May 24, 2023

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

Nippon Life Insurance Company (the “Company”; President: Hiroshi Shimizu) announces financial results (draft) for the fiscal year ended March 31, 2023.

[Contents]

I. Financial Summary (draft) for the Fiscal Year Ended March 31, 2023

The Company will submit the financial results for the fiscal year ended March 31, 2023 (draft) for discussion at the 76th annual meeting of the representatives of policyholders to be held on July 4, 2023. A summary of the results is provided below.

1. Business Highlights

(1) Annualized Premium

•Policies in Force

(100 Million Yen, %)

		As of March 31, 2023		As of March 31, 2022	
			As a percentage of March 31, 2022		As a percentage of March 31, 2021
Individual insurance		26,462	100.1	26,444	99.8
Individual annuities		10,954	97.3	11,256	103.4
Total		37,417	99.2	37,700	100.9
	Medical coverages, living benefits, and others	6,830	101.3	6,740	101.5

•New Policies

(100 Million Yen, %)

		Year ended March 31, 2023		Year ended March 31, 2022	
			As a percentage of March 31, 2022		As a percentage of March 31, 2021
Individual insurance		2,072	111.6	1,857	127.5
Individual annuities		282	32.0	882	137.1
Total		2,354	86.0	2,739	130.5
	Medical coverages, living benefits, and others	490	99.1	495	114.7

Notes: 1. The amount of annualized premium is the annualized premium amount calculated by multiplying a single premium payment by a factor according to the premium payment method (for lump-sum payment 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 March 31, 2023				As of March 31, 2022			
	Number of policies		Amount of policies		Number of policies		Amount of policies	
	(thousands)	As a percentage of March 31, 2022 (%)	(100 million yen)	As a percentage of March 31, 2022 (%)	(thousands)	As a percentage of March 31, 2021 (%)	(100 million yen)	As a percentage of March 31, 2021 (%)
Individual insurance	30,814	101.1	1,239,244	97.2	30,487	102.6	1,274,876	98.3
Individual annuities	4,173	98.5	252,402	97.4	4,238	102.4	259,051	103.0
Group insurance	—	—	975,018	99.2	—	—	982,613	99.5
Group annuities	—	—	140,926	101.4	—	—	138,953	101.8

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

	Year ended March 31, 2023						Year ended March 31, 2022					
	Number of policies		Amount of policies				Number of policies		Amount of policies			
	(thousands)	As a percentage of March 31, 2022 (%)	(100 million yen)	As a percentage of March 31, 2022(%)	New policies	Net increase (decrease) by conversion	(thousands)	As a percentage of March 31, 2021 (%)	(100 million yen)	As a percentage of March 31, 2021 (%)	New policies	Net increase (decrease) by conversion
Individual insurance	3,995	94.9	49,890	81.2	52,903	(3,012)	4,211	110.9	61,477	107.2	62,996	(1,519)
Individual annuities	123	44.0	7,237	35.2	7,364	(127)	279	137.9	20,576	140.2	20,482	94
Group insurance	—	—	8,944	412.4	8,944		—	—	2,169	80.2	2,169	
Group annuities	—	—	5	378.4	5		—	—	1	7.1	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 represents annuity resources at the start of annuity payments.

4. The amount of new policies for group annuities represents the first-time premium.

(3) Major Profit and Loss Items

(100 Million Yen, %)

	Year ended March 31, 2023		Year ended March 31, 2022	
		As a percentage of March 31, 2022		As a percentage of March 31, 2021
Revenues from insurance and reinsurance	46,479	107.9	43,079	101.0
Investment income	25,948	122.6	21,165	101.6
Benefits and other payments	40,992	110.5	37,090	97.5
Investment expenses	11,917	465.1	2,562	112.6
Ordinary profit	2,478	50.3	4,932	114.4

(4) Proposed Appropriations of Surplus

(100 Million Yen, %)

	Year ended March 31, 2023		Year ended March 31, 2022	
		As a percentage of March 31, 2022		As a percentage of March 31, 2021
Unappropriated surplus at the year-end	1,863	52.1	3,577	108.7
Provision of reserve for dividends to policyholders	1,819	91.0	1,998	72.4
Net surplus after deduction	876	3.8	2,311	415.4

(5) Total Assets

(100 Million Yen, %)

	As of March 31, 2023		As of March 31, 2022	
		As a percentage of March 31, 2022		As a percentage of March 31, 2021
Total assets	756,040	98.7	765,674	103.5

2. Overview of General Accounts Asset Management for the Fiscal Year Ended March 31, 2023

(1) Investment Environment

In the fiscal year ended March 31, 2023, the Japanese economy experienced firm consumer spending and capital investment, against the backdrop of factors such as the lifting of movement restrictions, high levels of savings, and robust corporate business performance. This was despite the fact that consumer prices rose at their fastest rate in around 40 years, owing primarily to rising import prices associated with high resource prices and a weaker yen. Meanwhile, the overall economy continued to advance and retreat due to sluggish exports, which reflected the slowdown of overseas economies, primarily Europe and the United States. 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. Subsequently, despite some periods of volatility due to factors such as uncertainty about overseas monetary policies, the Bank of Japan’s modification of monetary policy, and the Russia-Ukraine situation, the index remained firm when viewed on a full fiscal-year basis, supported by robust corporate earnings against the backdrop of the resumption of domestic economic activities. The index finished at ¥28,041 at the end of March 2023.
- The yield rate on 10-year Japanese government bonds at the start of the fiscal year was 0.22%. Thereafter, in December, the Bank of Japan expanded the range of 10-year Japanese government bond yield fluctuations in the framework of yield curve control from between around plus and minus 0.25 percentage points to between around plus and minus 0.50 percentage points. Although this modification caused the yield rate to rapidly rise to around 0.50%, the yield rate then declined slightly in response to the impact of financial system instability in Europe and the United States. The yield rate stood at 0.32% at the end of March 2023.
- The yen-dollar exchange rate at the start of the fiscal year was at the ¥122 level. Thereafter, the yen weakened against the dollar, temporarily reaching the ¥150 level, reflecting a growing interest rate divergence between Japan and the United States due to interest rate hikes in the United States. However, from the second half of the fiscal year, the Bank of Japan’s modification of monetary policy and waning expectations for interest rate hikes in the United States in response to the impact of financial system instability caused the yen to decline to the ¥130 level. The yen-dollar exchange rate was ¥133.53 at the end of March 2023.

  The yen-euro exchange rate at the start of the fiscal year was at the ¥135 level. Subsequently, the yen weakened against the euro, reflecting a growing interest rate divergence between Japan and the euro zone due to interest rate hikes in the euro zone. The yen-euro exchange rate was ¥145.72 at the end of March 2023.

(2) Investment Summary

The Company's general account assets decreased by ¥902.4 billion compared with March 31, 2022, totaling ¥74,457.4 billion (1.2% decrease compared with the previous fiscal year-end) as of March 31, 2023.

The Company has positioned yen-denominated assets that can be expected to provide stable income, such as government and corporate bonds, as its core assets. From the perspective of improving profits in the mid- to long-term, the Company invested in stocks and foreign securities within the scope of acceptable risk, while taking into account business stability.

- The Company captured the opportunity of rising interest rates and accumulated additional outstanding domestic bond balances, taking into consideration the advantages against other yen interest rate assets.
- The Company focused on safe and stable prime lending by accurately assessing credit risks.
- For domestic stocks, the Company strove to enhance the profitability of its portfolio by replacing certain stocks, while focusing the Company's attention on corporate profitability and dividends from the mid- to long-term investing perspective.
- Regarding foreign securities, the Company invested in government and corporate bonds denominated in foreign currencies based on currency movements. Also, the Company invested in foreign bonds with foreign exchange hedges, taking into consideration the advantages against other yen interest rate assets.

(3) Status of Investment Income/Expense

Investment income was ¥2,594.8 billion, an increase from ¥2,086.9 billion in the fiscal year ended March 31, 2022. The main factor behind this increase was an increase in interest, dividends, and other income.

Investment expenses amounted to ¥1,185.4 billion, an increase from ¥256.2 billion in the fiscal year ended March 31, 2022. 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 ¥421.3 billion, compared with the fiscal year ended March 31, 2022, to ¥1,409.3 billion.

(4) Investment Risk Management

Investment risk refers to risk of incurring losses when the value of the Company's assets and liabilities fluctuates. It can be categorized into market risk, credit risk, and real estate investment risk. The long-term nature of life insurance policies requires a long-term approach based on liability characteristics to manage risks associated with investment. Hence, the Company seeks to manage its portfolio efficiently based on risk-return analyses that emphasize the importance of generating investment returns over the medium to long terms.

The Company has, therefore, established the Investment Risk Management Department within the Risk Management Department and, by maintaining and upgrading its rigorous system for managing risks, the Company strives to limit losses to acceptable levels, while pursuing stable returns.

a. Market risk management

Market risk refers to risk of incurring losses when the fair value of invested assets and liabilities fluctuates due to factors, such as fluctuations in interest rates, exchange rates, or stock prices. To avoid excessive losses from financing and investment transactions, the Company manages market risk by setting and monitoring investment limits for each type of asset and holding purpose as necessary. Through these measures, the Company strives to build a portfolio with due consideration to the diversification of risk. In addition, to control the market risk of the Company's portfolio, the Company reasonably calculates the market value-at-risk and appropriately allocates assets within acceptable boundaries of risk.

b. Credit risk management

Credit risk refers to risk of incurring losses when the value of assets, primarily loans and bonds, declines due to deterioration of the financial condition of a party to whom credit has been extended. To manage credit risk, the Company has built a system to perform credit analysis, including strict assessment of individual transactions by the Assessment Management Department, which is independent of the departments handling investment and finance activities. The Company also continues to build a sound portfolio through the establishment and monitoring of interest guidelines to ensure the returns that the Company obtains are commensurate with the risk, a system of internal ratings for classifying the creditworthiness of borrowers, and credit ceilings to ensure that credit risk is not excessively concentrated in a particular company, group, or country. In addition, the Company calculates credit value-at-risk as a measurement of the magnitude of credit risk across the portfolio of the Company as a whole, and monitor whether the magnitude of risk stays within an appropriate range.

c. Real estate investment risk management

Real estate investment risk refers to risk of reduced returns caused by factors such as rent decline, as well as incurring losses when real estate values decline due to market deterioration and other factors. The Company's approach to manage real estate investment risk involves the rigorous examination of each investment by the Credit Department, which is independent of the departments handling investment and finance activities. The Company also adheres to a policy involving thresholds for investment returns and prices. This enables the Company to appropriately focus management efforts on properties with low profitability.

(5) Asset Liability Management

For life insurance companies to carry out stable management in the long term, it is crucial to use the Asset Liability Management approach as a basis for understanding the status of liabilities for payments of future insurance benefits (policy reserves) and investment assets as well as for adjusting investment periods. The Company analyzes and evaluates liability cash flows, risk of falling short of assumed interest rates, and level of allowed risk for each product, and decides the mid- to long-term investment plan at the Managing Directors' meetings and the Risk Management Committee meetings.

3. Investment Management Performance (General Account)

(1) Asset Composition

(100 Million Yen, %)

	As of March 31, 2023		As of March 31, 2022	
	Amount	%	Amount	%
Cash, deposits, and call loans	8,990	1.2	9,843	1.3
Receivables under resale agreements	—	—	—	—
Receivables under securities borrowing transactions	—	—	—	—
Monetary receivables purchased	1,245	0.2	1,504	0.2
Proprietary trading securities	—	—	—	—
Assets held in trust	—	—	—	—
Investments in securities:	624,904	83.9	638,178	84.7
Domestic bonds	301,563	40.5	281,507	37.4
Domestic stocks	102,536	13.8	101,869	13.5
Foreign securities:	189,544	25.5	221,057	29.3
Foreign bonds	100,729	13.5	137,760	18.3
Foreign stocks and other securities	88,814	11.9	83,297	11.1
Other securities	31,259	4.2	33,743	4.5
Loans:	77,946	10.5	74,980	9.9
Policy loans	4,378	0.6	4,573	0.6
Industrial and consumer loans	73,568	9.9	70,406	9.3
Real estate:	17,050	2.3	16,957	2.3
Investment property	11,095	1.5	10,863	1.4
Deferred tax assets	—	—	—	—
Other assets	14,523	2.0	12,204	1.6
Allowance for doubtful accounts	(85)	(0.0)	(69)	(0.0)
Total assets (general account):	744,574	100.0	753,599	100.0
Foreign currency-denominated assets	181,340	24.4	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)

	Year ended March 31, 2023	Year ended March 31, 2022
Cash, deposits, and call loans	(853)	(0)
Receivables under resale agreements	—	—
Receivables under securities borrowing transactions	—	—
Monetary receivables purchased	(258)	(221)
Proprietary trading securities	—	—
Assets held in trust	—	(1)
Investments in securities:	(13,274)	23,120
Domestic bonds	20,055	19,253
Domestic stocks	667	(3,913)
Foreign securities:	(31,512)	8,415
Foreign bonds	(37,030)	89
Foreign stocks and other securities	5,517	8,326
Other securities	(2,484)	(636)
Loans:	2,966	673
Policy loans	(195)	(334)
Industrial and consumer loans	3,161	1,007
Real estate:	92	91
Investment property	232	155
Deferred tax assets	—	—
Other assets	2,319	2,455
Allowance for doubtful accounts	(16)	13
Total assets (general account):	(9,024)	26,130
Foreign currency-denominated assets	(34,354)	8,936

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

(3) Investment Income

(100 Million Yen)

	Year ended March 31, 2023	Year ended March 31, 2022
Interest, dividends, and other income:	17,281	15,373
Interest on deposits and savings	30	5
Interest on securities and dividends	14,790	13,166
Interest on loans	1,222	1,043
Real estate rental income	1,121	1,077
Other income	116	81
Gain on proprietary trading securities	—	—
Gain from assets held in trust, net	—	—
Gain on trading securities	—	—
Gain on sales of securities:	8,055	4,652
Gain on sales of domestic bonds, including national government bonds	1,289	239
Gain on sales of domestic stocks and other securities	2,980	3,667
Gain on sales of foreign securities	3,778	745
Other gains	7	—
Gain on redemptions of securities	283	78
Gain on derivative financial instruments, net	—	—
Foreign exchange gains, net	313	703
Reversal of allowance for doubtful accounts	—	12
Reversal of allowance for investment loss	3	40
Other investment income	10	8
Total	25,948	20,869

(4) Investment Expenses

(100 Million Yen)

	Year ended March 31, 2023	Year ended March 31, 2022
Interest expenses	374	325
Loss on proprietary trading securities	—	—
Loss from assets held in trust, net	—	0
Loss on trading securities	—	—
Loss on sales of securities:	8,743	1,136
Loss on sales of domestic bonds, including national government bonds	1,774	757
Loss on sales of domestic stocks and other securities	1,008	150
Loss on sales of foreign securities	5,960	228
Other losses	0	—
Loss on valuation of securities:	62	131
Loss on valuation of domestic bonds, including national government bonds	—	—
Loss on valuation of domestic stocks and other securities	42	116
Loss on valuation of foreign securities	19	14
Other losses	0	0
Loss on redemptions of securities	70	70
Loss on derivative financial instruments, net	1,759	129
Foreign exchange losses, net	—	—
Provision for allowance for doubtful accounts	48	—
Provision for allowance for investment loss	—	—
Write-offs of loans	—	—
Depreciation of real estate for rental use and other assets	192	183
Other investment expenses	602	584
Total	11,854	2,562

(5) Investment Indicators

1) Yield on primary assets

(%)

	Year ended March 31, 2023	Year ended March 31, 2022
Cash, deposits, and call loans	0.12	(0.03)
Receivables under resale agreements	—	—
Receivables under securities borrowing transactions	—	—
Monetary receivables purchased	1.38	1.83
Proprietary trading securities	—	—
Assets held in trust	—	(1.94)
Investments in securities:	2.33	3.08
Domestic bonds	1.23	1.27
Domestic stocks	11.74	12.49
Foreign securities	2.35	3.67
Foreign bonds	(0.25)	2.65
Foreign stocks and other securities	5.94	5.43
Loans:	1.24	1.39
Industrial and consumer loans	1.04	1.18
Real estate:	2.48	2.45
Investment property	3.75	3.75
General account total:	2.08	2.78
Overseas investments	2.19	3.47

Notes: 1. Yields are calculated by dividing investment income, less investment expenses, by the daily average book value balance.
2. The amount of overseas investments is the sum of assets denominated in foreign currencies and yen.

2) Daily average balance

(100 Million Yen)

	Year ended March 31, 2023	Year ended March 31, 2022
Cash, deposits, and call loans	8,493	8,607
Receivables under resale agreements	—	—
Receivables under securities borrowing transactions	—	—
Monetary receivables purchased	1,361	1,586
Proprietary trading securities	—	—
Assets held in trust	—	44
Investments in securities:	549,498	535,470
Domestic bonds	288,189	271,096
Domestic stocks	45,548	45,505
Foreign securities	182,788	186,291
Foreign bonds	106,076	118,122
Foreign stocks and other securities	76,711	68,168
Loans:	75,480	73,852
Industrial and consumer loans	71,012	69,134
Real estate:	17,063	16,987
Investment property	11,027	10,850
General account total:	678,241	658,444
Overseas investments	200,201	203,724

(6) Net Valuation Gains/Losses on Trading Securities (Other Than Trading Securities)

(100 Million Yen)

	As of March 31, 2023		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.

