

Consolidated Financial Statements 2022

Consolidated Financial Statements

Consolidated Balance Sheet

As of March 31,	2021	¥ millions 2022
Assets:		
Cash and deposits	¥ 1,020,246	¥ 890,674
Call loans	40,737	504
Monetary claims purchased	181,191	170,920
Monetary trusts	1,139,054	1,324,898
Securities (Notes 8, 13 and 14)	12,981,706	12,948,127
Loans (Notes 3 and 7)	1,734,678	1,695,200
Tangible fixed assets (Note 4)	375,516	372,668
Land (Note 2 (13))	212,109	212,115
Buildings	155,906	151,839
Lease assets	908	1,043
Construction in progress	2,244	3,539
Other tangible fixed assets	4,348	4,130
Intangible fixed assets	32,972	35,138
Software	31,728	33,892
Lease assets	82	89
Other intangible fixed assets	1,161	1,157
Due from agencies	685	396
Reinsurance receivable	21,024	34,298
Other assets (Note 14)	299,993	340,540
Net defined benefit asset	1,851	2,851
Deferred tax assets	293	505
Reserve for possible loan losses	(3,713)	(3,316)
Total assets	¥17,826,238	¥17,813,408

¥ millions

As of March 31,	2021	2022
Liabilities:		
Policy reserves	¥14,765,300	¥14,505,391
Reserve for outstanding claims	70,753	72,683
Policy reserve	14,619,797	14,359,852
Reserve for policyholder dividends (Note 6)	74,748	72,856
Due to agencies	2,728	1,676
Reinsurance payable	12,103	13,917
Short-term debentures	5,999	4,999
Bonds (Note 9)	157,000	157,000
Other liabilities (Notes 10 and 14)	1,041,612	1,413,188
Provision for bonuses to directors and audit & supervisory board members	294	305
Provision for share-based remuneration	898	1,221
Net defined benefit liability	45,764	42,145
Provision for directors' and audit & supervisory board members' retirement benefits	67	48
Reserves under the special laws	251,386	259,979
Reserve for price fluctuations	251,386	259,979
Deferred tax liabilities	36,780	19,538
Deferred tax liabilities on land revaluation (Note 2 (13))	4,505	4,488
Total liabilities	16,324,441	16,423,901
Net assets:		
Capital stock	207,111	207,111
Capital surplus	125,260	64,000
Retained earnings	686,525	670,203
Treasury shares	(58,882)	(43,013)
Total shareholders' equity	960,015	898,301
Valuation difference on available-for-sale securities	574,292	509,632
Deferred gains (losses) on hedging instruments	(2,681)	(2,527)
Revaluation reserve for land (Note 2 (13))	(35,018)	(35,062)
Foreign currency translation adjustments	(2,951)	10,906
Total accumulated other comprehensive income	533,641	482,949
Subscription rights to shares	689	659
Non-controlling interests	7,449	7,596
Total net assets	1,501,796	1,389,506
Total liabilities and net assets	¥17,826,238	¥17,813,408

See notes to consolidated financial statements.

Consolidated Statement of Operations

¥ millions

Years ended March 31,	2021	2022
Ordinary revenues	¥2,360,470	¥2,614,377
Income from insurance premiums	1,783,369	1,781,952
Investment income	453,706	476,904
Interest, dividends and income from real estate for rent	289,927	319,845
Gains from monetary trusts, net	83,616	100,238
Gains on investments in trading securities, net	—	323
Gains on sales of securities	42,753	23,794
Gains on redemption of securities	215	417
Foreign exchange gains, net	25,522	28,152
Other investment income	4,283	2,498
Gains on separate accounts, net	7,387	1,634
Other ordinary income	73,963	338,770
Equity in earnings of affiliates	49,431	16,749
Ordinary expenses	2,185,820	2,557,348
Insurance claims and other payments	1,308,157	2,174,187
Insurance claims	401,726	410,161
Annuity payments	261,437	280,766
Insurance benefits	146,572	152,729
Surrender payments	365,062	421,270
Other payments	45,364	88,461
Reinsurance premiums	87,994	820,798
Provision for policy and other reserves	484,929	1,945
Provision for reserve for outstanding claims	2,987	1,929
Provision for policy reserve	481,925	—
Interest portion of reserve for policyholder dividends	16	16
Investment expenses	110,235	82,332
Interest expenses	1,553	1,690
Losses on investments in trading securities, net	95	—
Losses on sales of securities	33,139	25,069
Devaluation losses on securities	5,635	2,103
Losses from derivatives, net	44,311	30,618
Provision for reserve for possible loan losses	1,634	99
Write-off of loans	5	2
Depreciation of real estate for rent	6,530	5,871
Other investment expenses	17,328	16,877
Operating expenses	214,509	229,279
Other ordinary expenses	67,988	69,602
Ordinary profit	¥ 174,649	¥ 57,029

(continued)

	¥ millions	
Years ended March 31,	2021	2022
Extraordinary gains	¥ 1,708	¥ 467
Gains on disposal of fixed assets	1,187	347
State subsidy	490	120
Other extraordinary gains	31	—
Extraordinary losses	14,300	10,283
Losses on disposal of fixed assets	827	1,538
Impairment losses (Note 16)	2,915	31
Provision for reserve for price fluctuations	8,371	8,593
Losses from COVID-19	1,695	—
Other extraordinary losses	489	120
Provision for reserve for policyholder dividends	24,429	24,284
Income before income taxes	137,628	22,928
Income taxes (current)	28,969	3,730
Income taxes (deferred)	(744)	4,779
Total income taxes	28,224	8,510
Profit	109,403	14,418
Profit attributable to non-controlling interests	890	237
Profit attributable to owners of parent	¥108,512	¥14,180

Consolidated Statement of Comprehensive Income

	¥ millions	
Years ended March 31,	2021	2022
Profit	¥109,403	¥ 14,418
Other comprehensive income:		
Valuation difference on available-for-sale securities	309,551	(61,981)
Deferred gains (losses) on hedging instruments	(300)	153
Foreign currency translation adjustments	1	12
Share of other comprehensive income of associates accounted for using the equity method	(595)	11,317
Total other comprehensive income (Note 17)	308,657	(50,498)
Comprehensive income	¥418,061	¥(36,079)
(Breakdown)		
Comprehensive income attributable to owners of parent	416,922	(36,465)
Comprehensive income attributable to non-controlling interests	1,138	385

See notes to consolidated financial statements.

Consolidated Statement of Changes in Net Assets

¥ millions

Year ended March 31, 2021	Shareholders' equity					Accumulated other comprehensive income						Subscription rights to shares	Non-controlling interests	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedging instruments	Land revaluation	Foreign currency translation adjustments	Total accumulated other comprehensive income				
Balance at the beginning of the year	¥207,111	¥125,316	¥603,589	¥(46,200)	¥889,817	¥262,593	¥(2,381)	¥(34,125)	¥ 37	¥226,124	¥ 876	¥6,332	¥1,123,149	
Changes in the period														
Dividends			(26,469)		(26,469)								(26,469)	
Profit attributable to owners of parent			108,512		108,512								108,512	
Purchase of treasury shares				(13,013)	(13,013)								(13,013)	
Disposal of treasury shares		(55)		331	275								275	
Reversal of land revaluation			892		892								892	
Net changes of items other than shareholders' equity						311,698	(300)	(892)	(2,988)	307,517	(187)	1,117	308,447	
Total changes in the period	—	(55)	82,936	(12,682)	70,198	311,698	(300)	(892)	(2,988)	307,517	(187)	1,117	378,646	
Balance at the end of the year	¥207,111	¥125,260	¥686,525	¥(58,882)	¥960,015	¥574,292	¥(2,681)	¥(35,018)	¥(2,951)	¥533,641	¥ 689	¥7,449	¥1,501,796	

