
Financial Results for the Six Months Ended September 30, 2022

Nippon Life Insurance Company (the “Company,” President: Hiroshi Shimizu) announces financial results for the six months ended September 30, 2022.

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Attached: Supplementary Materials for the Six Months Ended September 30, 2022

1. Business Highlights

(1) Annualized Premium

- Policies in Force

(100 Million Yen, %)

	As of September 30, 2022		As of March 31, 2022
		As a percentage of March 31, 2022	
Individual insurance	26,396	99.8	26,444
Individual annuities	11,115	98.8	11,256
Total	37,512	99.5	37,700
Medical coverages, living benefits, and others	6,768	100.4	6,740

- New Policies

(100 Million Yen, %)

	Six months ended September 30, 2022		Six months ended September 30, 2021
		As a percentage of six months ended September 30, 2021	
Individual insurance	911	107.3	849
Individual annuities	148	48.1	308
Total	1,059	91.5	1,157
Medical coverages, living benefits, and others	218	87.3	250

- Notes:
1. The amount of annualized premium is calculated by multiplying a single premium payment by a factor according to the premium payment method (for single premium policies, the annualized amount is the total premium divided by the insured period).
 2. The amount of medical coverages, living benefits, and others represents annualized premium related to medical benefits (hospitalization benefits and surgical benefits), living benefits (specified illness benefits and nursing care benefits), and waiver of premium benefits (excluding disability benefits alone, but including specified illness and nursing care benefits).
 3. Annualized new policy premium includes net increases due to conversions.

(2) Amount of Policies in Force and New Policies

• Policies in Force

	As of September 30, 2022				As of March 31, 2022	
	Number of policies		Amount of policies		Number of policies (thousands)	Amount of policies (100 million yen)
	(thousands)	As a percentage of March 31, 2022 (%)	(100 million yen)	As a percentage of March 31, 2022 (%)		
Individual insurance	30,748	100.9	1,256,632	98.6	30,487	1,274,876
Individual annuities	4,207	99.3	257,391	99.4	4,238	259,051
Group insurance	—	—	983,581	100.1	—	982,613
Group annuities	—	—	140,622	101.2	—	138,953

Notes: 1. The amount of individual annuities is the total of (a) annuity resources at the start of annuity payments for policies prior to the start of annuity payments and (b) policy reserves for policies after the start of annuity payments.
2. The amount of group annuities is the amount of the policy reserves.

• New Policies

	Six months ended September 30, 2022						Six months ended September 30, 2021			
	Number of policies		Amount of policies				Number of policies (thousands)	Amount of policies		
	(thousands)	As a percentage of six months ended September 30, 2021 (%)	(100 million yen)	As a percentage of six months ended September 30, 2021 (%)	New policies	Net increase by conversion		(100 million yen)	New policies	Net increase by conversion
Individual insurance	2,172	99.5	23,356	77.3	24,687	(1,331)	2,182	30,231	30,494	(262)
Individual annuities	60	61.8	3,671	52.1	3,710	(38)	97	7,048	7,021	26
Group insurance	—	—	7,894	534.7	7,894		—	1,476	1,476	
Group annuities	—	—	3	223.7	3		—	1	1	

Notes: 1. New policies include enrollment using the coverage enhancement system, and conversion indicates enrollment using the coverage revision system and partial coverage revision system.
2. The number of policies includes policies that were converted into new policies.
3. The amount of new policies and net increase in policies by conversion for individual annuities represent annuity resources at the start of annuity payments.
4. The amount of new policies for group annuities represents the first-time premium.

2. Overview of General Accounts Asset Management for the Six Months Ended September 30, 2022

(1) Investment Environment

In the six months ended September 30, 2022, the Japanese economy experienced a significant recovery in consumer spending and capital investment, supported by the lifting of movement restrictions and firm corporate earnings. However, real GDP, excluding the impact of the increase in the consumption tax rate, has not yet returned to pre-COVID-19 levels, and only partial progress has been made toward normalizing the economy.

- The Nikkei Stock Average at the start of the fiscal year was ¥27,665. It declined against the backdrop of concerns about an economic slowdown in response to rapid monetary tightening in various countries and the Russia-Ukraine situation. The index finished at ¥25,937 at the end of September 2022.
- The yield rate on 10-year Japanese government bonds at the start of the fiscal year was 0.22%. Thereafter, the yield rate remained largely in a flat range because the Bank of Japan continued to implement accommodative monetary policies. The yield rate stood at 0.25% at the end of September 2022.
- The yen-dollar exchange rate at the start of the fiscal year was at the ¥122 level. Thereafter, the yen weakened rapidly against the dollar, amid a growing interest rate divergence between Japan and the United States, which reflected monetary policy differences between the two countries, and a worsening trade balance caused by persistently high resource prices. As a result, the yen-dollar exchange rate was ¥144.81 at the end of September.

The yen-euro exchange rate at the start of the fiscal year was at the ¥135 level. Subsequently, the yen depreciated against the euro owing to a growing interest rate divergence between Japan and the euro zone, reflecting differences in their monetary policies. The yen-euro exchange rate was ¥142.32 at the end of September 2022.

(2) Investment Policy

Based on the Company's Asset Liability Management philosophy of comprehensively controlling assets and liabilities, the Company has built a portfolio geared towards medium- to long-term investment and formulated an investment plan considering the outlook of the investment environment.

Specifically, to provide the stable rate of return that the Company promised to policyholders in the long term, the Company has positioned yen-denominated assets that can be expected to provide stable income, such as bonds and loans, as the Company's core assets. Also, while focusing on improving its profitability and increasing profits for policyholders from a medium- to long-term viewpoint and taking into account business stability, the Company has invested in stocks and foreign securities within the scope of acceptable risk. From the perspective of diversifying profit-making opportunities, while continuously paying enough attention to asset allocation and risks, the Company is steadily pursuing investments that can yield surplus income, such as corporate bonds and securitized products, and investment areas, such as private equities and hedge funds.

(3) Status of Investment Income/Expense

Investment income was ¥1,361.3 billion, an increase from ¥1,157.8 billion in the six months ended September 30, 2021. The main factor behind this increase was an increase in interest, dividends, and other income.

Investment expenses amounted to ¥501.5 billion, an increase from ¥88.7 billion in the six months ended September 30, 2021. The main factor behind this increase was an increase in loss on sales of securities.

As a result, the Company's net investment income decreased by ¥209.3 billion, compared with the same period of the previous fiscal year, to ¥859.7 billion.

3. Investment Management Performance (General Account)

(1) Asset Composition

(100 Million Yen, %)

	As of September 30, 2022		As of March 31, 2022	
	Amount	%	Amount	%
Cash, deposits, and call loans	10,567	1.4	9,843	1.3
Receivables under resale agreements	—	—	—	—
Receivables under securities borrowing transactions	—	—	—	—
Monetary receivables purchased	1,352	0.2	1,504	0.2
Proprietary trading securities	—	—	—	—
Assets held in trust	—	—	—	—
Investments in securities:	621,097	83.6	638,178	84.7
Domestic bonds	287,655	38.7	281,507	37.4
Domestic stocks	95,404	12.8	101,869	13.5
Foreign securities:	204,931	27.6	221,057	29.3
Foreign bonds	118,427	15.9	137,760	18.3
Foreign stocks and other securities	86,504	11.6	83,297	11.1
Other securities	33,105	4.5	33,743	4.5
Loans:	76,911	10.3	74,980	9.9
Policy loans	4,473	0.6	4,573	0.6
Industrial and consumer loans	72,437	9.7	70,406	9.3
Real estate:	17,001	2.3	16,957	2.3
Investment properties	11,023	1.5	10,863	1.4
Deferred tax assets	584	0.1	—	—
Other assets	15,862	2.1	12,204	1.6
Allowance for doubtful accounts	(74)	(0.0)	(69)	(0.0)
Total assets (general account):	743,303	100.0	753,599	100.0
Foreign currency-denominated assets	201,124	27.1	215,694	28.6

Note: Real estate amount is the sum of land, buildings, and construction in progress.

(2) Increases/Decreases in Assets

(100 Million Yen)

	Six months ended September 30, 2022	Six months ended September 30, 2021
Cash, deposits, and call loans	724	(1,929)
Receivables under resale agreements	—	—
Receivables under securities borrowing transactions	—	—
Monetary receivables purchased	(151)	(140)
Proprietary trading securities	—	—
Assets held in trust	—	(0)
Investments in securities:	(17,080)	14,377
Domestic bonds	6,147	10,488
Domestic stocks	(6,464)	(1,234)
Foreign securities:	(16,125)	4,705
Foreign bonds	(19,333)	383
Foreign stocks and other securities	3,207	4,321
Other securities	(638)	418
Loans:	1,931	(341)
Policy loans	(100)	(184)
Industrial and consumer loans	2,031	(157)
Real estate:	44	102
Investment properties	160	152
Deferred tax assets	584	—
Other assets	3,657	(669)
Allowance for doubtful accounts	(5)	(21)
Total assets (general account):	(10,296)	11,377
Foreign currency-denominated assets	(14,570)	1,949

Note: Real estate amount is the sum of land, buildings, and construction in progress.

(3) Investment Income

(100 Million Yen)

	Six months ended September 30, 2022	Six months ended September 30, 2021
Interest, dividends, and other income:	9,206	7,557
Interest on deposits and savings	13	2
Interest on securities and dividends	8,004	6,456
Interest on loans	564	525
Real estate rental income	561	537
Other income	61	35
Gain on proprietary trading securities	—	—
Gain from assets held in trust, net	—	—
Gain on trading securities	—	—
Gain on sales of securities:	3,550	3,971
Gain on sales of domestic bonds, including national government bonds	559	96
Gain on sales of domestic stocks and other securities	1,547	3,603
Gain on sales of foreign securities	1,442	272
Other gains	—	—
Gain on redemptions of securities	72	45
Gain on derivative financial instruments, net	—	—
Foreign exchange gains, net	719	—
Reversal of allowance for doubtful accounts	—	—
Reversal of allowance for investment loss	58	—
Other investment income	6	2
Total	13,613	11,578

(4) Investment Expenses

(100 Million Yen)

	Six months ended September 30, 2022	Six months ended September 30, 2021
Interest expenses	194	157
Loss on proprietary trading securities	—	—
Loss from assets held in trust, net	—	0
Loss on trading securities	—	—
Loss on sales of securities:	4,232	187
Loss on sales of domestic bonds, including national government bonds	606	4
Loss on sales of domestic stocks and other securities	189	143
Loss on sales of foreign securities	3,435	40
Other losses	0	—
Loss on valuation of securities:	49	18
Loss on valuation of domestic bonds, including national government bonds	—	—
Loss on valuation of domestic stocks and other securities	45	18
Loss on valuation of foreign securities	4	—
Other losses	—	—
Loss on redemptions of securities	36	46
Loss on derivative financial instruments, net	83	13
Foreign exchange losses, net	—	64
Provision for allowance for doubtful accounts	37	25
Provision for allowance for investment loss	—	3
Write-offs of loans	—	—
Depreciation of real estate for rental use and other assets	94	91
Other investment expenses	286	277
Total	5,015	887

(5) Net Valuation Gains/Losses on Trading Securities

(100 Million Yen)

	As of September 30, 2022		As of March 31, 2022	
	Balance sheet amount	Valuation gains (losses) included in profit and loss	Balance sheet amount	Valuation gains (losses) included in profit and loss
Trading securities	—	—	—	42

Notes: 1. The balance sheet amounts of assets held in trust included in trading securities and valuation gains (losses) included in profit and loss include net gains/losses on derivative transactions.

2. Figures above do not include cash, deposits, and call loans held within assets held in trust that are included in trading securities.

(6) Fair Value Information of Securities (With Fair Value, Other Than Trading Securities)

(100 Million Yen)

	As of September 30, 2022					As of March 31, 2022				
	Book value	Fair value	Net gains/losses	Net gains/losses		Book value	Fair value	Net gains/losses	Net gains/losses	
				Gains	Losses				Gains	Losses
Policy-reserve-matching bonds	259,741	265,271	5,529	18,995	(13,466)	256,923	277,148	20,225	24,747	(4,522)
Held-to-maturity debt securities	—	—	—	—	—	—	—	—	—	—
Investments in subsidiaries and affiliates	1,286	2,968	1,682	1,682	—	1,286	3,355	2,069	2,069	—
Available-for-sale securities:	280,262	347,012	66,749	80,211	(13,461)	283,105	367,600	84,494	89,361	(4,866)
Domestic bonds	29,549	30,156	607	1,265	(657)	25,575	26,836	1,260	1,474	(214)
Domestic stocks	39,057	89,225	50,168	51,389	(1,221)	39,444	95,694	56,250	57,248	(998)
Foreign securities:	176,810	193,387	16,577	26,366	(9,788)	184,764	210,729	25,965	28,832	(2,867)
Foreign bonds	108,827	117,116	8,288	13,525	(5,236)	120,938	136,689	15,751	17,653	(1,902)
Foreign stocks and other securities	67,982	76,271	8,289	12,841	(4,552)	63,825	74,039	10,214	11,179	(965)
Other securities	32,362	31,769	(592)	1,190	(1,782)	31,401	32,422	1,020	1,804	(784)
Monetary receivables purchased	175	165	(10)	0	(10)	222	220	(2)	0	(2)
Negotiable certificates of deposit	2,307	2,307	0	0	(0)	1,696	1,695	(0)	0	(0)
Total	541,290	615,252	73,962	100,889	(26,927)	541,315	648,104	106,789	116,178	(9,389)
Domestic bonds	287,047	293,022	5,974	20,093	(14,119)	280,247	301,598	21,351	26,086	(4,735)
Domestic stocks	39,057	89,225	50,168	51,389	(1,221)	39,444	95,694	56,250	57,248	(998)
Foreign securities:	179,142	197,534	18,391	28,181	(9,790)	187,009	215,132	28,122	30,990	(2,867)
Foreign bonds	109,883	118,305	8,421	13,659	(5,238)	121,907	137,747	15,840	17,742	(1,902)
Foreign stocks and other securities	69,259	79,228	9,969	14,521	(4,552)	65,102	77,384	12,281	13,247	(965)
Other securities	32,372	31,781	(590)	1,192	(1,782)	31,410	32,433	1,022	1,806	(784)
Monetary receivables purchased	1,363	1,381	18	32	(13)	1,506	1,548	42	46	(4)
Negotiable certificates of deposit	2,307	2,307	0	0	(0)	1,696	1,695	(0)	0	(0)

Notes: 1. The table above includes securities that are deemed appropriate as securities under the Financial Instruments and Exchange Act in Japan.

2. The above table excludes items such as stocks without market prices and entities such as partnerships.

[Book Value of Stocks without Market Prices and Entities such as Partnerships]

(100 Million Yen)

	As of September 30, 2022	As of March 31, 2022
Investments in subsidiaries and affiliates	14,176	13,377
Available-for-sale securities:	1,975	1,973
Unlisted domestic stocks	559	554
Unlisted foreign stocks	2	2
Others	1,414	1,416
Total	16,152	15,351

Note: Of stocks without market prices and entities such as partnerships, the net gains (losses) on currency exchange valuation of assets denominated in foreign currencies were as follows: ¥206.7 billion and ¥92.1 billion as of September 30, 2022, and March 31, 2022, respectively.

(7) Fair Value Information of Assets Held in Trust

(100 Million Yen)

	As of September 30, 2022					As of March 31, 2022				
	Balance sheet amount	Fair value	Net gains/losses		Balance sheet amount	Fair value	Net gains/losses			
			Gains	Losses			Gains	Losses		
Assets held in trust	—	—	—	—	—	—	—	—	—	

Notes: 1. Fair value is based on a price reasonably calculated by the trustee of the assets held in trust.
2. The balance sheet amounts include net gains/losses on derivative transactions within assets held in trust.

- Assets Held in Trust for Trading Purposes

(100 Million Yen)

	As of September 30, 2022		As of March 31, 2022	
	Balance sheet amount	Valuation gains (losses) included in profit and loss	Balance sheet amount	Valuation gains (losses) included in profit and loss
Assets held in trust for trading purposes	—	—	—	42

Note: The balance sheet amounts and valuation gains (losses) recorded in profit and loss include net gains/losses on derivative transactions.

- Assets Held in Trust Classified as Policy-Reserve-Matching, Held-to-Maturity, and Available-for-Sale
There were no ending balances as of September 30, 2022, and March 31, 2022.