(7) Fair Value Information of Securities (Other Than Trading Securities)

(100 Million Yen)

	As of March 31, 2023					As of March 31, 2022				
	Book value	Fair value	Net gains/ losses	Gains	Losses	Book value	Fair value	Net gains/ losses	Gains	Losses
Policy-reserve-matching bonds*	270,389	277,247	6,857	17,340	(10,483)	256,923	277,148	20,225	24,747	(4,522)
Held-to-maturity debt securities	—	—	—	—	—	—	—	—	—	—
Investments in subsidiaries and affiliates	1,286	2,141	855	855	—	1,286	3,355	2,069	2,069	—
Available-for-sale securities:	266,348	339,389	73,040	80,864	(7,823)	283,105	367,600	84,494	89,361	(4,866)
Domestic bonds	32,676	33,432	756	1,178	(422)	25,575	26,836	1,260	1,474	(214)
Domestic stocks	39,699	95,854	56,155	57,014	(859)	39,444	95,694	56,250	57,248	(998)
Foreign securities:	161,665	177,985	16,320	21,667	(5,347)	184,764	210,729	25,965	28,832	(2,867)
Foreign bonds	91,399	99,423	8,023	10,464	(2,440)	120,938	136,689	15,751	17,653	(1,902)
Foreign stocks and other securities	70,265	78,562	8,296	11,203	(2,906)	63,825	74,039	10,214	11,179	(965)
Other securities	30,081	29,897	(183)	1,003	(1,187)	31,401	32,422	1,020	1,804	(784)
Monetary receivables purchased	149	143	(6)	0	(6)	222	220	(2)	0	(2)
Negotiable certificates of deposit	2,076	2,075	(0)	0	(0)	1,696	1,695	(0)	0	(0)
Total	538,024	618,778	80,753	99,060	(18,307)	541,315	648,104	106,789	116,178	(9,389)
Domestic bonds	300,807	308,320	7,512	18,407	(10,894)	280,247	301,598	21,351	26,086	(4,735)
Domestic stocks	39,699	95,854	56,155	57,014	(859)	39,444	95,694	56,250	57,248	(998)
Foreign securities:	164,098	181,351	17,253	22,607	(5,354)	187,009	215,132	28,122	30,990	(2,867)
Foreign bonds	92,555	100,659	8,103	10,551	(2,447)	121,907	137,747	15,840	17,742	(1,902)
Foreign stocks and other securities	71,542	80,692	9,149	12,056	(2,906)	65,102	77,384	12,281	13,247	(965)
Other securities	30,090	29,909	(181)	1,006	(1,187)	31,410	32,433	1,022	1,806	(784)
Monetary receivables purchased	1,252	1,266	14	25	(11)	1,506	1,548	42	46	(4)
Negotiable certificates of deposit	2,076	2,075	(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 March 31, 2023	As of March 31, 2022
Investments in subsidiaries and affiliates	14,757	13,377
Available-for-sale securities:	2,041	1,973
Unlisted domestic stocks	561	554
Unlisted foreign stocks	0	2
Others	1,479	1,416
Total	16,799	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:
¥92.1 billion as of March 31, 2022, and ¥120.5 billion as of March 31, 2023.

(8) Fair Value Information of Assets Held in Trust

(100 Million Yen)

	As of March 31, 2023					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 March 31, 2023		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 March 31, 2023 and 2022.

4. Policies in Force by Types of Benefits as of March 31, 2023

		Individual insurance		Individual annuities		Group insurance		Total	
		Number of policies (thousands)	Amount (100 million yen)	Number of policies (thousands)	Amount (100 million yen)	Number of policies (thousands)	Amount (100 million yen)	Number of policies (thousands)	Amount (100 million yen)
Death protection	General	30,384	1,227,876	—	—	27,164	974,891	57,548	2,202,767
	Disaster	1,669	230,462	52	1,275	2,617	30,209	4,338	261,946
	Others	125	1,453	—	—	66	1,393	191	2,847
Pure endowment		430	11,368	4,173	252,402	6	127	4,610	263,898
Hospitalization coverage	Disaster	6,696	429	188	8	1,292	12	8,177	451
	Illness	6,691	429	187	8	—	—	6,878	438
	Others	4,747	335	43	1	55	0	4,846	337
Disability coverage		6,756	—	49	—	2,623	—	9,429	—
Surgical coverage		9,502	—	187	—	—	—	9,689	—

	Group annuities		Workers' asset-formation insurance/annuities		Total	
	Number of policies (thousands)	Amount (100 million yen)	Number of policies (thousands)	Amount (100 million yen)	Number of policies (thousands)	Amount (100 million yen)
Pure endowment	8,895	140,926	141	4,287	9,037	145,213

	Medical care insurance	
	Number of policies (thousands)	Amount (100 million yen)
Hospitalization coverage	773	36

	Disability income insurance	
	Number of policies (thousands)	Amount (100 million yen)
Disability income coverage	1,876	628

Notes:
1. The number of policies for "Group insurance," "Group annuities," "Workers' asset-formation insurance/annuities," "Medical care insurance," and "Disability income insurance" represents the number of insureds.
2. The amount of "Pure endowment" for "Individual annuities," "Group insurance" (annuity riders), and "Workers' asset-formation annuities" (excluding workers' asset-formation savings annuities) represents the total of (a) annuity resources at the start of the annuities for policies bound prior to the start of the annuity payments and (b) policy reserves for policies bound after the start of the annuity payments; and for "Group annuities," "Workers' asset-formation insurance," and workers' asset-formation savings annuities, which are included in "Workers' asset-formation insurance," it represents the amount of corresponding policy reserves.
3. The amount of "Hospitalization coverage" represents the amount of daily hospitalization benefits. General hospitalization insurance and income support insurance for continuous hospitalization represent the coverage per day.
4. The amount of "Hospitalization coverage" for medical care insurance represents the amount related to hospitalization from illness.
5. The amount of disability income insurance represents the amount of monthly disability benefits.
6. The number of insureds and amount of policies for reinsurance written were 20,000 and ¥20.6 billion, respectively.

5. Nonconsolidated Balance Sheets

(Million Yen)

	As of March 31, 2023	As of March 31, 2022
Assets:		
Cash and deposits:	744,569	846,592
Cash	69	47
Deposits	744,500	846,544
Call loans	426,706	500,978
Monetary receivables purchased	124,514	150,404
Investments in securities:	63,234,750	64,515,469
National government bonds	27,526,011	25,271,685
Local government bonds	905,096	932,220
Corporate bonds	2,029,531	2,254,635
Domestic stocks	10,312,131	10,296,652
Foreign securities	19,122,228	22,254,725
Other securities	3,339,751	3,505,550
Loans:	7,794,689	7,498,037
Policy loans	437,868	457,394
Industrial and consumer loans	7,356,821	7,040,642
Tangible fixed assets:	1,723,066	1,714,816
Land	1,137,664	1,145,876
Buildings	546,152	519,898
Lease assets	4,124	5,412
Construction in progress	21,217	29,992
Other tangible fixed assets	13,907	13,636
Intangible fixed assets:	187,716	190,254
Software	86,049	96,849
Other intangible fixed assets	101,666	93,404
Reinsurance receivables	269	370
Other assets:	1,342,332	1,114,688
Accounts receivable	220,050	168,641
Prepaid expenses	18,274	19,101
Accrued income	301,363	310,704
Money on deposit	31,905	33,488
Deposits for futures transactions	108,687	116,519
Futures transactions’ variation margin	371	2
Derivative financial instruments	247,094	247,333
Suspense payments	7,765	4,114
Other assets	406,820	214,784
Customers’ liability for acceptances and guarantees	62,486	71,647
Allowance for doubtful accounts	(8,530)	(6,910)
Allowance for investment loss	(28,502)	(28,867)
Total assets	75,604,068	76,567,483

5. Nonconsolidated Balance Sheets (Continued)

(Million Yen)

	As of March 31, 2023	As of March 31, 2022
Liabilities:		
Policy reserves and other reserves:	60,951,264	59,930,807
Reserve for outstanding claims	203,782	192,426
Policy reserves	59,675,536	58,677,803
Reserve for dividends to policyholders	1,071,945	1,060,577
Reinsurance payables	394	451
Corporate bonds	1,263,265	1,420,305
Other liabilities:	4,283,512	4,929,722
Payables under repurchase agreements	1,951,398	2,452,560
Loans payable	937,308	737,551
Income taxes payable	—	82,933
Accounts payable	175,898	167,940
Accrued expenses	63,872	60,594
Deferred income	16,818	16,557
Deposits received	125,233	124,034
Guarantee deposits received	87,625	85,243
Futures transactions’ variation margin	129	401
Derivative financial instruments	839,853	1,129,056
Cash collateral received for financial instruments	52,672	49,335
Lease obligations	4,268	5,218
Asset retirement obligations	6,632	6,293
Suspense receipts	13,418	12,002
Other liabilities	8,383	—
Accrued bonuses for directors, and audit and supervisory board members	439	434
Accrued retirement benefits	378,333	378,203
Reserve for program points	8,444	8,770
Reserve for price fluctuations in investments in securities	1,584,428	1,590,233
Deferred tax liabilities	149,863	484,574
Deferred tax liabilities for land revaluation	99,350	100,444
Acceptances and guarantees	62,486	71,647
Total liabilities	68,781,784	68,915,596

5. Nonconsolidated Balance Sheets (Continued)

(Million Yen)

	As of March 31, 2023	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:	506,285	523,063
Legal reserve for deficiencies	21,282	19,988
Other surplus reserves:	485,003	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	186,354	357,789
Total foundation funds and others	1,956,936	1,973,714
Net unrealized gains on available-for-sale securities	5,297,929	6,112,896
Deferred losses on derivatives under hedge accounting	(376,317)	(374,361)
Land revaluation losses	(56,264)	(60,363)
Total valuations, conversions, and others	4,865,347	5,678,172
Total net assets	6,822,283	7,651,886
Total liabilities and net assets	75,604,068	76,567,483

Notes to the Nonconsolidated Balance Sheet as of March 31, 2023

1. Effective from the fiscal year ended March 31, 2023, 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") 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 fiscal year ended March 31, 2023 over the future. As a result, certain investment trusts that had been previously carried on the nonconsolidated balance sheet at acquisition cost are stated at fair value on the nonconsolidated balance sheet from the fiscal year ended March 31, 2023.

2. (1) Securities (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 (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. Available-for-sale securities are measured at the fair value based mainly on market prices on the balance sheet date (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 without market prices are measured at cost using the moving average method.

(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 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

    Additionally, in an effort to promote further ALM based on economic value, the Company has modified its calculation method for policy reserve duration to conform to valuation methods based on economic value beginning with the fiscal year ended March 31, 2023. This modification had no impact on the nonconsolidated balance sheets and the nonconsolidated statements of income.

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 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.

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 ¥1,975 million (including ¥54 million of credits secured and/or guaranteed) as of March 31, 2023.

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 Japanese yen and 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

Hedging instruments	Hedged items
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 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 fiscal year ended March 31, 2023, 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 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 ¥276,550 million, while ordinary profit and surplus before income taxes decreased by ¥276,550 million, compared with amounts that would have been recorded had the additional policy reserves not been provided in the fiscal year ended March 31, 2022.

17. An appropriate amount of the reserve for incurred but not reported (IBNR) claims (insurance claims and benefits whose reasons for payment have not yet been reported, but whose reasons for payment stipulated by insurance policies are deemed to have already occurred) cannot be calculated pursuant to the calculation based on Article 1, Paragraph 1, Principles of the Ministry of Finance Public Notice No. 234 of 1998 (hereinafter, “the IBNR Notice”) due to a change in the scope of payment for hospitalization and related benefits during the fiscal year ended March 31, 2023 in cases where the insured is diagnosed with COVID-19 and recuperates at a lodging facility or at home under the supervision of a physician or other medical personnel (hereinafter, “deemed hospitalization”).

(Calculation method)

The Company has calculated reserve amounts by classifying them as a reserve for IBNR claims related to deemed hospitalization and a reserve for IBNR claims related to reasons other than deemed hospitalization. The reserve for IBNR claims related to reasons other than deemed hospitalization is calculated using the same method as that set forth in Article 1, Paragraph 1, Principles of the IBNR Notice, after excluding the amounts related to deemed hospitalization from the required amount of provisions to reserve for IBNR claims over all periods under Article 1, Paragraph 1, Principles of the IBNR Notice and the amount of payments for insurance claims and benefits under said notice. The reserve for IBNR claims related to deemed hospitalization is calculated using the amounts related to deemed hospitalization for and the number of new infections among those at high risk of severe symptoms from September 26, 2022 onward, and the number of new infections in the past 2 months, considering the average period required between the occurrence of reasons for payment and the filing of claims.

18. Significant accounting estimates identified based on the "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31) comprise valuations of investments in subsidiaries and affiliates.

The value of investments in subsidiaries and affiliates recorded in the balance sheet as of March 31, 2023, was ¥1,604,403 million. If the actual value of the investments in subsidiaries and affiliates without market prices decreases sharply due to a deterioration in their financial condition, the Company would need to record a considerable impairment loss. For the valuation of investments in subsidiaries and affiliates that are life insurance companies, the Company uses the corporate valuation amounts for such subsidiaries and other entities as the actual value. The calculations of the corporate valuation amounts include assumptions about factors pertaining to the subsidiaries and other entities, such as their future business performance and how long they will be impacted by the COVID-19 pandemic. Accordingly, if those assumptions change, the value of the investments in subsidiaries and affiliates could be significantly impacted. For details, please see Note 2 in the notes to the consolidated statement of income for the fiscal year ended March 31, 2023.

19. Regarding the investment of the general accounts (except for separate accounts as provided in Article 118, Paragraph 1 of the Insurance Business Act), in light of the characteristics of life insurance policies, the Company has built a portfolio geared toward mid- to long-term investment and formulated an investment plan, considering the outlook of the investment environment.

Based on the plan above, in order to reliably perform benefits and other payments in the future, 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, and from the viewpoint of improving profit in the mid- to long-term, the Company invests in stocks and foreign securities. Also, the Company mainly uses derivative transactions for controlling asset or liability risks. Specifically, the Company uses interest rate swaps and interest rate swaptions for interest rate-related investments; foreign exchange forward contracts, currency options, and currency swaps for currency-related investments; and equity forward contracts, equity index futures, and equity options for equity-related investments. The Company applies hedge accounting to certain derivative transactions above.

Primarily, securities are exposed to market risk and credit risk, loans are exposed to credit risk, and derivative transactions are exposed to market risk and credit risk. Market risk refers to risk of incurring losses when the fair value of investment assets declines due to factors, such as fluctuations in interest rates, exchange rates, or stock prices. Credit risk refers to risk of incurring losses when the value of assets, primarily loans and bonds, declines due to deterioration of the financial condition of a party to whom credit has been extended. Credit risk includes country risk. These risks are managed according to internal rules regarding investment risk management.

To manage market risk, the Company has set investment limits based on the nature of the assets in order to avoid excessive losses from financing and investment transactions. In addition, the Company monitors and regularly reports on the status of compliance to the Risk Management Committee, the advisory body of the Management Committee, and has developed a framework to control risk within acceptable levels in the event of a breach of the internal rules. Also, to control market risk in the Company’s portfolio, it uses a statistical analysis method to rationally calculate the market value-at-risk of the portfolio as a whole and appropriately allocates assets within acceptable boundaries of risk.

To manage credit risk, the Company has built a system to perform credit analysis, including strict assessment of individual transactions by the Assessment Management Department, which is independent of the departments handling investment and finance activities. The Company also continues to build a sound portfolio through the establishment and monitoring of interest guidelines to ensure the returns that the Company obtains are commensurate with the risk, a system of internal ratings for classifying the creditworthiness of borrowers, and credit ceilings to ensure that credit risk is not excessively concentrated in a particular company, group, or country. In addition, the Company calculates credit value-at-risk as a measurement of the magnitude of credit risk across the Company’s portfolio as a whole and monitors whether the magnitude of risk stays within an appropriate range.

20. 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:	124,514	126,610	2,096
Policy-reserve-matching bonds	110,212	112,309	2,096
Available-for-sale securities	14,301	14,301	—
Investments in securities (*3, *4 and *5):	61,533,783	62,287,921	754,138
Trading securities	744,325	744,325	—
Policy-reserve-matching bonds	26,943,793	27,612,412	668,618
Investments in subsidiaries and affiliates	128,615	214,135	85,519
Available-for-sale securities	33,717,048	33,717,048	—
Loans (*6):	7,787,622	7,783,432	[4,190]
Policy loans	437,717	437,717	—
Industrial and consumer loans	7,349,904	7,345,714	[4,190]
Derivative financial instruments (*7):	[592,758]	[592,758]	—
Hedge accounting not applied	[68,413]	[68,413]	—
Hedge accounting applied	[524,345]	[524,345]	—
Corporate bonds (*6 and *8)	[1,263,265]	[1,221,587]	[(41,677)]
Loans payable (*8)	[937,308]	[897,308]	[(40,000)]

(*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 fiscal year ended March 31, 2023, the fair value is the nonconsolidated 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 ¥983,548 million for investments in subsidiaries and affiliates, and ¥56,198 million for available-for-sale securities as of March 31, 2023.