¥ millions

Year ended March 31, 2022	Shareholders' equity					Accumulated other comprehensive income						Subscription rights to shares	Non-controlling interests	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedging instruments	Land revaluation	Foreign currency translation adjustments	Total accumulated other comprehensive income				
Balance at the beginning of the year	¥207,111	¥125,260	¥686,525	¥(58,882)	¥960,015	¥574,292	¥(2,681)	¥(35,018)	¥(2,951)	¥533,641	¥689	¥7,449	¥1,501,796	
Changes in the period														
Dividends			(30,549)		(30,549)								(30,549)	
Profit attributable to owners of parent			14,180		14,180								14,180	
Purchase of treasury shares				(45,482)	(45,482)								(45,482)	
Disposal of treasury shares		(4)		95	91								91	
Retirement of treasury shares		(61,256)		61,256	—								—	
Reversal of land revaluation			44		44								44	
Change of scope of consolidation			1		1								1	
Net changes of items other than shareholders' equity						(64,659)	153	(44)	13,857	(50,692)	(29)	146	(50,575)	
Total changes in the period	—	(61,260)	(16,322)	15,869	(61,713)	(64,659)	153	(44)	13,857	(50,692)	(29)	146	(112,289)	
Balance at the end of the year	¥207,111	¥64,000	¥670,203	¥(43,013)	¥898,301	¥509,632	¥(2,527)	¥(35,062)	¥10,906	¥482,949	¥659	¥7,596	¥1,389,506	

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

¥ millions

Years ended March 31,	2021	2022
Cash flows from operating activities:		
Income before income taxes	¥ 137,628	¥ 22,928
Depreciation of real estate for rent	6,530	5,871
Depreciation	13,311	14,335
Impairment losses	2,915	31
Increase (decrease) in reserve for outstanding claims	2,987	1,929
Increase (decrease) in policy reserve	481,925	(259,945)
Interest portion of reserve for policyholder dividends	16	16
Provision for reserve for (reversal of) policyholder dividends	24,429	24,284
Increase (decrease) in reserve for possible loan losses	1,634	97
Increase (decrease) in provision for bonuses to directors and audit & supervisory board members	12	11
Increase (decrease) in provision for share-based remuneration	264	323
Decrease (increase) in net defined benefit asset	(1,851)	(1,000)
Increase (decrease) in net defined benefit liability	(3,391)	(3,618)
Increase (decrease) in provision for directors' and audit & supervisory board members' retirement benefits	8	(19)
Increase (decrease) in reserve for price fluctuations	8,371	8,593
Interest, dividends and income from real estate for rent	(289,927)	(319,845)
Losses (gains) on investment securities	(11,485)	1,003
Interest expenses	1,553	1,690
Foreign exchange losses (gains), net	(29,976)	(28,892)
Losses (gains) on disposal of tangible fixed assets	(282)	703
Equity in losses (earnings) of affiliates	(49,431)	(16,749)
Decrease (increase) in amount due from agencies	(18)	288
Decrease (increase) in amount reinsurance receivable	(8,001)	(11,075)
Decrease (increase) in other assets (excluding investment activities-related and financing activities-related)	(9,942)	(20,535)
Increase (decrease) in amount due to agencies	1,592	(1,052)
Increase (decrease) in amount reinsurance payable	4,641	1,813
Increase (decrease) in other liabilities (excluding investment activities-related and financing activities-related)	3,895	1,745
Others, net	(26,100)	(55,091)
Subtotal	261,311	(632,159)
Interest, dividends and income from real estate for rent received	295,406	316,057
Interest paid	(1,562)	(1,654)
Policyholder dividends	(26,273)	(26,225)
Others, net	(1,568)	(4,262)
Income taxes paid	(26,827)	(48,637)
Net cash provided by (used in) operating activities	¥ 500,485	¥(396,882)

(continued)

¥ millions

Years ended March 31,	2021	2022
Cash flows from investing activities:		
Net decrease (increase) in cash and deposits	¥ (27,100)	¥ 12,050
Investments in monetary claims purchased	(22,933)	(35,066)
Proceeds from sales and redemption of monetary claims purchased	10,772	30,028
Investments in monetary trusts	(137,439)	(201,929)
Proceeds from monetary trusts	37,099	110,037
Purchase of securities	(1,898,524)	(1,522,578)
Proceeds from sales and redemption of securities	1,594,431	1,847,212
Investments in loans	(364,988)	(263,027)
Collection of loans	344,196	318,237
Others, net	211,470	(4,012)
Subtotal	(253,015)	290,952
Total of net cash provided by (used in) operating activities and investment transactions as above	247,470	(105,930)
Purchase of tangible fixed assets	(11,082)	(7,989)
Proceeds from disposal of tangible fixed assets	2,732	943
Others, net	(98)	(709)
Net cash provided by (used in) investing activities	(261,463)	283,196
Cash flows from financing activities:		
Net increase (decrease) in short-term debentures	0	(999)
Proceeds from issuance of debt	11,200	31,100
Repayments of debt	(13,236)	(10,864)
Redemption of bonds	(30,000)	—
Proceeds from share issuance to non-controlling shareholders	1,215	332
Repayments to non-controlling shareholders	(1,193)	(521)
Payment of lease obligations	(669)	(637)
Purchase of treasury shares	(13,013)	(45,482)
Disposal of treasury shares	24	32
Dividends paid	(26,409)	(30,655)
Dividends paid to non-controlling interests	(43)	(49)
Others, net	0	0
Net cash provided by (used in) financing activities	(72,125)	(57,747)
Effect of exchange rate changes on cash and cash equivalents	728	1,142
Net increase (decrease) in cash and cash equivalents	167,625	(170,290)
Cash and cash equivalents at the beginning of the year	917,940	1,085,565
Cash and cash equivalents at the end of the year (Note 19)	¥ 1,085,565	¥ 915,275

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Note 1 Notes on Going-Concern Assumption

Not applicable.

Note 2 Summary of Significant Accounting Policies

(1) Basis of presentation

On April 1, 2004, T&D Holdings, Inc. (the "Company") was established as a life insurance holding company, of which Taiyo Life Insurance Company ("Taiyo Life"), Daido Life Insurance Company ("Daido Life") and T&D Financial Life Insurance Company ("T&D Financial Life") (hereafter, the "Three Life Insurance Companies") became wholly owned subsidiaries through share transfers. The business combination was accounted for as a pooling of interests.

The Company, including its domestic consolidated subsidiaries (the "T&D Insurance Group"), maintains its accounting records and prepares its financial statements in Japanese yen in accordance with the provisions of the Insurance Business Act of Japan (the "Insurance Business Act") and in conformity with generally accepted accounting principles and practices in Japan.

The accompanying consolidated financial statements are compiled from the financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan. In preparing the consolidated financial statements, certain items presented in the original financial statements have been reclassified and summarized for readers outside Japan. These consolidated financial statements have been prepared on the basis of generally accepted accounting principles and practices in Japan, which are different in certain respects from the application and disclosure requirements of International Financial Reporting Standards. In addition, the accompanying footnotes include information that is not required under generally accepted accounting principles and practices in Japan, but is presented herein as additional information to the consolidated financial statements.

Amounts of less than one million Japanese yen have been eliminated. As a result, Japanese yen totals shown herein do not necessarily agree with the sum of the individual amounts.

(2) Principles of consolidation

a. Matters related to the scope of consolidation

(i) Number of consolidated subsidiaries: 18

The names of the consolidated subsidiaries:

Taiyo Life Insurance Company
Daido Life Insurance Company
T&D Financial Life Insurance Company
T&D United Capital Co., Ltd.

T&D Asset Management Co., Ltd.
Pet & Family Insurance Co., Ltd.
T&D United Capital North America Inc.
T&D Customer Services Co., Ltd.
T&D Confirm Ltd.
T&D Information System, Ltd.
T&D Lease Co., Ltd.
Taiyo Credit Guarantee Co., Ltd.
Toyo Insurance Agency Co., Ltd.
Taiyo Life Aging Society Institute
Daido Management Service Co., Ltd.
Nihon System Shuno Inc.
Zenkoku Business Center Co., Ltd.