4. Nonconsolidated Balance Sheets

(Million Yen)

	As of September 30, 2022	As of March 31, 20221
Assets:		
Cash and deposits	824,035	846,592
Call loans	542,042	500,978
Monetary receivables purchased	135,257	150,404
Investments in securities:	62,817,444	64,515,469
National government bonds	26,025,231	25,271,685
Local government bonds	908,018	932,220
Corporate bonds	2,137,841	2,254,635
Domestic stocks	9,595,041	10,296,652
Foreign securities	20,638,375	22,254,725
Loans:	7,691,154	7,498,037
Policy loans	447,382	457,394
Industrial and consumer loans	7,243,772	7,040,642
Tangible fixed assets	1,718,365	1,714,816
Intangible fixed assets	187,995	190,254
Reinsurance receivables	518	370
Other assets	1,466,566	1,114,688
Deferred tax assets	58,438	—
Customers' liability for acceptances and guarantees	71,932	71,647
Allowance for doubtful accounts	(7,470)	(6,910)
Allowance for investment loss	(23,031)	(28,867)
Total assets	75,483,249	76,567,483
Liabilities:		
Policy reserves and other reserves:	60,590,957	59,930,807
Reserve for outstanding claims	265,660	192,426
Policy reserves	59,170,375	58,677,803
Reserve for dividends to policyholders	1,154,921	1,060,577
Reinsurance payables	568	451
Corporate bonds	1,420,305	1,420,305
Other liabilities:	5,170,932	4,929,722
Income taxes payable	361	82,933
Lease obligations	4,229	5,218
Asset retirement obligations	6,255	6,293
Other liabilities	5,160,086	4,835,277
Accrued bonuses for directors, and audit and supervisory board members	146	434
Accrued retirement benefits	377,800	378,203
Reserve for program points	9,061	8,770
Reserve for price fluctuations in investments in securities	1,605,669	1,590,233
Deferred tax liabilities	—	484,574
Deferred tax liabilities for land revaluation	100,112	100,444
Acceptances and guarantees	71,932	71,647
Total liabilities	69,347,485	68,915,596

4. Nonconsolidated Balance Sheets (Continued)

(Million Yen)

	As of September 30, 2022	As of March 31, 2022
Net assets:		
Foundation funds	100,000	100,000
Reserve for redemption of foundation funds	1,350,000	1,350,000
Reserve for revaluation	651	651
Surplus:	412,218	523,063
Legal reserve for deficiencies	21,282	19,988
Other surplus reserves:	390,936	503,075
Contingency funds	—	71,917
Reserve for social public welfare assistance	351	351
Reserve for financial stability	221,917	—
Reserve for reduction entry of real estate	73,248	71,839
Reserve for reduction entry of real estate to be purchased	2,961	1,007
Other reserves	170	170
Unappropriated surplus	92,288	* 357,789
Total foundation funds and others	1,862,869	1,973,714
Net unrealized gains on available-for-sale securities	4,847,316	6,112,896
Deferred losses on derivatives under hedge accounting	(516,920)	(374,361)
Land revaluation losses	(57,501)	(60,363)
Total valuations, conversions, and others	4,272,894	5,678,172
Total net assets	6,135,764	7,651,886
Total liabilities and net assets	75,483,249	76,567,483

Note: *Unappropriated surplus on the condensed balance sheet as of March 31, 2022, represents the current-year unappropriated surplus.

Notes to the Nonconsolidated Balance Sheet as of September 30, 2022

1. Effective from the six months ended September 30, 2022, the Implementation Guidance on Accounting Standard for Fair Value Measurement (Accounting Standards Board of Japan (ASBJ) Guidance No. 31, June 17, 2021) hereinafter, the “Fair Value Measurement Accounting Standard Implementation Guidance” has been applied. In accordance with the transitional measures set forth in Paragraph 27-2 of the Fair Value Measurement Accounting Standard Implementation Guidance, the new accounting policies set forth in the Fair Value Measurement Accounting Standard Implementation Guidance have been prospectively applied from the beginning of the six months ended September 30, 2022 over the future. As a result, certain investment trusts that had previously been carried on the balance sheet at acquisition cost are stated at fair value on the balance sheet from the six months ended September 30, 2022.

2. (1) Securities (including items, such as deposits and monetary receivables purchased which are treated as securities based on ASBJ Statement No. 10) are valued as follows:
 - 1) Trading securities are stated at fair value at the balance sheet date. The moving average method is used for calculating cost of securities sold.
 - 2) Held-to-maturity debt securities are measured at amortized cost using the moving average method. The cost of securities is amortized on a straight-line basis.
 - 3) Policy-reserve-matching bonds are measured at amortized cost using the moving average method. The cost of bonds is amortized on a straight-line basis 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) Investments in subsidiaries and affiliates (stocks issued by subsidiaries prescribed in Article 2, Paragraph 12 of the Insurance Business Act or subsidiaries prescribed in Article 13-5-2, Paragraph 3 of the Order for Enforcement of the Insurance Business Act and stocks issued by affiliates prescribed in Article 13-5-2, Paragraph 4 of the Order for Enforcement of the Insurance Business Act) are stated at cost using the moving average method.
 - 5) Available-for-sale securities
 - a. Securities are measured at fair value based mainly on market prices on the last day of September (cost of securities sold is calculated using the moving average method, and bonds (including foreign bonds) for which the difference between the purchase price and face value is due to an interest rate adjustment are measured at amortized cost using the moving average method, which is amortized on a straight-line basis).
 - b. Stocks and other securities of which market prices are not available are measured at cost based on moving averages.

- (2) Unrealized gains/losses of available-for-sale securities are recorded as a separate component of net assets.
- 3. Securities that are held for the purpose of matching the duration of outstanding liabilities within the subgroups classified by insurance type, payment method, maturity period, currency, and investment policy are classified 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.

The Company has specified the following types of insurance policies and set those as subcategories:

- (1) All insurance policies for products other than single payment products and group annuities
 - (2) All insurance policies for single payment products (denominated in yen) other than variable assumed rate-type insurance
 - (3) All insurance policies for group annuities other than guaranteed fixed-term rate products
 - (4) All single payment products (denominated in U.S. dollars) other than the foregoing
 - (5) All single payment products (denominated in Australian dollars) other than the foregoing
 - (6) All single payment products (denominated in euros) other than the foregoing
- 4. Derivative financial instruments are stated at fair value based on quoted market prices.
 - 5. (1) Tangible fixed assets are depreciated based on the following methods:
 - a. Tangible fixed assets (except for lease assets)
 - (i) Buildings
Straight-line method
 - (ii) Assets other than the above
Declining-balance method
Certain other tangible fixed assets with an acquisition cost of less than ¥200,000 are depreciated over three years on a straight-line basis
 - b. Lease assets
 - (i) Lease assets related to financial leases that transfer ownership of the leased property to the lessee
The same depreciation method applied to fixed assets owned by the Company
 - (ii) Lease assets related to financial leases that do not transfer ownership of the leased property to the lessee
Straight-line method over the lease term

- (2) Software, which is included in intangible fixed assets, is amortized using the straight-line method.
6. Assets and liabilities denominated in foreign currencies are translated into Japanese yen in accordance with the “Accounting Standards for Foreign Currency Transactions” (Business Accounting Council). Foreign currency-denominated available-for-sale securities with exchange rates which have significantly fluctuated and where those recoveries are not expected are converted to Japanese yen using either the rate at the balance sheet date or the one-month average rate prior to the balance sheet date, whichever indicates a weaker yen. The translation difference is recorded as a loss on valuation of securities.
7. (1) An allowance for doubtful accounts is recognized in accordance with the Company’s internal Asset Valuation Regulation and Write-off/Provision Rule as follows:
- 1) An allowance for loans to borrowers who are legally or substantially bankrupt, such as being bankrupt or being in the process of civil rehabilitation proceedings, is recognized based on the amount of credit remaining after directly deducting amounts expected to be collected through the disposal of collateral or the execution of guarantees from the balance of loans (as mentioned at (3) below).
 - 2) An allowance for loans to borrowers who are not currently legally bankrupt, but have a high possibility of bankruptcy, is recognized at the amounts deemed necessary considering the borrowers’ overall solvency and the amounts remaining after deduction of amounts expected to be collected through the disposal of collateral or the execution of guarantees.
 - 3) An allowance for loans to borrowers other than the above is provided based on the borrowers’ balance multiplied by the historical average percentage of bad debt for a certain period.
An allowance for loans to borrowers whose future business results are expected to worsen in case of a sudden event that has a large impact on economic conditions is recognized based on the estimated amount of impact on credit risk that has not yet been reflected in the borrowers’ financial information and other disclosures.
- (2) All credits are assessed by responsible sections in accordance with the Company’s internal Asset Valuation Regulation. The assessments are verified by the independent Asset Auditing Department. The results of the assessments are reflected in the calculation of the allowance for doubtful accounts.

- (3) The estimated uncollectible amount calculated by subtracting the amount of collateral value or the amount collectible by the execution of guarantees from the balance of loans is directly deducted from the balance of loans (including loans with credits secured and/or guaranteed) made to legally or substantially bankrupt borrowers. The estimated uncollectible amount was ¥1,996 million (including ¥64 million of credits secured and/or guaranteed) as of September 30, 2022.
8. To provide for losses on investments, an allowance for investment loss is recognized for stocks without market prices and measured at the amount of estimated losses that could arise in the future in accordance with the Company's internal Asset Valuation Regulation and Write-off/Provision Rule.
9. Accrued bonuses for directors, and audit and supervisory board members are recognized based on amounts estimated to be paid.
10.
 - (1) Accrued retirement benefits are recognized based on the estimated amount of projected benefit obligations in excess of the fair value of pension plan assets as of March 31, 2023, for future severance payments to employee that have been accrued as of the balance sheet date.
 - (2) The accounting methods used for retirement benefit obligations and benefit costs are as follows:
 - 1) Attribution method for estimated retirement benefits: Benefit formula basis
 - 2) Period of amortizing actuarial gains/losses: Five years
 - 3) Period of amortizing prior service costs: Five years
11. A reserve for program points is recognized based on the amount projected to be incurred for expenses from the use of points granted to policyholders.
12. A reserve for price fluctuations in investments in securities is recognized based on Article 115 of the Insurance Business Act.

13. Hedge accounting is applied based on the following methods:

1) The Company mainly applies the following hedge accounting methods:

- The exceptional accounting treatment (“*Tokurei-shori*”) is applied to interest rate swaps to hedge the cash flow volatility of certain loans denominated in foreign currencies;
- Deferred hedge accounting is applied to interest rate swaps to hedge the interest rate fluctuation exposures on certain insurance policies, based on the Industry Audit Committee Report No. 26, “Accounting and Auditing Treatments Related to Application of Accounting for Financial Instruments in the Insurance Industry” issued by the JICPA;
- Deferred hedge accounting and designated hedge accounting (“*Furiate-shori*”) are applied to currency swaps to hedge the cash flow volatility caused by foreign exchange rate fluctuations on certain foreign currency-denominated bonds, loans, and subordinated corporate bonds issued by the Company;
- Fair value hedge accounting is applied to foreign exchange forward contracts to hedge the price fluctuation exposures related to foreign exchange rate fluctuations on certain foreign currency-denominated bonds and other instruments; and
- Fair value hedge accounting is applied to equity forward contracts to hedge the price fluctuation exposures on certain domestic stocks.

2) Hedging instruments and hedged items

<u>Hedging instruments</u>	<u>Hedged items</u>
Interest rate swaps	Foreign currency-denominated loans, and insurance policies
Currency swaps	Foreign currency-denominated bonds, foreign currency-denominated loans, and foreign currency-denominated subordinated corporate bonds
Foreign exchange forward contracts	Foreign currency-denominated bonds and other instruments
Equity forward contracts	Domestic stocks

The Company has applied the special treatment set forth in “Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR” (ASBJ Practical Issues Task Force (PITF) No. 40, March 17, 2022) to certain interest rate swap transactions in connection with the replacement of interest rate indicators.

3) Effectiveness of hedging activities is mainly evaluated by a ratio analysis of fair value movement comparisons of the hedging instruments and hedged items in accordance with the Company’s internal risk management policies.

14. All transactions are accounted for exclusive of consumption taxes and local consumption taxes; however, consumption taxes paid on certain asset transactions, which are not deductible from consumption taxes withheld and are stipulated to be deferred under the Consumption Tax Act, are deferred as prepaid expenses and amortized over a five-year period on a straight-line basis. Consumption taxes other than deferred consumption taxes are expensed as incurred.
15. Effective from the six months ended September 30, 2022, a transition has been made from the Consolidated Taxation System to the Group Tax Sharing System, with the Company serving as the tax sharing parent company. As a result, the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (ASBJ Practical Issues Task Force (PITF) No. 42, August 12, 2021) has been followed for the accounting treatment of corporate tax and local corporate tax and the deferred tax accounting treatment related to those taxes.
16. Policy reserves are reserves set forth in accordance with Article 116 of the Insurance Business Act. These reserves are accumulated in order to prepare for payments of future obligations based on insurance policies. Insurance premiums reserves are recognized based on the following methodology.

In accordance with Article 69, Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act, policy reserves include those that are reserved for certain individual annuity policies and for certain whole life insurance policies.

 - 1) Reserves for policies subject to the standard policy reserve are computed in accordance with the method prescribed by the Commissioner of the Financial Services Agency (Ordinance No. 48 issued by the Ministry of Finance in 1996).
 - 2) Reserves for other policies are computed based on the net level premium method.

Effective from the fiscal year ended March 31, 2020, the Company has provided additional policy reserves to cover a possible deficiency in the reserve for paid-up insurance policies and similar policies among certain whole life insurance policies (including lump-sum payment policies). Moreover, effective from the fiscal year ended March 31, 2022, the Company has expanded the scope of whole life insurance policies (including lump-sum payment policies) for which additional policy reserves will be provided. For such policies with premiums that have been paid and similar policies (including lump-sum payment policies), the Company has decided to successively provide these additional policy reserves over the next five years. As a result, the policy reserves increased by ¥120,952 million, while ordinary profit and surplus before income taxes decreased by ¥120,952 million, compared with amounts that would have been recorded had the additional policy reserves not been provided in the six months ended September 30, 2022.

17. The corporate tax, inhabitant tax, and income tax adjustments for the six months ended September 30, 2022, are calculated based on the assumption of accumulations and reversals of the reserve for reduction entry of real estate and the reserve for dividends to policyholders due to the appropriation of surplus in the current fiscal year.

18. Matters concerning the fair value of financial instruments and related items are as follows:

Notes have been omitted for financial instruments whose fair values approximate their book values due to their short-term settlement.

(1) Balance sheet amounts and fair values of major financial instruments, and their differences are as follows:

(Million Yen)

	Balance sheet amount (*1)	Fair value (*2)	Difference
Monetary receivables purchased:	135,257	138,192	2,935
Policy-reserve-matching bonds	118,748	121,683	2,935
Available-for-sale securities	16,508	16,508	—
Investments in securities (*3, *4, *5):	61,171,245	61,864,052	692,806
Trading securities	707,673	707,673	—
Policy-reserve-matching bonds	25,880,927	26,405,461	524,533
Investments in subsidiaries and affiliates	128,615	296,888	168,273
Available-for-sale securities	34,454,029	34,454,029	—
Loans (*6):	7,685,152	7,726,966	41,814
Policy loans	447,233	447,233	—
Industrial and consumer loans	7,237,918	7,279,732	41,814
Derivative financial instruments (*7):	(906,966)	(906,966)	—
Hedge accounting not applied	62,093	62,093	—
Hedge accounting applied	(969,059)	(969,059)	—
Corporate bonds (*6 and *8)	(1,420,305)	(1,399,213)	(21,091)
Loans payable (*8)	(938,686)	(914,937)	(23,748)

(*1) For transactions for which an allowance for doubtful accounts was recorded, the amounts are presented net of the allowance.

(*2) For securities for which impairment losses were recognized in the six months ended September 30, 2022, the fair value is the balance sheet amount, net of the impairment losses recognized.

(*3) Stocks without market prices, such as unlisted stocks, are not included in the above table. The amounts presented in the nonconsolidated balance sheet by holding purpose were ¥965,103 million for investments in subsidiaries and affiliates, and ¥56,444 million for available-for-sale securities as of September 30, 2022.

(*4) The balance of investments in partnerships and other entities is not included in the above table based on application of Paragraph 24-16 of the Fair Value Measurement Accounting Standard Implementation Guidance. The amount of such investments in partnerships and other entities presented in the nonconsolidated balance sheet was ¥624,650 million as of September 30, 2022.

(*5) The above table includes investment trusts to which Paragraph 24-3 or Paragraph 24-9 of the Fair Value Measurement Accounting Standard Implementation Guidance has been applied.

(*6) The fair values of derivative financial instruments that are interest rate swaps to which exceptional accounting treatment (“*Tokurei-shori*”) is applied or currency swaps to which designated hedge accounting (“*Furiate-shori*”) is applied are included in the fair values of loans and corporate bonds because they are accounted for as an integral part of the loans and corporate bonds that are the hedged items.

(*7) Receivables and payables generated by derivative financial instruments are offset and presented in net amounts. Net payables are presented in parentheses.

(*8) Corporate bonds and loans payable are recorded in liabilities and presented in parentheses.

(2) Matters regarding securities and others by holding purpose are as follows:

1) Trading securities

Investment in securities for separate accounts are classified as trading securities. Valuation losses of those investments included in profit and loss were ¥29,228 million for the six months ended September 30, 2022.

2) Held-to-maturity debt securities

There were no balances as of September 30, 2022.