(*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 ¥661,220 million as of March 31, 2023.

(*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 are classified as trading securities. Valuation losses of those investments included in profit and loss were ¥7,194 million for the fiscal year ended March 31, 2023.

2) Held-to-maturity debt securities

There were no balances as of March 31, 2023.

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	98,850	101,398	2,548
	Domestic bonds	15,809,355	17,532,201	1,722,846
	Foreign securities	23,649	24,444	794
	Subtotal	15,931,855	17,658,045	1,726,189
Fair value does not exceed the balance sheet amount	Monetary receivables purchased	11,361	10,910	(451)
	Domestic bonds	11,003,765	9,956,565	(1,047,200)
	Foreign securities	107,022	99,200	(7,822)
	Subtotal	11,122,149	10,066,676	(1,055,473)
Total		27,054,005	27,724,721	670,715

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	547	551	4
	Domestic bonds	2,267,369	2,385,247	117,878
	Domestic stocks	3,532,662	9,234,086	5,701,423
	Foreign securities	8,813,491	10,980,287	2,166,795
	Other securities	834,445	934,837	100,391
	Subtotal	15,448,516	23,535,010	8,086,493
Balance sheet amount does not exceed acquisition cost or amortized cost	Monetary receivables purchased	14,445	13,750	(695)
	Domestic bonds	1,000,279	958,017	(42,262)
	Domestic stocks	437,305	351,401	(85,903)
	Foreign securities	7,353,018	6,818,269	(534,748)
	Other securities	2,173,691	2,054,902	(118,789)
	Subtotal	10,978,739	10,196,340	(782,399)
Total		26,427,256	33,731,350	7,304,093

* Stocks without market prices of ¥56,198 million and the balance of investments in partnerships and other entities of ¥168,980 million are not included in the table above.

Impairment losses of ¥318 million were recognized for securities during the fiscal year ended March 31, 2023.

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 balance sheet date.

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 March 31, 2023, 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 March 31, 2023, 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.

(3) Scheduled repayment amounts for the major monetary claims and liabilities, and redemption amounts for securities with maturities are as follows:

(Million Yen)

	Within one year	Over one year within five years	Over five years within 10 years	Over 10 years
Monetary receivables purchased:	8,000	2,036	32,848	82,221
Policy-reserve-matching bonds	—	2,036	27,779	80,328
Available-for-sale securities	8,000	—	5,069	1,892
Investments in securities:	919,639	6,880,879	9,959,777	32,924,312
Policy-reserve-matching bonds	434,529	2,891,158	3,927,100	19,978,477
Available-for-sale securities	485,109	3,989,721	6,032,676	12,945,835
Loans	871,825	2,498,770	1,945,983	2,034,918
Corporate bonds	—	—	—	1,263,265
Loans payable	12,662	3,645	—	921,000

* Financial instruments, such as policy loans, which do not have a stated maturity date, are not included in the table above. Also, loans to legally or substantially bankrupt borrowers, and borrowers who are not currently legally bankrupt but have a high probability of bankruptcy, amounting to ¥6,789 million, are not included.

21. (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.

Financial instruments whose amounts presented in the nonconsolidated balance sheet as of March 31, 2023, are measured by fair value

(Million Yen)

	Level 1	Level 2	Level 3	Total
Monetary receivables purchased:	—	13,536	765	14,301
Available-for-sale securities	—	13,536	765	14,301
Investments in securities (*1):	15,792,085	17,067,943	182,698	33,042,727
Trading securities	315,330	428,994	—	744,325
Available-for-sale securities	15,476,754	16,638,948	182,698	32,298,401
Domestic bonds	2,366,005	977,259	—	3,343,265
National government bonds	2,366,005	—	—	2,366,005
Local government bonds	—	65,931	—	65,931
Corporate bonds	—	911,328	—	911,328
Domestic stocks	9,504,669	80,818	—	9,585,487
Foreign securities	3,606,079	12,613,296	182,698	16,402,074
Foreign bonds	2,722,203	7,037,411	182,698	9,942,314
Foreign stocks and other securities	883,875	5,575,884	—	6,459,760
Other securities	—	2,967,573	—	2,967,573
Derivative financial instruments (*2):	1,707	[594,579]	112	[592,758]
Interest rate-related	—	[189,285]	112	[189,172]
Currency-related	—	[406,226]	—	[406,226]
Others	1,707	932	—	2,640

(*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 ¥1,379,977 million for investment trusts whose investment trust assets are financial instruments, and ¥39,600 million for investment 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 March 31, 2023 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	975,582	36,203	1,011,785
Profit or loss for the fiscal year ended March 31, 2023	347,475	(4,172)	343,302
Recognized in net surplus (loss) (*4)	15,563	(144)	15,418
Recognized in valuations, conversions, and others (*5)	331,912	(4,028)	327,883
Purchases, sales, and redemptions	56,919	7,569	64,488
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 March 31, 2023	1,379,977	39,600	1,419,577
Unrealized gain or loss on investment trusts held as of March 31, 2023, recognized in profit or loss for the fiscal year ended March 31, 2023 (*4)	—	—	—

(*3) The amount of these investment trusts presented in the nonconsolidated balance sheet was ¥1,356,157 million as of March 31, 2023, 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 fiscal year ended March 31, 2023.

(*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 March 31, 2023.

a. Financial instruments whose amounts presented in the nonconsolidated balance sheet as of March 31, 2023, are not measured by fair value

(Million Yen)

	Level 1	Level 2	Level 3	Total
Monetary receivables purchased:	—	—	112,309	112,309
Policy-reserve-matching bonds	—	—	112,309	112,309
Investments in securities	25,692,306	2,132,493	582	27,825,382
Policy-reserve-matching bonds	25,692,306	1,919,522	582	27,612,412
Domestic bonds	25,637,882	1,850,302	582	27,488,767
Foreign securities	54,424	69,220	—	123,644
Investments in subsidiaries and affiliates	—	212,970	—	212,970
Loans:	—	—	7,783,432	7,783,432
Policy loans	—	—	437,717	437,717
Industrial and consumer loans	—	—	7,345,714	7,345,714
Corporate bonds (*6)	—	[1,221,587]	—	[1,221,587]
Loans payable (*6)	—	[881,000]	[16,308]	[897,308]

(*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 “Accounting Standard for Financial Instruments” (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 and national government bonds. 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. 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. In addition, investment trusts are measured mainly based on published standard prices. No levels are assigned to investment trusts based on application of the transitional measures set forth in Paragraph 26 of the

"Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31).

2) Loans

a. Policy loans

Policy loans are classified as Fair Value 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 Fair Value 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 Fair Value 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 Fair Value 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 a fair value.

(3) Information on financial instruments classified as Fair Value Level 3 whose amounts presented in the nonconsolidated balance sheet as of March 31, 2023, 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 March 31, 2023 and unrealized gain or loss recognized in profit or loss for the fiscal year ended March 31, 2023.

(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 fiscal year ended March 31, 2023	426	7,231	(345)
Recognized in net surplus (loss) (*1)	499	11,600	(345)
Recognized in valuations, conversions, and others (*2)	(73)	(4,369)	—
Purchases, sales, issuances, and settlements	(5,871)	(277,197)	342
Transfers to Fair Value Level 3	—	—	—
Transfers from Fair Value Level 3	—	—	—
Balance as of March 31, 2023	765	182,698	112
Unrealized gain or loss on financial instruments held as of March 31, 2023, recognized in profit or loss for the fiscal year ended March 31, 2023 (*1)	—	—	(340)

(*1) These amounts are included in investment income and investment expenses in the nonconsolidated statement of income for the fiscal year ended March 31, 2023.

(*2) These amounts are included in net unrealized gains on available-for-sale securities under valuations, conversions, and others in the nonconsolidated balance sheet as of March 31, 2023.

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.

22. The balance sheet amount of investment and rental properties was ¥1,237,586 million, with a fair value of ¥1,767,428 million as of March 31, 2023.

The Company owns rental office buildings and commercial facilities, and the fair value of those properties as of March 31, 2023, is measured based mainly on the “Real Estate Appraisal Standards” in Japan.

The amount corresponding to asset retirement obligations that was included in the balance sheet amount of investment and rental properties was ¥4,387 million as of March 31, 2023.

23. (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 ¥29,637 million as of March 31, 2023. The details of those balances were as follows:

1) The balance of bankrupt and quasi-bankrupt loans was ¥10,041 million as of March 31, 2023.
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) The balance of doubtful loans was ¥18,064 million as of March 31, 2023.
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 March 31, 2023.
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 ¥1,481 million as of March 31, 2023.
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 loans decreased the balance of bankrupt and quasi-bankrupt loans by ¥1,975 million as of March 31, 2023.

24. The amount of accumulated depreciation of tangible fixed assets was ¥1,236,690 million as of March 31, 2023.

25. Separate account assets as provided in accordance with Article 118, Paragraph 1 of the Insurance Business Act were ¥1,146,588 million as of March 31, 2023, and a corresponding liability is recorded in the same amount.

26. The total amounts of receivables from and payables to subsidiaries and affiliates were ¥119,058 million and

¥22,238 million, respectively, as of March 31, 2023.

27. Changes in the reserve for dividends to policyholders for the fiscal year ended March 31, 2023, were as follows:

	Million Yen
	Year ended March 31, 2023
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 fiscal year	209,674
d. Increase in interest	21,174
e. Balance at the end of the current fiscal year (a+b-c+d)	¥1,071,945

28. 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 bond issuance dates and callable dates for currency swaps under designated hedge accounting are as follows:

Issue date	Callable date
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

29. 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.

The Company also assumed the following yen-denominated subordinated debt on April 20, 2023.

Principal amount	¥80 billion
Interest rate	Fixed rate for the first 10 years from the drawdown date, then 5 years, renewed every 5 years
Repayment date	30 years after the drawdown date (The loan is callable on the date 10 years from the drawdown date and each fifth anniversary date thereafter, until the loan is fully repaid at the discretion of the Company, subject to prior approval by the regulatory authorities.)
Use of funds	General working capital

30. Assets pledged as collateral in the form of investments in securities, land, and buildings as of March 31, 2023, were ¥3,056,167 million, ¥252 million, and ¥36 million, respectively. The total amount of liabilities covered by the assets pledged was ¥1,959,782 million as of March 31, 2023.
These amounts included ¥1,844,304 million of sale of securities under repurchase agreements, and ¥1,951,398 million of payables under repurchase agreements.

31. The total amount of stocks and investments in subsidiaries and affiliates was ¥1,604,403 million as of March 31, 2023.
On January 24, 2023, the Company resolved to make an investment of up to $1.0 billion in an investment limited partnership that invests in Resolution Life Group Holdings Ltd. As a result of this investment, the Company's aggregate cumulative total investment is expected to reach up to $1.65 billion.

32. The amount of securities lent under lending agreements was ¥1,137,896 million as of March 31, 2023.

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 ¥132,566 million at fair value as of March 31, 2023.

34. The unused amount of commitments related to loans and similar loans agreements was ¥322,872 million as of March 31, 2023.

35. Information relating to retirement benefits is as follows:
(1) Summary of retirement benefit plans
The Company has a defined benefit corporate pension plan and a lump-sum retirement payment plan, which are both defined benefit plans, for non-sales personnel and sales management personnel. The Company also has a defined contribution pension plan.
In addition, the Company has a lump-sum retirement payment plan and an in-house pension plan for sales representatives as a defined benefit plan.

(2) Defined benefit plans
1) Reconciliation of retirement benefit obligations between the beginning and end of the fiscal year

		Million Yen
a.	Retirement benefit obligations at the beginning of the year	¥618,899
b.	Service costs	26,661
c.	Interest cost	3,713
d.	Actuarial losses accrued during the year	2,335
e.	Retirement benefit payments	(35,974)
f.	Retirement benefit obligations at the end of the year	¥615,636

2) Reconciliation of pension plan assets between the beginning and end of the fiscal year

		Million Yen
a.	Pension plan assets at the beginning of the year	¥239,463
b.	Expected return on plan assets	3,520
c.	Actuarial gains incurred during the year	(3,988)
d.	Contributions by the Company	5,768
e.	Retirement benefit payments	(13,495)
f.	Pension plan assets at the end of the year (a+b+c+d+e)	¥231,267

3) Reconciliation of retirement benefit obligations, plan assets, and accrued retirement benefits on the nonconsolidated balance sheet

		Million Yen
a.	Retirement benefit obligations for funded plans	¥235,544
b.	Plan assets	(231,267)
		4,277
c.	Retirement benefit obligations for nonfunded plans	380,091
d.	Unrecognized actuarial gains	(8,670)
e.	Unrecognized prior service costs	2,635
f.	Accrued retirement benefits (a+b+c+d+e)	¥378,333

4) Losses (gains) relating to retirement benefits

		Million Yen
a.	Service costs	¥26,661
b.	Interest cost	3,713
c.	Expected return on plan assets	(3,520)
d.	Amortization of actuarial losses for the period	2,840
e.	Prior service costs accrued during the year	(1,317)
f.	Benefit cost for defined benefit plans (a+b+c+d+e)	¥28,377

5) Plan assets consist of the following major asset categories:

a.	General account of life insurance	58.7%
b.	Cash and deposits	21.0%
c.	Foreign securities	12.4%
d.	Domestic bonds	4.4%
e.	Domestic stocks	3.5%
f.	Total (a+b+c+d+e)	100.0%

6) Calculation for long-term expected rate of return on plan assets

To determine the long-term expected rate of return on plan assets, the Company takes into consideration present and forecasted allocation of the plan assets, and present and long-term rates of return that are expected from the portfolio of assets that comprise the plan assets.

7) Matters relating to the basis for actuarial calculations

The major items in the basis for actuarial calculations as of March 31, 2023, are as follows:

a. Discount rate	0.6%
b. Long-term expected rate of return on plan assets	1.5%

(3) Defined contribution plans

The Company contributed ¥2,260 million to the defined contribution plans during the fiscal year ended March 31, 2023.

36. (1) Total deferred tax assets were ¥2,133,044 million and total deferred tax liabilities were ¥2,199,294 million as of March 31, 2023. The deferred tax assets were reduced by the valuation allowance of ¥83,612 million. The major components resulting in deferred tax assets were policy reserves and other reserves of ¥1,294,199 million, reserve for price fluctuations in investments in securities of ¥442,055 million, and deferred gains (losses) on derivatives under hedge accounting of ¥175,626 million. The major component resulting in deferred tax liabilities was net unrealized gains on available-for-sale securities of ¥2,028,811 million.

(2) The effective statutory tax rate was 27.9% for the fiscal year ended March 31, 2023. The major factors for the difference between the effective statutory tax rate and the effective income tax rate after application of tax effect accounting were a decrease of 25.0% due to the amount of reserve for dividends to policyholders.

37. 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, net of tax, 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.

38. 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 ¥175 million as of March 31, 2023.

39. The amount per Article 30, Paragraph 2 of the Ordinance for Enforcement of the Insurance Business Act was ¥4,922,263 million as of March 31, 2023.

6. Nonconsolidated Statements of Income

(Million Yen)

	Year ended March 31, 2023	Year ended March 31, 2022
Ordinary income:	7,360,995	6,542,437
Revenues from insurance and reinsurance:	4,647,991	4,307,975
Insurance premiums	4,646,819	4,306,688
Reinsurance revenue	1,172	1,287
Investment income:	2,594,821	2,116,535
Interest, dividends, and other income:	1,728,151	1,537,372
Interest on deposits and savings	3,004	555
Interest on securities and dividends	1,479,023	1,316,643
Interest on loans	122,250	104,337
Real estate rental income	112,193	107,731
Other income	11,679	8,104
Gain on sales of securities	805,588	465,253
Gain on redemptions of securities	28,309	7,822
Foreign exchange gains, net	31,355	70,327
Reversal of allowance for doubtful accounts	—	1,292
Reversal of allowance for investment loss	364	4,012
Other investment income	1,053	856
Gain from separate accounts, net	—	29,598
Other ordinary income:	118,182	117,926
Income from annuity riders	5,971	8,042
Income from deferred benefits	71,018	73,828
Other ordinary income	41,192	36,055

6. Nonconsolidated Statements of Income (Continued)

(Million Yen)

	Year ended March 31, 2023	Year ended March 31, 2022
Ordinary expenses:	7,113,111	6,049,231
Benefits and other payments:	4,099,273	3,709,094
Death and other claims	1,073,139	1,005,005
Annuity payments	807,193	821,038
Health and other benefits	857,331	701,230
Surrender benefits	1,167,297	987,861
Other refunds	192,304	192,081
Reinsurance premiums	2,007	1,875
Provision for policy reserves:	1,030,263	1,292,349
Provision for reserve for outstanding claims	11,356	13,416
Provision for policy reserves	997,732	1,257,585
Provision for interest on reserve for dividends to policyholders	21,174	21,346
Investment expenses:	1,191,746	256,233
Interest expenses	37,477	32,561
Loss from assets held in trust, net	—	85
Loss on sales of securities	874,392	113,617
Loss on valuation of securities	6,234	13,121
Loss on redemptions of securities	7,045	7,052
Loss on derivative financial instruments, net	175,940	12,961
Provision for allowance for doubtful accounts	4,855	—
Depreciation of real estate for rental use and other assets	19,286	18,355
Other investment expenses	60,204	58,478
Loss on separate accounts, net	6,310	—
Operating expenses	565,673	571,397
Other ordinary expenses:	226,154	220,157
Deferred benefit payments	93,968	86,046
Taxes	53,019	51,659
Depreciation	53,844	56,950
Provision for retirement benefits	129	2,509
Other ordinary expenses	25,191	22,991

6. Nonconsolidated Statements of Income (Continued)

(Million Yen)

	Year ended March 31, 2023	Year ended March 31, 2022
Ordinary profit	247,884	493,205
Extraordinary gains:	8,427	5,168
Gain on disposals of fixed assets	2,623	5,168
Reversal of reserve for price fluctuations in investments in securities	5,804	—
Extraordinary losses:	53,430	84,243
Loss on disposals of fixed assets	6,202	4,792
Impairment losses	11,465	8,129
Provision for reserve for price fluctuations in investments in securities	—	68,317
Loss on tax purpose reduction entry of real estate	1,208	4
Contributions for assisting social public welfare	3,000	3,000
Loss on valuation of shares of subsidiaries and associates	31,554	—
Surplus before income taxes	202,882	414,130
Income taxes — current	29,564	179,085
Income taxes — deferred	(14,135)	(116,827)
Total income taxes	15,428	62,257
Net surplus	187,453	351,873

Notes to the Nonconsolidated Statement of Income for the Fiscal Year Ended March 31, 2023

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. The total income and expenses from transactions with subsidiaries and affiliates were ¥51,372 million and ¥38,439 million, respectively, for the fiscal year ended March 31, 2023.