T&D Asset Management Cayman Inc. was excluded from the scope of consolidation due to its liquidation in the consolidated fiscal year ended March 31, 2022.

(ii) Names of main non-consolidated subsidiaries, etc.: none

b. Matters related to the application of the equity method

(i) Number of non-consolidated subsidiaries accounted for under the equity method: none

(ii) Number of affiliates accounted for under the equity method: 10

The affiliates accounted for under the equity method are Alternative Investment Capital Ltd., Thuriya Ace Technology Co., Ltd., Capital Taiyo Life Insurance, Ltd., FGH Parent, L.P., Fortitude International Reinsurance Ltd., Fortitude Group Holdings, LLC, Fortitude Reinsurance Company Ltd., and 3 other companies.

Fortitude Group Holdings, LLC ("Fortitude") implemented group restructuring during the consolidated fiscal year ended March 31, 2022, and T&D United Capital Co., Ltd. acquired corresponding equity interest in newly established FGH Parent, L.P. ("New Fortitude") in exchange for their interest in Fortitude. As a result, New Fortitude and its 100% subsidiaries, Fortitude International Reinsurance Ltd., Fortitude International Ltd., and Fortitude International Group Holdings Ltd., have become affiliated companies over which the equity method is applied.

- (iii) Names of non-consolidated subsidiaries and affiliates not accounted for under the equity method, etc.: none
- (iv) For the companies accounted for under the equity method for which the closing date is different from the consolidated closing date, the financial statements of each company's fiscal year are used. In addition, for some of the companies accounted for under the equity method, financial statements, based on provisional settlement of accounts implemented on other record date, are used.

- c. Matters related to the fiscal year of consolidated subsidiaries, etc. The closing dates of consolidated subsidiaries are the same as the consolidated closing date.

(3) Foreign currency translation

Foreign currency assets and liabilities are translated into Japanese yen at the prevailing foreign exchange rates at the consolidated balance sheet date.

Assets, liabilities, revenues and expenses of the Company's affiliates located outside Japan are translated into Japanese yen at the exchange rates in effect at the respective balance sheet date. Translation differences of foreign currencies are included in net assets as foreign currency translation adjustments or non-controlling interests.

(4) Accounting policy for measuring significant assets

- a. Evaluation criteria and evaluation method for securities (including cash and deposits/monetary claims purchased which are equivalent to securities and securities invested as trust properties in monetary trusts)
 - (i) Trading securities
 - Fair value method (costs of securities sold are calculated based on the moving average method)
 - (ii) Held-to-maturity bonds
 - Amortized cost method based on the moving average method (straight-line method)
 - (iii) Policy-reserve-matching bonds
 - Amortized cost method based on the moving average method (straight-line method)
 - (iv) Available-for-sale securities
 - Securities other than stocks without market prices, etc. are valued by using the fair value method (cost of sales is calculated by using the moving average method).
 - Stocks without market prices, etc. are valued at the cost method using the moving average method. The valuation differences of available-for-sale securities are reported as a component of net assets.

For some of the consolidated subsidiaries, translation differences of bonds in foreign currency-denominated available-for-sale securities are treated as follows: the translation differences from foreign currency fair value fluctuations are recorded as "net unrealized gains (losses)" and the remaining differences as "foreign exchange gains (losses)."

The overview of the risk management policies of policy-reserve-matching bonds

[Taiyo Life]

Managed by setting the investment policy of attempting to effectively reduce the risk of the whole portfolio by asset mix which is based on a balanced-type ALM aiming at exceeding medium- and long-term liability cost.

Taking into account this investment policy and based on the "Temporary Treatment of Accounting and Auditing Concerning Policy-Reserve-Matching Bonds within the Insurance Industry" (JICPA, Industry Audit Committee Report No. 21), the following insurance policies are identified and classified as a sub-segment.

- All policies except for group insurance products segment, other insurance product segment, non-participating currency designation type single-premium individual annuity insurance, non-participating currency designation type special endowment insurance with living benefit, etc. in the general asset segment
- All non-participating currency specific-type single-premium individual annuity insurance policies and non-participating currency designation type special endowment insurance with living benefit by currency in the general asset segment
- All defined contribution corporate pension insurance policies and all group pure endowment insurance in the group annuity insurance asset segment
- All insurance policies in the single-premium whole life/annuity insurance asset segment
- All insurance policies in the variable interest rate type single-premium insurance asset segment

[Daido Life]

Managed by setting the investment policy fully considering the characteristics and the risk tolerance of insurance products in order to ensure the fulfillment of future obligations.

Based on this investment policy, sub-segments in accordance with the characteristics of the insurance products are set and bonds held in the attempt to control the duration within each sub-segment are classified as policy-reserve-matching bonds. The sub-segments are set as follows:

- Individual insurance/individual annuity insurance in the general asset segment

- Individual insurance/individual annuity insurance in the non-participating insurance asset segment (subjects are the cash flows likely to occur in the period of over 5 years and within 40 years in the future)
- Group annuity insurance in the group annuity insurance asset segment

[T&D Financial Life]

Sub-segments are set in accordance with the characteristics of the insurance products and the asset management policy is formulated considering each sub-segment in order to manage interest rate risk appropriately. Further, the matching of the duration of policy reserves and policy-reserve-matching bonds within constant width are verified regularly. The sub-segments are set as follows:

- Individual insurance (the portion of the future payout at the certain attained age and above of the subject insurance type)
- Accumulation rate type individual insurance
- Accumulation rate type fixed annuity insurance

Note that some insurance types and benefits are excluded.

- Evaluation criteria and evaluation method of derivative transactions
Evaluation of derivative transactions is processed based on the fair value method.

(5) Reserve for possible loan losses

The reserve for possible loan losses of the Three Life Insurance Companies is allocated in accordance with the self-assessment criteria and amortization/provision criteria of assets in order to provide for losses due to irrecoverable credits, as follows:

For loans to borrowers who are in a state of legal/formal bankruptcy such as bankruptcy and civil rehabilitation, or in a state of substantial bankruptcy, the remaining amount of the loan after directly deducting the amount stated below, less the estimated amount collectible from collateral and guarantees is recorded.

For loans to borrowers who are not yet bankrupt but highly likely to fall into bankruptcy, the amount deemed necessary from the overall assessment of the borrowers' solvency is recorded from the remaining amount of the loan after deducting the estimated amount collectible from collateral and guarantees.

For loans other than the above (performing loans and doubtful loans), historical loan-loss ratio calculated from the loan losses from the fixed period in the past, multiplied by the loan amount, etc., is recorded.

All loans are subject to asset assessment by the related division based on the self-assessment criteria of the assets. The reserve mentioned above is implemented based on the assessment results, after the asset auditing division independent from the related division audits the assessment results.

For collateralized or guaranteed loans to borrowers subject to bankruptcy or substantial bankruptcy, the amount of loans exceeding the estimated value of collateral or guarantees, which were deemed uncollectible, was directly deducted from the amount of loans in the amounts of ¥359 million and ¥353 million for the years ended March 31, 2021 and 2022, respectively.

Consolidated subsidiaries other than the Three Life Insurance Companies allocate reserves for possible loan losses, in accordance with criteria equivalent to the above, based on the results of the assessment which is implemented in the scope deemed necessary considering the importance.

(6) Allocation method for reserve for price fluctuations

Reserves for price fluctuations of the Three Life Insurance Companies are allocated in order to provide for losses due to price fluctuations, which is pursuant to requirements under Article 115 of the Insurance Business Act.

(7) Policy reserve

To prepare for future performance of obligations under insurance policies for which contractual liability have commenced before the fiscal year end, policy reserve is provided by the Three Life Insurance Companies at the amount calculated in accordance with methodologies stipulated in the statement of calculation procedures for insurance premiums and policy reserve (Article 4, Paragraph 2, Item 4 of the Insurance Business Act) based on Article 116, Paragraph 1 of the Insurance Business Act.