3) Policy-reserve-matching bonds

Balance sheet amounts and fair values, and their differences by type are as follows:

(Million Yen)

	Type	Balance sheet amount	Fair value	Difference
Fair value exceeds the balance sheet amount	Monetary receivables purchased	108,884	112,107	3,223
	Domestic bonds	14,902,696	16,785,554	1,882,857
	Foreign securities	12,240	12,835	595
	Subtotal	15,023,822	16,910,497	1,886,675
Fair value does not exceed the balance sheet amount	Monetary receivables purchased	9,863	9,575	(287)
	Domestic bonds	10,847,140	9,500,978	(1,346,162)
	Foreign securities	118,849	106,093	(12,756)
	Subtotal	10,975,854	9,616,647	(1,359,206)
Total		25,999,676	26,527,145	527,469

4) Available-for-sale securities

Acquisition cost or amortized cost, and balance sheet amounts, and their differences by type are as follows:

(Million Yen)

	Type	Acquisition cost or amortized cost	Balance sheet amount	Difference
Balance sheet amount exceeds acquisition cost or amortized cost	Monetary receivables purchased	573	578	5
	Domestic bonds	1,437,811	1,564,323	126,512
	Domestic stocks	3,252,582	8,391,555	5,138,972
	Foreign securities	8,125,596	10,762,223	2,636,627
	Other securities	655,826	774,832	119,006
	Subtotal	13,472,390	21,493,514	8,021,123
Balance sheet amount does not exceed acquisition cost or amortized cost	Monetary receivables purchased	17,004	15,929	(1,074)
	Domestic bonds	1,517,133	1,451,370	(65,762)
	Domestic stocks	653,167	531,021	(122,146)
	Foreign securities	9,555,412	8,576,539	(978,873)
	Other securities	2,580,448	2,402,162	(178,285)
	Subtotal	14,323,166	12,977,023	(1,346,142)
Total		27,795,556	34,470,537	6,674,981

* Stocks without market prices of ¥56,444 million and the balance of investments in partnerships and other entities of ¥172,074 million are not included in the table above.

Impairment losses of ¥2,352 million were recognized for securities during the six months ended September 30, 2022.

Regarding stocks (including foreign stocks), impairment losses are recognized for stocks whose fair value had declined significantly from the acquisition cost based on market prices and other valuations on the last day of September.

The criteria by which the fair value of a stock is deemed to have declined significantly are as follows:

- a. A security for which the average fair value in the month preceding September 30, 2022, is 50% or less of the acquisition cost.
- b. A security that meets both of the following criteria:
 - i). The average fair value in the month preceding September 30, 2022, exceeds 50%, but equal to or less than 70% of the acquisition cost.
 - ii). The historical market price, the business conditions of the issuing company, and other aspects are subject to certain requirements.

19. (1) Matters concerning the breakdown of financial instruments by fair value level are as follows:

The fair value of financial instruments is classified into the following three levels according to the observability and significance of inputs used to measure fair value.

Fair Value Level 1: Fair value is measured using unadjusted quoted prices in active markets for identical assets or liabilities.

Fair Value Level 2: Fair value is measured using directly or indirectly observable inputs other than Level 1 inputs.

Fair Value Level 3: Fair value is measured using significant unobservable inputs.

If multiple inputs that have a significant effect on a fair value measurement are used, the fair value is classified as the level that is least significant to the fair value measurement from among the levels into which each of the inputs is classified.

1) Financial instruments whose amounts presented in the nonconsolidated balance sheet as of September 30, 2022, are measured by fair value

(Million Yen)

	Level 1	Level 2	Level 3	Total
Monetary receivables purchased	—	13,083	3,425	16,508
Available-for-sale securities	—	13,083	3,425	16,508
Securities (*1)	15,871,920	17,331,065	390,078	33,593,064
Trading securities	295,863	411,809	—	707,673
Available-for-sale securities	15,576,056	16,919,256	390,078	32,885,390
Domestic bonds	1,960,129	1,055,564	—	3,015,694
National government bonds	1,960,129	—	—	1,960,129
Local government bonds	—	67,556	—	67,556
Corporate bonds	—	988,008	—	988,008
Domestic stocks	8,809,738	112,837	—	8,922,576
Foreign securities	4,806,187	12,591,929	390,078	17,788,194
Foreign bonds	4,000,534	7,321,006	390,078	11,711,619
Foreign stocks and other securities	805,653	5,270,922	—	6,076,575
Other securities	—	3,158,924	—	3,158,924
Derivative financial instruments (*2)	2,895	(909,929)	68	(906,966)
Interest rate-related	—	(191,075)	68	(191,007)
Currency-related	—	(722,119)	—	(722,119)
Others	2,895	3,264	—	6,160

(*1) The above table does not include investment trusts to which Paragraph 24-3 or Paragraph 24-9 of the Fair Value Measurement Accounting Standard Implementation Guidance has been applied. The amounts of such investment trusts presented in the nonconsolidated balance sheet were ¥1,536,713 million for investment trusts whose investment trust assets are financial instruments, and ¥32,854 million for investment trust whose investment trust assets are real estate. The reconciliation of balances at the beginning of the current fiscal year and the balances as of September 30, 2022 is as follows:

(*2) Receivables and payables generated by derivative financial instruments are offset and presented in net amounts. Net payables are presented in parentheses.

(Million Yen)

	Investment trusts whose investment trust assets are financial instruments (*3)	Investment trusts whose investment trust assets are real estate	Total
Balance at the beginning of the current fiscal year	975,582	36,203	1,011,785
Profit or loss for the six months ended September 30, 2022	470,922	(3,349)	467,573
Recognized in net surplus (loss) (*4)	15,684	164	15,848
Recognized in valuations, conversions, and others (*5)	455,238	(3,513)	451,724
Purchases, sales, and redemptions	90,208	—	90,208
Transactions for which the application of Implementation Guidance Paragraph No. 24-3 or No. 24-9 has begun	—	—	—
Transactions for which the application of Implementation Guidance Paragraph No. 24-3 or No. 24-9 has been discontinued	—	—	—
Balance as of September 30, 2022	1,536,713	32,854	1,569,568
Unrealized gain or loss on investment trusts held as of September 30, 2022, recognized in profit or loss for the six months ended September 30, 2022 (*4)	—	—	—

(*3) The amount of these investment trusts presented in the nonconsolidated balance sheet was ¥1,510,154 million as of September 30, 2022, mainly as the cancellation of some investment trusts is restricted after one month.

(*4) These amounts are included in investment income and investment expenses on the nonconsolidated statement of income for the six months ended September 30, 2022.

(*5) These amounts are included in net unrealized gains on available-for-sale securities under total valuations, conversions, and others in the nonconsolidated balance sheet as of September 30, 2022.

2) Financial instruments whose amounts presented in the nonconsolidated balance sheet as of September 30, 2022, are not measured by fair value

(Million Yen)

	Level 1	Level 2	Level 3	Total
Monetary receivables purchased:	—	—	121,683	121,683
Policy-reserve-matching bonds	—	—	121,683	121,683
Investments in securities):	24,424,536	2,276,004	670	26,701,211
Policy-reserve-matching bonds	24,424,536	1,980,254	670	26,405,461
Domestic bonds	24,380,887	1,904,974	670	26,286,532
Foreign securities	43,649	75,279	—	118,928
Investments in subsidiaries and affiliates	—	295,750	—	295,750
Loans:	—	—	7,726,966	7,726,966
Policy loans	—	—	447,233	447,233
Industrial and consumer loans	—	—	7,279,732	7,279,732
Corporate bonds (*6)	—	(1,399,213)	—	(1,399,213)
Loans payable (*6)	—	(897,251)	(17,686)	(914,937)

(*6) Corporate bonds and loans payable are recorded in liabilities and presented in parentheses.

(2) Explanation of major valuation techniques and inputs used to measure the fair value of financial instruments is as follows.

1) Financial instruments classified as securities and monetary receivables purchased that are treated as securities based on ASBJ Statement No. 10

Financial instruments measurable by unadjusted quoted prices in active markets are classified as Fair Value Level 1. These instruments mainly include listed stocks, national government bonds, and listed investment trusts. When financial instruments are measured using published quoted prices from inactive markets, such financial instruments are classified as Fair Value Level 2. These instruments mainly include local government bonds and corporate bonds. When published quoted prices are not available, fair value is measured mainly based on valuations obtained from external information vendors. For unlisted investment trusts, fair value is measured mainly based on net asset value computed by management companies. When unobservable inputs are not used or their effect is insignificant, or when there are no significant restrictions on cancellations and other procedures for investment trusts, financial instruments are classified as Fair Value Level 2, and when significant unobservable inputs are used, they are classified as Fair Value Level 3.

2) Loans

a. Policy loans

Policy loans are classified as Level 3. Book value is used as the fair value of policy loans, as the fair value is deemed to approximate their book value due to expected repayment periods, interest rate requirements, and other conditions. These loans have no repayment date based on characteristics, such as the loan amount being limited to the extent of the surrender benefit.

b. Industrial and consumer loans

Book value is used as the fair value of variable interest rate loans, as the fair value is deemed to approximate their book value unless there are major changes in the credit status of the borrower after loan execution because market interest rates are reflected in future cash flows over the short term. Meanwhile, with regard to fixed interest rate loans, the fair value, by loan category based on the type of loan, internal rating, and maturity term, is determined by discounting future cash flows to the present value using a discount rate reflecting market interest rates, which are adjusted for credit risk and other factors. In addition, this fair value is reflected in loans subject to designated hedge accounting (“*Furiate-shori*”) for currency swaps and exceptional accounting treatment (“*Tokurei-shori*”) for interest rate swaps.

For loans to bankrupt or substantially bankrupt borrowers, or borrowers who are not currently legally bankrupt but have a high probability of bankruptcy, fair value is measured by deducting an estimated uncollectible amount determined by factors, such as the present value of future cash flows or the estimated collectible amount based on collateral or guarantees, from the book value directly before it is written down.

Each of the measured fair values is classified as Level 3.

3) Derivative financial instruments

Derivative financial instruments for which unadjusted quoted prices are available in active markets are classified as Fair Value Level 1. These instruments mainly include bond futures and equity index futures. When published quoted prices are not available, fair value is measured mainly based on valuations obtained from external information vendors. When unobservable inputs are not used or their effect is insignificant, derivative financial instruments are classified as Fair Value Level 2, and when significant unobservable inputs are used, these instruments are classified as Fair Value Level 3.

4) Corporate bonds

Corporate bonds issued by the Company are classified as Level 2, with market prices used as the fair value. In addition, this fair value is reflected in corporate bonds subject to designated hedge accounting (“*Furiate-shori*”) for currency swaps.

5) Loans payable

Book value is used as the fair value of variable interest rate loans payable. The fair value is deemed to approximate book value as there have been no major changes in the credit status of the Company after loan execution, and because market interest rates are reflected in future cash flows over the short term. Variable interest rate loans payable are classified as Level 3. Meanwhile, the fair value of fixed interest rate loans payable is determined by discounting future cash flows to the present value using a discount rate reflecting interest rates that would be offered for similar borrowings, adjusted for the Company's credit risk. Fixed interest rate loans payable are classified as Fair Value Level 3; however, loans payable financed by means of public offerings employing securitization schemes are classified as Fair Value Level 2. The market prices of the corporate bonds issued to back such loans payable are used as fair value.

(3) Information on financial instruments classified as Level 3 whose amounts presented in the nonconsolidated balance sheet as of September 30, 2022, are measured by fair value

1) Quantitative information on significant unobservable inputs used in measuring fair value

This note is omitted because the Company does not estimate inputs that it cannot observe independently.

2) Reconciliation of balances at the beginning of the current fiscal year and balances as of September 30, 2022, and unrealized gain or loss recognized in profit or loss for the six months ended September 30, 2022

(Million Yen)

	Monetary receivables purchased Other securities	Available-for-sale securities Other securities	Derivative financial instruments Interest-related
Balance at the beginning of the current fiscal year	6,210	452,664	116
Profit or loss for the six months ended September 30, 2022	516	35,497	(160)
Recognized in net surplus (loss) (*1)	739	61,430	(160)
Recognized in valuations, conversions, and others (*2)	(222)	(25,932)	—
Purchases, sales, issuances, and settlements	(3,301)	(98,083)	112
Transfers to Fair Value Level 3 (*3)	—	—	—
Transfers from Fair Value Level 3 (*4)	—	—	—
Balance as of September 30, 2022	3,425	390,078	68
Unrealized gain or loss on financial instruments held as of September 30, 2022, recognized in profit or loss for the six months ended September 30, 2022 (*1)	—	—	(160)

(*1) These amounts are included in investment income and investment expenses in the nonconsolidated statement of income for the six months ended September 30, 2022.

(*2) These amounts are included in net unrealized gains on available-for-sale securities under total valuations, conversions, and others in the nonconsolidated balance sheet as of September 30, 2022.

(*3) There were no transfers from Fair Value Level 1 or Level 2 to Fair Value Level 3.

(*4) There were no transfers from Fair Value Level 3 to Fair Value Level 1 or Level 2.

3) Explanation of the valuation process for fair value

The Company measures fair value based on a policy on fair value measurement determined internally. The Company ensures the suitability of the valuation techniques and inputs used to measure fair value, and the appropriateness of the fair value level classifications prescribed by the policy.

In determining fair value, the Company uses valuation models that can most appropriately reflect the features, characteristics, and risks of individual financial instruments. In addition, even when using quoted prices obtained from third parties, the Company verifies the suitability of such prices using appropriate methods, such as ensuring the appropriateness of the valuation techniques and inputs being used, and comparing those with fair values provided by other vendors.

(4) Explanation of impact on fair value in case of change in significant unobservable inputs

This note is omitted because the Company does not estimate inputs that it cannot observe independently.

20. As of September 30, 2022, there were no significant changes in the balance sheet amounts and fair values of investment and rental properties from the end of the previous fiscal year.
21. (1) The total amount of bankrupt and quasi-bankrupt loans, doubtful loans, loans that are delinquent for over three months, and restructured loans, which were included in nonperforming assets, was ¥32,157 million as of September 30, 2022. The details of those balances were as follows:
- 1) The balance of bankrupt and quasi-bankrupt loans was ¥11,766 million as of September 30, 2022. Bankrupt and quasi-bankrupt loans are nonperforming assets and similar loans to debtors that have fallen into bankruptcy due to certain reasons, including initiation of bankruptcy proceedings, start of reorganization proceedings, or submission of an application to start rehabilitation proceedings.
 - 2) The balance of doubtful loans was ¥18,775 million as of September 30, 2022. Doubtful loans are nonperforming assets with a strong likelihood that loan principal cannot be recovered or interest cannot be received according to the loan contract because of difficulties in the financial condition and business performance of debtors who are not yet legally bankrupt, and do not fall under bankrupt and quasi-bankrupt loans.
 - 3) There were no loans delinquent for over three months as of September 30, 2022. Loans that are delinquent for over three months are loans with principal or interest unpaid for over three months beginning one day after the due date based on the loan agreement, other than the loans classified as bankrupt and quasi-bankrupt loans, and doubtful loans.
 - 4) The balance of restructured loans was ¥1,615 million as of September 30, 2022. Restructured loans are loans that provide certain concessions favorable to the borrower with the intent of supporting the borrower's restructuring, such as by reducing or exempting interest, postponing principal or interest payments, releasing credits, or providing other benefits to the borrowers, and do not fall under bankrupt and quasi-bankrupt loans, doubtful loans, and loans that are delinquent for over three months.
- (2) Direct write-offs of the estimated uncollectible amounts of loans decreased the balance of bankrupt and quasi-bankrupt loans by ¥1,996 million as of September 30, 2022.

22. The amount of accumulated depreciation of tangible fixed assets was ¥1,207,960 million as of September 30, 2022.
23. Separate account assets as provided in accordance with Article 118, Paragraph 1 of the Insurance Business Act were ¥1,152,940 million as of September 30, 2022, and a corresponding liability is recorded in the same amount.
24. Changes in the reserve for dividends to policyholders for the six months ended September 30, 2022, were as follows:

	Million Yen
	<u>Six months ended September 30, 2022</u>
a. Balance at the beginning of the current fiscal year	1,060,577
b. Transfer to reserve from surplus for the previous fiscal year	199,868
c. Dividends paid to policyholders during the current six-month period	116,166
d. Increase in interest	10,642
e. Balance at the end of the current six-month period (a+b-c+d)	<u>1,154,921</u>

25. Corporate bonds within liabilities are subordinated corporate bonds with special provisions that subordinate the fulfillment of obligations on the bonds to all other debt obligations.

The Company's corporate bond issuance dates and callable dates for currency swaps under designated hedge accounting are as follows:

Issue date	Callable date
October 2012	Each interest payment date on or after October 2022
October 2014	Tenth anniversary date after the issue date and on each fifth anniversary date thereafter
January 2016	Tenth anniversary date after the issue date and on each fifth anniversary date thereafter
September 2017	Tenth anniversary date after the issue date and on each fifth anniversary date thereafter
January 2020	Tenth anniversary date after the issue date and on each fifth anniversary date thereafter
January 2021	Tenth anniversary date after the issue date and on each fifth anniversary date thereafter
September 2021	Tenth anniversary date after the issue date and on each fifth anniversary date thereafter

Furthermore, the Company conducted the early redemption of corporate bonds on October 18, 2022, as follows.

Interest expenses recorded for the corporate bonds redeemed early amounted to ¥5,149 million in the previous fiscal year and ¥2,560 million in the six months ended September 30, 2022.

