of the companies to be acquired and their breakdown

Acquisition price: U.S. $2,000 million

Note: The above amount is not finalized and based on an estimate.

IX. 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.