Of policy reserve, premium reserve is calculated based on the following methodologies:

- For policies subject to standard policy reserve, the method established by the Commissioner of the Financial Services Agency (Notification No. 48 of the Ministry of Finance (1996))
- For policies not subject to standard policy reserve, net level premium method

Based on Article 121, Paragraph 1 of the Insurance Business Act and Article 80 of the Ordinance for Enforcement of the Insurance Business Act, policy reserve is reviewed by an appointed actuary whether the policy reserve is properly provided as of the fiscal year end.

Of policy reserve, contingency reserve is provided at the amount calculated for covering risks which may accrue in the future, so as to secure performance of the future obligations under the insurance policies, based on Article 116 of the Insurance Business Act and Article 69, Paragraph 1, Item 3 of the Ordinance for Enforcement of the Insurance Business Act.

(8) Provision for bonuses to directors and audit & supervisory board members

To provide for payment of bonuses to directors and audit & supervisory board members, a provision for the directors' and audit & supervisory board members' bonuses is recorded based on the expected amount to be paid in the year ended March 31, 2022.

(9) Provision for share-based remuneration

To provide for delivery of stock of the Company to directors and audit & supervisory board members, the estimated amount of share benefit obligations based on the internal rules of the Company and Three Life Insurance Companies is recorded in provision for share-based remuneration.

(10) Provision for directors' and audit & supervisory board members' retirement benefits

To provide for directors' and audit & supervisory board members' retirement benefits, the Company sets up a provision for directors' and audit & supervisory board members' retirement benefits based on the internal rules of certain consolidated subsidiaries, which is recorded in the amount recognized to have accrued as of March 31, 2022.

(11) Accounting method for employees' retirement benefits

For the calculation of retirement benefit obligations, the method for attributing the expected retirement benefit amount to each period up to the current fiscal year-end is based on the benefit formula standard.

Actuarial gains and losses, past service costs and losses relating to changes in accounting policies are expensed in the fiscal year which they accrue.

(12) Depreciation method for significant depreciable assets

- a. Tangible fixed assets (except for lease assets)
Depreciation of tangible fixed assets (except for lease assets) is mainly calculated under the declining-balance method.
Depreciation of buildings (except for building and accessories, and structures) acquired on and after April 1, 1998, and building and accessories, and structures acquired on and after April 1, 2016, is calculated under the straight-line method. The main durable years are as follows:
 - Buildings, building and accessories, and structures: 2-50 years
 - Furniture and fixtures: 2-20 years
- b. Intangible fixed assets (except for lease assets)
Depreciation of software used in-house is calculated under the straight-line method over a useful life of five years.

c. Lease assets

For the depreciation of lease assets, lease assets with respect to ownership-transfer finance leases are calculated under the same method for self-owned tangible fixed assets, and lease assets with respect to non-ownership-transfer finance leases are calculated under the straight-line method over the lease period.

(13) Land revaluation

Taiyo Life revalued its land for operating purposes based on Act on Revaluation of Land (Act No. 34 of 1998). Regarding the valuation differences between the previous and the revalued amounts, the tax equivalent to this valuation differences has been recorded in Liabilities section as "Deferred tax liabilities on land revaluation" and the amount after deducting the tax equivalent from the valuation differences is recorded in Net Assets as "Land revaluation."

– The method of revaluation provided for in Article 3, Paragraph 3 of the same law

The amount is rationally adjusted and calculated based on the listed land price value as prescribed in Article 2, Item 1 of the Order for Enforcement of the Act on Revaluation of Land (Act No. 119 of 1998), the benchmark land price as prescribed in Article 2, Item 2 of the same, and an appraisal by the real estate appraisers as prescribed in Article 2, Item 5 of the same, etc.

– Date of revaluation: March 31, 2002

(14) Method for significant hedge accounting

- a. Hedge accounting method for Taiyo Life
 - (i) Method for hedge accounting
Deferral hedge treatment and fair value hedge treatment are used in hedge accounting. Special treatment is applied for interest rate swap transactions qualifying for special treatment, and allocation treatment is applied for currency swap transactions qualifying for allocation treatment.
 - (ii) Hedging instrument and hedged item
 - 1) Hedging instrument: interest rate swap
Hedged item: loans and bonds
 - 2) Hedging instrument: currency swap
Hedged item: foreign currency-denominated loans
 - 3) Hedging instrument: foreign exchange contract
Hedged item: foreign currency-denominated assets
 - 4) Hedging instrument: option
Hedged item: domestic and foreign stocks, domestic and foreign-listed investment trusts, domestic bonds

5) Hedging instrument: credit transaction
Hedged item: domestic and foreign stocks, domestic and foreign-listed investment trusts

6) Hedging instrument: forward contract
Hedged item: domestic and foreign stocks, domestic and foreign-listed investment trusts

(iii) Hedging policy

Based on internal rules, etc., in accordance with the risk management policy concerning asset management, cash flow and price fluctuation risks related to hedged items are hedged within a certain range.

(iv) Evaluation method for hedge effectiveness

Hedge effectiveness is evaluated semi-annually by methods such as ratio analysis which compares the cumulative total of market fluctuations or cash flow fluctuations of hedged items and hedging instruments. However, evaluation of hedge effectiveness is omitted for interest rate swap transactions under special treatment, etc., currency swap transactions under allocation treatment, contracts in which both the hedged item and the hedging instrument are denominated in the same currency, option transactions in which hedged items are domestic/foreign stocks and domestic/foreign-listed investment trusts, credit transactions and forward contracts, and option transactions in which domestic bonds are the hedged item.

(Hedging relationships which apply "Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR")

Among the above hedging relationships, all of them included in the scope of application of the "Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR" (ASBJ Practical Issues Task Force (PITF) No. 40, issued on March 17, 2022) are subject to this exceptional treatment. Details of the hedging relationships which apply the treatment are as follows:

Hedge accounting methods:	The special treatment for interest rate swaps
Hedging instruments:	interest rate swaps
Hedged items:	Loans
Hedge transactions:	to fix the cash flows

b. Hedge accounting method for Daido Life

(i) Method for hedge accounting

Fair value hedge treatment is adopted for the method for hedge accounting. Allocation treatment is adopted for foreign exchange contract transactions hedging foreign currency fixed deposits qualifying for allocation treatment.

(ii) Hedging instrument and hedged item
Hedging instrument: foreign exchange contract
Hedged item: foreign currency-denominated available-for-sale securities and fixed deposits

(iii) Hedging policy

Based on internal rules, etc., concerning asset management, foreign exchange fluctuation risks of hedged items are hedged within a certain range.

(iv) Evaluation method for hedge effectiveness

Hedge effectiveness is evaluated by ratio analysis which mainly compares the fair value fluctuation of hedged items and hedging instruments.

However, the evaluation is omitted if the material conditions of the hedged item and the hedging instrument are the same and hedge effectiveness is high.

(15) Accounting treatment for consumption taxes

The accounting treatment of consumption tax and local consumption tax is based on the tax exclusion method. However, expenses of the nonlife insurance subsidiary such as loss adjustment expenses, sales and administrative expenses, etc. are treated based on the tax inclusion method. Furthermore, non-deductible consumption tax on assets, etc., which is prescribed in the tax law as deferred consumption tax, etc., is recorded in other assets and amortized over a 5-year period on a straight-line basis, whereas tax other than deferred consumption tax is expensed in the fiscal year in which it accrues.

(16) Scope of cash and cash equivalents in the consolidated statements of cash flows

Cash and cash equivalents in the consolidated statements of cash flows consist of cash, deposits withdrawable at any time and readily convertible into cash, and short-term investments (term deposits, call loans, commercial paper, treasury discount bills, etc.) with insignificant risk of price fluctuations and with a maturity of 3 months or less at the time of acquisition.

(17) Application of consolidated taxation system

The consolidated tax payment system is applied to the Company and some of its consolidated subsidiaries, with the Company as the consolidated taxpayer parent company.