3. Gain on sales of securities includes gains on sales of domestic bonds, including national government bonds, domestic stocks, and foreign securities of ¥128,906 million, ¥298,813 million, and ¥377,868 million, respectively, for the fiscal year ended March 31, 2023.

4. Loss on sales of securities includes losses on sales of domestic bonds, including national government bonds, domestic stocks, and foreign securities of ¥177,489 million, ¥100,820 million, and ¥596,081 million, respectively, for the fiscal year ended March 31, 2023.

5. Loss on valuation of securities includes losses on valuation of domestic stocks and foreign securities of ¥4,268 million and ¥1,966 million, respectively, for the fiscal year ended March 31, 2023.

6. Provision for policy reserves for ceded reinsurance that was added to the calculation of provision for policy reserves was ¥7 million for the fiscal year ended March 31, 2023.

7. Loss on derivative financial instruments, net includes net valuation losses of ¥114,963 million for the fiscal year ended March 31, 2023.

8. Impairment losses are as follows:
   1) Method for grouping the assets
      Real estate for rental use 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 fiscal year ended March 31, 2023, is as follows:

(Million Yen)

Purpose of use	Land	Buildings	Total
Real estate for rental use	2,864	1,046	3,910
Idle properties	4,030	3,523	7,554
Total	6,895	4,569	11,465

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 3.0%. Net selling price is determined based on appraisals performed in accordance with the "Real Estate Appraisal Standards" or standard land prices.

9. An impairment loss was recognized on the shares of Nippon Life Americas, Inc., the Company's consolidated subsidiary, due to a significant decrease in the actual value of the shares relative to the book value of the investment in connection with a decline in the entrusted assets of an asset management company, which is an investee of Nippon Life Americas, Inc., due to rising U.S. interest rates. Accordingly, a loss on valuation of shares of subsidiaries and associates of ¥10,691 million was recorded under extraordinary losses.
In addition, an impairment loss was recognized on the shares of PT Sequis, which is an equity-method affiliate of the Company, and PT Asuransi Jiwa Sequis Life, which is a life insurance company, due to a significant decrease in the actual value of their shares relative to the book value of the investments in connection with declines in their corporate valuation amounts as sales results fell below the projected sales volume of new policies. Accordingly, a loss on valuation of shares of subsidiaries and associates of ¥20,862 million was recorded in total under extraordinary losses.

10. Transactions with related parties are as follows:

Subsidiaries and affiliates

(Million Yen)

Attribution	Name of company or other entity	Location	Share capital	Description of business	Ownership ratio of voting rights, etc.	Relationship with related party	Description of transaction	Year-end balance
Subsidiary	Nissay Credit Guarantee Co., Ltd.	Osaka City, Osaka Prefecture	950	Debt guarantee services	100%	Debt guarantees and related services Concurrent posting of officers, etc.	Debt guarantees for the Company's loans receivable*	761,700

* The Company receives debt guarantees for its loans receivable in accordance with guarantee agreements and related contracts between debtors and Nissay Credit Guarantee Co., Ltd.

7.Nonconsolidated Statements of Changes in Net Assets

For the Year Ended March 31, 2023

(Million Yen)

	Foundation funds and others												
				Surplus									
					Other surplus reserves								
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	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	Total surplus	Total foundation funds and others
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											187,453	187,453	187,453
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 to be purchased									1,953		(1,953)	—	—
Reversal of land revaluation losses											(4,098)	(4,098)	(4,098)
Net change, excluding foundation funds and others													
Net change	—	—	—	1,294	(71,917)	—	221,917	1,408	1,953	—	(171,435)	(16,778)	(16,778)
Ending balance	100,000	1,350,000	651	21,282	—	351	221,917	73,248	2,961	170	186,354	506,285	1,956,936

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

For the Year Ended March 31, 2023

(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					187,453
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 to be purchased					—
Reversal of land revaluation losses					(4,098)
Net change, excluding foundation funds and others	(814,967)	(1,956)	4,098	(812,824)	(812,824)
Net change	(814,967)	(1,956)	4,098	(812,824)	(829,603)
Ending balance	5,297,929	(376,317)	(56,264)	4,865,347	6,822,283

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

For the Year Ended March 31, 2022

(Million Yen)

	Foundation funds and others											
				Surplus								
					Other surplus reserves							
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Legal reserve for deficiencies	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	Total surplus	Total foundation funds and others
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										351,873	351,873	351,873
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										2,916	2,916	2,916
Net change, excluding foundation funds and others												
Net change	—	50,000	—	995	—	—	(16)	(1,062)	—	28,590	28,506	78,506
Ending balance	100,000	1,350,000	651	19,988	71,917	351	71,839	1,007	170	357,789	523,063	1,973,714

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

For the Year Ended March 31, 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	6,642,100	(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					351,873
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					2,916
Net change, excluding foundation funds and others	(529,203)	(212,770)	(2,916)	(744,890)	(744,890)
Net change	(529,203)	(212,770)	(2,916)	(744,890)	(666,383)
Ending balance	6,112,896	(374,361)	(60,363)	5,678,172	7,651,886

8. Details of Ordinary Profit (Core Operating Profit)

(Million Yen)

		Year ended March 31, 2023	Year ended March 31, 2022
Core operating profit (A)		498,828	775,260
Capital gains:		1,240,510	568,166
	Gain on proprietary trading securities	—	—
	Gain from assets held in trust, net	—	—
	Gain on trading securities	—	—
	Gain on sales of securities	805,588	465,253
	Gain on derivative financial instruments, net	—	—
	Foreign exchange gains, net	31,355	70,327
	Other capital gains	403,567	32,585
Capital losses:		1,141,691	249,413
	Loss on proprietary trading securities	—	—
	Loss from assets held in trust, net	—	85
	Loss on trading securities	—	—
	Loss on sales of securities	874,392	113,617
	Loss on valuation of securities	6,234	13,121
	Loss on derivative financial instruments, net	175,940	12,961
	Foreign exchange losses, net	—	—
	Other capital losses	85,124	109,627
Net capital losses (B)		98,818	318,753
Core operating profit, including net capital losses (A+B)		597,647	1,094,014
Nonrecurring gains:		364	4,012
	Reinsurance revenue	—	—
	Reversal of contingency reserve	—	—
	Reversal of specific allowance for doubtful accounts	—	—
	Other nonrecurring gains	364	4,012
Nonrecurring losses:		350,127	604,820
	Reinsurance premiums	—	—
	Provision for contingency reserve	69,701	15,994
	Provision for specific allowance for doubtful accounts	3,876	2,219
	Provision for allowance for specific overseas loans	—	—
	Write-offs of loans	—	—
	Other nonrecurring losses	276,550	586,606
Net nonrecurring losses (C)		(349,762)	(600,808)
Ordinary profit (A+B+C)		247,884	493,205

(Reference) Breakdown of “Other” items

(Million Yen)

		Year ended March 31, 2023	Year ended March 31, 2022
Core operating profit		(318,442)	77,041
	Interest income and expenses related to swap transactions for foreign currency-denominated insurance products and swap transactions for hedging purposes	15,506	15,036
	Impact of market exchange rate movements related to foreign currency-denominated insurance policies	69,617	94,368
	Impact of movements in surrender benefits related to market value adjustment	(26,697)	(10,969)
	Hedge cost related to foreign exchange	(151,880)	(6,573)
	Gain (loss) on cancellation of investment trusts	(203,762)	(15,042)
	Effect of market exchange rate fluctuations within gain (loss) on redemption of securities	(21,227)	222
Other capital gains		403,567	32,585
	Interest income and expenses 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	—	—
	Impact of movements in surrender benefits related to market value adjustment	26,697	10,969
	Hedge cost related to foreign exchange	151,880	6,573
	Gain (loss) on cancellation of investment trusts	203,762	15,042
	Effect of market exchange rate fluctuations within gain (loss) on redemption of securities	21,227	—
Other capital losses		85,124	109,627
	Interest income and expenses related to swap transactions for foreign currency-denominated insurance products and swap transactions for hedging purposes	15,506	15,036
	Impact of market exchange rate movements related to foreign currency-denominated insurance policies	69,617	94,368
	Impact of movements in surrender benefits related to market value adjustment	—	—
	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	—	222
Other nonrecurring gains		364	4,012
	Reversal of allowance for investment loss	364	4,012
Other nonrecurring losses		276,550	586,606
	Provision for allowance for investment loss	—	—
	Provision for additional policy reserves	276,550	586,606

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

9. Nonconsolidated Proposed Appropriations of Surplus

(Thousand Yen)

	Year ended March 31, 2023	Year ended March 31, 2022
Unappropriated surplus	186,354,600	357,789,830
Reversal from voluntary surplus reserve:	4,320,990	73,226,448
Reversal of equalized reserve for dividends to policyholders	—	—
Reversal of contingency funds	—	71,917,000
Reversal of reserve for reduction entry of real estate	1,359,689	1,309,448
Reversal of reserve for reduction entry of real estate to be purchased	2,961,301	—
Total	190,675,591	431,016,279
Appropriations:	190,675,591	431,016,279
Reserve for dividends to policyholders	181,910,514	199,868,044
Net surplus:	8,765,076	231,148,234
Legal reserve for deficiencies	573,000	1,294,000
Reserve for redemption of foundation funds	—	—
Interest on foundation funds	265,000	265,000
Voluntary surplus reserve:	7,927,076	229,589,234
Reserve for social public welfare assistance	3,000,000	3,000,000
Reserve for financial base	—	221,917,000
Reserve for reduction entry of real estate	4,927,076	2,718,299
Reserve for reduction entry of real estate to be purchased	—	1,953,934
Surplus carried forward	—	—

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

(Million Yen, %)

	As of March 31, 2023	As of March 31, 2022
Bankrupt and quasi-bankrupt loans	10,041	10,274
Doubtful loans	18,064	18,303
Loans that are delinquent for over three months	50	—
Restructured loans	1,481	1,767
Subtotal	29,637	30,345
[Percentage of total, %]	[0.33]	[0.31]
Normal loans	8,991,864	9,659,055
Total	9,021,502	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 note 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 March 31, 2023 and 2022, were ¥1,975 million and ¥586 million, respectively.

11.Breakdown of Allowance for Doubtful Accounts

(Million Yen)

	Year ended March 31, 2023	Year ended March 31, 2022	Difference
(1) Breakdown of allowance for doubtful accounts			
(A) General allowance for doubtful accounts	2,891	1,912	978
(B) Specific allowance for doubtful accounts	5,638	4,998	640
(C) Allowance for specific overseas loans	—	—	—
(2) Specific allowance for doubtful accounts			
(A) Provision	7,614	5,584	2,029
(B) Reversal	3,737	3,364	372
[excluding reversals with write-offs]			
(C) Net provision	3,876	2,219	1,656
(3) Allowance for specific overseas loans			
(A) Number of countries	—	—	—
(B) Loan amount	—	—	—
(C) Provision	—	—	—
(D) Reversal	—	—	—
(4) Write-offs	—	—	—

12.Solvency Margin Ratio

(Million Yen)

	As of March 31, 2023	As of March 31, 2022
Solvency margin gross amount (A)	17,319,118	18,001,132
Foundation funds (*kikin*) and other reserve funds:	5,733,080	5,663,861
Foundation funds and others	1,774,760	1,773,581
Reserve for price fluctuations in investments in securities	1,584,428	1,590,233
Contingency reserve	2,130,358	2,060,657
General allowance for doubtful accounts	2,891	1,912
Others	240,640	237,476
Net unrealized gains on available-for-sale securities (before tax) and deferred losses on derivatives under hedge accounting (before tax) × 90%	6,297,574	7,207,844
Net unrealized gains on real estate × 85%	603,932	549,898
Excess of continued Zillmerized reserve	2,623,073	2,460,845
Qualifying subordinated debt	2,184,265	2,140,305
Excess of continued Zillmerized reserve and qualifying subordinated debt not included in margin calculations	—	—
Deduction clause	(210,043)	(108,858)
Others	87,236	87,236
Total amount of risk (B) $\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$	3,395,990	3,397,260
Underwriting risk (R_1)	107,314	110,956
Underwriting risk of third-sector insurance (R_8)	90,993	91,188
Anticipated yield risk (R_2)	248,517	267,095
Minimum guarantee risk (R_7)	5,256	5,315
Investment risk (R_3)	3,065,938	3,048,246
Business management risk (R_4)	70,360	70,456
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	1,019.9%	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.

Reference

Policy Reserve Valuation Method and Ratio for Individual Insurance and Annuities

	As of March 31, 2023	As of March 31, 2022
Policies subject to the standard policy reserve	Net level premium method	Net level premium method
Policies not subject to the standard policy reserve	Net level premium method	Net level premium method
Ratio (excluding contingency reserve)	100.0%	100.0%

Notes: 1. Individual insurance and annuities are within the scope of the application of the valuation method and ratio. Policy reserves for group insurance and annuities are not included in the figures above due to the absence of an accumulation method.

2. The valuation ratio for policies subject to the standard policy reserve is calculated in accordance with the method that the Prime Minister prescribed by means of Ordinance No. 48 issued by the Ministry of Finance in 1996. The ratio for policies not subject to the standard policy reserve represents the ratio for the insurance premiums reserve calculated by the net level premium method and unearned premium.