Name of corporate bonds	U.S.-dollar denominated subordinated corporate bonds due 2042 (with an optional interest payment deferral provision)
Issue date	October 18, 2012
Early redemption value	100 percent of par value
Early redemption amount	USD 2,000 million
Early redemption method	Early redemption of the full amount of the unredeemed balance

26. Other liabilities include subordinated loans payable of ¥921,000 million with special provisions that the fulfillment of obligations on the loans payable is subordinate to all other debt obligations.
27. Assets pledged as collateral in the form of investments in securities, land, and buildings as of September 30, 2022, were ¥3,621,665 million, ¥252 million, and ¥37 million, respectively. The total amount of liabilities covered by the assets pledged was ¥2,202,419 million as of September 30, 2022. These amounts included ¥2,084,860 million of sale of securities under repurchase agreements and ¥2,202,419 million of payables under repurchase agreements as of September 30, 2022.
28. The total amount of stocks and investments in subsidiaries and affiliates was ¥1,546,294 million as of September 30, 2022.
29. The amount of securities lent under lending agreements was ¥2,260,817 million as of September 30, 2022.
30. Assets that the Company has a free disposal right to sell or re-pledge are marketable securities borrowed under lending agreements. These assets were held without being sold or re-pledged and totaled ¥296,212 million at fair value as of September 30, 2022.
31. The unused amount of commitments related to loans and similar loans agreements was ¥340,777 million as of September 30, 2022.

32. Revaluation of land used in the operations is performed based on the Act on Revaluation of Land. The tax effect of the amount related to the valuation difference between the book value and the revalued amount for land revaluation is recognized as a deferred tax liability within the liability section. The valuation differences are recognized as land revaluation losses within the net assets section.

Revaluation date March 31, 2002

Revaluation methodology The amount is calculated by using the listed value of the land and road rate as prescribed by Article 2, Items 1 and 4 of the Order for Enforcement of the Act on Revaluation of Land.

33. The amount of policy reserves provided for the portion of reinsurance (the “policy reserves for ceded reinsurance”) as defined in Article 71, Paragraph 1 of the Ordinance for Enforcement of the Insurance Business Act was ¥159 million as of September 30, 2022.

5. Nonconsolidated Statements of Income

(Million Yen)

	Six months ended September 30, 2022	Six months ended September 30, 2021
Ordinary income:	3,628,531	3,380,607
Revenues from insurance and reinsurance:	2,217,117	2,145,583
Insurance premiums	2,216,562	2,145,020
Investment income:	1,361,350	1,183,046
Interest, dividends, and other income	920,612	755,758
Gain on sales of securities	355,008	397,189
Gain on separate accounts, net	—	25,227
Other ordinary income	50,064	51,977
Ordinary expenses:	3,507,333	2,906,608
Benefits and other payments:	2,013,854	1,806,200
Death and other claims	514,648	498,454
Annuity payments	375,667	383,552
Health and other benefits	425,318	356,133
Surrender benefits	627,193	499,492
Other refunds	70,151	67,783
Provision for policy reserves:	576,448	615,159
Provision for reserve for outstanding claims	73,234	—
Provision for policy reserves	492,571	604,435
Provision for interest on reserve for dividends to policyholders	10,642	10,724
Investment expenses:	528,383	88,733
Interest expenses	19,474	15,774
Loss from assets held in trust, net	—	81
Loss on sales of securities	423,212	18,752
Loss on valuation of securities	4,995	1,878
Loss on derivative financial instruments, net	8,393	1,301
Loss on separate accounts, net	26,816	—
Operating expenses	283,389	288,880
Other ordinary expenses	105,258	107,634
Ordinary profit	121,197	473,998
Extraordinary gains:	2,077	915
Gain on disposals of fixed assets	2,077	915
Extraordinary losses:	25,642	136,737
Loss on disposals of fixed assets	3,113	1,805
Impairment losses	2,980	2,909
Provision for reserve for price fluctuations in investments in securities	15,436	129,022
Loss on tax purpose reduction entry of real estate	1,111	—
Contributions for assisting social public welfare	3,000	3,000
Surplus before income taxes	97,633	338,176
Income taxes - current	4,192	173,233
Income taxes - deferred	1,291	(105,414)
Total income taxes	5,483	67,818
Net surplus	92,150	270,358

Notes to the Nonconsolidated Statement of Income for the Six Months Ended September 30, 2022

1. The Company uses the following methods to record revenues from insurance and reinsurance, and benefits and other payments.
 - (1) Revenues from insurance and reinsurance (excluding revenues from reinsurance) are recorded as the amount of payments that have been received, in principle.
 - (2) Benefits and other payments (excluding reinsurance premiums) are recorded as the amount of payments made with respect to policies for which an event that is a reason for payment of claims or benefits has occurred based on the policy clauses and the amount determined based on those policy clauses was paid.
2. Gain on sales of securities includes gains on sales of domestic bonds, including national government bonds, domestic stocks, and foreign securities of ¥55,971 million, ¥154,783 million, and ¥144,253 million, respectively, for the six months ended September 30, 2022.
3. Loss on sales of securities includes losses on sales of domestic bonds, including national government bonds, domestic stocks and other securities, and foreign securities of ¥60,686 million, ¥18,978 million, and ¥343,547 million, respectively, for the six months ended September 30, 2022.
4. Loss on valuation of securities includes losses on valuation of domestic stocks and foreign securities of ¥4,545 million and ¥449 million, respectively, for the six months ended September 30, 2022.
5. Provision for policy reserves for ceded reinsurance that was added to the calculation of provision for policy reserves was ¥22 million for the six months ended September 30, 2022.
6. Breakdown of interest, dividends, and other income for the six months ended September 30, 2022, is as follows:

	Million Yen
	Six months ended September 30, 2022
Interest on deposits and savings	1,389
Interest on securities and dividends	800,496
Interest on loans	56,402
Real estate rental income	56,185
Other income	6,139
Total	<u>920,612</u>

7. Impairment losses are as follows:

1) Method for grouping the assets

Real estate for rental use and other assets and idle properties are classified as one asset group per property. Assets utilized for insurance business operations are classified into one asset group for each operation.

2) Recognition of impairment losses

When a significant decrease in profitability or fair value of a certain asset group is noted, the book value is reduced to the recoverable amount, recognizing an impairment loss under extraordinary losses.

3) Breakdown of asset groups for which impairment losses were recognized for the six months ended September 30, 2022, is as follows:

Purpose of use	Million Yen		
	Land	Buildings	Total
Real estate for rental use	1,775	360	2,136
Idle properties	527	316	844
Total	2,302	677	2,980

4) Measurement of recoverable amount

The recoverable amount is based on either the value in use or net selling price of the asset depending on the type of asset.

In principle, the value in use is determined as the discounted future cash flows using a discount rate of 3.0%. Net selling price is determined based on appraisals performed in accordance with the “Real Estate Appraisal Standards” or standard land prices.

6. Nonconsolidated Statements of Changes in Net Assets

For the six months ended September 30, 2022

(Million Yen)

	Foundation funds and others												Total foundation funds and others
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Surplus								Total surplus	
				Legal reserve for deficiencies	Contingency funds	Reserve for social public welfare assistance	Reserve for financial stability	Reserve for reduction entry of real estate	Reserve for reduction entry of real estate to be purchased	Other reserves	Unappropriated surplus		
Beginning balance	100,000	1,350,000	651	19,988	71,917	351	—	71,839	1,007	170	357,789	523,063	1,973,714
Increase/decrease:													
Additions to reserve for dividends to policyholders											(199,868)	(199,868)	(199,868)
Additions to legal reserve for deficiencies				1,294							(1,294)	—	—
Interest on foundation funds											(265)	(265)	(265)
Net surplus											92,150	92,150	92,150
Reversal of contingency funds					(71,917)						71,917	—	—
Additions to reserve for social public welfare assistance						3,000					(3,000)	—	—
Reversal of reserve for social public welfare assistance						(3,000)					3,000	—	—
Additions to reserve for financial stability							221,917				(221,917)	—	—
Additions to reserve for reduction entry of real estate								2,718			(2,718)	—	—
Reversal of reserve for reduction entry of real estate								(1,309)			1,309	—	—
Additions to reserve for reduction entry of real estate									1,953		(1,953)	—	—
Reversal of land revaluation losses											(2,862)	(2,862)	(2,862)
Net change, excluding foundation funds and others													
Net change	—	—	—	1,294	(71,917)	—	221,917	1,408	1,953	—	(265,501)	(110,844)	(110,844)
Ending balance	100,000	1,350,000	651	21,282	—	351	221,917	73,248	2,961	170	92,288	412,218	1,862,869

6. Nonconsolidated Statements of Changes in Net Assets (Continued)

For the six months ended September 30, 2022

(Million Yen)

	Valuations, conversions, and others				Total net assets
	Net unrealized gains on available-for-sale securities	Deferred losses on derivatives under hedge accounting	Land revaluation losses	Total valuations, conversions, and others	
Beginning balance	6,112,896	(374,361)	(60,363)	5,678,172	7,651,886
Increase/decrease:					
Additions to reserve for dividends to policyholders					(199,868)
Additions to legal reserve for deficiencies					—
Interest on foundation funds					(265)
Net surplus					92,150
Reversal of contingency funds					—
Additions to reserve for social public welfare assistance					—
Reversal of reserve for social public welfare assistance					—
Additions to reserve for financial stability					—
Additions to reserve for reduction entry of real estate					—
Reversal of reserve for reduction entry of real estate					—
Additions to reserve for reduction entry of real estate					—
Reversal of land revaluation losses					(2,862)
Net change, excluding foundation funds and others	(1,265,580)	(142,559)	2,862	(1,405,277)	(1,405,277)
Net change	(1,265,580)	(142,559)	2,862	(1,405,277)	(1,516,122)
Ending balance	4,847,316	(516,920)	(57,501)	4,272,894	6,135,764

6. Nonconsolidated Statements of Changes in Net Assets (Continued)

For the six months ended September 30, 2021

(Million Yen)

	Foundation funds and others											Total foundation funds and others
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Legal reserve for deficiencies	Surplus						Total surplus	
					Contingency funds	Reserve for social public welfare assistance	Reserve for reduction entry of real estate	Reserve for reduction entry of real estate to be purchased	Other reserves	Unappropriated surplus		
Beginning balance	100,000	1,300,000	651	18,993	71,917	351	71,855	2,069	170	329,199	494,556	1,895,208
Increase/decrease:												
Issuance of foundation funds	50,000											50,000
Additions to reserve for dividends to policyholders										(276,006)	(276,006)	(276,006)
Additions to legal reserve for deficiencies				995						(995)	—	—
Additions to reserve for redemption of foundation funds		50,000								(50,000)	(50,000)	—
Interest on foundation funds										(277)	(277)	(277)
Net surplus										270,358	270,358	270,358
Redemption of foundation funds	(50,000)											(50,000)
Additions to reserve for social public welfare assistance						3,000				(3,000)	—	—
Reversal of reserve for social public welfare assistance						(3,000)				3,000	—	—
Additions to reserve for reduction entry of real estate							1,374			(1,374)	—	—
Reversal of reserve for reduction entry of real estate							(1,390)			1,390	—	—
Reversal of reserve for reduction entry of real estate to be purchased								(1,062)		1,062	—	—
Reversal of land revaluation losses										2,295	2,295	2,295
Net change, excluding foundation funds and others												
Net change	—	50,000	—	995	—	—	(16)	(1,062)	—	(53,546)	(53,629)	(3,629)
Ending balance	100,000	1,350,000	651	19,988	71,917	351	71,839	1,007	170	275,653	440,927	1,891,578

6. Nonconsolidated Statements of Changes in Net Assets (Continued)

For the six months ended September 30, 2021

(Million Yen)

	Valuations, conversions, and others				Total net assets
	Net unrealized gains on available-for-sale securities	Deferred losses on derivatives under hedge accounting	Land revaluation losses	Total valuations, conversions, and others	
Beginning balance	6,642,100	(161,590)	(57,447)	6,423,062	8,318,270
Increase/decrease:					
Issuance of foundation funds					50,000
Additions to reserve for dividends to policyholders					(276,006)
Additions to legal reserve for deficiencies					—
Additions to reserve for redemption of foundation funds					—
Interest on foundation funds					(277)
Net surplus					270,358
Redemption of foundation funds					(50,000)
Additions to reserve for social public welfare assistance					—
Reversal of reserve for social public welfare assistance					—
Additions to reserve for reduction entry of real estate					—
Reversal of reserve for reduction entry of real estate					—
Reversal of reserve for reduction entry of real estate to be purchased					—
Reversal of land revaluation losses					2,295
Net change, excluding foundation funds and others	232,407	(54,316)	(2,295)	175,796	175,796
Net change	232,407	(54,316)	(2,295)	175,796	172,166
Ending balance	6,874,508	(215,906)	(59,742)	6,598,858	8,490,437

7. Details of Ordinary Profit (Core Operating Profit)

(Million Yen)

	Six months ended September 30, 2022	Six months ended September 30, 2021
Core operating profit (A)	267,492	365,938
Capital gains:	624,018	415,185
Gain on proprietary trading securities	—	—
Gain from assets held in trust, net	—	—
Gain on trading securities	—	—
Gain on sales of securities	355,008	397,189
Gain on derivative financial instruments, net	—	—
Foreign exchange gains, net	71,925	—
Other capital gains	197,084	17,996
Capital losses:	586,512	49,169
Loss on proprietary trading securities	—	—
Loss from assets held in trust, net	—	81
Loss on trading securities	—	—
Loss on sales of securities	423,212	18,752
Loss on valuation of securities	4,995	1,878
Loss on derivative financial instruments, net	8,393	1,301
Foreign exchange losses, net	—	6,484
Other capital losses	149,911	20,670
Net capital gains (losses) (B)	37,505	366,016
Core operating profit, including net capital gains (losses) (A+B)	304,997	731,954
Nonrecurring gains:	5,836	311
Reinsurance revenue	—	—
Reversal of contingency reserve	—	—
Reversal of specific allowance for doubtful accounts	—	311
Other nonrecurring gains	5,836	—
Nonrecurring losses:	189,635	258,267
Reinsurance premiums	—	—
Provision for contingency reserve	64,926	196,348
Provision for specific allowance for doubtful accounts	3,757	—
Provision for allowance for specific overseas loans	—	—
Write-offs of loans	—	—
Other nonrecurring losses	120,952	61,919
Net nonrecurring losses (C)	(183,799)	(257,956)
Ordinary profit (A+B+C)	121,197	473,998

(Reference) Breakdown of “Other” items

(Million Yen)

	Six months ended September 30, 2022	Six months ended September 30, 2021
Core operating profit	(47,172)	2,674
Interest income and expenses related to swap transactions for foreign currency-denominated insurance products and swap transactions for hedging purposes	7,339	7,246
Impact of market exchange rate movements related to foreign currency-denominated insurance policies	142,571	(2,844)
Impact of movements in surrender benefits related to market value adjustment	(21,758)	12,822
Hedge cost related to foreign exchange	(51,413)	(1,384)
Gain (loss) on cancellation of investment trusts	(120,458)	(13,767)
Effect of market exchange rate fluctuations within gain (loss) on redemption of securities	(3,453)	602
Other capital gains	197,084	17,996
Interest income related to swap transactions for foreign currency-denominated insurance products and swap transactions for hedging purposes	—	—
Impact of market exchange rate movements related to foreign currency-denominated insurance policies	—	2,844
Impact of movements in surrender benefits related to market value adjustment	21,758	—
Hedge cost related to foreign exchange	51,413	1,384
Gain (loss) on cancellation of investment trusts	120,458	13,767
Effect of market exchange rate fluctuations within gain (loss) on redemption of securities	3,453	—
Other capital losses	149,911	20,670
Interest expenses related to swap transactions for foreign currency-denominated insurance products and swap transactions for hedging purposes	7,339	7,246
Impact of market exchange rate movements related to foreign currency-denominated insurance policies	142,571	—
Impact of movements in surrender benefits related to market value adjustment	—	12,822
Hedge cost related to foreign exchange	—	—
Gain (loss) on cancellation of investment trusts	—	—
Effect of market exchange rate fluctuations within gain (loss) on redemption of securities	—	602
Other nonrecurring gains	5,836	—
Reversal of allowance for investment loss	5,836	—
Other nonrecurring losses	120,952	61,919
Provision for allowance for investment loss	—	364
Provision for policy reserves pursuant to Article 69 Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act in Japan	120,952	61,554

Note: The above figures are calculated based on the calculation method for core operating profit, which was applied from the fiscal year ending March 31, 2023.

8. Status of Nonperforming Assets Based on the Insurance Business Act

(Million Yen, %)

	As of September 30, 2022	As of March 31, 2022
Bankrupt and quasi-bankrupt loans	11,766	10,274
Doubtful loans	18,775	18,303
Loans that are delinquent for over three months	—	—
Restructured loans	1,615	1,767
Subtotal	32,157	30,345
[Percentage of total, %]	[0.32]	[0.31]
Normal loans	10,015,058	9,659,055
Total	10,047,216	9,689,401

Notes: 1. Bankrupt and quasi-bankrupt loans are nonperforming assets and similar loans that have fallen into bankruptcy due to certain reasons, including initiation of bankruptcy proceedings, start of reorganization proceedings, or submission of an application to start rehabilitation proceedings.
2. Doubtful loans are nonperforming assets with a strong likelihood that loan principal and/or interest cannot be recovered according to the loan contract because of difficulties in the financial condition and business performance of debtors who are not yet legally bankrupt. (excluding 1. in the notes above).
3. Loans that are delinquent for over three months are loans with principal or interest unpaid for over three months beginning one day after the due date based on the loan agreement (excluding 1. and 2. in the notes above).
4. Restructured loans are loans that provide certain concessions favorable to the borrower with the intent of supporting the borrower's restructuring. Examples of such concessions include reducing or exempting interest, postponing principal or interest payments, releasing credits, or providing other benefits to borrowers (excluding 1. to 3. in the notes above.)
5. Normal loans are loans that do not fall under the classifications for 1. to 4. in the notes above and where the debtor has no financial or business performance problems.