(18) Application of tax effect accounting for transition from consolidated taxation system to group tax sharing system

The Company and some of its consolidated subsidiaries will apply the group tax sharing system instead of the consolidated taxation system from the following fiscal year. However,

with regards to the transition to the group tax sharing system, which was instituted by the “Act for Partial Amendment of the Income Tax Act, etc.” (Act No. 8 of 2020), and the items for which the non-consolidated taxation system has been reviewed in line with the transition to the group tax sharing system, in accordance with Paragraph 3 of the “Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System” (ASBJ PITF No. 39, issued on March 31, 2020), the Company and some of its consolidated subsidiaries have calculated the amount of deferred tax assets and liabilities based on the provisions of the pre-amendment tax act, instead of applying the provisions of Paragraph 44 of the “Implementation Guidance on Tax Effect Accounting” (ASBJ Guidance No. 28, issued on February 16, 2018).

The Company will apply the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (ASBJ PITF No. 42, issued on August 12, 2021), which determines the accounting and disclosure relating to corporate tax and local income taxes, and tax effect accounting under the group tax sharing system, from the beginning of the following fiscal year.

(19) Income from insurance premiums

In general, income from insurance premiums (excluding reinsurance income) is recorded by the Three Life Insurance Companies at the amount of premiums received, for insurance policies for which the premiums are received and the contractual liabilities have commenced.

Of premiums received, the amount corresponding to the unexpired period as of the fiscal year end is accounted for as policy reserve in accordance with Article 116 of the Insurance Business Act and Article 69, Paragraph 1, Item 2 of the Ordinance for Enforcement of the Insurance Business Act.

(20) Insurance claims and other payments/ Reserve for outstanding claims

Insurance claims and other payments (excluding reinsurance premiums) are recognized by the Three Life Insurance Companies at the amount of claims calculated and paid based on the policy conditions, for which the insured events provided in the policy conditions have occurred.

Based on Article 117 of the Insurance Business Act and Article 72 of the Ordinance for Enforcement of the Insurance Business Act, reserve for outstanding claims is provided for unpaid insurance proceeds over the contracts for which payment obligations exist as of the fiscal year end or for which insured events have already incurred but not reported.

(21) Reinsurance income and Reinsurance premiums

As for Reinsurance income of the Three Life Insurance Companies, insurance claims and others to be received based on a reinsurance contract are recorded at the time of payment of insurance claims and others relating to an underlying insurance contract, etc.

As for reinsurance premiums of the Three Life Insurance Companies, insurance premiums and others to be paid based on a reinsurance contract are recorded at the time of receipt of insurance premiums and others relating to an underlying insurance contract or at the time of conclusion of the reinsurance contract.

As for modified coinsurance, amounts received based on a reinsurance contract as part of amounts equivalent to acquisition costs relating to an underlying insurance contract are recorded on reinsurance income, and the same amounts are recorded on Reinsurance receivable as unamortized ceded commissions, which are amortized over the period of the reinsurance contract.

Also, part of policy reserve and reserve for outstanding claims equivalent to amounts which have been ceded is not set aside based on Article 71, Paragraph 1 and Article 73, Paragraph 3 of the Ordinance for Enforcement of the Insurance Business Act.

(Changes in presentation)

“Reinsurance premiums”, which was included in “Other payments” under “Insurance claims and other payments” for the previous fiscal year, is presented as a separate item from the current fiscal year due to an increase in the materiality of the amount.

To reflect this change in presentation method, the Company reclassified the consolidated financial statements for the previous fiscal year. As a result, “Other payments” of ¥133,358 million presented in the consolidated statement of operations for the previous fiscal year was changed to “Other payments” of ¥45,364 million and “Reinsurance premiums” of ¥87,994 million.

(22) Significant Accounting Estimates

- a. Policy reserve
- (i) Amounts recognized on the consolidated financial statements

As of March 31,	2021	2022
Policy reserve	¥14,619,797	¥14,359,852
Provision for policy reserve	¥ 481,925	—
Other ordinary income (Reversal of policy reserve)	—	¥ 259,945

- (ii) Information on significant accounting estimates in connection with items identified
- 1) Calculation method
It is stated in “Note 2 (7) Policy reserve”.
 - 2) Major assumptions and their effects on the consolidated financial statements of the following fiscal year, etc.

If assumptions (base rates such as assumed incidence rate and assumed interest rate) stated in the statement of calculation procedures for insurance premiums and policy reserve significantly deviate from the latest actual rates and it is found to likely to be insufficient to cover the performance of the future obligations, additional policy reserve must be set aside in accordance with Article 69, Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act.

b. Accounting treatment for employees' retirement benefits

(i) Amounts recognized on the consolidated financial statements

		¥ millions
As of March 31,	2021	2022
Net defined benefit asset	¥ 1,851	¥ 2,851
Net defined benefit liability	¥45,764	¥42,145

(ii) Information on significant accounting estimates in connection with items identified

1) Calculation method

Retirement benefit obligations and retirement benefit expense are calculated based on actuarial assumptions used for calculation of future retirement benefit obligations, expected long-term rate of return on plan assets and others.

The method for attributing the expected retirement benefit amount is stated in "Note 2 (11) Accounting method for employees' retirement benefits"

2) Major assumptions and their effects on the consolidated financial statements of the following fiscal year, etc. Matters related to actuarial basis are stated in "Note 26 Employees' Retirement Benefits" If any of the major assumptions such as discount rate and expected long-term rate of return on plan assets changes, there may be a significant impact on the net defined benefit asset or liability.

c. Impairment losses on fixed assets

(i) Amounts recognized on the consolidated financial statements

		¥ millions
As of March 31,	2021	2022
Impairment loss	¥2,915	¥31

(ii) Information on significant accounting estimates in connection with items identified

1) Calculation method

For the Three Life Insurance Companies, consolidated subsidiaries, real estates, etc. owned for insurance operations, etc., are grouped as a single asset group

(operating assets) and other assets such as rental properties and unused real estates are grouped separately by each property (investment assets).

For the Company and other consolidated subsidiaries, real estates, etc. owned for their own operations are grouped as a single asset group (operating assets).

For an asset group with an indication of impairment, impairment loss is recognized, when the total amount of undiscounted future cash flows is less than the carrying amount of the asset group, at the amount calculated by deducting the recoverable amount (the larger of discounted future cash flows and net realizable value) from the carrying amount.

2) Major assumptions and their effects on the consolidated financial statements of the following fiscal year, etc.

For calculation of undiscounted future cash flows for the purpose of determining impairment recognition, the amounts of future net income from insurance operations on the Mid-Term Management Plan, etc. are used for operating assets, and the track record and future outlook of net income by each property are used for investment assets.

If the future net income from insurance operations and the future outlook of net income, which are the major assumptions, deteriorate and the undiscounted future cash flows change, there may be a possibility to recognize impairment loss.

(23) Change in accounting policies

[Accounting Standard for Revenue Recognition, etc.]

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, issued on March 31, 2020, hereinafter the "Revenue Recognition Accounting Standard"), etc. from the beginning of the consolidated fiscal year ended March 31, 2022. At the time when the control of the promised goods or service is transferred to customers, revenues are recognized at the amount expected to be received in exchange for the goods or service. The change has no impact on the consolidated financial statements.

[Accounting Standard for Fair Value Measurement, etc.]

The Company has applied the "Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, issued on July 4, 2019, hereinafter the "Fair Value Measurement Accounting Standard"), etc. from the beginning of the consolidated fiscal year ended March 31, 2022. The Company has applied new accounting policies prescribed in the Fair Value Measurement

Accounting Standard prospectively in accordance with the transitional treatment stipulated in Paragraph 19 of the same Standard and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, issued on July 4, 2019). The change has immaterial impact on the consolidated financial statements.

Also, the Company discloses notes on the breakdown of fair value of financial instruments by level, etc. on Note 22 Financial Instruments.