13.Status of Separate Accounts as of March 31, 2023

(1) Balance of Separate Account Assets

(Million Yen)

	As of March 31, 2023	As of March 31, 2022
Individual variable insurance	100,199	110,130
Individual variable annuities	15,533	19,550
Group annuities	1,030,855	1,077,876
Separate account total	1,146,588	1,207,557

(2) Status of Separate Accounts for Individual Variable Insurance

1) Policies in Force

	As of March 31, 2023		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)	9,685	6,667	10,303	6,861
Variable insurance (whole life type)	29,122	400,930	29,889	413,608
Total	38,807	407,598	40,192	420,470

2) Breakdown of Separate Account Assets' Year-End Balance (Individual Variable Insurance)

(Million Yen, %)

	As of March 31, 2023		As of March 31, 2022	
	Amount	Composition ratio	Amount	Composition ratio
Cash, deposits, and call loans	3,051	3.0	13,032	11.8
Investments in securities:	91,138	91.0	87,436	79.4
Domestic bonds	17,984	17.9	19,495	17.7
Domestic stocks	12,904	12.9	27,952	25.4
Foreign securities:	31,513	31.5	24,234	22.0
Foreign bonds	2,773	2.8	2,855	2.6
Foreign stocks and other securities	28,740	28.7	21,379	19.4
Other securities	28,736	28.7	15,752	14.3
Loans	—	—	—	—
Others	6,009	6.0	9,662	8.8
Allowance for doubtful accounts	—	—	—	—
Total	100,199	100.0	110,130	100.0

3) Investment Income and Expenses from Separate Accounts (Individual Variable Insurance)

(Million Yen)

	Year ended March 31, 2023	Year ended March 31, 2022
	Amount	Amount
Interest, dividends, and other income	1,676	6,587
Gain on sales of securities	4,101	9,118
Gain on redemptions of securities	—	—
Gain on valuation of securities	(2,229)	(4,916)
Foreign exchange gains, net	524	457
Gain on derivative financial instruments, net	2,901	3,945
Other investment income	2	1
Loss on sales of securities	4,006	1,629
Loss on redemptions of securities	—	0
Loss on valuation of securities	(998)	1,841
Foreign exchange losses, net	269	209
Loss on derivative financial instruments, net	3,993	3,366
Other investment expenses	0	0
Net investment income	(295)	8,145

(3) Status of Separate Accounts for Individual Variable Annuities

1) Policies in Force

	As of March 31, 2023		As of March 31, 2022	
	Number of policies	Amount of policies (million yen)	Number of policies	Amount of policies (million yen)
Individual variable annuities	9,311	15,532	11,072	19,539

2) Breakdown of Separate Account Assets' Year-End Balance (Individual Variable Annuities)

(Million Yen, %)

	As of March 31, 2023		As of March 31, 2022	
	Amount	Composition ratio	Amount	Composition ratio
Cash, deposits, and call loans	—	—	—	—
Investments in securities:	15,140	97.5	19,475	99.6
Domestic bonds	2,627	16.9	3,526	18.0
Domestic stocks	—	—	—	—
Foreign securities:	—	—	—	—
Foreign bonds	—	—	—	—
Foreign stocks and other securities	—	—	—	—
Other securities	12,513	80.6	15,948	81.6
Loans	—	—	—	—
Others	392	2.5	74	0.4
Allowance for doubtful accounts	—	—	—	—
Total	15,533	100.0	19,550	100.0

3) Investment Income and Expenses from Separate Accounts (Individual Variable Annuities)

(Million Yen)

	Year ended March 31, 2023	Year ended March 31, 2022
	Amount	Amount
Interest, dividends, and other income	1,514	4,391
Gain on sales of securities	75	137
Gain on redemptions of securities	—	—
Gain on valuation of securities	(1,797)	(1,530)
Foreign exchange gains, net	—	—
Gain on derivative financial instruments, net	—	—
Other investment income	0	0
Loss on sales of securities	0	0
Loss on redemptions of securities	—	—
Loss on valuation of securities	55	20
Foreign exchange losses, net	—	—
Loss on derivative financial instruments, net	—	—
Other investment expenses	0	0
Net investment income	(262)	2,977

14.Status of the Company, Subsidiaries, and Affiliates

(1) Selected Financial Data for Major Operations

(100 Million Yen)

	Year ended March 31, 2023	Year ended March 31, 2022
Ordinary income	96,391	83,568
Ordinary profit	1,423	5,354
Net surplus attributable to the parent company	1,182	3,467
Comprehensive income	(7,988)	(4,637)

	As of March 31, 2023	As of March 31, 2022
Total assets	875,946	883,819
Solvency margin ratio	1,078.1%	1,120.3%

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

	As of March 31, 2023
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 Fiscal Year Ended March 31, 2023

(3) Policies for Preparing the Consolidated Financial Statements for the Fiscal Year Ended March 31, 2023

1) Consolidated subsidiaries

Number of consolidated subsidiaries: 15 entities

Nissay Credit Guarantee Co., Ltd.
Nissay Leasing Co., Ltd.
Nissay Capital Co., Ltd.
Nissay Asset Management Corporation
Nissay Information Technology Co., Ltd.
TAIJU LIFE INSURANCE COMPANY LIMITED
Nippon Wealth Life Insurance Company Limited
HANASAKU LIFE INSURANCE Co., Ltd.
Nissay Plus SSI Company Inc.
Nippon Life Insurance Company of America
Nippon Life Americas, Inc.
MLC Limited
Nippon Life India Asset Management Limited

Effective from the fiscal year ended March 31, 2023, 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, short-term insurance company.

Effective from the fiscal year ended March 31, 2023, 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 fiscal year ended March 31, 2023, which are immaterial enough to be excluded from consolidation given that they would not affect reasonable judgements 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 as of March 31, 2023, are listed as follows:

The Master Trust Bank of Japan, Ltd.
Corporate-Pension Business Service Co., Ltd.
Great Wall Changsheng Life Insurance Co., Ltd.

Bangkok Life Assurance Public Company Limited
Reliance Nippon Life Insurance Company Limited
Post Advisory Group, LLC
PT Sequis
PT Asuransi Jiwa Sequis Life
The TCW Group, Inc.
Grand Guardian Nippon Life Insurance Company Limited

Unconsolidated subsidiaries, including Nippon Life Global Investors Americas, Inc. and Nissay Trading Corporation, and 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 in the Company's consolidated net income and surplus for the fiscal year ended March 31, 2023, are immaterial.

3) Reporting date for consolidated subsidiaries

The reporting dates for consolidated overseas subsidiaries are December 31 and March 31. In preparing the consolidated financial statements, consolidated overseas subsidiaries with the reporting date of December 31 use the financial statements as of December 31, and necessary adjustments are made to reflect significant transactions that occurred between December 31 and the Company's reporting date of March 31.

4) Amortization of goodwill

Goodwill and the equivalent amount of goodwill from affiliates accounted for under the equity method ("goodwill and other assets") are amortized under the straight-line method over 20 years. However, for items that are immaterial, the total amount of goodwill is fully amortized as incurred.

(4) Consolidated Balance Sheets

(Million Yen)

	As of March 31, 2023	As of March 31, 2022
Assets:		
Cash and deposits	1,590,868	1,702,155
Call loans	426,706	500,978
Monetary receivables purchased	244,146	290,646
Investments in securities	72,332,848	73,373,626
Loans	8,636,410	8,437,632
Tangible fixed assets:	1,858,492	1,875,391
Land	1,199,750	1,226,001
Buildings	592,624	573,878
Lease assets	6,028	6,052
Construction in progress	21,305	30,250
Other tangible fixed assets	38,784	39,208
Intangible fixed assets:	368,478	382,306
Software	111,347	128,852
Goodwill	80,049	84,383
Lease assets	23	27
Other intangible fixed assets	177,057	169,042
Reinsurance receivables	12,925	9,266
Other assets	2,032,999	1,734,914
Net defined benefit asset	1,276	1,201
Deferred tax assets	36,701	10,976
Customers' liability for acceptances and guarantees	62,523	71,612
Allowance for doubtful accounts	(9,728)	(8,736)
Total assets	87,594,649	88,381,973

(4) Consolidated Balance Sheets (Continued)

(Million Yen)

	As of March 31, 2023	As of March 31, 2022
Liabilities:		
Policy reserves and other reserves:	71,359,550	69,922,760
Reserve for outstanding claims	267,686	260,983
Policy reserves	69,968,872	68,547,902
Reserve for dividends to policyholders (mutual company)	1,071,945	1,060,577
Reserve for dividends to policyholders (limited company)	51,046	53,297
Reinsurance payables	28,564	24,535
Corporate bonds	1,378,865	1,535,905
Other liabilities	5,342,930	6,021,605
Accrued bonuses for directors, and audit and supervisory board members	439	434
Net defined benefit liability	437,909	434,246
Accrued retirement benefits for directors, and audit and supervisory board members	634	637
Reserve for program points	8,444	8,770
Reserve for price fluctuations in investments in securities	1,684,717	1,684,575
Deferred tax liabilities	139,712	523,390
Deferred tax liabilities for land revaluation	99,350	100,444
Acceptances and guarantees	62,523	71,612
Total liabilities	80,543,645	80,328,918

(4) Consolidated Balance Sheets (Continued)

(Million Yen)

	As of March 31, 2023	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	654,426	740,576
Total foundation funds and others	2,105,077	2,191,227
Net unrealized gains on available-for-sale securities	5,176,583	6,124,915
Deferred losses on derivatives under hedge accounting	(375,789)	(375,170)
Land revaluation losses	(56,264)	(60,363)
Foreign currency translation adjustments	60,847	17,362
Remeasurement of defined benefit plans	(5,938)	(2,518)
Total accumulated other comprehensive income	4,799,438	5,704,225
Share acquisition rights	(1,921)	1,671
Noncontrolling interests	(144,567)	155,930
Total net assets	7,051,004	8,053,054
Total liabilities and net assets	87,594,649	88,381,973

Notes to the Consolidated Balance Sheets as of March 31, 2023

1. Effective from the fiscal year ended March 31, 2023, 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"). In accordance with the transitional measures set forth in Paragraph 27-2 of the Fair Value Measurement Accounting Standard Implementation Guidance, the Company and its certain subsidiaries have prospectively applied the new accounting policies set forth in the Fair Value Measurement Accounting Standard Implementation Guidance from the beginning of the fiscal year ended March 31, 2023 over the future. As a result, certain investment trusts that had been previously carried on the consolidated balance sheet at acquisition cost are stated at fair value on the consolidated balance sheet from the fiscal year ended March 31, 2023.

2. (1) Securities of the Company and its certain 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 consolidated 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. Available-for-sale securities are measured at fair value based mainly on market prices on the consolidated balance sheet date (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 without market prices are measured at cost using the moving average method.

(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

Additionally, in an effort to promote further ALM based on economic value, the Company has modified its calculation method for policy reserve duration to conform to valuation methods based on economic value beginning with the fiscal year ended March 31, 2023. This modification had no impact on the consolidated balance sheets and the consolidated statements of income.

(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 and derivative financial instruments within assets held in trust 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 consolidated balance sheet date or the one-month average rate prior to the consolidated 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 ¥2,023 million (including ¥71 million of credits secured and/or guaranteed) as of March 31, 2023.

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 March 31, 2023, 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 are as follows:
1) Attribution method for estimated retirement benefits: Benefit formula basis
2) Amortization period for actuarial gains/losses: 5 years
3) Amortization period for prior service costs: 5 years

10. In order to provide for payments of retirement benefits to directors, and audit and supervisory board members at certain consolidated subsidiaries, accrued retirement benefits for directors, and audit and supervisory board members are recognized based on estimated payment amounts under internal rules.

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 sales 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 consolidates 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

(Hedging instruments)	(Hedged items)
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 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.

16. Effective from the fiscal year ended March 31, 2023, 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 some of its consolidated life insurance companies in Japan provided additional policy reserves in the fiscal year ended March 31, 2023. As a result, policy reserves increased by ¥284,861 million, while ordinary profit and surplus before income taxes decreased by ¥284,861 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, the policy reserves increased by ¥276,550 million, while ordinary profit and surplus before income taxes decreased by ¥276,550 million, compared with amounts that would have been recorded had the additional policy reserves not been provided in the fiscal year ended March 31, 2023.

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 ¥8,310 million, while ordinary profit and surplus before income taxes decreased by ¥8,310 million, compared with amounts that would have been recorded if the additional policy reserves had not been provided in the fiscal year ended March 31, 2023.

(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 Company and certain subsidiaries are unable to calculate an appropriate amount of the reserve for incurred but not reported (IBNR) claims (insurance claims and benefits whose reasons for payment have not yet been reported, but whose reasons for payment stipulated by insurance policies are deemed to have already occurred) pursuant to the calculation based on Article 1, Paragraph 1, Principles of the Ministry of Finance Public Notice No. 234 of 1998 (hereinafter, “the IBNR Notice”) due to a change in the scope of payment for hospitalization and related benefits during the fiscal year ended March 31, 2023 in cases where the insured is diagnosed with COVID-19 and recuperates at a lodging facility or at home under the supervision of a physician or other medical personnel (hereinafter, “deemed hospitalization”).

(Calculation method)

The Company has calculated reserve amounts by classifying them as a reserve for IBNR claims related to deemed hospitalization and a reserve for IBNR claims related to reasons other than deemed hospitalization. The reserve for IBNR claims related to reasons other than deemed hospitalization is calculated using the same method as that set forth in Article 1, Paragraph 1, Principles of the IBNR Notice, after excluding the amounts related to deemed hospitalization from the required amount of provisions to reserve for IBNR claims over all periods under Article 1, Paragraph 1, Principles of the IBNR Notice and the amount of payments for insurance claims and benefits under said notice. The reserve for IBNR claims related to deemed hospitalization is calculated using the amounts related to deemed hospitalization for and the number of new infections among those at high risk of severe symptoms from September 26, 2022 onward, and the number of new infections in the past 2 months, considering the average period required between the occurrence of reasons for payment and the filing of claims.

19. Significant accounting estimates identified based on the "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31) comprise valuations of goodwill and other assets. Goodwill and other assets recorded in the consolidated balance sheet as of March 31, 2023, comprise the following:

1) Goodwill	¥ 80,049 million
Nippon Life India Asset Management Limited	80,049 million
2) Goodwill equivalent	53,312 million
Reliance Nippon Life Insurance Company Limited	33,628 million
The TCW Group, Inc.	8,147 million
PT Sequis	11,537 million

For details on the accounting estimates used to record impairment losses on goodwill and other assets, please see Note 2 in the notes to the consolidated statement of income for the fiscal year ended March 31, 2023.

20. Regarding the investment of the general accounts (except for separate accounts as provided in Article 118, Paragraph 1 of the Insurance Business Act), in light of the characteristics of life insurance policies, the Company and its certain consolidated subsidiaries have built a portfolio geared toward mid- to long-term investment and formulated an investment plan, considering the outlook of the investment environment.

Based on the plan above, in order to reliably perform benefits and other payments in the future, the Company and its certain consolidated subsidiaries have positioned yen-denominated assets that can be expected to provide stable income, such as bonds and loans, as the core assets of the Company and its certain consolidated subsidiaries, and from the viewpoint of improving profit in the mid- to long-term, the Company and its certain consolidated subsidiaries invest in stocks and foreign securities. Also, the Company and certain consolidated subsidiaries mainly use derivative transactions for controlling asset or liability risks. Specifically, the Company and its certain consolidated subsidiaries use interest rate swaps and interest rate swaptions for interest rate-related investments; foreign exchange forward contracts, currency options, and currency swaps for currency- related investments; and equity forward contracts, equity index futures, and equity index options for equity-related investments. The Company and its certain consolidated subsidiaries apply hedge accounting to certain derivative transactions above.

Primarily, securities are exposed to market risk and credit risk, loans are exposed to credit risk, and derivative transactions are exposed to market risk and credit risk. Market risk refers to risk of incurring losses when the fair value of investment assets declines due to factors, such as fluctuations in interest rates, exchange rates, or stock prices. Credit risk refers to the risk of incurring losses when the value of assets, primarily loans and bonds, declines due to deterioration of the financial condition of a party to whom credit has been extended. Credit risk includes country risk. These risks are managed according to internal rules regarding investment risk managements.

To manage market risk, the Company and its certain consolidated subsidiaries have set investment limits based on the nature of the assets in order to avoid excessive losses from financing and investment transactions. In addition, the Company and its certain consolidated subsidiaries monitor and regularly report on the status of compliance to the Risk Management Committee, the advisory body of the Management Committee, and have developed a framework to control risk within acceptable levels in the event of a breach of the internal rules. Also, to control market risk in the portfolio of the Company and its certain consolidated subsidiaries, they use a statistical analysis method to rationally calculate the market value-at-risk of the portfolio as a whole and appropriately allocate assets within acceptable boundaries of risk.

To manage credit risk, the Company and certain consolidated subsidiaries have built a system to perform credit analysis, including strict assessment of individual transactions by the Assessment Management Department, which is independent of the departments handling investment and finance activities. The Company and its certain consolidated subsidiaries also continue to build a sound portfolio through the establishment and monitoring of interest guidelines to ensure the returns that the Company and its certain consolidated subsidiaries obtain are commensurate with the risk; a system of internal ratings for classifying the creditworthiness of borrowers; and credit ceilings to ensure that credit risk is not excessively concentrated in a particular company, group, or country. In addition, the Company and its certain consolidated subsidiaries calculate credit value-at-risk as a measurement of the magnitude of credit risk across the portfolio of the Company and its certain consolidated subsidiaries as a whole, and monitor whether the magnitude of risk stays within an appropriate range.

21. 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:	244,146	247,006	2,859
Held-to-maturity debt securities	19,944	19,664	(279)
Policy-reserve-matching bonds	168,575	171,715	3,139
Available-for-sale securities	55,626	55,626	—
Investments in securities (*3, *4 and *5):	71,350,854	72,006,465	655,611
Trading securities	1,488,267	1,488,267	—
Held-to-maturity debt securities	395,605	381,399	(14,206)
Policy-reserve-matching bonds	32,074,864	32,730,576	655,711
Investments in subsidiaries and affiliates	42,015	56,121	14,105
Available-for-sale securities	37,350,101	37,350,101	—
Loans (*6):	8,629,114	8,616,966	(12,147)
Policy loans	478,136	478,136	—
Industrial and consumer loans	8,150,978	8,138,830	(12,147)
Derivative financial instruments (*7):	(585,860)	(585,860)	—
Hedge accounting not applied	(61,490)	(61,490)	—
Hedge accounting applied	(524,370)	(524,370)	—
Corporate bonds (*6 and *8)	(1,378,865)	(1,336,053)	(42,811)
Loans payable (*8)	(1,053,673)	(1,013,457)	(40,215)

(*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 fiscal year ended March 31, 2023, 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 amounts presented in the consolidated balance sheet for investments in securities were ¥223,167 million as of March 31, 2023.

(*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 ¥758,825 million as of March 31, 2023.

(*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 are classified as trading securities. Valuation losses of those investments included in profit and loss were ¥57,315 million for the fiscal year ended March 31, 2023.