Supplemental information on nonperforming assets based on the Insurance Business Act

- Classifications and calculation methods used in this table are based on the Ordinance for Enforcement of the Insurance Business Act. The table includes guaranteed private offering loans of financial institutions, loans, securities lending, accrued interest, suspense payments, and customers' liability for acceptances and guarantees.
- For bankrupt and quasi-bankrupt loans, the estimated uncollectible amount calculated by subtracting the amount of collateral value or the amount collectible by the execution of guarantees from the balance of loans is directly deducted from the total loan amount. The estimated uncollectible amounts as of September 30, 2022, and March 31, 2022, were ¥1,996 million and ¥586 million, respectively.

9. Breakdown of Allowance for Doubtful Accounts

(Million Yen)

	Six months ended September 30, 2022	Year ended March 31, 2022	Difference
(1) Breakdown of allowance for doubtful accounts			
(A) General allowance for doubtful accounts	1,871	1,912	(41)
(B) Specific allowance for doubtful accounts	5,599	4,998	601
(C) Allowance for specific overseas loans	—	—	—
(2) Specific allowance for doubtful accounts			
(A) Provision	7,596	5,584	2,011
(B) Reversal	3,838	3,364	473
[excluding reversals with write-offs]			
(C) Net provision	3,757	2,219	1,537
(3) Allowance for specific overseas loans			
(A) Number of countries	—	—	—
(B) Loan amount	—	—	—
(C) Provision	—	—	—
(D) Reversal	—	—	—
(4) Write-offs	—	—	—

10. Solvency Margin Ratio

(Million Yen)

	As of September 30, 2022	As of March 31, 2022
Solvency margin gross amount (A):	16,697,913	18,001,132
Foundation funds (<i>kikin</i>) and other reserve funds:	5,833,469	5,663,861
Foundation funds and others	1,862,869	1,773,581
Reserve for price fluctuations in investments in securities	1,605,669	1,590,233
Contingency reserve	2,125,583	2,060,657
General allowance for doubtful accounts	1,871	1,912
Others	237,476	237,476
Net unrealized gains on available-for-sale securities (before tax) and deferred losses on derivatives under hedge accounting (before tax) × 90%	5,577,210	7,207,844
Net unrealized gains on real estate × 85%	551,466	549,898
Excess of continued Zillmerized reserve	2,522,448	2,460,845
Qualifying subordinated debt	2,341,305	2,140,305
Excess of continued Zillmerized reserve and qualifying subordinated debt not included in margin calculations	—	—
Deduction clause	(111,662)	(108,858)
Others	(16,323)	87,236
Total amount of risk (B):		
$\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$	3,302,465	3,397,260
Underwriting risk (R ₁)	109,612	110,956
Underwriting risk of third-sector insurance (R ₈)	91,428	91,188
Anticipated yield risk (R ₂)	256,988	267,095
Minimum guarantee risk (R ₇)	5,303	5,315
Investment risk (R ₃)	2,965,344	3,048,246
Business management risk (R ₄)	68,573	70,456
Solvency margin ratio		
$\frac{(A)}{(1/2) \times (B)} \times 100$	1,011.2%	1,059.7%

Notes: 1. The amounts and figures in the table above are calculated based on the provisions of Article 86 and Article 87 of the Ordinance for Enforcement of the Insurance Business Act and the Ministry of Finance Public Notice No. 50 of 1996.
2. The standard method is used for the calculation of the amount equivalent to minimum guarantee risk.

11. Status of Separate Accounts

(1) Balance of Separate Account Assets

(Million Yen)

	As of September 30, 2022	As of March 31, 2022
Individual variable insurance	100,479	110,130
Individual variable annuities	15,932	19,550
Group annuities	1,036,528	1,077,876
Separate account total	1,152,940	1,207,557

(2) Policies in Force

- Individual Variable Insurance

	As of September 30, 2022		As of March 31, 2022	
	Number of policies	Amount of policies (million yen)	Number of policies	Amount of policies (million yen)
Variable insurance (defined term type)	9,965	6,245	10,303	6,861
Variable insurance (whole life type)	29,531	408,149	29,889	413,608
Total	39,496	414,394	40,192	420,470

- Individual Variable Annuities

	As of September 30, 2022		As of March 31, 2022	
	Number of policies	Amount of policies (million yen)	Number of policies	Amount of policies (million yen)
Individual variable annuities	9,525	15,932	11,072	19,539

12. Status of the Company, Subsidiaries, and Affiliates

(1) Selected Financial Data for Major Operations

(100 Million Yen)

	Six months ended September 30, 2022	Six months ended September 30, 2021
Ordinary income	50,019	41,500
Ordinary profit	403	4,915
Net surplus attributable to the parent company	266	2,558
Comprehensive income	(15,261)	4,917

	As of September 30, 2022	As of March 31, 2022
Total assets	877,115	883,819
Solvency margin ratio	1,060.0%	1,120.3%

(2) Scope of Consolidation and Application of the Equity Method

	As of September 30, 2022
Number of consolidated subsidiaries	15
Number of subsidiaries not consolidated but accounted for under the equity method	0
Number of affiliates accounted for under the equity method	15
Changes in significant subsidiaries and affiliates during the period	Please see (3) Policies for Preparing the Consolidated Financial Statements for the Six Months Ended September 30, 2022

(3) Policies for Preparing the Consolidated Financial Statements for the Six Months Ended September 30, 2022

1) Consolidated subsidiaries

Number of consolidated subsidiaries: 15 entities

Major consolidated subsidiaries:

Nissay Credit Guarantee Co., Ltd. (Japan)

Nissay Leasing Co., Ltd. (Japan)

Nissay Capital Co., Ltd. (Japan)

Nissay Asset Management Corporation (Japan)

Nissay Information Technology Co., Ltd. (Japan)

TAIJU LIFE INSURANCE COMPANY LIMITED (Japan)

Nippon Wealth Life Insurance Company Limited (Japan)

HANASAKU LIFE INSURANCE Co., Ltd. (Japan)

Nissay Plus SSI Company Inc. (Japan)

Nippon Life Insurance Company of America (U.S.A.)

Nippon life Americas, Inc. (U.S.A.)

MLC Limited (Australia)

Nippon Life India Asset Management Limited (India)

Effective from the three months ended September 30, 2022, Nissay Plus SSI Company Inc. has been included in the scope of consolidation because it has assumed increased importance after it started business operations as a small-amount and short-term insurance company.

Effective from the six months ended September 30, 2022, one company under Nippon Life India Asset Management Limited has been excluded from consolidation as its liquidation has been completed.

Major unconsolidated subsidiaries are Nippon Life Global Investors Americas, Inc.; Nissay Trading Corporation; and Nissay Insurance Agency Co., Ltd.

Unconsolidated subsidiaries have minimal balances or amounts of total assets, revenue, net income, and surplus for the six months ended September 30, 2022, which are immaterial enough to be excluded from consolidation given that they would not affect reasonable judgments to be made on the financial position and financial results of Nippon Life Group.

2) Equity method affiliates

Number of unconsolidated equity method affiliates: None

Number of affiliates accounted for under the equity method: 15 entities

Major affiliates accounted for under the equity method:

The Master Trust Bank of Japan, Ltd. (Japan)

Corporate-Pension Business Service Co., Ltd. (Japan)

Great Wall Changsheng Life Insurance Co., Ltd. (China)

Bangkok Life Assurance Public Company Limited (Thailand)

Reliance Nippon Life Insurance Company Limited (India)

Post Advisory Group, LLC (U.S.A.)

PT Sequis (Indonesia)

PT Asuransi Jiwa Sequis Life (Indonesia)

The TCW Group, Inc. (U.S.A.)

Grand Guardian Nippon Life Insurance Company Limited (Myanmar)

Unconsolidated subsidiaries, including Nippon Life Global Investors Americas, Inc. and Nissay Trading Corporation, as well as affiliates other than those listed above, such as SL Towers Co., Ltd., are not accounted for under the equity method as respective and aggregate effects of such companies on the Company's consolidated net income and surplus for the six months ended September 30, 2022, are immaterial.

3) Reporting date for consolidated subsidiaries

The interim reporting dates for consolidated overseas subsidiaries are June 30 and September 30. In preparing the interim consolidated financial statements, consolidated overseas subsidiaries with interim reporting date of June 30 are consolidated using the interim financial statements as of and for the interim period ended June 30, and necessary adjustments are made to reflect significant transactions that occurred between June 30 and September 30, the Company's interim reporting date.

(4) Consolidated Balance Sheets

(Million Yen)

	As of September 30, 2022	As of March 31, 2022
Assets:		
Cash and deposits	1,674,551	1,702,155
Call loans	542,042	500,978
Monetary receivables purchased	266,975	290,646
Investments in securities	71,832,560	73,373,626
Loans	8,599,032	8,437,632
Tangible fixed assets	1,875,979	1,875,391
Intangible fixed assets	389,710	382,306
Reinsurance receivables	10,979	9,266
Other assets	2,279,136	1,734,914
Net defined benefit asset	1,285	1,201
Deferred tax assets	176,488	10,976
Customers' liability for acceptances and guarantees	71,816	71,612
Allowance for doubtful accounts	(9,015)	(8,736)
Total assets	87,711,543	88,381,973
Liabilities:		
Policy reserves and other reserves:	70,977,548	69,922,760
Reserve for outstanding claims	336,758	260,983
Policy reserves	69,432,725	68,547,902
Reserve for dividends to policyholders (mutual company)	1,154,921	1,060,577
Reserve for dividends to policyholders (limited company)	53,142	53,297
Reinsurance payables	32,384	24,535
Corporate bonds	1,535,905	1,535,905
Other liabilities	6,496,730	6,021,605
Accrued bonuses for directors, and audit and supervisory board members	146	434
Net defined benefit liability	432,321	434,246
Accrued retirement benefits for directors, and audit and supervisory board members	615	637
Reserve for program points	9,061	8,770
Reserve for price fluctuations in investments in securities	1,702,934	1,684,575
Deferred tax liabilities	27,245	523,390
Deferred tax liabilities for land revaluation	100,112	100,444
Acceptances and guarantees	71,816	71,612
Total liabilities	81,386,822	80,328,918

(4) Consolidated Balance Sheets (Continued)

(Million Yen)

	As of September 30, 2022	As of March 31, 2022
Net assets:		
Foundation funds	100,000	100,000
Reserve for redemption of foundation funds	1,350,000	1,350,000
Reserve for revaluation	651	651
Consolidated surplus	564,077	740,576
Total foundation funds and others	2,014,728	2,191,227
Net unrealized gains on available-for-sale securities	4,645,731	6,124,915
Deferred losses on derivatives under hedge accounting	(517,085)	(375,170)
Land revaluation losses	(57,501)	(60,363)
Foreign currency translation adjustments	99,125	17,362
Remeasurement of defined benefit plans	(1,672)	(2,518)
Total accumulated other comprehensive income	4,168,597	5,704,225
Share acquisition rights	1,848	1,671
Noncontrolling interests	139,547	155,930
Total net assets	6,324,721	8,053,054
Total liabilities and net assets	87,711,543	88,381,973

1. Effective from the six months ended September 30, 2022, the Company and its certain subsidiaries have applied the Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021) (hereinafter, the “Fair Value Measurement Accounting Standard Implementation Guidance”). The Company and its certain subsidiaries have followed the transitional treatment set forth in Paragraph 27-2 of the Fair Value Measurement Accounting Standard Implementation Guidance, and have prospectively applied the new accounting policies set forth by the Fair Value Measurement Accounting Standard Implementation Guidance from the beginning of the six months ended September 30, 2022. As a result, certain investment trusts that had previously been carried on the consolidated balance sheet at acquisition cost are stated at fair value on the consolidated balance sheet from the six months ended September 30, 2022.

2. (1) Securities of the Company and its certain consolidated subsidiaries (including items such as deposits and monetary receivables purchased which are treated as securities based on the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10)) are valued as follows:
 - 1) Trading securities are stated at fair value at the balance sheet date. The moving average method is used for calculating cost of securities sold.
 - 2) Held-to-maturity debt securities are measured at amortized cost using the moving average method. The cost of securities is amortized on a straight-line basis.
 - 3) Policy-reserve-matching bonds are measured at amortized cost using the moving average method. The cost of bonds is amortized on a straight-line basis 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) Investments in subsidiaries and affiliates that are neither consolidated nor accounted for under the equity method (stocks issued by subsidiaries prescribed in Article 2, Paragraph 12 of the Insurance Business Act or subsidiaries prescribed in Article 13-5-2, Paragraph 3 of the Order for Enforcement of the Insurance Business Act and stocks issued by affiliates prescribed in Article 13-5-2, Paragraph 4 of the Order for Enforcement of the Insurance Business Act) are stated at cost using the moving average method.

- 5) Available-for-sale securities
 - a. Securities are measured at fair value based mainly on market prices on the last day of September (cost of securities sold is calculated using the moving average method, and bonds (including foreign bonds) for which the difference between the purchase price and face value is due to an interest rate adjustment are measured at amortized cost using the moving average method, which is amortized on a straight-line basis).
 - b. Stocks and other securities of which market prices are not available are measured at cost based on moving averages.
- (2) Unrealized gains/losses of available-for-sale securities are recorded as a separate component of net assets.
3. Securities that are held for the purpose of matching the duration of outstanding liabilities within the subgroups classified by insurance type, payment method, maturity period, currency, and investment policy are classified 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.

The Company has specified the following types of insurance policies and set those as subcategories:

(1) The Company

- 1) All insurance policies for products other than single payment products and group annuities
- 2) All insurance policies for single payment products (denominated in yen) other than variable assumed rate-type insurance
- 3) All insurance policies for group annuities other than guaranteed fixed-term rate products
- 4) All single payment products (denominated in U.S. dollars) other than the foregoing
- 5) All single payment products (denominated in Australian dollars) other than the foregoing
- 6) All single payment products (denominated in euros) other than the foregoing

(2) TAIJU LIFE INSURANCE COMPANY LIMITED

- 1) Whole life insurance and annuity insurance (up to 40 years) (the component of future cash flows generated from whole life insurance (including whole life insurance with term rider) and annuity insurance for up to 40 years)
- 2) Insured contributory pension plans (up to 27 years) (future cash flows generated from insured contributory pension plans for the period up to 27 years)

- 3) Subcategory 1 for foreign currency-denominated single payment endowment insurance (U.S. dollar)
(foreign currency-denominated single payment endowment insurance (U.S. dollar) commencing from October 1, 2015, to September 30, 2019)
- 4) Subcategory 2 for foreign currency-denominated single payment endowment insurance (U.S. dollar)
(foreign currency-denominated single payment endowment insurance (U.S. dollar) commencing on or after October 1, 2019)
- 5) Subcategory 1 for foreign currency-denominated single-payment endowment insurance (Australian dollar)
(foreign currency-denominated single payment endowment insurance (Australian dollar) commencing from October 1, 2015, to September 30, 2019)
- 6) Subcategory 2 for foreign currency-denominated single payment endowment insurance (Australian dollar)
(foreign currency-denominated single payment endowment insurance (Australian dollar) commencing on or after October 1, 2019)

(3) Nippon Wealth Life Insurance Company Limited

- 1) Individual insurance and individual annuity products (certain types of insurance are excluded)
- 2) Whole life cancer insurance and endowment insurance products
- 3) Single payment whole life insurance (fixed accumulation value type) products
- 4) Yen-denominated single payment products other than the above (excluding single payment fixed annuities commencing on or after April 1, 2006, and for which the insured was 80 years of age or older as of the date the policy was concluded).
- 5) U.S. dollar-denominated products other than the above (certain types of insurance are excluded)
- 6) Australian dollar-denominated single payment annuity products other than the above

(4) HANASAKU LIFE INSURANCE Co., Ltd.

All insurance policy groups are classified as a single subcategory, and securities that are held for the purpose of matching the duration of these outstanding insurance liabilities are classified as policy-reserve-matching bonds.

4. Derivative financial instruments are stated at fair value based on quoted market prices.

5. (1) Tangible fixed assets are depreciated based on the following methods:
- a. Tangible fixed assets (except for lease assets)
 - (i) Buildings
Straight-line method.
 - (ii) Assets other than the above
Primarily the declining-balance method.
Certain other tangible fixed assets with an acquisition cost of less than ¥200,000 of the Company and its certain consolidated subsidiaries are depreciated over three years on a straight-line basis.
 - b. Lease assets
 - (i) Lease assets related to financial leases that transfer ownership of the leased property to the lessee
The same depreciation method applied to self-owned fixed assets.
 - (ii) Lease assets other than the above
Straight-line method over the lease term
- (2) Software, which is included in intangible fixed assets, is amortized using the straight-line method.
6. Assets and liabilities denominated in foreign currencies are translated into Japanese yen in accordance with the “Accounting Standards for Foreign Currency Transactions” (Business Accounting Council).