However, in accordance with the transitional treatment disclosed in Paragraph 7-4 of the "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, issued on July 4, 2019), the notes for the consolidated fiscal year ended March 31, 2021 are not disclosed.

(24) Unadopted accounting standards, etc.

[Implementation Guidance on the Accounting Standard for Fair Value Measurement]

– "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, issued on June 17, 2021)

a. Summary

Treatment concerning fair value measurement of investment trusts and related notes and treatment concerning notes to fair value of investments in capital of partnerships, etc. of which amounts in balance sheet are equivalent to ownership interest on a net basis are enacted.

b. Scheduled date of adoption

Scheduled to be adopted from the beginning of the consolidated fiscal year commencing on or after April 1, 2022.

c. Effect of the application of the accounting standards

For the first fiscal year applied, the effect of the application is immaterial.

[Additional information]

[Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts]

The Company has introduced a trust type stock compensation system (the "System"), the Board Incentive Plan (BIP) Trust, which uses a trust to deliver the Company's shares, etc. to directors who are not audit and supervisory board members of the Company (excluding those who are part-time directors such as outside directors and non-residents in Japan) and executive officers of the Company (excluding those who are non-residents in Japan, and together with directors who are not audit and supervisory board members, collectively referred to as "Directors, etc.") and directors of the Three Life Insurance Companies

(excluding those who are part-time directors such as outside directors and non-residents in Japan) and executive officers of the Three Life Insurance Companies (excluding those who are non-residents in Japan, and together with Directors, etc., collectively referred to as "Eligible Directors, etc."), with an aim to enhance the motivation of Directors to contribute to improving business performance and enhancing corporate value over the medium-to long-term.

The accounting treatment of the System is based on "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts" (ASBJ Practical Issues Task Force (PITF) No. 30, March 26, 2015)

a. Summary

Based on the internal rules of the Company and Three Life Insurance Companies, the points are granted to Eligible Directors, etc. and they are delivered and provided through a trust of the Company's shares equivalent to accumulated points upon retirement and a monetary equivalent of the substitution value of the Company's shares. The Company's shares to be delivered to Eligible Directors, etc. will be acquired in advance by money in trust by the Company.

b. The Company's shares remaining in BIP Trust

For the Company's shares remaining in BIP Trust, the carrying value in the trust is recorded as the treasury share in net asset (excluding ancillary expenses). The carrying value of treasury share in the Trust was ¥1,186 million, and the number of treasury share in the Trust was 742,900 shares for the fiscal year ended March 31, 2021. Also, as of the end of the fiscal year ended March 31, 2022, the carrying value of treasury share in the Trust is ¥2,165 million, and the number of treasury share in the Trust is 1,436,300 shares.

[Accounting Estimates of Effect of COVID-19]

The Company and Three Life Insurance Companies implement accounting estimates of impairment accounting of fixed assets, etc. based on the information available at the time of preparing the financial statements on the assumption that the current situation continues. The impact of COVID-19 is small in terms of the amounts and accounting estimates from this fiscal year onwards.

[Fortitude restructuring and revision of the Company's consolidated financial results in connection with retrospective accounting treatment]

Aiming to enhance its competitive advantage in the global closed book market, Fortitude implemented a group restructuring (the "Restructuring") at October 1, 2021.

As part of the Restructuring, Fortitude's liabilities as of June 2,

2020 were re-evaluated using a new calculation method under U.S. GAAP.

The Company, having applied the equity method with respect to Fortitude's consolidated financial statements, applied a retrospective accounting treatment to its own consolidated financial statements in the same manner from the consolidated fiscal year ended March 31, 2022.

As a result, Ordinary profit and Income before income taxes decreased by ¥53,482 million and Income taxes (deferred) increased by ¥320 million in the previous consolidated fiscal year compared to the figures before the retrospective application. In addition, Profit attributable to owners of parent and the ending balance of Retained earnings decreased by ¥53,803 million,

Valuation difference on available-for-sale securities decreased by ¥579 million and Foreign currency translation adjustments increased by ¥3,021 million in the previous consolidated fiscal year.

[Ceded reinsurance transaction of an individual annuity insurance to New Fortitude Group and others by Taiyo Life]

Taiyo Life has ceded a part of an existing individual annuity insurance with high assumed interest rate to Fortitude Reinsurance Company, Ltd. and others in a form of a coinsurance.

The effects of the reinsurance transaction are as shown below:

- Reversal of policy reserve ¥576,964 million
- Reinsurance premiums ¥704,667 million

Note 3 Loans

The amounts of Claims subject to bankruptcy proceeding and reorganization proceedings and any other type of claims equivalent thereto, Claims with risks, Loans overdue for three months or more, and Restructured loans are as follows:

As of March 31,	2021	2022
Claims subject to bankruptcy proceeding and reorganization proceedings and any other type of claims equivalent thereto	¥ 305	¥ 186
Claims with risks	1,514	781
Loans overdue for three months or more	1,466	1,242
Restructured loans	21	20
Total	¥3,306	¥2,230

Claims subject to bankruptcy proceeding and reorganization proceedings and any other type of claims equivalent thereto are claims held against debtors with failed business status due to the grounds such as commencement of bankruptcy proceedings, commencement of reorganization proceedings, or commencement of rehabilitation proceedings, and any other type of claims equivalent thereto.

Claims with risks are claims whose debtor is not yet in the status of failure in business although such debtor's financial status and business performance are worsening, and for which it is highly likely that the collection of principal or receipt of interest in accordance with the contract is impossible excluding the claims described in Claims subject to bankruptcy proceeding and reorganization proceedings and any other type of claims equivalent thereto.

The direct write-downs of estimated uncollectable loans are as follows:

As of March 31,	2021	2022
Claims subject to bankruptcy proceeding and reorganization proceedings and any other type of claims equivalent thereto	¥156	¥147

[Changes in presentation]

With the enforcement of the "Cabinet Office Order to Amend the Regulation for Enforcement of the Banking Act, etc." (Cabinet Office Order No. 3 of January 24, 2020) on March 31,

Loans overdue for three months or more are loans, other than Claims subject to bankruptcy proceeding and reorganization proceedings and any other type of claims equivalent thereto and Claims with risks, on which principal and/or interest are in arrears for three months or more beginning the day after the agreed due date.

Restructured loans are loans, other than Claims subject to bankruptcy proceeding and reorganization proceedings and any other type of claims equivalent thereto, Claims with risks and Loans overdue for three months or more, for which agreements have been made between the relevant parties to provide a concessionary interest rate, rescheduling of due dates for interest and/or principal payments, waiver of claims, and/or other terms in favor of the obligor for purposes of restructuring or supporting the obligor.

2022, classifications of "Risk management claims" based on the Insurance Business Act are presented in accordance with the classifications of disclosed claims based on the Act on Emergency Measures for the Revitalization of the Financial Functions.

Note 4 Accumulated Depreciation of Tangible Fixed Assets

The amounts of accumulated depreciation of tangible fixed assets are as follows:

Years ended March 31,	2021	2022
Accumulated depreciation of tangible fixed assets	¥248,205	¥249,019

¥ millions

Note 5 Separate Account Assets

The amounts of separate account assets as provided in Article 118, Paragraph 1 of the Insurance Business Act are as follows. The amounts of liabilities are equal to the amounts of assets.