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	2,218	2,333	114
	Domestic bonds	21,655	21,828	172
	Foreign securities	36,281	37,221	939
	Subtotal	60,156	61,382	1,226
Fair value does not exceed the consolidated balance sheet amount	Monetary receivables purchased	17,725	17,331	(394)
	Domestic bonds	58,796	58,169	(626)
	Foreign securities	278,871	264,180	(14,691)
	Subtotal	355,393	339,681	(15,712)
Total		415,550	401,064	(14,485)

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	135,335	139,375	4,040
	Domestic bonds	18,171,947	20,136,946	1,964,999
	Foreign securities	211,259	218,157	6,898
	Subtotal	18,518,542	20,494,480	1,975,938
Fair value does not exceed the consolidated balance sheet amount	Monetary receivables purchased	33,239	32,339	(900)
	Domestic bonds	11,889,748	10,757,601	(1,132,147)
	Foreign securities	1,801,909	1,617,871	(184,038)
	Subtotal	13,724,897	12,407,811	(1,317,086)
Total		32,243,440	32,902,291	658,851

4) Available-for-sale securities

Acquisition cost or amortized cost, 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	6,389	6,533	144
	Domestic bonds	2,697,924	2,830,233	132,308
	Domestic stocks	3,712,082	9,522,974	5,810,892
	Foreign securities	9,658,746	11,885,372	2,226,625
	Other securities	860,952	966,226	105,274
	Subtotal	16,936,095	25,211,340	8,275,244
Consolidated balance sheet amount does not exceed acquisition cost or amortized cost	Monetary receivables purchased	50,862	49,092	(1,769)
	Domestic bonds	1,412,095	1,350,353	(61,742)
	Domestic stocks	597,619	467,792	(129,827)
	Foreign securities	8,832,699	8,179,361	(653,338)
	Other securities	2,276,272	2,147,787	(128,485)
	Subtotal	13,169,549	12,194,387	(975,162)
Total		30,105,645	37,405,727	7,300,082

* Stocks without market prices of ¥63,683 million and the balance of investments in partnerships and other entities of ¥263,314 million are not included in the table above.

Impairment losses of ¥3,678 million were recognized for securities during the fiscal year ended March 31, 2023.

Regarding stocks (including foreign stocks) of the Company and its certain consolidated subsidiaries, impairment losses are recognized for stocks whose fair value has declined significantly from the acquisition cost based on the average fair value as of March 31, 2023. 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 March 31, 2023, 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 March 31, 2023, 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.

(3) Scheduled repayment amounts for the major monetary claims and liabilities and redemption amounts for securities with maturities are as follows:

(Million Yen)

	One year	Over one year within five years	Over five years within 10 years	Over 10 years
Monetary receivables purchased:	13,000	4,743	40,924	186,078
Held-to-maturity debt securities	—	—	1,510	17,945
Policy-reserve-matching bonds	—	2,536	28,806	137,145
Available-for-sale securities	13,000	2,207	10,608	30,986
Investment in securities:	1,245,408	8,085,416	12,046,609	37,692,862
Held-to-maturity debt securities	45,981	157,191	113,816	80,352
Policy-reserve-matching bonds	518,690	3,270,998	4,941,671	23,486,731
Available-for-sale securities	680,736	4,657,225	6,991,121	14,125,778
Loans (*1)	987,565	2,746,563	2,139,000	2,255,461
Corporate bonds (*2)	—	—	—	1,353,265
Loans payable	45,674	76,348	650	931,000

(*1) Assets, such as policy loans, which do not have a stated maturity date, are not included.
Also, ¥8,011 million in loans to legally or substantially bankrupt borrowers or borrowers who are not currently legally bankrupt, but have a high probability of bankruptcy is not included.
(*2) Subordinated corporate bonds and others that do not have a stated maturity date are not included in the table above.

22. (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 March 31, 2023, are measured by fair value

(Million Yen)

	Level 1	Level 2	Level 3	Total
Monetary receivables purchased:	—	18,536	37,089	55,626
Available-for-sale securities	—	18,536	37,089	55,626
Investments in securities (*1):	17,525,128	19,613,433	272,702	37,411,264
Trading securities	630,778	857,489	—	1,488,267
Available-for-sale securities	16,894,350	18,755,944	272,702	35,922,997
Domestic bonds	2,711,085	1,469,500	—	4,180,586
National government bonds	2,711,085	—	—	2,711,085
Local government bonds	—	101,489	—	101,489
Corporate bonds	—	1,368,011	—	1,368,011
Domestic stocks	9,904,160	86,606	—	9,990,767
Foreign securities	4,271,022	14,116,174	272,599	18,659,796
Foreign bonds	3,329,110	8,407,594	272,599	12,009,304
Foreign stocks and other securities	941,911	5,708,579	—	6,650,491
Other securities	8,082	3,083,662	102	3,091,847
Derivative financial instruments (*2):	2,827	(589,708)	1,020	(585,860)
Interest rate-related	1,119	(148,295)	112	(147,063)
Currency-related	—	(442,047)	—	(442,047)
Others	1,707	635	907	3,250

(*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 ¥1,388,433 million for investment trusts whose investment trust assets are financial instruments, and ¥39,600 million for investment 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 March 31, 2023 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 fiscal year ended March 31, 2023	347,069	(4,172)	342,897
Recognized in net surplus (loss) (*4)	15,800	(144)	15,655
Recognized in other comprehensive income (*5)	331,269	(4,028)	327,241
Purchases, sales, and redemptions	60,837	7,569	68,406
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 March 31, 2023	1,388,433	39,600	1,428,033
Unrealized gain or loss on investment trusts held as of March 31, 2023, recognized in profit or loss for the fiscal year ended March 31, 2023 (*4)	—	—	—

(*3) The amount of these investment trusts presented in the consolidated balance sheet was ¥1,364,614 million as of March 31, 2023, 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 fiscal year ended March 31, 2023.

(*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 fiscal year ended March 31, 2023.

b Financial instruments whose amounts presented in the consolidated balance sheet as of March 31, 2023, are not measured by fair value

(Million Yen)

	Level 1	Level 2	Level 3	Total
Monetary receivables purchased:	—	—	191,379	191,379
Held-to-maturity debt securities	—	—	19,664	19,664
Policy-reserve-matching bonds	—	—	171,715	171,715
Investments in securities:	29,108,383	4,018,227	40,321	33,166,933
Monetary receivables purchased	2,787	338,872	39,739	381,399
Domestic bonds	672	79,325	—	79,998
Foreign securities	2,114	259,547	39,739	301,401
Policy-reserve-matching bonds	29,105,596	3,624,398	582	32,730,576
Domestic bonds	28,560,394	2,333,571	582	30,894,548
Foreign securities	545,201	1,290,827	—	1,836,028
Investments in subsidiaries and affiliates	—	54,956	—	54,956
Loans:	—	—	8,616,966	8,616,966
Policy loans	—	—	478,136	478,136
Industrial and consumer loans	—	—	8,138,830	8,138,830
Corporate bonds (*6)	—	(1,309,936)	(26,117)	(1,336,053)
Loans payable (*6)	—	(881,000)	(132,457)	(1,013,457)

(*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 of the Company and its certain consolidated subsidiaries are as follows:

1) Financial instruments classified as securities and monetary receivables purchased that are treated as securities based on "Accounting Standard for Financial Instruments" (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.

2) Loans

a. Policy loans

Policy loans are classified as Fair Value 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 Fair Value 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 a fair value.

(3) Information on financial instruments classified as Fair Value Level 3 whose amounts presented in the consolidated balance sheet as of March 31, 2023, 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 March 31, 2023, and unrealized gain or loss recognized in profit or loss for the fiscal year ended March 31, 2023

(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 fiscal year ended March 31, 2023	(255)	8,349	(345)	(429)
Recognized in net surplus (loss) (*1)	385	18,399	(345)	(429)
Recognized in other comprehensive income (*2)	(641)	(10,049)	—	—
Purchases, sales, issuances, and settlements	(11,497)	(293,003)	342	389
Transfers to Fair Value Level 3 (*3)	—	1,903	—	—
Transfers from Fair Value Level 3 (*4)	—	(24,280)	—	—
Balance as of March 31, 2023	37,089	272,702	112	907
Unrealized gain or loss on financial instruments held as of March 31, 2023, recognized in profit or loss for the fiscal year ended March 31, 2023 (*1)	—	5,628	(340)	(352)

(*1) These amounts are included in investment income and investment expenses in the consolidated statement of income for the fiscal year ended March 31, 2023.

(*2) 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 fiscal year ended March 31, 2023

(*3) These transfers are from Fair Value Level 1 or Fair Value Level 2 to Fair Value Level 3 and resulted from changes in the observability of inputs used to measure fair value. These transfers were carried out at the beginning of the fiscal year ended March 31, 2023.

(*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 fiscal year ended March 31, 2023.

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

23. The consolidated balance sheet amount for investment and rental properties was ¥1,293,738 million, with a fair value of ¥1,835,222 million as of March 31, 2023.
The Company and its certain consolidated subsidiaries own rental office buildings and commercial facilities, and the fair value of those properties as of March 31, 2023, is measured based mainly on the "Real Estate Appraisal Standards in Japan."
The amount corresponding to asset retirement obligations that was included in the consolidated balance sheet amounts of investment and rental properties was ¥4,386 million as of March 31, 2023.

24. (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 ¥29,694 million as of March 31, 2023. The details of those balances were as follows:

1) The balance of bankrupt and quasi-bankrupt loans was ¥10,059 million as of March 31, 2023.
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) The balance of doubtful loans was ¥18,103 million as of March 31, 2023.
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) The balance of loans delinquent for over three months was ¥50 million as of March 31, 2023.
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 ¥1,481 million as of March 31, 2023.
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 loans decreased the balance of bankrupt and quasi-bankrupt loans by ¥2,023 million as of March 31, 2023.

25. The amount of accumulated depreciation of tangible fixed assets was ¥1,286,120 million as of March 31, 2023.

26. Separate account assets as provided in accordance with Article 118, Paragraph 1 of the Insurance Business Act were ¥1,371,540 million as of March 31, 2023, and a corresponding liability is recorded in the same amount.

27. Changes in the reserve for dividends to policyholders of a mutual company for the current fiscal year ended March 31, 2023, were as follows:

	Million Yen
	Year ended March 31, 2023
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 of a mutual company during the current fiscal year	209,674
d. Increase in interest	21,174
e. Balance at the end of the current fiscal year (a+b-c+d)	¥1,071,945

28. Changes in the reserve for dividends to policyholders of a limited company for the current fiscal year ended March 31, 2023, were as follows:

	Million Yen
	Year ended March 31, 2023
a. Balance at the beginning of the current fiscal year	¥53,297
b. Dividends paid to policyholders of a mutual company during the current fiscal year	13,852
c. Increase in interest	8
d. Provision for reserve for dividends to policyholders (limited company)	11,593
e. Balance at the end of the current fiscal year (a-b+c+d)	¥51,046

29. 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 corporate bond issuance dates and callable dates for currency swaps under designated hedge accounting are as follows:

Issue date	Callable date
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

30. Other liabilities include subordinated loans payable of ¥931,000 million with special provisions that the fulfillment of obligations on the bonds is subordinate to all other debt obligations.
    The Company also assumed the following yen-denominated subordinated debt on April 20, 2023.

Principal amount	¥80.0 billion
Interest rate	Fixed rate for the first 10 years from the drawdown date, then 5 years, renewed every 5 years
Repayment date	30 years after the drawdown date (The loan is callable on the date 10 years from the drawdown date and each fifth anniversary date thereafter, until the loan is fully repaid at the discretion of the Company, subject to prior approval by the regulatory authorities.)
Use of funds	General working capital

31. Assets pledged as collateral in the form of cash and deposits, investments in securities, land, buildings, and lease receivables as of March 31, 2023, were ¥57,393 million, ¥3,569,543 million, ¥252 million, ¥36 million, and ¥3,633 million, respectively. The total amount of liabilities covered by the assets pledged was ¥2,448,351 million as of March 31, 2023.
    These amounts included ¥2,236,082 million of sale of securities under repurchase agreements and ¥2,357,443 million of payables under repurchase agreements, as well as ¥61,730 million in securities pledged and ¥63,065 million in cash received as collateral under securities lending transactions secured with cash as of March 31, 2023.

32. The total amount of stocks and investments in nonconsolidated subsidiaries and affiliates was ¥697,010 million.
    On January 24, 2023, the Company resolved to make an investment of up to $1.0 billion in an investment limited partnership that invests in Resolution Life Group Holdings Ltd. As a result of this investment, the Company's aggregate cumulative total investment is expected to reach up to $1.65 billion.

33. Matters concerning stock options are as follows:

1) Stock option-related expenses and line items

(Million Yen)

Operating expenses	362

2) Gains related to the forfeiture of unexercised stock options and line items

(Million Yen)

Gain on reversal of share acquisition rights	23

3) Description of stock options

	Nippon Life India Asset Management Limited			
	2017 First Series of Share Acquisition Rights	2017 Second Series of Share Acquisition Rights	2017 Third Series of Share Acquisition Rights	2019 First Series of Share Acquisition Rights
Title and number of grantees	Representative Director: 1 Employees: 84	Representative Director: 1 Employees: 137	Representative Director: 1 Employees: 157	Representative Director: 1 Employees: 156
Number of stock options granted by class of shares (*1)	Common shares: 4,944,246	Common shares: 4,598,135	Common shares: 11,190,706	Common shares: 18,081,008
Grant date	August 8, 2017	April 25, 2018	April 29, 2019	July 29, 2019
Vesting conditions	25% of the stock options are vested every year after being granted. (*2)	25% of the stock options are vested every year after being granted.	25% of the stock options are vested every year after being granted.	25% of the stock options are vested every year after being granted.
Requisite service period	From the grant date to the date when the vesting conditions are satisfied	From the grant date to the date when the vesting conditions are satisfied	From the grant date to the date when the vesting conditions are satisfied	From the grant date to the date when the vesting conditions are satisfied
Exercise period	From August 8, 2018 to August 7, 2024	From April 25, 2019 to April 24, 2025	From April 29, 2020 to April 28, 2026	From July 29, 2020 to July 28, 2026

	Nippon Life India Asset Management Limited		
	2019 Second Series of Share Acquisition Rights	2019 Third Series of Share Acquisition Rights	2019 Forth Series of Share Acquisition Rights
Title and number of grantees	Representative Director: 1 Employees: 31	Employees: 203	Employees: 1
Number of stock options granted by class of shares (*1)	Common shares: 469,772	Common shares: 5,430,538	Common shares: 77,065
Grant date	June 10, 2020	July 19, 2021	August 7, 2021
Vesting conditions	25% of the stock options are vested every year after being granted.	25% of the stock options are vested every year after being granted.	25% of the stock options are vested every year after being granted.
Requisite service period	From the grant date to the date when the vesting conditions are satisfied	From the grant date to the date when the vesting conditions are satisfied	From the grant date to the date when the vesting conditions are satisfied
Exercise period	From June 10, 2021 to June 9, 2027	From July 19, 2022 to July 18, 2028	From August 7, 2022 to August 6, 2028

(*1) The number of stock options granted has been converted into the number of shares.

(*2) The stock options granted to the representative director will vest at once in three years after the grant date.

4) Volume and changes in stock options

a. Number of stock options

(Stock)

	Nippon Life India Asset Management Limited				
	2017 First Series of Share Acquisition Rights	2017 Second Series of Share Acquisition Rights	2017 Third Series of Share Acquisition Rights	2019 First Series of Share Acquisition Rights	2019 Second Series of Share Acquisition Right
Before vesting					
As of March 31, 2022	—	862,040	4,931,189	8,397,653	311,973
Granted	—	—	—	—	—
Forfeited	—	1,815	239,222	375,364	15,651
Vested	—	860,225	2,462,757	4,161,697	103,996
Outstanding	—	—	2,229,210	3,860,592	192,326
After vesting					
As of March 31, 2022	733,161	1,607,414	2,459,601	6,074,830	81,374
Vested	—	860,225	2,462,757	4,161,697	103,996
Exercised	59,671	107,508	474,991	504,775	9,488
Forfeited	—	89,791	—	14,344	2,755
Exercisable	673,490	2,271,340	4,447,367	9,717,408	172,045

	Nippon Life India Asset Management Limited	
	2019 Third Series of Share Acquisition Rights	2019 Forth Series of Share Acquisition Rights
Before vesting		
As of March 31, 2022	5,241,572	77,065
Granted	—	—
Forfeited	377,384	—
Vested	1,287,560	19,266
Outstanding	3,576,628	57,799
After vesting		
As of March 31, 2022	—	—
Vested	1,287,560	19,266
Exercised	—	—
Forfeited	95,326	—
Exercisable	1,192,234	19,266

b. Price information

(Rupee)

	Nippon Life India Asset Management Limited				
	2017 First Series of Share Acquisition Rights	2017 Second Series of Share Acquisition Rights	2017 Third Series of Share Acquisition Rights	2019 First Series of Share Acquisition Rights	2019 Second Series of Share Acquisition Right
Exercise price	204.25	256.10	202.35	223.32	247.60
Average stock price when exercised	379.27	381.36	353.57	369.61	374.02
Fair value on the grant date	10.82	45.71	38.94	43.06	65.51

	Nippon Life India Asset Management Limited	
	2019 Third Series of Share Acquisition Right	2019 Forth Series of Share Acquisition Right
Exercise price	372.71	389.28
Average stock price when exercised	—	—
Fair value on the grant date	85.73	78.29

5) Method of estimating fair valuation unit price of stock options

a. Method used

Black-Scholes option-pricing model

b. Principal parameters used in the option-pricing model and estimation method

	Nippon Life India Asset Management Limited				
	2017 First Series of Share Acquisition Rights	2017 Second Series of Share Acquisition Rights	2017 Third Series of Share Acquisition Rights	2019 First Series of Share Acquisition Rights	2019 Second Series of Share Acquisition Right
Expected volatility (*1)	13.92% to 20.81%	14.21%	16.66%	16.46%	16.17%
Expected remaining life (*2)	4.0 to 5.5 years	4.0 to 5.5 years	4.0 to 5.5 years	4.0 to 5.5 years	4.0 to 5.5 years
Expected dividends rates (*3)	3.09%	3.25%	2.97%	3.22%	1.98%
Risk-free interest rate (*4)	6.20% to 6.34%	7.06% to 7.15%	6.32% to 6.55%	6.22% to 6.45%	4.37% to 4.88%

	Nippon Life India Asset Management Limited	
	2019 Third Series of Share Acquisition Right	2019 Forth Series of Share Acquisition Right
Expected volatility (*1)	12.92%	12.92%
Expected remaining life (*2)	4.0 to 5.5 years	4.0 to 5.5 years
Expected dividends rates (*3)	2.54%	2.01%
Risk-free interest rate (*4)	5.49% to 5.99%	5.48% to 5.98%

(*1) Calculated based on indices provided by the National Stock Exchange of India.