Foreign currency-denominated available-for-sale securities of the Company with exchange rates that have significantly fluctuated and where those recoveries are not expected are converted to Japanese yen using either the rate at the balance sheet date or the one-month average rate prior to the balance sheet date, whichever indicates a weaker yen. The translation difference is recorded as a loss on valuation of securities.

Translation differences related to bonds included in translation differences of foreign currency-denominated available-for-sale securities held by certain consolidated subsidiaries are recorded as foreign exchange gains/losses in net, while translation differences related to other foreign currency-denominated available-for-sale securities are recorded as a separate component of net assets.

- 7.(1) An allowance for doubtful accounts for the Company is recognized in accordance with the Company's internal Asset Valuation Regulation and Write-off/Provision Rule as follows:
- 1) An allowance for loans to borrowers who are legally or substantially bankrupt, such as being bankrupt or being in the process of civil rehabilitation proceedings, is recognized based on the amount of credit remaining after directly deducting amounts expected to be collected through the disposal of collateral or the execution of guarantees from the balance of loans (as mentioned at (4) below).
 - 2) An allowance for loans to borrowers who are not currently legally bankrupt, but have a high possibility of bankruptcy is recognized at the amounts deemed necessary considering the borrowers' overall solvency and the amounts remaining after deduction of amounts expected to be collected through the disposal of collateral or the execution of guarantees.
 - 3) An allowance for loans to borrowers other than the above is provided based on the borrowers' balance multiplied by the historical average percentage of bad debt for a certain period.
An allowance for loans to borrowers whose future business results are expected to worsen in case of a sudden event that has a large impact on economic conditions is recognized based on the estimated amount of impact on credit risk that has not yet been reflected in the borrowers' financial information and other disclosures.
- (2) All credits extended by the Company are assessed by responsible sections in accordance with the Company's internal Asset Valuation Regulation. The assessments are verified by the independent Asset Auditing Department. The results of the assessments are reflected in the calculation of the allowance for doubtful accounts.
- (3) For consolidated subsidiaries, the Company and its consolidated subsidiaries record allowance for doubtful accounts deemed necessary mainly in accordance with the Company's internal Asset Valuation Regulation and Write-off/Provision Rule.
- (4) The estimated uncollectible amount calculated by subtracting the amount of collateral value or the amount collectible by the execution of guarantees from the balance of loans is directly deducted from the balance of loans (including loans with credits secured and/or guaranteed) made to legally or substantially bankrupt borrowers. The estimated uncollectible amount was ¥2,685 million (including ¥89 million of credits secured and/or guaranteed) as of September 30, 2022.

8. Accrued bonuses for directors, and audit and supervisory board members are recognized based on amounts estimated to be paid.
9. (1) Net defined benefit liability is recognized based on the estimated amount of projected benefit obligations in excess of the fair value of pension plan assets as of September 30, 2022, for future payment of employee retirement benefits that have been accrued.

(2) Basis used for accounting for retirement benefits of the Company and its certain consolidated subsidiaries is as follows:
 - 1) Attribution method for estimated retirement benefits: Benefit formula basis
 - 2) Amortizing period for actuarial gains/losses: Five years
 - 3) Amortizing period for prior service costs: Five years
10. Accrued retirement benefits for directors are recorded as estimated payment amounts under internal rules in order to prepare for payment of accrued benefits to directors including those at a subset of consolidated subsidiaries and subsidiary corporations.
11. A reserve for program points is recognized based on the amount projected to be incurred for expenses from the use of points granted to policyholders.
12. A reserve for price fluctuations in investments in securities is recognized based on Article 115 of the Insurance Business Act.
13. In finance leases where the Company's consolidated subsidiary is the lessor that do not transfer ownership of the leased property to the lessee, the consolidated subsidiary recognizes sales revenue and cost of sale at the time of receiving the lease payments.

14. Hedge accounting is applied by the Company and its certain consolidated subsidiaries based on the following methods:

- 1) The Company and its consolidated subsidiaries mainly apply the following hedge accounting methods:
 - The exceptional accounting treatment (“*Tokurei-shori*”) is applied to interest rate swaps to hedge the cash flow volatility of certain loans denominated in foreign currencies;
 - Deferred hedge accounting is applied to interest rate swaps to hedge the interest rate fluctuation exposures on certain insurance policies, based on the Industry Audit Committee Report No. 26, “Accounting and Auditing Treatments Related to Application of Accounting for Financial Instruments in the Insurance Industry” issued by the JICPA;
 - Deferred hedge accounting and designated hedge accounting (“*Furiate-shori*”) are applied to currency swaps to hedge the cash flow volatility caused by foreign exchange rate fluctuations on certain foreign currency-denominated bonds, loans, and subordinated corporate bonds issued by the Company and its consolidated subsidiaries;
 - Fair value hedge accounting is applied to foreign exchange forward contracts to hedge the price fluctuation exposures related to foreign exchange rate fluctuations on certain foreign currency-denominated bonds and other instruments; and
 - Fair value hedge accounting is applied to equity forward contracts to hedge the price fluctuation exposures on certain domestic stocks.

2) Hedging instruments and hedged items

<u>Hedging instruments</u>	<u>Hedged items</u>
Interest rate swaps	Loans, foreign currency-denominated loans, and insurance policies
Currency swaps	Foreign currency-denominated bonds, foreign currency-denominated loans, and foreign currency-denominated subordinated corporate bonds
Foreign exchange forward contracts	Foreign currency-denominated bonds and other instruments
Equity forward contracts	Domestic stocks

The Company and its certain consolidated subsidiaries have applied the special treatment set forth in “Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR” (ASBJ Practical Issues Task Force (PITF) No. 40, March 17, 2022) to certain interest rate swap transactions in connection with the replacement of interest rate indicators.

- 3) Effectiveness of hedging activities is mainly evaluated by a ratio analysis of fair value movement comparisons of the hedging instruments and hedged items in accordance with the internal risk management policies of the Company and its certain consolidated subsidiaries.

15. All transactions are accounted for exclusive of consumption taxes and local consumption taxes of the Company and its certain consolidated subsidiaries; however, consumption taxes paid on certain asset transactions, which are not deductible from consumption taxes withheld and are stipulated to be deferred under the Consumption Tax Act, are deferred as prepaid expenses and amortized over a five-year period on a straight-line basis. Consumption taxes other than deferred consumption taxes are expensed as incurred in the six months ended September 30, 2022.
16. Effective from the six months ended September 30, 2022, the Company and certain subsidiaries have transitioned from the Consolidated Taxation System to the Group Tax Sharing System, with the Company serving as the tax sharing parent company. As a result, the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (ASBJ PITF No. 42, August 12, 2021) has been followed for the accounting treatment of corporate tax and local corporate tax and the deferred tax accounting treatment related to those taxes.
17. (1) Policy reserves of the Company and its consolidated subsidiaries that are domestic life insurance companies are reserves set forth in accordance with Article 116 of the Insurance Business Act. These reserves are accumulated in order to prepare for payments of future obligations based on insurance policies. Insurance premium reserves are recognized based on the following methodology. In accordance with Article 69, Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act, policy reserves include those that are reserved for certain individual annuity policies and for certain whole life insurance policies.
- 1) Reserves for policies subject to the standard policy reserve are calculated in accordance with the method prescribed by the Commissioner of the Financial Services Agency (Ordinance No. 48 issued by the Ministry of Finance in 1996).
 - 2) Reserves for other policies are calculated based on the net level premium method.
- In addition, the Company and its certain consolidated life insurance companies in Japan provided additional policy reserves in the six months ended September 30, 2022. As a result, policy reserves increased by ¥124,837 million, while ordinary profit and surplus before income taxes decreased by ¥124,837 million.

a) The Company

Effective from the fiscal year ended March 31, 2020, the Company has provided additional policy reserves to cover a possible deficiency in the reserve for paid-up insurance policies and similar policies among certain whole life insurance policies (including lump-sum payment policies). Moreover, effective from the fiscal year ended March 31, 2022, the Company has expanded the scope of whole life insurance policies (including lump-sum payment policies) for which additional policy reserves will be provided. For such policies with premiums that have been paid and similar policies (including lump-sum payment policies), the Company has decided to successively provide these additional policy reserves over the next five years. As a result, policy reserves increased by ¥120,952 million, while ordinary profit and surplus before income taxes decreased by ¥120,952 million, compared with amounts that would have been recorded if the additional policy reserve amounts had not been reserved in the six months ended September 30, 2022.

b) TAIJU LIFE INSURANCE COMPANY LIMITED

TAIJU LIFE INSURANCE COMPANY LIMITED has provided additional policy reserves to cover a possible deficiency in the reserve for certain individual annuity policyholders. As a result, policy reserves increased by ¥3,885 million, while ordinary profit and surplus before income taxes decreased by ¥3,885 million, compared with amounts that would have been recorded if the additional policy reserve amounts had not been reserved in the six months ended September 30, 2022.

(2) Policy reserves of consolidated overseas life insurance companies are recorded as the amounts calculated in accordance with the accounting standards of each country, such as Australian accounting standards.

18. The corporate tax, inhabitant tax, and income tax adjustments of the Company for the six months ended September 30, 2022, are calculated based on the assumption of accumulations and reversals of the reserve for reduction entry of real estate and the reserve for dividends to policyholders (mutual company) due to the appropriation of surplus in the current fiscal year.

19. Matters concerning the fair value of financial instruments and related items are as follows:
Notes have been omitted for financial instruments whose fair values approximate their book values due to their short-term settlement.

- (1) Consolidated balance sheet amounts and fair values of major financial instruments and their differences are as follows:

(Million Yen)

	Consolidated balance sheet amount (*1)	Fair value (*2)	Difference
Monetary receivables purchased:	266,975	270,951	3,975
Held-to-maturity debt securities	20,630	20,361	(269)
Policy-reserve-matching bonds	179,976	184,221	4,245
Available-for-sale securities	66,368	66,368	—
Investments in securities (*3, *4, and *5):	70,845,711	71,277,060	431,348
Trading securities	1,471,729	1,471,729	—
Held-to-maturity debt securities	381,047	357,863	(23,183)
Policy-reserve-matching bonds	30,734,409	31,152,985	418,575
Investments in subsidiaries and affiliates	40,192	76,149	35,956
Available-for-sale securities	38,218,332	38,218,332	—
Loans (*6):	8,592,737	8,632,642	39,904
Policy loans	489,007	489,007	—
Industrial and consumer loans	8,103,730	8,143,634	39,904
Derivative financial instruments (*7):	(1,001,623)	(1,001,623)	—
Hedge accounting not applied	(32,471)	(32,471)	—
Hedge accounting applied	(969,152)	(969,152)	—
Corporate bonds (*6 and *8)	(1,535,905)	(1,514,135)	(21,769)
Loans payable (*8)	(1,044,113)	(1,020,302)	(23,810)

- (*1) For transactions for which an allowance for doubtful accounts was recorded, the amounts are presented net of the allowance.
- (*2) For securities for which impairment losses were recognized in the six months ended September 30, 2022, the fair value is the consolidated balance sheet amount net of the impairment losses recognized.
- (*3) Stocks without market prices, such as unlisted stocks, are not included in the above table. The amount presented in the consolidated balance sheet was ¥262,636 million as of September 30, 2022.
- (*4) The balance of investments in partnerships and other entities is not included in the above table based on application of Paragraph 24-16 of the Fair Value Measurement Accounting Standard Implementation Guidance. The amount of such investments in partnerships and other entities presented in the consolidated balance sheet was ¥724,211 million as of September 30, 2022.
- (*5) The above table includes investment trusts to which Paragraph 24-3 or Paragraph 24-9 of the Fair Value Measurement Accounting Standard Implementation Guidance has been applied.
- (*6) The fair values of derivative financial instruments that are interest rate swaps to which exceptional accounting treatment (“*Tokurei-shori*”) is applied or currency swaps to which designated hedge accounting (“*Furiate-shori*”) is applied are included in the fair values of loans and corporate bonds because they are accounted for as an integral part of the loans and corporate bonds that are the hedged items.
- (*7) Receivables and payables generated by derivative financial instruments are offset and presented in net amounts. Net payables in total are presented in parentheses.
- (*8) Corporate bonds and loans payable are recorded in liabilities and presented in parentheses.

(2) Matters regarding securities and others by holding purpose are as follows:

1) Trading securities

Investments in securities for separate accounts and certain other securities are classified as trading securities.

Valuation losses of those instruments included in profit and loss were ¥84,730 million for the six months ended September 30, 2022.

2) Held-to-maturity debt securities

Consolidated balance sheet amounts and fair values, and their differences by type are as follows:

(Million Yen)

	Type	Consolidated balance sheet amount	Fair value	Difference
Fair value exceeds the consolidated balance sheet amount	Monetary receivables purchased	2,476	2,613	137
	Domestic bonds	7,414	7,513	99
	Foreign securities	10,793	11,383	589
	Subtotal	20,684	21,511	826
Fair value does not exceed the consolidated balance sheet amount	Monetary receivables purchased	18,153	17,747	(406)
	Domestic bonds	55,319	54,528	(790)
	Foreign securities	307,520	284,438	(23,082)
	Subtotal	380,993	356,713	(24,279)
Total		401,677	378,224	(23,453)

3) Policy-reserve-matching bonds

Consolidated balance sheet amounts and fair values, and their differences by type are as follows:

(Million Yen)

	Type	Consolidated balance sheet amount	Fair value	Difference
Fair value exceeds the consolidated balance sheet amount	Monetary receivables purchased	148,063	153,030	4,966
	Domestic bonds	17,146,785	19,287,782	2,140,997
	Foreign securities	31,816	34,295	2,479
	Subtotal	17,326,666	19,475,108	2,148,442
Fair value does not exceed the consolidated balance sheet amount	Monetary receivables purchased	31,912	31,191	(720)
	Domestic bonds	11,720,170	10,271,993	(1,448,177)
	Foreign securities	1,835,636	1,558,913	(276,723)
	Subtotal	13,587,719	11,862,098	(1,725,621)
Total		30,914,386	31,337,207	422,821

4) Available-for-sale securities

Acquisition cost or amortized cost, and consolidated balance sheet amounts, and their differences by type are as follows:

(Million Yen)

	Type	Acquisition cost or amortized cost	Consolidated balance sheet amount	Difference
Consolidated balance sheet amount exceeds acquisition cost or amortized cost	Monetary receivables purchased	7,106	7,314	208
	Domestic bonds	2,035,092	2,188,565	153,473
	Domestic stocks	3,433,981	8,652,915	5,218,934
	Foreign securities	8,886,667	11,594,468	2,707,801
	Other securities	675,083	798,217	123,134
	Subtotal	15,037,930	23,241,481	8,203,551
Consolidated balance sheet amount does not exceed acquisition cost or amortized cost	Monetary receivables purchased	61,218	59,054	(2,163)
	Domestic bonds	1,928,769	1,841,627	(87,141)
	Domestic stocks	821,824	651,210	(170,613)
	Foreign securities	11,127,017	9,984,129	(1,142,887)
	Other securities	2,698,337	2,507,197	(191,139)
	Subtotal	16,637,166	15,043,219	(1,593,946)
Total		31,675,096	38,284,701	6,609,604

* Stocks without market prices of ¥63,998 million and the balance of investments in partnerships and other entities of ¥271,041 million are not included in the table above.

Impairment losses of ¥5,702 million were recognized during the six months ended September 30, 2022.

Regarding stocks (including foreign stocks) with fair values of the Company and certain consolidated subsidiaries, impairment losses are recognized for stocks whose fair value has declined significantly from the acquisition cost based on market prices and other valuations on the last day of September.

The criteria by which the fair value of a stock is deemed to have declined significantly are as follows:

- a. A security for which the average fair value in the month preceding September 30, 2022, is 50% or less of the acquisition cost.
- b. The average fair value in the month preceding September 30, 2022, exceeds 50%, but equal to or less than 70% of the acquisition cost.

20. (1) Matters concerning the breakdown of financial instruments by fair value level are as follows:

The fair value of financial instruments is classified into the following three levels according to the observability and significance of inputs used to measure fair value.

Fair Value Level 1: Fair value is measured using unadjusted quoted prices in active markets for identical assets or liabilities.

Fair Value Level 2: Fair value is measured using directly or indirectly observable inputs other than Level 1 inputs.

Fair Value Level 3: Fair value is measured using significant unobservable inputs.