Years ended March 31,	2021	2022
Separate account assets as provided in Article 118, Paragraph 1 of the Insurance Business Act	¥30,471	¥48,602

¥ millions

Note 6 Reserve for Policyholder Dividends

The changes in reserve for policyholder dividends included in policy reserves are as follows:

Years ended March 31,	2021	2022
Balance at the beginning of the year	¥ 76,581	¥ 74,748
Policyholder dividends	(26,273)	(26,225)
Increase in interest	16	16
Increase due to other reasons	—	32
Decrease due to other reasons	5	—
Provision for reserve for policyholder dividends	24,429	24,284
Balance at the end of the year	¥ 74,748	¥ 72,856

¥ millions

Note 7 Unused Loan Balance under Loan Commitments

The unused loan balance under loan commitments is as follows:

Years ended March 31,	2021	2022
Total amount of loan commitments	¥47,304	¥42,110
Balance of loans outstanding	20,509	18,650
Balance	¥26,794	¥23,460

¥ millions

Note 8 Lending Securities for Loan Agreements

The lending securities for loan agreements are as follows:

Years ended March 31,	2021	2022
Lending securities for loan agreement	¥1,856,034	¥1,753,919

¥ millions

Note 9 Bonds

Bonds include subordinated bonds, of which the payment priority is subordinated to other debts. The amounts are as follows:

Years ended March 31,	2021	2022
Subordinated bonds	¥157,000	¥157,000

¥ millions

Note 10 Other Liabilities

Other liabilities include subordinated borrowings, of which the payment priority is subordinated to other debts. The amounts are as follows:

	¥ millions	
Years ended March 31,	2021	2022
Subordinated borrowings	¥13,000	¥26,500

Note 11 Future Contributions to the Life Insurance Policyholders Protection Corporation of Japan

The amounts of the Three Life Insurance Companies' future contributions to the Life Insurance Policyholders Protection Corporation of Japan, which are estimated in accordance with Article 259 of the Insurance Business Act, are as follows. The contributions are recorded on the consolidated statement of operations as an operating expense when contributed.

	¥ millions	
Years ended March 31,	2021	2022
Contributions to the Life Insurance Policyholders Protection Corporation	¥20,279	¥21,367

Note 12 Organizational Change Surplus

The amounts of the organizational change surplus prescribed in Article 91 of the Insurance Business Act, are as follows:

	¥ millions	
Years ended March 31,	2021	2022
Taiyo Life Insurance Company	¥63,158	¥63,158
Daido Life Insurance Company	10,836	10,836

Note 13 Stocks and capital of Affiliated Companies

Stocks and capital of Affiliated Companies are as follows:

	¥ millions	
Years ended March 31,	2021	2022
Stocks	¥128,635	¥ 1,112
Capital	—	155,551

As described in "Additional Information," as part of the Restructuring, Fortitude's liabilities as of June 2, 2020 were re-evaluated using a new calculation method under U.S. GAAP. Therefore, the figures after retrospective application are shown for the previous fiscal year.

Note 14 Assets Pledged as Collateral and Secured Debts

Assets pledged as collateral are as follows:

	¥ millions	
Years ended March 31,	2021	2022
Securities (Japanese government bonds)	¥1,203,296	¥1,400,183
Securities (Foreign securities)	765,700	613,214
Cash collateral pledged for financial instruments	18,275	51,952
Balance	¥1,987,271	¥2,065,350

Of these assets, securities are mainly pledged as a substitute for the overdraft limit of the exclusive account of real-time gross settlement of government bonds with the Bank of Japan, bond-lending transactions secured by securities, and margin for futures contracts, etc.

Secured debts

	¥ millions	
Years ended March 31,	2021	2022
Cash collateral received for bond-lending transactions	¥709,666	¥1,001,890

Note 15 Fair Value of Financial Assets Received as Collateral with Free Right of Disposal

	¥ millions	
Years ended March 31,	2021	2022
Financial Assets Received as Collateral with Free Right of Disposal	¥77,815	—

Note 16 Impairment Losses on Fixed Assets

The items regarding impairment losses on fixed assets are as follows:

(1) Grouping of assets

For the Three Life Insurance Companies, real estates, etc. owned for insurance operations, etc., are grouped as a single asset group and other assets such as rental properties and unused real estates are grouped separately by each property.

For the Company and the consolidated subsidiaries other than the Three Life Insurance Companies, real estates, etc. owned for their own operations are grouped as a single asset group.

(2) Circumstances which led to the recognition of impairment losses

For some unused real estates, etc., carrying amount was reduced to the recoverable amount and the reduced amount was recorded in extraordinary losses as impairment losses because of a significant drop in the market price and a decline in profitability due to the stagnant rental income level, etc.

(3) Impairment losses recognized by asset group and the breakdown of the amounts of impairment losses by fixed asset type

Year ended March 31, 2021		¥ millions		
Asset	Location	Land	Buildings, etc.	Total
Rental properties, etc.	Edogawa-ku , Tokyo, etc. (12 assets)	¥2,331	¥584	¥2,915

Year ended March 31, 2022		¥ millions		
Asset	Location	Land	Buildings, etc.	Total
Unused real estates, etc.	Otsu City, Shiga Prefecture (1 asset)	¥14	¥17	¥31

(4) Method for calculating the recoverable amount

The recoverable amount is based on net realizable value for rental properties, etc.

In principle, the net realizable value for rental properties, etc.

is calculated by subtracting the estimated costs of disposal from the appraisal value calculated in accordance with the real estate appraisal standard.

Note 17 Consolidated Statement of Comprehensive Income

Reclassification adjustments and tax effects regarding other comprehensive income are as follows:

Years ended March 31,	2021	2022
¥ millions		
Valuation difference on available-for-sale securities:		
Amount occurred during the year	¥ 423,436	¥(84,158)
Reclassification adjustments	1,058	(133)
Amount before tax effect	424,494	(84,291)
Tax effect	(114,943)	22,310
Valuation difference on available-for-sale securities	309,551	(61,981)
Deferred gains (losses) on hedging instruments:		
Amount occurred during the year	(653)	—
Reclassification adjustments	212	212
Amount before tax effect	(440)	212
Tax effect	140	(59)
Deferred gains (losses) on hedging instruments	(300)	153
Foreign currency translation adjustments:		
Amount occurred during the year	1	12
Share of other comprehensive income of associates accounted for using the equity method:		
Amount occurred during the year	(595)	11,317
Total other comprehensive income	¥ 308,657	¥(50,498)

As described in "Additional Information," as part of the Restructuring, Fortitude's liabilities as of June 2, 2020 were re-evaluated using a new calculation method under U.S. GAAP. Therefore, the figures after retrospective application are shown for the previous fiscal year.

Note 18 Consolidated Statement of Changes in Net Assets

For the year ended March 31, 2021

(1) Type and number of issued shares and treasury shares

Year ended March 31, 2021	Number of shares at the beginning of the fiscal year	Number of shares increased in the fiscal year	Number of shares decreased in the fiscal year	Number of shares at the end of the fiscal year
Issued shares:				
Common stock	633,000,000	—	—	633,000,000
Treasury shares:				
Common stock	32,311,441	10,552,455	225,790	42,638,106

Notes:

- Treasury shares of common stock increased due to the following reasons:
 - Purchase of treasury shares based on the resolution made at the Board of Directors' meeting held on November 13, 2020: 10,540,600 share
 - Purchase of odd-lot shares: 11,855 shares
- Treasury shares of common stock decreased due to the following reasons:
 - Exercise of stock option : 170,200 shares
 - Purchase request of odd-lot shares: 90 shares
 - Decrease by the BIP Trust: 55,500 shares
- The number of treasury shares of common stock includes 742,900 shares of the Company's treasury share owned by the BIP Trust as of the end of the fiscal year. (798,400 share as of beginning of the fiscal year.)