(*2) The expected remaining life is calculated as a half of the sum of the shortest and longest exercisable periods after stock options are granted.

(*3) Expected dividend rates are based on historical dividend performance.

(*4) The risk-free interest rate is based on the yields on government bonds in India with remaining terms equal to the expected remaining life of the stock options.

6) Method of estimating the number of stock options vested

The estimate basically reflects only the actual number of forfeited stock options because it is difficult to reasonably estimate the actual number of stock options that will be forfeited in the future.

34. The amount of securities lent under lending agreements was ¥1,371,116 million as of March 31, 2023.

35. 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 ¥132,566 million at fair value as of March 31, 2023.

36. The unused amount of commitments related to loans and similar loan agreements was ¥252,872 million as of March 31, 2023.

37. Information relating to retirement benefits is as follows:

(1) Summary of retirement benefit plans

The Company has a defined benefit corporate pension plan and a lump-sum retirement payment plan, which are both defined benefit plans, for non-sales personnel and sales management personnel. The Company also has a defined contribution pension plan as a defined contribution plan.

In addition, the Company has a lump-sum retirement payment plan and an in-house pension plan for sales representatives as a defined benefit plan.

Certain consolidated subsidiaries mainly have a lump-sum retirement payment plan as a defined benefit plan and a defined contribution pension plan as a defined contribution plan.

(2) Defined benefit plans

1) Reconciliation of retirement benefit obligations between the beginning and end of the fiscal year

	Million Yen Year ended March 31, 2023
a. Retirement benefit obligations at the beginning of the year	¥681,617
b. Service costs	29,036
c. Interest cost	4,137
d. Actuarial losses accrued during the year	2,862
e. Retirement benefit payments	(41,741)
f. Others	33
g. Retirement benefit obligations at the end of the year (a+b+c+d+e+f)	¥675,945

2) Reconciliation of pension plan assets between the beginning and end of the fiscal year

	Million Yen
	Year ended March 31, 2023
a. Pension plan assets at the beginning of the year	¥249,343
b. Expected return on plan assets	3,838
c. Actuarial gains incurred during the year	(4,382)
d. Contributions by the Company	5,930
e. Retirement benefit payments	(14,600)
f. Others	2
g. Pension plan assets at the end of the year (a+b+c+d+e+f)	¥240,131

3) Reconciliation of net defined benefit liability between the beginning and end of the fiscal year by computational short cut

	Million Yen
	Year ended March 31, 2023
a. Net defined benefit liability at the beginning of the year	¥770
b. Benefit costs	95
c. Retirement benefit payments	(47)
d. Net defined benefit liability at the end of the year (a+b+c)	¥818

4) Reconciliation of retirement benefit obligations, plan assets, and net defined benefit liability and asset in the consolidated balance sheet

	Million Yen
	Year ended March 31, 2023
a. Retirement benefit obligations for funded plans	¥243,998
b. Plan assets	(240,131)
	3,866
c. Retirement benefit obligations for nonfunded plans	432,766
d. Net defined benefit liability recorded in the consolidated balance sheet	436,632
e. Net defined benefit liability	437,909
f. Net defined benefit asset	(1,276)
g. Net defined benefit liability recorded in the consolidated balance sheet	¥436,632

5) Losses (gains) relating to retirement benefits

	Million Yen
	Year ended March 31, 2023
a. Service costs	¥29,036
b. Interest cost	4,137
c. Expected return on plan assets	(3,838)
d. Amortization of actuarial losses for the period	3,811
e. Amortization of prior service costs for the period	(1,317)
f. Benefit cost under the simplified valuation method	95
g. Others	28
h. Benefit cost for defined benefit plans (a+b+c+d+e+f+g)	¥31,954

6) Breakdown of items included in other comprehensive income

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

	Million Yen
	Year ended March 31, 2023
a. Actuarial losses	(¥3,432)
b. Prior service costs	(1,317)
c. Total (a+b)	(¥4,750)

7) Breakdown of items included in total accumulated other comprehensive income

The breakdown of items included in total accumulated other comprehensive income (before tax) is as follows:

	Million Yen
	Year ended March 31, 2023
a. Unrecognized actuarial losses	¥11,366
b. Unrecognized prior service costs	(2,635)
c. Total (a+b)	¥8,730

8) Plan assets consist of the following major asset categories:

a. General account of life insurance	56.9%
b. Cash and deposits	20.2%
c. Foreign securities	12.8%
d. Domestic bonds	5.4%
e. Domestic stocks	4.7%
f. Other	0.0%
g. Total (a+b+c+d+e+f)	100.0%

9) Calculation for long-term expected rate of return on plan assets

To determine the long-term expected rate of return on plan assets, the Company takes into consideration present and forecasted allocation of the plan assets, and present and long-term rates of return that are expected from the portfolio of assets that comprise the plan assets.

10) Matters relating to the basis for actuarial calculations

The major items in the basis for actuarial calculations of the Company and its certain consolidated subsidiaries as of March 31, 2023, are as follows:

a. Discount rate	0.4 to 7.5%
b. Long-term expected rate of return on plan assets	1.5 to 7.5%

(3) Defined contribution plans

The Company and its consolidated subsidiaries contributed ¥5,421 million to the defined contribution plans during the fiscal year ended March 31, 2023.

38. (1) Total deferred tax assets were ¥2,322,019 million and total deferred tax liabilities were ¥2,306,036 million as of March 31, 2023. The deferred tax assets were reduced by the valuation allowance of ¥118,993 million. The major components resulting in deferred tax assets were policy reserves and other reserves of ¥1,347,513 million, reserve for price fluctuations in investments in securities of ¥470,088 million, and deferred gains (losses) on derivatives under hedge accounting of ¥176,234 million. The major component resulting in deferred tax liabilities was net unrealized gains on available-for-sale securities of ¥2,042,692 million.

(2) The effective statutory tax rate was 27.9% for the fiscal year ended March 31, 2023. The major factors for the difference between the effective statutory tax rate and the effective income tax rate after application of tax effect accounting were a decrease of 45.4% due to the amount of reserve for dividends to policyholders and an increase of 6.5% due to an equity-method investment loss recorded under other ordinary expenses.

39. 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, net of tax, are recognized as land revaluation losses within the net assets section.

Revaluation date March 31, 2002

Revaluation methodology	The amount is calculated 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.

40. TAIJU LIFE INSURANCE COMPANY LIMITED and Nippon Wealth Life Insurance Company Limited, which are the Company's consolidated subsidiaries, have concluded modified coinsurance agreements.

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/Australian dollar) and foreign currency-denominated single payment whole life insurance (U.S. dollar/Australian dollar).

Through this modified co-reinsurance agreement, insurance risk has been transferred, and items including additional policy reserves or reversals associated with market price adjustments upon interest rate fluctuations are recorded as reinsurance revenue. However, in cases where reinsurance revenue related to this modified co-reinsurance agreement is negative, the items are recorded as reinsurance premiums. The outstanding balance of reinsurance payables related to these modified co-reinsurance agreements stood at ¥18,926 million as of March 31, 2023. The outstanding balance of the policy reserve component associated with the modified co-reinsurance agreements stood at ¥979,176 million as of March 31, 2023.

Nippon Wealth Life Insurance Company Limited records reinsurance revenue according to the timing of accrual of benefits and other payments for covered insurance products and to the ceding ratio for those products based on the reinsurance agreement. In addition, the ceding commission and policy reserve components are recorded according to the covered period and ceding ratio stipulated by the reinsurance agreement. These items are recorded as reinsurance premiums according to factors such as the timing of accrual of premiums for covered insurance products and the ceding ratio for those products based on the reinsurance agreement. The outstanding balance of unamortized ceding commissions related to reinsurance agreements under Article 1, Paragraph 5 of the Ministry of Finance Public Notice No. 50 of 1996 was ¥2,628 million as of March 31, 2023. In addition, the outstanding balance of reinsurance receivables related to these modified co-reinsurance agreements was ¥2,628 million as of March 31, 2023.

Policy reserves include the reinsurance company's entrusted policy reserve of ¥2,916 million based on the modified coinsurance agreement.

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

[Consolidated Statements of Income]

(Million Yen)

	Year ended March 31, 2023	Year ended March 31, 2022
Ordinary income:	9,639,129	8,356,872
Revenues from insurance and reinsurance	6,373,557	5,386,003
Investment income:	2,992,141	2,695,935
Interest, dividends, and other income	1,943,738	1,731,163
Gain on trading securities	—	6,294
Gain on sales of securities	847,517	490,952
Gain on redemptions of securities	28,473	9,634
Foreign exchange gains, net	171,339	413,614
Reversal of allowance for doubtful accounts	—	1,573
Other investment income	1,072	1,618
Gain on separate accounts, net	—	41,083
Other ordinary income	273,429	274,933
Ordinary expenses:	9,496,759	7,821,428
Benefits and other payments:	5,470,849	4,629,816
Death and other claims	1,320,943	1,227,849
Annuity payments	1,005,860	1,013,480
Health and other benefits	1,120,911	895,870
Surrender benefits	1,415,286	1,171,107
Other refunds	302,264	209,897
Reinsurance premiums	305,583	111,611
Provision for policy reserves:	1,427,716	1,645,246
Provision for reserve for outstanding claims	6,334	19,626
Provision for policy reserves	1,400,198	1,604,264
Provision for interest on reserve for dividends to policyholders (mutual company)	21,174	21,346
Provision for interest on reserve for dividends to policyholders (limited company)	8	9
Investment expenses:	1,391,908	386,404
Interest expenses	40,398	34,837
Loss from assets held in trust, net	—	85
Loss on trading securities	31,446	—
Loss on sales of securities	905,286	116,850
Loss on valuation of securities	10,011	14,152
Loss on redemptions of securities	7,118	7,103
Loss on derivative financial instruments, net	301,425	128,642
Provision for allowance for doubtful accounts	4,315	—
Write-offs of loans	7	0
Depreciation of real estate to rental use and other assets	21,680	21,129
Other investment expenses	65,310	63,603
Loss on separate accounts, net	4,906	—
Operating expenses	816,448	802,955

[Consolidated Statements of Income] (Continued)

(Million Yen)

	Year ended March 31, 2023	Year ended March 31, 2022
Other ordinary expenses	389,836	357,005
Ordinary profit	142,369	535,443
Extraordinary gains:	4,444	18,439
Gain on disposals of fixed assets	4,420	18,439
Gain on reversal of share acquisition rights	23	0
Extraordinary losses:	23,422	103,971
Loss on disposals of fixed assets	7,427	5,186
Impairment losses	11,645	21,943
Provision for reserve for price fluctuations in investments in securities	141	73,837
Loss on reduction entry of real estate	1,208	4
Contributions for assisting social public welfare	3,000	3,000
Provision for reserve for dividends to policyholders (limited company)	11,593	12,839
Surplus before income taxes	111,797	437,072
Income taxes - current	21,492	199,647
Income taxes - deferred	(31,021)	(114,236)
Total income taxes	(9,529)	85,411
Net surplus	121,326	351,661
Net surplus attributable to noncontrolling interests	3,115	4,901
Net surplus attributable to the parent company	118,211	346,759

Notes to the Consolidated Statement of Income for the Fiscal Year Ended March 31, 2023

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 reinsurance revenue) 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. The main notes concerning impairment losses are as follows:

1)Method for grouping the assets

a. Real estate and other assets

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

b. Goodwill and other assets

Goodwill and other assets of the Company are classified as one asset group on a company basis, in principle.

To evaluate the equivalent amount of goodwill related to PT Sequis, PT Sequis and PT Asuransi Jiwa Sequis Life are classified into one asset group because PT Asuransi Jiwa Sequis Life, which is owned by PT Sequis as an intermediate holding company, substantially conducts business operations.

2)Identification of indicators of impairment

a. Real estate and other assets

The Company identifies indicators of impairment if the operating activities of an asset group result in loss in consecutive fiscal periods or there are events indicating that the asset may be impaired.

As of March 31, 2023, the Company identified indicators of impairment in certain asset groups because the conditions above were applicable.

b. Goodwill and other assets

The Company identifies indicators of impairment if any of the following conditions applies to an asset group:

(i) Profit or loss in the current period, or cash flows from operating activities are, or expected to be, negative for two consecutive fiscal periods.

(ii) Businesses or management strategies have been substantially revised from initial plans, and a continuing future deterioration in business performance that could lead to a large decline in actual value is expected.

(iii) A continuing future deterioration in business performance that could lead to a large decline in actual value is expected based on the outlook for a drastic or anticipated worsening of the business environment.

As of March 31, 2023, the Company has identified indicators of impairment on goodwill related to Nippon Life India Asset Management Limited, the equivalent amount of goodwill related to Reliance Nippon Life Insurance Company Limited, and the equivalent amount of goodwill related to PT Sequis. The Company has identified indicators of impairment on the goodwill related to Nippon Life India Asset Management Limited because of the large amount of goodwill, in accordance with Paragraph 109 of the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21).

Moreover, the Company owns an equity interest in The TCW Group, Inc., which is an asset management company, through Nippon Life Americas, Inc., a U.S. subsidiary of the Company. Nippon Life Americas, Inc. conducts an impairment assessment of The TCW Group, Inc. by judging whether or not any decline in its corporate valuation is temporary based on a qualitative evaluation of factors including entrusted assets and the business environment in accordance with U.S. accounting standards. The Company applies the accounting treatment of Nippon Life Americas, Inc. to consolidated financial statement preparation procedures based on the “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries, etc. for Consolidated Financial Statements” (ASBJ Practical Issues Task Force (PITF) No.18, June 28, 2019). As of March 31, 2023, the Company has identified indicators of impairment on the equivalent amount of goodwill related to The TCW Group, Inc.

3)Recognition and measurement of impairment losses

a. Real estate and other assets

Asset groups for which indicators of impairment are recognized are treated as follows. If the total amount of undiscounted cash flows from such an asset group is lower than the book value, an impairment loss is recognized and the book value is reduced to the recoverable amount. The recoverable amount is based on either the value in use or net selling price. In principle, the value in use is determined as the discounted future cash flows using a discount rate of 2.1-3.0%. Net selling price is determined based on appraisals performed in accordance with the “Real Estate Appraisal Standards” or standard land prices.

As of March 31, 2023, the book values of certain asset groups for which indicators of impairment were recognized were reduced to the recoverable amounts, and impairment losses were recognized under extraordinary losses.

b. Goodwill and other assets

Asset groups for which indicators of impairment are recognized are treated as follows. If the total amount of undiscounted future cash flows from such an asset group is lower than the book value, the book value is reduced to the recoverable amount, with the reduction not to exceed the amount of goodwill and other assets. The recoverable amount is based on either the value in use or net selling price. The value in use is determined as the amount by discounting the future cash flows calculated based on future projections, medium-term management plans and other information for each asset group. Net selling price is determined based on the amount obtained by multiplying the market value of shares by the number of shares held.

In impairment assessments related to life insurance companies, the corporate valuation amount (the sum of Embedded Value ("EV") and the value of new business) may be used in some cases as an alternative to the undiscounted future cash flows and recoverable amount above, after ensuring that the requirements of the "Accounting Standard for Impairment of Fixed Assets" (Business Accounting Deliberation Council) are satisfied. EV is the sum of "adjusted net assets, reflecting necessary adjustments to the total amount of the net assets in the balance sheet" and "the value of existing policies that is the present value of future after-tax profits from policies in force." EV represents corporate value attributable to shareholders. It is used to grasp matters such as the shareholder value of limited insurance companies and the acquisition price of an acquiree company in M&A deals. Moreover, the value of new business represents "the present value of future after-tax profit from policies to be acquired in the future."