If multiple inputs that have a significant effect on a fair value measurement are used, the fair value is classified as the level that is least significant to the fair value measurement from among the levels into which each of the inputs is classified.

a. Financial instruments whose amounts presented in the consolidated balance sheet as of September 30, 2022, are measured by fair value

(Million Yen)

	Level 1	Level 2	Level 3	Total
Monetary receivables purchased	—	23,083	43,285	66,368
Available-for-sale securities	—	23,083	43,285	66,368
Securities (*1)	17,772,310	19,843,435	498,946	38,114,691
Trading securities	618,021	853,708	—	1,471,729
Available-for-sale securities	17,154,289	18,989,726	498,946	36,642,962
Domestic bonds	2,372,005	1,658,187	—	4,030,193
National government bonds	2,370,045	65,141	—	2,435,186
Local government bonds	—	101,154	—	101,154
Corporate bonds	1,960	1,491,891	—	1,493,851
Domestic stocks	9,186,206	117,919	—	9,304,126
Foreign securities	5,585,832	13,936,643	498,822	20,021,298
Foreign bonds	4,738,056	8,575,965	498,822	13,812,844
Foreign stocks and other securities	847,775	5,360,678	—	6,208,454
Other securities	10,244	3,276,976	123	3,287,344
Derivative financial instruments (*2)	2,569	(1,004,743)	550	(1,001,623)
Interest rate-related	(236)	(198,979)	68	(199,147)
Currency-related	—	(804,272)	—	(804,272)
Others	2,805	(1,490)	482	1,797

(*1) The above table does not include investment trusts to which Paragraph 24-3 or Paragraph 24-9 of the Fair Value Measurement Accounting Standard Implementation Guidance has been applied. The amounts of such investment trusts presented in the consolidated balance sheet were ¥1,543,445 million for investment trusts whose investment trust assets are financial instruments, and ¥32,854 million for investments trusts whose investment trust assets are real estate. The reconciliation of balances at the beginning of the current fiscal year and the balances as of September 30, 2022 is as follows:

(*2) Receivables and payables generated by derivative financial instruments are offset and presented in net amounts. Net payables are presented in parentheses

(Million Yen)

	Investment trusts whose investment trust assets are financial instruments (*3)	Investment trust assets whose investment trust assets are real estate	Total
Balance at the beginning of the current fiscal year	980,526	36,203	1,016,729
Profit or loss for the six months ended September 30, 2022	471,382	(3,349)	468,033
Recognized in net surplus (loss)(*4)	15,838	164	16,003
Recognized in other comprehensive income (*5)	455,543	(3,513)	452,030
Purchases, sales, and redemptions	91,537	—	91,537
Transactions for which the application of Implementation Guidance Paragraph No. 24-3 or No. 24-9 has begun	—	—	—
Transactions for which the application of Implementation Guidance Paragraph No. 24-3 or No. 24-9 has been discontinued	—	—	—
Balance as of September 30, 2022	1,543,445	32,854	1,576,300
Unrealized gain or loss on investment trusts held as of September 30, 2022, recognized in profit or loss for the six months ended September 30, 2022(*4)	—	—	—

(*3) The amount of these investment trusts presented in the consolidated balance sheet was ¥1,516,886 million as of September 30, 2022, mainly as the cancellation of some investment trusts is restricted after one month.

(*4) These amounts are included in investment income and investment expenses on the consolidated statement of income for the six months ended September 30, 2022.

(*5) These amounts are included in net unrealized gains on available-for-sale securities under other comprehensive income in the consolidated statement of comprehensive income for the six months ended September 30, 2022.

b. Financial instruments whose amounts presented in the consolidated balance sheet as of September 30, 2022, are not measured by fair value

(Million Yen)

	Level 1	Level 2	Level 3	Total
Monetary receivables purchased	—	—	204,582	204,582
Held-to-maturity debt securities	—	—	20,361	20,361
Policy-reserve-matching bonds	—	—	184,221	184,221
Investments in securities:	27,101,504	4,427,935	56,419	31,585,860
Held-to-maturity debt securities	16,871	286,622	54,369	357,863
Domestic bonds	2,815	59,226	—	62,041
Foreign securities	14,056	227,395	54,369	295,821
Policy-reserve-matching bonds	27,084,633	4,066,302	2,050	31,152,985
Domestic bonds	26,642,476	2,916,629	670	29,559,776
Foreign securities	442,156	1,149,672	1,380	1,593,208
Investments in subsidiaries and affiliates	—	75,011	—	75,011
Loans:	—	—	8,632,642	8,632,642
Policy loans	—	—	489,007	489,007
Industrial and consumer loans	—	—	8,143,634	8,143,634
Corporate bonds (*6)	—	(1,487,973)	(26,161)	(1,514,135)
Loans payable (*6)	—	(897,251)	(123,050)	(1,020,302)

(*6) Corporate bonds and loans payable are recorded in liabilities and presented in parentheses.

(2) Explanation of major valuation techniques and inputs used by the Company and its certain subsidiaries to measure the fair value of financial instruments is as follows:

1) Financial instruments classified as securities and monetary receivables purchased that are treated as securities based on ASBJ Statement No. 10

Financial instruments measurable by unadjusted quoted prices in active markets are classified as Fair Value Level 1. These instruments mainly include listed stocks, national government bonds, and listed investment trusts. When financial instruments are measured using published quoted prices from inactive markets, such financial instruments are classified as Fair Value Level 2. These instruments mainly include local government bonds and corporate bonds. When published quoted prices are not available, fair value is measured mainly based on valuations obtained from external information vendors or on net asset value per unit computed by management companies. When unobservable inputs are not used or their effect is insignificant, financial instruments are classified as Fair Value Level 2, and when significant unobservable inputs are used, they are classified as Fair Value level 3. However, for investment trusts that have no published quotation prices, unlisted investment trusts without significant restrictions on cancellation or other terms are classified as Fair Value Level 2.

2) Loans

a. Policy loans

Policy loans are classified as Level 3. Book value is used as the fair value of policy loans, as the fair value is deemed to approximate their book value due to expected repayment periods, interest rate requirements, and other conditions. These loans have no repayment date based on characteristics, such as the loan amount being limited to the extent of the surrender benefit.

b. Industrial and consumer loans

Book value is used as the fair value of variable interest rate loans, as the fair value is deemed to approximate their book value unless there are major changes in the credit status of the borrower after loan execution because market interest rates are reflected in future cash flows over the short term. Meanwhile, with regard to fixed interest rate loans, the fair value, by loan category based on the type of loan, internal rating, and maturity term, is determined by discounting future cash flows to the present value using a discount rate reflecting market interest rates, which are adjusted for credit risk and other factors. In addition, this fair value is reflected in loans subject to designated hedge accounting (“*Furiate-shori*”) for currency swaps and exceptional accounting treatment (“*Tokurei-shori*”) for interest rate swaps.

For loans to bankrupt or substantially bankrupt borrowers, or borrowers who are not currently legally bankrupt but have a high probability of bankruptcy, fair value is measured by deducting an estimated uncollectible amount determined by factors, such as the present value of future cash flows or the estimated collectible amount based on collateral or guarantees, from the book value directly before it is written down.

Each of the measured fair values is classified as Level 3.

3) Derivative financial instruments

Derivative financial instruments for which unadjusted quoted prices are available in active markets are classified as Fair Value Level 1. These instruments mainly include bond futures and equity index futures. When published quoted prices are not available, valuations mainly obtained from external information vendors or valuations determined by the Company itself are used. When unobservable inputs are not used or their effect is insignificant, derivative financial instruments are classified as Fair Value Level 2, and when significant unobservable inputs are used, these instruments are classified as Fair Value Level 3.

4) Corporate bonds

Corporate bonds that use market prices as fair value are classified as Fair Value Level 2. Meanwhile, fixed interest rate corporate bonds whose fair value is determined by discounting future cash flows to the present value using a discount rate according to the expected remaining terms of the bonds are classified as Fair Value Level 3. In addition, this fair value is reflected in corporate bonds subject to designated hedge accounting (“*Furiate-shori*”) for currency swaps.

5) Loans payable

Book value is used as the fair value of variable interest rate loans payable. The fair value is deemed to approximate book value as there have been no major changes in the credit status of the Company after loan execution, and because market interest rates are reflected in future cash flows over the short term. Variable interest rate loans payable are classified as Level 3. Meanwhile, the fair value of fixed interest rate loans payable is determined by discounting future cash flows to the present value using a discount rate reflecting interest rates that would be offered for similar borrowings, adjusted for the Company’s credit risk. Fixed interest rate loans payable are classified as Fair Value Level 3; however, loans payable financed by means of public offerings employing securitization schemes are classified as Fair Value Level 2. The market prices of the corporate bonds issued to back such loans payable are used as fair value.

(3) Information on financial instruments classified as Level 3 whose amounts presented in the consolidated balance sheet as of September 30, 2022, are measured by fair value

1) Quantitative information on significant unobservable inputs used in measuring fair value

This note is omitted because the Company does not estimate inputs that it cannot observe independently.

2) Reconciliation of balances at the beginning of the current fiscal year and balances as of September 30, 2022, and unrealized gain or loss recognized in profit or loss for the six months ended September 30, 2022:

(Million Yen)

	Monetary receivables purchased Other securities	Available-for-sale securities Other securities	Derivative financial instruments Interest-related	Derivative financial instruments Others
Balance at the beginning of the current fiscal year	48,843	579,733	116	947
Profit or loss for the six months ended September 30, 2022	(59)	40,863	(160)	(742)
Recognized in net surplus (loss) (*1)	683	76,023	(160)	(742)
Recognized in other comprehensive income (*2)	(743)	(35,160)	—	—
Purchases, sales, issuances, and settlements	(5,497)	(120,664)	112	277
Transfers to Fair Value Level 3 (*3)	—	—	—	—
Transfers from Fair Value Level 3 (*4)	—	(986)	—	—
Balance as of September 30, 2022	43,285	498,946	68	482
Unrealized gain or loss on financial instruments held as of September 30, 2022, recognized in profit or loss for the six months ended September 30, 2022 (*1)	—	15,888	—	(665)

(*1) These amounts are included in investment income and investment expenses in the consolidated statement of income for the six months ended September 30, 2022.

(*2) These amounts are included in net unrealized gains on available-for-sale securities under other comprehensive income in the consolidated balance sheet as of September 30, 2022.

(*3) There were no transfers from Fair Value Level 1 or Fair Value Level 2 to Fair Value Level 3.

(*4) These transfers are from Fair Value Level 3 to Fair Value Level 1 or Fair Value Level 2 and resulted from changes in the observability of inputs used to measure fair value. These transfers were carried out at the beginning of the six months ended September 30, 2022.

3) Explanation of the valuation process for fair value

The Company and its certain subsidiaries measure fair value based on a policy on fair value measurement determined internally. The Company and its certain subsidiaries ensure the suitability of the valuation techniques and inputs used to measure fair value, and the appropriateness of the fair value level classifications prescribed by the policy.

In determining fair value, the Company and its certain subsidiaries use valuation models that can most appropriately reflect the features, characteristics, and risks of individual financial instruments. In addition, even when using quoted prices obtained from third parties, the Company and its certain subsidiaries verify the suitability of such prices using appropriate methods, such as ensuring the appropriateness of the valuation techniques and inputs being used, and comparing those with fair values supplied by other vendors.

4) Explanation of impact on fair value in case of a change in significant unobservable inputs

This note is omitted because the Company does not estimate inputs that it cannot observe independently.

21. As of September 30, 2022, there were no significant changes in the consolidated balance sheet amounts and fair values of investment and rental properties from the end of the previous fiscal year.

22. (1) The total amount of bankrupt and quasi-bankrupt loans, doubtful loans, loans that are delinquent for over three months, and restructured loans, which were included in nonperforming assets, was ¥32,764 million as of September 30, 2022. The details of those balances were as follows:

1) The balance of bankrupt and quasi-bankrupt loans were ¥12,327 million, as of September 30, 2022.

Bankrupt and quasi-bankrupt loans are nonperforming assets and similar loans to debtors that have fallen into bankruptcy due to certain reasons, including initiation of bankruptcy proceedings, start of reorganization proceedings, or submission of an application to start rehabilitation proceedings.

2) The balance of doubtful loans was ¥18,821 million as of September 30, 2022.

Doubtful loans are nonperforming assets with a strong likelihood that loan principal cannot be recovered or interest cannot be received according to the loan contract because of difficulties in the financial condition and business performance of debtors who are not yet legally bankrupt, and do not fall under bankrupt and quasi-bankrupt loans.

3) There are no loans that are delinquent for over three months.

Loans that are delinquent for over three months are loans with principal or interest unpaid for over three months beginning one day after the due date based on the loan agreement, other than the loans classified as bankrupt and quasi-bankrupt loans, and doubtful loans.

4) The balance of restructured loans was ¥1,615 million as of September 30, 2022.

Restructured loans are loans that provide certain concessions favorable to borrowers with the intent of supporting the borrowers' restructuring, such as by reducing or exempting interest, postponing principal or interest payments, releasing credits, or providing other benefits to the borrowers, and do not fall under bankrupt and quasi-bankrupt loans, doubtful loans, and loans delinquent for over three months.

(2) Direct write-offs of the estimated uncollectible amounts of loans decreased the balance of bankrupt and quasi-bankrupt loans by ¥2,685 million, as of September 30, 2022.

23. The amount of accumulated depreciation of tangible fixed assets was ¥1,263,619 million as of September 30, 2022.

24. Separate account assets as provided in accordance with Article 118, Paragraph 1 of the Insurance Business Act were ¥1,374,492 million as of September 30, 2022, and a corresponding liability is recorded in the same amount.

25. Changes in the reserve for dividends to policyholders (mutual company) for the six months ended September 30, 2022, were as follows:

	Million Yen
	<u>Six months ended September 30, 2022</u>
a. Balance at the beginning of the current fiscal year	1,060,577
b. Transfer to reserve from surplus for the previous fiscal year	199,868
c. Dividends paid to policyholders (mutual company) during the current six-month period	116,166
d. Increase in interest	10,642
e. Balance at the end of the current six-month period (a+b-c+d)	<u>1,154,921</u>

26. Changes in the reserve for dividends to policyholders (limited company) for the six months ended September 30, 2022, were as follows:

	Million Yen
	<u>Six months ended September 30, 2022</u>
a. Balance at the beginning of the current fiscal year	53,297
b. Dividends paid to policyholders (limited company) during the current six-month period	5,967
c. Increase in interest	4
d. Provision for reserve for dividends to policyholders (limited company)	5,808
e. Balance at the end of the current six-month period (a-b+c+d)	<u>53,142</u>

27. Corporate bonds within liabilities are subordinated corporate bonds with special provisions that subordinate the fulfillment of obligations on the bonds to all other debt obligations.

The corporate bonds are callable at the discretion of the issuer, subject to the pre-approval of the regulatory authorities and other conditions.

The Company's corporate bond issuance dates and callable dates for currency swaps under designated hedge accounting are as follows:

Issue date	Callable date
October 2012	Each interest payment date on or after October 2022
October 2014	Tenth anniversary date after the issue date and on each fifth anniversary date thereafter
January 2016	Tenth anniversary date after the issue date and on each fifth anniversary date thereafter
September 2017	Tenth anniversary date after the issue date and on each fifth anniversary date thereafter
January 2020	Tenth anniversary date after the issue date and on each fifth anniversary date thereafter
January 2021	Tenth anniversary date after the issue date and on each fifth anniversary date thereafter
September 2021	Tenth anniversary date after the issue date and on each fifth anniversary date thereafter

Furthermore, the Company conducted the early redemption of corporate bonds on October 18, 2022, as follows. Interest expenses recorded for the corporate bonds redeemed early amounted to ¥5,149 million in the previous fiscal year and ¥2,560 million in the six months ended September 30, 2022.

Name	U.S.-dollar denominated subordinated corporate bonds due 2042 (with an optional interest payment deferral provision)
Issue date	October 18, 2012
Early redemption value	100 percent of par value
Early redemption amount	USD 2,000 million
Early redemption method	Early redemption of the full amount of the unredeemed balance

28. Other liabilities include subordinated loans payable of ¥931,000 million with special provisions that the fulfillment of obligations on the loans payable is subordinate to all other debt obligations.
29. Assets pledged as collateral in the form of cash and deposits, investments in securities, land, buildings, and lease receivables as of September 30, 2022, were ¥117,949 million, ¥4,164,702 million, ¥252 million, ¥37 million, and ¥3,647 million, respectively. The total amount of liabilities covered by the assets pledged was ¥2,831,541 million as of September 30, 2022.
These amounts included ¥2,547,680 million of sale of securities under repurchase agreements and ¥2,696,500 million of payables under repurchase agreements as of September 30, 2022.
30. The total amount of stocks and investments in nonconsolidated subsidiaries and affiliates was ¥692,001 million.
31. Matters concerning stock options are as follows:
- 1) Stock option-related expenses and line items
- | | |
|--------------------|---------------|
| | (Million Yen) |
| Operating expenses | 246 |
- 2) Gains related to the forfeiture of unexercised stock options and line items
- | | |
|--|---------------|
| | (Million Yen) |
| Gain on reversal of share acquisition rights | 4 |
32. The amount of securities lent under lending agreements was ¥2,691,589 million as of September 30, 2022.
33. Assets that the Company has a free disposal right to sell or re-pledge are marketable securities borrowed under lending agreements. These assets were held without being sold or re-pledged and totaled ¥296,212 million at fair value as of September 30, 2022.
34. The unused amount of commitments related to loans and similar loan agreements was ¥270,777 million as of September 30, 2022.

35. Revaluation of land used in the operations of the Company is performed based on the Act on Revaluation of Land. The tax effect of the amount related to the valuation difference between the book value and the revalued amount for land revaluation is recognized as a deferred tax liability within the liability section. The valuation differences are recognized as land revaluation losses within the net assets section.

Revaluation date	March 31, 2002
Revaluation methodology	The amount is calculated by using the listed value of the land and road rate as prescribed by Article 2, Items 1 and 4 of the Order for Enforcement of the Act on Revaluation of Land.

36. TAIJU LIFE INSURANCE COMPANY LIMITED, the Company's consolidated subsidiary, has concluded a modified coinsurance agreement covering foreign currency-denominated single payment endowment insurance (U.S. dollar and Australian dollar) and foreign currency-denominated single payment whole life insurance (U.S. dollar and Australian dollar).

Through these modified coinsurance agreements, insurance risk has been transferred, and reinsurance premiums, including additional policy reserves associated with market value adjustments upon interest rate fluctuations, have been recorded and presented in revenues from insurance and reinsurance.

The outstanding balance of reinsurance accounts payable related to this modified coinsurance agreement stood at ¥22,507 million as of September 30, 2022. The outstanding balance of the policy reserve component associated with the modified coinsurance agreement stood at ¥914,368 million as of September 30, 2022.

(5) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income
[Consolidated Statements of Income]

(Million Yen)

	Six months ended September 30, 2022	Six months ended September 30, 2021
Ordinary income:	5,001,981	4,150,079
Revenues from insurance and reinsurance	2,968,614	2,721,736
Investment income:	1,907,794	1,298,712
Interest, dividends, and other income	1,024,489	843,404
Gain on trading securities	—	3,395
Gain on sales of securities	383,828	412,081
Foreign exchange gains, net	491,465	—
Gain from separate accounts, net	—	33,135
Other ordinary income	125,572	129,629
Ordinary expenses:	4,961,596	3,658,537
Benefits and other payments:	2,683,154	2,238,640
Death and other claims	634,026	599,551
Annuity payments	471,298	476,130
Health and other benefits	559,516	448,121
Surrender benefits	770,102	585,954
Other refunds	109,599	73,042
Provision for policy reserves:	933,468	714,903
Provision for reserve for outstanding claims	74,155	—
Provision for policy reserves	848,666	704,174
Provision for interest on reserve for dividends to policyholders (mutual company)	10,642	10,724
Provision for interest on reserve for dividends to policyholders (limited company)	4	4
Investment expenses:	767,460	133,537
Interest expenses	20,597	16,981
Loss from assets held in trust, net	—	81
Loss on trading securities	36,921	—
Loss on sales of securities	440,421	19,348
Loss on valuation of securities	8,410	1,971
Loss on derivative financial instruments, net	178,157	3,944
Foreign exchange losses, net	—	43,300
Loss on separate accounts, net	33,854	—
Operating expenses	401,352	401,084
Other ordinary expenses	176,159	170,370
Ordinary profit	40,384	491,542

[Consolidated Statements of Income] (Continued)

(Million Yen)

	Six months ended September 30, 2022	Six months ended September 30, 2021
Extraordinary gains:	2,616	2,298
Gain on disposals of fixed assets	2,612	2,298
Gain on reversal of share acquisition rights	4	0
Extraordinary losses:	29,029	151,816
Loss on disposals of fixed assets	3,509	1,908
Impairment losses	3,050	15,255
Provision for reserve for price fluctuations in investments in securities	18,358	131,653
Loss on tax purpose reduction entry of real estate	1,111	—
Contributions for assisting social public welfare	3,000	3,000
Provision for reserve for dividends to policyholders (limited company)	5,808	5,995
Surplus before income taxes	8,162	336,028
Income taxes—current	8,572	181,841
Income taxes—deferred	(28,383)	(103,105)
Total income taxes	(19,811)	78,735
Net surplus	27,974	257,292
Net surplus (deficit) attributable to noncontrolling interests	1,318	1,456
Net surplus attributable to the parent company	26,656	255,836

Notes to the Consolidated Statement of Income for the Six Months Ended September 30, 2022

1. The Company uses the following methods to record revenues from insurance and reinsurance, and benefits and other payments.

- (1) Revenues from insurance and reinsurance (excluding revenues from reinsurance) are recorded as the amount of payments that have been received, in principle.
- (2) Benefits and other payments (excluding reinsurance premiums) are recorded as the amount of payments made with respect to policies for which an event that is a reason for payment of claims or benefits has occurred based on the policy clauses and the amount determined based on those policy clauses was paid.

2. Impairment losses are as follows:

- 1) Method for grouping the assets

Real estate for rental use and idle properties of the Company and certain consolidated subsidiaries are classified as one asset group per property. Assets utilized for insurance business operations are classified into one asset group for each operation.

- 2) Recognition of impairment losses

When a significant decrease in profitability or fair value of a certain asset group is noted, the book value is reduced to the recoverable amount, recognizing an impairment loss under extraordinary losses.

- 3) Breakdown of asset groups for which impairment losses were recognized for the six months ended September 30, 2022, is as follows:

Purpose of use	Million Yen		
	Land	Buildings	Total
Real estate for rental use	1,781	425	2,206
Idle properties	527	316	844
Total	2,308	742	3,050

- 4) Measurement of recoverable amount

The recoverable amount is based on either the value in use or net selling price of the asset.

In principle, the value in use is determined as the discounted future cash flows using a discount rate of 2.1% to 3.0%. Net selling price is determined based on appraisals performed in accordance with the “Real Estate Appraisal Standards” or standard land prices.

3. Reinsurance premiums presented in revenues from insurance and reinsurance of TAIJU LIFE INSURANCE COMPANY LIMITED, the Company's consolidated subsidiary, include reinsurance premiums of ¥105,501 million related to modified coinsurance agreements for foreign currency-denominated single payment endowment insurance (U.S. dollar and Australian dollar) and foreign currency-denominated single payment whole life insurance (U.S. dollar and Australian dollar). These reinsurance premiums include adjustment to policy reserves for ceded reinsurance (excluding additional policy reserves (reversals) associated with market value adjustments and related items) of ¥70,141 million and additional policy reserves (reversals) associated with market value adjustments and related items of ¥(6,120) million.

Through this reinsurance, ordinary profit and surplus before income taxes decreased by ¥7,055 million each.

[Consolidated Statements of Comprehensive Income]

(Million Yen)

	Six months ended September 30, 2022	Six months ended September 30, 2021
Net surplus	27,974	257,292
Other comprehensive income:	(1,554,168)	234,443
Net unrealized gains on available-for-sale securities	(1,498,672)	265,067
Deferred gains (losses) on derivatives under hedge accounting	(142,660)	(54,148)
Foreign currency translation adjustments	65,713	16,917
Remeasurement of defined benefit plans	897	1,204
Share of other comprehensive loss of associates accounted for under the equity method	20,553	5,402
Comprehensive income:	(1,526,194)	491,735
Comprehensive income attributable to the parent company	(1,511,834)	482,829
Comprehensive income attributable to noncontrolling interests	(14,359)	8,906

(6) Consolidated Statements of Cash Flows

(Million Yen)

	Six months ended September 30, 2022	Six months ended September 30, 2021
I. Cash flows from operating activities:		
Surplus before income taxes	8,162	336,028
Depreciation of real estate for rental use and other assets	10,882	10,551
Depreciation	36,089	37,671
Impairment losses	3,050	15,255
Amortization of goodwill	2,544	2,218
Net decrease in reserve for outstanding claims	74,294	(11,449)
Net increase in policy reserve	845,496	707,655
Provision for interest on reserve for dividends to policyholders (mutual company)	10,642	10,724
Provision for interest on reserve for dividends to policyholders (limited company)	4	4
Provision for reserve for dividends to policyholders (limited company)	5,808	5,995
Net increase in allowance for doubtful accounts	3,402	2,592
Net decrease in accrued bonuses for directors, and audit and supervisory board members	(287)	(288)
Net increase in net defined benefit liability	(769)	465
Net decrease in accrued retirement benefits for directors, and audit and supervisory board members	(22)	(47)
Net increase in reserve for price fluctuations in investments in securities	18,358	131,653
Interest, dividends, and other income	(1,024,489)	(843,404)
Net gains on investments in securities	61,346	(392,103)
Interest expenses	20,597	16,981
Net losses on tangible fixed assets	2,501	844
Gains from separate accounts	33,854	(33,135)
Others, net	(236,906)	15,843
Subtotal	(125,438)	14,056
Interest, dividends, and other income received	912,750	854,988
Interest paid	(18,471)	(12,282)
Dividends paid to policyholders (mutual company)	(95,479)	(95,460)
Dividends paid to policyholders (limited company)	(5,967)	(6,492)
Others, net	(26,523)	(24,134)
Income taxes paid	(120,824)	(86,025)
Net cash provided by operating activities	520,045	644,649

(6) Consolidated Statements of Cash Flows (Continued)

(Million Yen)

	Six months ended September 30, 2022	Six months ended September 30, 2021
II. Cash flows from investing activities:		
Net (increase) decrease in deposits	529	(231)
Purchases of monetary receivables purchased	(2,015)	(11,650)
Proceeds from sales and redemptions of monetary receivables purchased	21,039	23,096
Purchases of securities	(6,032,771)	(3,712,344)
Proceeds from sales and redemptions of securities	6,706,719	3,155,181
Disbursements for loans	(855,213)	(692,423)
Proceeds from collections of loans	717,145	715,205
Others, net	(1,297,841)	(360,055)
Total of asset management activities	(742,407)	(883,222)
[Sum of operating activities and asset management activities]	(222,361)	(238,572)
Purchases of tangible fixed assets	(31,922)	(36,937)
Proceeds from sales of tangible fixed assets	6,891	7,437
Others, net	(18,612)	(22,883)
Net cash used in investing activities	(786,049)	(935,605)
III. Cash flows from financing activities:		
Proceeds from debt borrowing	234,060	252,140
Repayments of debt	(36,740)	(147,620)
Proceeds from issuance of corporate bonds	—	138,793
Redemption of corporate bonds	—	(30,000)
Proceeds from issuance of foundation funds	—	50,000
Redemption of foundation funds	—	(50,000)
Interest payments on foundation funds	(265)	(277)
Others, net	(1,010)	(17,429)
Net cash provided by financing activities	196,044	195,605
IV. Effect of exchange rate changes on cash and cash equivalents	66,395	2,472
V. Net (decrease) increase in cash and cash equivalents	(3,564)	(92,877)
VI. Cash and cash equivalents at the beginning of the period	2,544,383	2,322,833
VII. Net increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	2,128	—
VIII. Cash and cash equivalents at the end of the period	2,542,947	2,229,955

Notes to the Consolidated Statement of Cash Flows for the Six Months Ended September 30, 2022

1. Cash and cash equivalents

Cash and cash equivalents, for the purpose of reporting consolidated cash flows for the six months ended September 30, 2022, are composed of cash in hand, deposits held at call with banks, 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.

(7) Consolidated Statements of Changes in Net Assets

For the six months ended September 30, 2022

(Million Yen)

	Foundation funds and others				
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Consolidated surplus	Total foundation funds and others
Beginning balance	100,000	1,350,000	651	740,576	2,191,227
Increase/decrease:					
Additions to reserve for dividends to policyholders (mutual company)				(199,868)	(199,868)
Interest on foundation funds				(265)	(265)
Net surplus attributable to the parent company				26,656	26,656
Reversal of land revaluation losses				(2,862)	(2,862)
Changes in the scope of consolidation and application of the equity method				(390)	(390)
Change in ownership interest of the parent due to transactions with noncontrolling interests				230	230
Net change, excluding foundation funds and others					
Net change	—	—	—	(176,499)	(176,499)
Ending balance	100,000	1,350,000	651	564,077	2,014,728

(7) Consolidated Statements of Changes in Net Assets (Continued)

For the six months ended September 30, 2022

(Million Yen)

	Accumulated other comprehensive income						Share acquisition rights	Non-controlling interests	Total net assets
	Net unrealized gains on available-for-sale securities	Deferred losses on derivatives under hedge accounting	Land revaluation losses	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Beginning balance	6,124,915	(375,170)	(60,363)	17,362	(2,518)	5,704,225	1,671	155,930	8,053,054
Increase/decrease:									
Additions to reserve for dividends to policyholders (mutual company)									(199,868)
Interest on foundation funds									(265)
Net surplus attributable to the parent company									26,656
Reversal of land revaluation losses									(2,862)
Changes in the scope of consolidation and application of the equity method									(390)
Change in ownership interest of the parent due to transactions with noncontrolling interests									230
Net change, excluding foundation funds and others	(1,479,183)	(141,915)	2,862	81,762	845	(1,535,628)	176	(16,382)	(1,551,834)
Net change	(1,479,183)	(141,915)	2,862	81,762	845	(1,535,628)	176	(16,382)	(1,728,333)
Ending balance	4,645,731	(517,085)	(57,501)	99,125	(1,672)	4,168,597	1,848	139,547	6,324,721

(7) Consolidated Statements of Changes in Net Assets (Continued)

For the six months ended September 30, 2021

(Million Yen)

	Foundation funds and others				
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Consolidated surplus	Total foundation funds and others
Beginning balance	100,000	1,300,000	651	709,574	2,110,225
Increase/decrease:					
Issuance of foundation funds	50,000				50,000
Additions to reserve for dividends to policyholders (mutual company)				(276,006)	(276,006)
Additions to reserve for redemption of foundation funds		50,000		(50,000)	—
Interest on foundation funds				(277)	(277)
Net surplus attributable to the parent company				255,836	255,836
Redemption of foundation funds	(50,000)				(50,000)
Reversal of land revaluation losses				2,295	2,295
Change in ownership interest of the parent due to transactions with noncontrolling interests				675	675
Net change, excluding foundation funds and others					
Net change	—	50,000	—	(67,476)	(17,476)
Ending balance	100,000	1,350,000	651	642,098	2,092,749

(7) Consolidated Statements of Changes in Net Assets (Continued)

For the six months ended September 30, 2021

(Million Yen)

	Accumulated other comprehensive income						Share acquisition rights	Non-controlling interests	Total net assets
	Net unrealized gains on available-for-sale securities	Deferred losses on derivatives under hedge accounting	Land revaluation losses	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Beginning balance	6,767,268	(163,088)	(57,447)	(25,774)	(6,511)	6,514,448	1,349	190,546	8,816,569
Increase/decrease:									
Issuance of foundation funds									50,000
Additions to reserve for dividends to policyholders (mutual company)									(276,006)
Additions to reserve for redemption of foundation funds									—
Interest on foundation funds									(277)
Net surplus attributable to the parent company									255,836
Redemption of foundation funds									(50,000)
Reversal of land revaluation losses									2,295
Change in ownership interest of the parent due to transactions with noncontrolling interests									675
Net change, excluding foundation funds and others	260,495	(54,031)	(2,295)	19,380	1,148	224,697	72	8,503	233,273
Net change	260,495	(54,031)	(2,295)	19,380	1,148	224,697	72	8,503	215,797
Ending balance	7,027,764	(217,119)	(59,742)	(6,393)	(5,362)	6,739,146	1,421	199,049	9,032,366

Notes to Statements of Changes in Net Assets for the Six Months Ended September 30, 2022

1. Matters concerning share acquisition rights

(Million Yen)

Classification	Breakdown of share acquisition rights	Balance as of September 30, 2022
Nippon Life India Asset Management Limited	Share acquisition rights provided as stock options	1,848

(8) Consolidated Solvency Margin Ratio

(Million Yen)

	As of September 30, 2022	As of March 31, 2022
Solvency margin gross amount (A):	17,228,283	18,807,337
Foundation funds (<i>kikin</i>) and other reserve funds:	6,164,810	6,076,899
Foundation funds and others	2,009,542	2,011,828
Reserve for price fluctuations in investments in securities	1,702,934	1,684,575
Contingency reserve	2,210,899	2,139,183
Extraordinary contingency reserve	—	—
General allowance for doubtful accounts	2,903	3,201
Others	238,530	238,109
Net unrealized gains on available-for-sale securities (before tax) and deferred losses on derivatives under hedge accounting (before tax) × 90%	5,382,238	7,273,155
Net unrealized gains on real estate × 85%	581,447	578,283
Total amount of unrecognized actuarial gains/losses and unrecognized prior service cost	(2,395)	(3,568)
Excess of continued Zillmerized reserve	2,765,240	2,698,006
Qualifying subordinated debt	2,466,905	2,265,905
Excess of continued Zillmerized reserve and qualifying subordinated debt not included in margin calculations	—	—
Deduction clause	(190,431)	(259,146)
Others	60,469	177,803
Total amount of risk (B): $\sqrt{(\sqrt{R_1^2 + R_5^2 + R_8 + R_9})^2 + (R_2 + R_3 + R_7)^2} + R_4 + R_6$	3,250,357	3,357,311
Underwriting risk (R ₁)	189,047	189,313
General underwriting risk (R ₅)	—	—
Huge disaster risk (R ₆)	—	—
Underwriting risk of third-sector insurance (R ₈)	104,510	103,984
Underwriting risk related to small amount and short-term insurance providers (R ₉)	0	—
Anticipated yield risk (R ₂)	328,335	334,186
Minimum guarantee risk (R ₇)	8,491	8,489
Investment risk (R ₃)	2,830,734	2,930,196
Business management risk (R ₄)	69,222	71,323
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	1,060.0%	1,120.3%

Notes: 1. The amounts and figures in the table above are calculated based on the provisions of Article 86-2 and Article 88 of the Ordinance for Enforcement of the Insurance Business Act and the Financial Services Agency Public Notice No. 23 of 2011.
2. The standard method is used for the calculation of the amount equivalent to minimum guarantee risk.

(9) Segment Information

For the six months ended September 30, 2022, the Company and its consolidated subsidiaries engaged in insurance business and insurance-related businesses (including asset management-related business and general administration-related business) in Japan and overseas. Segment information and its related information are omitted because there are no other significant segments to be reported.