As of March 31, 2023, the Company used TEV as EV to determine the corporate valuation amounts related to Reliance Nippon Life Insurance Company Limited and PT Sequis, which are life insurance companies for which indications of impairment had been identified. TEV is a method for calculating EV that evaluates cash flow with a risk-adjusted discount rate. The calculation of the EV of those life insurance companies involves uncertainties in factors, such as future cash flows based on the projected acquisition of new insurance policies in each sales channel as the basis of the value of new business, discount rates, which are the basis of the calculation of the value of new business, and insurance-related actuarial assumptions, such as the lapse rates and the insurance accident rates, which are the basis for the calculation of EV. No impairment was recognized on the equivalent amount of goodwill related to Reliance Nippon Life Insurance Company Limited because its corporate valuation amount was higher than the book value.

No impairment was recognized on the equivalent amount of goodwill related to PT Sequis, despite the fact that the corporate valuation amount was lower than the book value, because the undiscounted future cash flows were higher than the book value. The undiscounted future cash flows were calculated by adding the future after-tax profit from policies in force (undiscounted value of existing policies) and future after-tax profit from policies to be acquired in the future (undiscounted value of new business) to adjusted net assets. However, in accordance with Paragraph 32 of the "Practical Guidelines on the Capital Consolidation Procedure in Consolidated Financial Statements (Accounting Practice Committee Statement No.7) and related guidelines, the Company recorded a loss on valuation of shares of subsidiaries and associates in the non-consolidated financial statements, causing the after-impairment book value to fall below the total amount of the Company’s equity in PT Sequis’ capital and the unamortized equivalent amount of goodwill on a consolidated basis. For this reason, the Company amortized ¥7,321 million, the full amount needed to cover the unamortized equivalent amount of goodwill, within the difference between the after-impairment book value on a non-consolidated basis and the total amount of the Company’s equity in PT Sequis’ capital and the unamortized equivalent amount of goodwill on a consolidated basis. This amortized amount is recorded in the consolidated statement of income as an equity-method investment loss under other ordinary expenses. Additionally, the outlook for the projected acquisition of new insurance policies, which is a key assumption for determining the corporate valuation of PT Sequis, is uncertain due to market environment changes and other factors.

As of March 31, 2023, the Company conducted an impairment test of the equivalent amount of goodwill of The TCW Group, Inc., for which indications of impairment had been identified. Considering that the entrusted assets of The TCW Group, Inc. had declined due to a rise in U.S. interest rates, Nippon Life Americas, Inc. judged that the decline in the corporate valuation of The TCW Group, Inc. was not temporary, and it reduced the book value of The TCW Group, Inc. to the recoverable amount. As a result, in the consolidated statement of income, the Company recorded ¥16,113 million as an equity-method investment loss under other ordinary expenses. Additionally, the outlook for a recovery in entrusted assets, which is a key assumption for determining the corporate valuation of The TCW Group, Inc., is uncertain due to market environment changes and other factors.

As of March 31, 2023, the Company conducted an impairment test of goodwill related to Nippon Life India Asset Management Limited, for which indications of impairment had been identified. In this test, the total amount of undiscounted future cash flows and the book value of Nippon Life India Asset Management Limited were compared. The former was higher than the latter. In addition, a comparison of its market capitalization, as Nippon Life India Asset Management Limited is a listed company, and book value showed that its market capitalization was higher than its book value. Considering these and other factors, no impairment loss on goodwill related to Nippon Life India Asset Management Limited was recognized.

4) Breakdown of asset groups for which impairment losses were recognized for the fiscal year ended March 31, 2023, is as follows:

(Million Yen)

Purpose of use	Land	Buildings and others	Total
Real estate for rental use	2,873	1,217	4,091
Idle properties	4,030	3,523	7,554
Total	6,904	4,740	11,645

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 ¥245,408 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 ¥178,114 million and additional policy reserves (reversals) associated with market value adjustments and related items of ¥(3,669) million.

   Reinsurance revenue presented in revenues from insurance and reinsurance of Nippon Wealth Life Insurance Company Limited, the Company’s consolidated subsidiary, includes a ¥2,628 million increase in unamortized ceding commissions related to reinsurance agreements under Article 1, Paragraph 5 of the Ministry of Finance Public Notice No. 50 of 1996. In addition, it includes ¥3,118 million in reinsurance revenue related to modified coinsurance agreements. This reinsurance revenue includes a ¥165 million increase in ceding commission and a ¥2,916 million increase in the policy reserve component (including a ¥2,480 million increase equivalent to additional provisions related to the standard policy reserve system). Reinsurance premiums presented in benefits and other payments include ¥491 million in reinsurance premiums related to modified coinsurance agreements.

   Through these reinsurance items, ordinary profit and surplus before income taxes decreased by ¥978 million each.

[Consolidated Statements of Comprehensive Income]

(Million Yen)

	Year ended March 31, 2023	Year ended March 31, 2022
Net surplus	121,326	351,661
Other comprehensive income:	(920,186)	(815,365)
Net unrealized gains on available-for-sale securities	(958,481)	(655,136)
Deferred gains on derivatives under hedge accounting	(1,932)	(212,470)
Foreign currency translation adjustments	32,871	35,120
Remeasurement of defined benefit plans	(3,426)	4,029
Share of other comprehensive loss of associates accounted for under the equity method	10,782	13,090
Comprehensive income:	(798,859)	(463,704)
Comprehensive income attributable to the parent company	(790,675)	(460,546)
Comprehensive income attributable to noncontrolling interests	(8,183)	(3,157)

Note to the Consolidated Statement of Comprehensive Income for the Fiscal Year Ended March 31, 2023

Breakdown of other comprehensive income is as follows:

(1)Reclassification adjustments to profit or loss relating to other comprehensive income

(Million Yen)

Net unrealized gains on available-for-sale securities:		
Gains arising during the year	(1,317,083)	
Reclassification adjustments to profit or loss	(17,727)	(1,334,810)
Deferred losses on derivatives under hedge accounting:		
Losses arising during the year	(30,999)	
Reclassification adjustments to profit or loss	28,328	(2,670)
Foreign currency translation adjustments:		
Gains arising during the year	32,871	
Reclassification adjustments to profit or loss	—	32,871
Remeasurement of defined benefit plans:		
Gains arising during the year	(7,244)	
Reclassification adjustments to profit or loss	2,494	(4,750)
Share of other comprehensive income (loss) of associates accounted for under the equity method:		
Gains arising during the year	11,324	
Reclassification adjustments to profit or loss	(541)	10,782
Amount before income tax effect		(1,298,577)
Income tax effect		378,390
Total other comprehensive income		(920,186)

(2) Income tax effect relating to other comprehensive income

(Million Yen)

	Before income tax effect	Income tax effect	After income tax effect
Net unrealized gains on available-for-sale securities	(1,334,810)	376,328	(958,481)
Deferred losses on derivatives under hedge accounting	(2,670)	738	(1,932)
Foreign currency translation adjustments	32,871	—	32,871
Remeasurement of defined benefit plans	(4,750)	1,323	(3,426)
Share of other comprehensive income of associates accounted for under the equity method	10,782	—	10,782
Total other comprehensive income	(1,298,577)	378,390	(920,186)

(6) Consolidated Statements of Cash Flows

(Million Yen)

	Year ended March 31, 2023	Year ended March 31, 2022
I. Cash flows from operating activities:		
Surplus before income taxes	111,797	437,072
Depreciation of real estate for rental use and other assets	21,680	21,129
Depreciation	73,140	76,299
Impairment losses	11,645	21,943
Amortization of goodwill	5,028	4,496
Net indrease (decrease) in reserve for outstanding claims	5,678	10,658
Net increase in policy reserve	1,395,247	1,612,939
Provision for interest on reserve for dividends to policyholders (mutual company)	21,174	21,346
Provision for interest on reserve for dividends to policyholders (limited company)	8	9
Provision for reserve for dividends to policyholders (limited	11,593	12,839
Net (decrease) increase in allowance for doubtful accounts	4,122	(1,607)
Net increase in accrued bonuses for directors, and audit and supervisory board members	5	0
Net increase (decrease) in net defined benefit liability	(1,157)	837
Net decrease in accrued retirement benefits for directors, and audit and supervisory board members	(2)	(51)
Net increase in reserve for price fluctuations in investments in	141	73,837
Interest, dividends, and other income	(1,943,738)	(1,731,163)
Lossesfrom assets held in trust, net	—	85
Net gains on investments in securities	46,425	(362,481)
Net losses on policy loans	78,679	80,687
Losses on derivative financial instruments, net	301,425	128,642
Interest expenses	40,398	34,837
Net foreign exchange gains	(170,749)	(412,512)
Net (gains) losses on tangible fixed assets	6,925	(11,245)
Gains on equity method investments	26,025	(1,019)
Gains from separate accounts	4,906	(41,083)
Net decrease in reinsurance receivables	(3,058)	18,019
Net decrease (increase) in other assets (excluding those related to investing activities and financing activities)	(26,317)	20,021
Net increase in reinsurance payables	3,475	16,075
Net (decrease) increase in other liabilities (excluding those related to investing activities and financing activities)	3,605	(10,833)
Others, net	79,012	(52,015)

(6) Consolidated Statements of Cash Flows (Continued)

(Million Yen)

	Year ended March 31, 2023	Year ended March 31, 2022
Subtotal	107,121	(32,235)
Interest, dividends, and other income received	1,742,488	1,711,402
Interest paid	(41,646)	(27,533)
Dividends paid to policyholders (mutual company)	(174,579)	(174,253)
Dividends paid to policyholders (limited company)	(13,852)	(14,290)
Others, net	(42,431)	(61,857)
Income taxes paid	(237,401)	(168,521)
Net cash provided by operating activities	1,339,699	1,232,711

(6) Consolidated Statements of Cash Flows (Continued)

(Million Yen)

	Year ended March 31, 2023	Year ended March 31, 2022
II. Cash flows from investing activities:		
Net increase (decrease) in deposits	662	284
Purchases of monetary receivables purchased	(4,090)	(14,190)
Proceeds from sales and redemptions of monetary receivables purchased	46,992	42,507
Proceeds from decrease in assets held in trust	—	49
Purchases of securities	(13,801,236)	(9,401,527)
Proceeds from sales and redemptions of securities	14,057,195	7,432,601
Disbursements for loans	(1,707,572)	(1,512,331)
Proceeds from collections of loans	1,467,147	1,487,139
Net (losses) gains from the settlement of derivative financial instrument	(1,060,922)	(460,070)
Net increase in sales under repurchase agreements	(643,756)	1,448,058
Net (decrease) increase in cash received as collateral under securities lending transactions	23,957	(12,329)
Others, net	(157,592)	(187,143)
Total of asset management activities	(1,779,215)	(1,176,952)
[Sum of operating activities and asset management activities]	[439,516]	[55,758]
Purchases of tangible fixed assets	(68,163)	(60,911)
Proceeds from sales of tangible fixed assets	35,560	75,236
Others, net	(40,009)	(44,998)
Net cash used in investing activities	(1,851,828)	(1,207,626)
III. Cash flows from financing activities:		
Proceeds from debt borrowing	283,400	291,350
Repayments of debt	(74,976)	(186,514)
Proceeds from issuance of corporate bonds	—	138,793
Redemption of bonds	(157,040)	(35,500)
Proceeds from issuance of foundation funds	—	50,000
Redemption of foundation funds	—	(50,000)
Interest payments on foundation funds	(265)	(277)
Payment for acquisition of subsidiary’s shares not resulting in change in scope of consolidation	—	(23,819)
Others, net	8,132	(25,320)
Net cash provided by financing activities	59,251	158,711
IV. Effect of exchange rate changes on cash and cash equivalents	46,160	37,753
V. Net increase in cash and cash equivalents	(406,716)	221,549
VI. Cash and cash equivalents at the beginning of the year	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 year	2,139,794	2,544,383

Note to the Consolidated Statement of Cash Flows for the Fiscal Year Ended March 31, 2023

1. Cash and cash equivalents

Cash and cash equivalents, for the purpose of reporting consolidated cash flows, 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 Year Ended March 31, 2023

(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				118,211	118,211
Reversal of land revaluation losses				(4,098)	(4,098)
Changes in the scope of consolidation and application of the equity method				(390)	(390)
Change in the parent’s ownership interest due to transactions with noncontrolling interests				261	261
Net change, excluding foundation funds and others					
Net change	—	—	—	(86,149)	(86,149)
Ending balance	100,000	1,350,000	651	654,426	2,105,077

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

For the Year Ended March 31, 2023

(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	Remeasur-ements 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									118,211
Reversal of land revaluation losses									(4,098)
Changes in the scope of consolidation and application of the equity method									(390)
Change in the parent's ownership interest due to transactions with noncontrolling interests									261
Net change, excluding foundation funds and others	(948,331)	(619)	4,098	43,484	(3,419)	(904,787)	249	(11,362)	(915,900)
Net change	(948,331)	(619)	4,098	43,484	(3,419)	(904,787)	249	(11,362)	(1,002,050)
Ending balance	5,176,583	(375,789)	(56,264)	60,847	(5,938)	4,799,438	1,921	144,567	7,051,004

(7) Consolidated Statements of Changes in Net Assets (Continued)
For the Year Ended March 31, 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	1,300,000	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				346,759	346,759
Redemption of foundation funds	(50,000)				(50,000)
Reversal of land revaluation losses				2,916	2,916
Change in the parent's ownership interest due to transactions with noncontrolling interests				7,608	7,608
Net change, excluding foundation funds and others					
Net change	—	50,000	—	31,001	81,001
Ending balance	100,000	1,350,000	651	740,576	2,191,227

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

For the Year Ended March 31, 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	6,767,268	(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									346,759
Redemption of foundation funds									(50,000)
Reversal of land revaluation losses									2,916
Change in the parent’s ownership interest due to transactions with noncontrolling interests									7,608
Net change, excluding foundation funds and others	(642,353)	(212,082)	(2,916)	43,136	3,992	(810,222)	322	(34,616)	(844,516)
Net change	(642,353)	(212,082)	(2,916)	43,136	3,992	(810,222)	322	(34,616)	(763,514)
Ending balance	6,124,915	(375,170)	(60,363)	17,362	(2,518)	5,704,225	1,671	155,930	8,053,054

Notes to Consolidated Statements of Changes in Net Assets

1. Matters concerning share acquisition rights

(Million Yen)

Classification	Breakdown of share acquisition rights	Balance as of March 31, 2023
Nippon Life India Asset Management Limited	Share acquisition rights provided as stock options	1,921

(8) Status of Nonperforming Assets Based on the Insurance Business Act (Consolidated)

(Million Yen, %)

	As of March 31, 2023	As of March 31, 2022
Bankrupt and quasi-bankrupt loans	10,059	10,285
Doubtful loans	18,103	18,352
Loans that are delinquent for over three months	50	—
Restructured loan	1,481	1,771
Subtotal	29,694	30,409
[Percent of total, %]	[0.28]	[0.27]
Normal loans	10,454,967	11,386,093
Total	10,484,661	11,416,503

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 March 31, 2023 and 2022, were ¥2,023 million and ¥1,603 million, respectively.

(9) Consolidated Solvency Margin Ratio

(Million Yen)

	As of March 31, 2023	As of March 31, 2022
Solvency margin gross amount (A):	18,147,113	18,807,337
Foundation funds (*kikin*) and other reserve funds:	6,095,335	6,076,899
Foundation funds and others	1,942,702	2,011,828
Reserve for price fluctuations in investments in securities	1,684,717	1,684,575
Contingency reserve	2,223,034	2,139,183
Extraordinary contingency reserve	—	—
General allowance for doubtful accounts	3,636	3,201
Others	241,244	238,109
Net unrealized gains on available-for-sale securities (before tax) and deferred losses on derivatives under hedge accounting (before tax) × 90%	6,231,568	7,273,155
Net unrealized gains on real estate × 85%	635,862	578,283
Total amount of unrecognized actuarial gains/losses and unrecognized prior service cost	(8,309)	(3,568)
Excess of continued Zillmerized reserve	2,884,069	2,698,006
Qualifying subordinated debt	2,309,865	2,265,905
Excess of continued Zillmerized reserve and qualifying subordinated debt not included in margin calculations	—	—
Deduction clause	(164,173)	(259,146)
Others	162,895	177,803
Total amount of risk (B): $\sqrt{(\sqrt{R_1^2+R_5^2}+R_8+R_9)^2+(R_2+R_3+R_7)^2}+R_4+R_6$	3,366,494	3,357,311
Underwriting risk (R_1)	179,782	189,313
General underwriting risk (R_5)	—	—
Huge disaster risk (R_6)	—	—
Underwriting risk of third-sector insurance (R_8)	104,336	103,984
Underwriting risk related to small amount and short-term insurance providers (R_9)	0	—
Anticipated yield risk (R_2)	326,402	334,186
Minimum guarantee risk (R_7)	8,341	8,489
Investment risk (R_3)	2,948,138	2,930,196
Business management risk (R_4)	71,340	71,323
Solvency margin ratio $\frac{(A)}{(1/2)\times(B)} \times 100$	1,078.1%	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.

(10) Segment Information

For the fiscal years ended March 31, 2023 and 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.