(2) Subscription rights to shares

Category	Breakdown of subscription rights to shares	Balance at the end of the fiscal year
		¥ millions
The Company	Share subscription rights as stock options	¥689

(3) Shareholder dividends

a. Shareholder dividends paid

Date of resolution	Type of shares	Amount of shareholder dividends	Shareholder dividends per share	Record date	Effective date
		¥ millions	¥		
Ordinary General Meeting of Shareholders held on June 25, 2020	Common stock	¥13,232	¥22.0	March 31, 2020	June 26, 2020
Board of Directors' meeting held on November 13, 2020	Common stock	¥13,236	¥22.0	September 30, 2020	December 4, 2020

Notes:

- The total amount of shareholder dividends, which based on the resolution made at the Ordinary General Meeting of Shareholders held on June 25, 2020, includes ¥17 million of the dividends for the Company's treasury share owned by the BIP Trust.
- The total amount of shareholder dividends, which based on the resolution made at the Board of Directors' meeting held on November 13, 2020, includes ¥16 million of the dividends for the Company's treasury share owned by the BIP Trust.

b. Shareholder dividends whose record date was in the fiscal year ended March 31, 2021, while their effective date was in the fiscal year ended March 31, 2022

Date of resolution	Type of shares	Amount of shareholder dividends	Underlying assets	Shareholder dividends per share	Record date	Effective date
		¥ millions		¥		
Ordinary General Meeting of Shareholders held on June 25, 2021	Common stock	¥14,186	Retained earnings	¥24.0	March 31, 2021	June 28, 2021

Notes:

- It is planned to submit the bill to the Ordinary General Meeting of Shareholders scheduled to be held on June 25, 2021.
- The total amount of shareholder dividends includes ¥17 million of the dividends for the Company's treasury share owned by the BIP Trust.

For the year ended March 31, 2022

(1) Type and number of issued shares and treasury shares

Year ended March 31, 2022	Number of shares at the beginning of the fiscal year	Number of shares increased in the fiscal year	Number of shares decreased in the fiscal year	Number of shares at the end of the fiscal year
Issued shares:				
Common stock	633,000,000	—	44,000,000	589,000,000
Treasury shares:				
Common stock	42,638,106	29,321,031	44,064,340	27,894,797

Notes:

- Issued shares of common stock decreased due to the following reason:
 - Retirement of treasury shares based on the resolution made at the Board of Directors' meeting held on August 10, 2021: 44,000,000 shares
- Treasury shares of common stock increased due to the following reasons:
 - Purchase of treasury shares based on the resolution made at the Board of Directors' meeting held on May 14, 2021: 6,730,400 shares
 - Purchase of treasury shares based on the resolution made at the Board of Directors' meeting held on November 12, 2021: 21,839,300 shares
 - Purchase by the BIP Trust: 732,600 shares
 - Purchase of odd-lot shares: 18,731 shares
- Treasury shares of common stock decreased due to the following reasons:
 - Retirement of treasury shares based on the resolution made at the Board of Directors' meeting held on August 10, 2021: 44,000,000 shares
 - Exercise of stock option : 24,600 shares
 - Delivery by the BIP Trust: 21,600 shares
 - Sale of the BIP Trust: 17,600 shares
 - Purchase request of odd-lot shares: 540 shares
- The number of treasury shares of common stock includes 1,436,300 shares of the Company's treasury share owned by the BIP Trust as of the end of the fiscal year. (742,900 share as of beginning of the fiscal year.)

(2) Subscription rights to shares

Category	Breakdown of subscription rights to shares	Balance at the end of the fiscal year
		¥ millions
The Company	Share subscription rights as stock options	¥659

(3) Shareholder dividends

a. Shareholder dividends paid

Date of resolution	Type of shares	Amount of shareholder dividends ¥ millions	Shareholder dividends per share ¥	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 25, 2021	Common stock	¥14,186	¥24.0	March 31, 2021	June 28, 2021
Board of Directors' meeting held on November 12, 2021	Common stock	¥16,362	¥28.0	September 30, 2021	December 6, 2021

Notes:

1. The total amount of shareholder dividends, which based on the resolution made at the Ordinary General Meeting of Shareholders held on June 25, 2021, includes ¥17 million of the dividends for the Company's treasury share owned by the BIP Trust.
2. The total amount of shareholder dividends, which based on the resolution made at the Board of Directors' meeting held on November 12, 2021, includes ¥40 million of the dividends for the Company's treasury share owned by the BIP Trust.

b. Shareholder dividends whose record date was in the fiscal year ended March 31, 2022, while their effective date is in the fiscal year ending March 31, 2023

Date of resolution	Type of shares	Amount of shareholder dividends ¥ millions	Underlying assets	Shareholder dividends per share ¥	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 28, 2022	Common stock	¥15,751	Retained earnings	¥28.0	March 31, 2022	June 29, 2022

Notes:

1. It is planned to submit the bill to the Ordinary General Meeting of Shareholders scheduled to be held on June 28, 2022.
2. The total amount of shareholder dividends includes ¥40 million of the dividends for the Company's treasury share owned by the BIP Trust.

Note 19 Consolidated Statement of Cash Flows

The following table provides a reconciliation of cash and cash equivalents in the consolidated statement of cash flows to cash and cash deposits as stated in the consolidated balance sheet.

	¥ millions	
As of March 31,	2021	2022
Cash and deposits	¥ 1,020,246	¥ 890,674
Less: deposits with an original maturity of more than three months	(37,310)	(25,260)
Call loans	40,737	504
Monetary claims purchased	181,191	170,920
Less: monetary claims purchased other than cash equivalents	(126,192)	(130,921)
Monetary trusts	1,139,054	1,324,898
Less: monetary trusts other than cash equivalents	(1,132,161)	(1,315,540)
Cash and cash equivalents	¥ 1,085,565	¥ 915,275

[As lessee]
(1) Finance leases

- a. Ownership-transfer finance leases
- (i) Details of lease assets
 - Intangible fixed assets: software
 - (ii) Depreciation method for lease assets
 - The same depreciation method applied to self-owned fixed assets is applied.
- b. Non-ownership-transfer finance leases
- (i) Details of lease assets
 - Tangible fixed assets: office appliances such as computer servers
 - Intangible fixed assets: software
 - (ii) Depreciation method for lease assets
 - Straight-line method over the lease period is applied.

(2) Operating leases

Future lease payments under non-cancellable operating leases are as follows:

	¥ millions	
As of March 31,	2021	2022
Due within one year	¥ 4	¥11
Due after one year	12	29
Total	¥17	¥40

[As lessor]
(1) Details of Lease investment assets

Other assets

	¥ millions	
As of March 31,	2021	2022
Other:		
Lease income receivables	¥43,217	¥45,003
Estimated residual value	122	165
Interest income	(3,677)	(3,766)
Total lease investment assets	¥39,662	¥41,402

(2) Projected collection amounts of lease income receivables related to lease receivables and lease investment assets after the consolidated closing dates

Other assets

	¥ millions			
	2021		2022	
As of March 31,	Lease receivables	Lease investment assets	Lease receivables	Lease investment assets
Due within one year	¥1,715	¥10,464	¥1,624	¥12,355
Due after one year through two years	1,440	9,068	1,364	10,484
Due after two years through three years	1,182	7,673	1,112	8,415
Due after three years through four years	938	5,914	852	6,492
Due after four years through five years	683	4,125	591	4,576
Due after five years	1,212	5,970	1,085	6,303

Note 21 Tax-Effect Accounting
(1) Breakdown of the accrual of deferred tax assets and liabilities by main causes

	¥ millions	
As of March 31,	2021	2022
Deferred tax assets:		
Reserve for price fluctuations	¥ 70,303	¥ 72,706
Policy reserves	61,746	61,197
Net defined benefit liability	29,121	28,079
Devaluation losses on securities	19,067	17,576
Losses on disposal of fixed assets	6,024	5,778
Valuation difference on available-for-sale securities	2,652	3,924
Provision for bonuses	2,455	2,457
Reserve for possible loan losses	1,046	956
Tax loss carry-forward	836	6,013
Others	13,228	15,200
Subtotal	206,483	213,889
Valuation allowance	(18,643)	(18,393)
Total deferred tax assets	187,840	195,496
Deferred tax liabilities:		
Valuation difference on available-for-sale securities	(216,450)	(195,308)
Accrued dividend income	(2,325)	(2,778)
Deferred gain on reduction of carrying amount of real estate	(702)	(696)
Others	(4,848)	(15,746)
Total deferred tax liabilities	(224,327)	(214,529)
Net deferred tax assets (liabilities)	¥ (36,487)	¥ (19,033)

Notes:

- As described in "Additional Information," as part of the Restructuring, Fortitude's liabilities as of June 2, 2020 were re-evaluated using a new calculation method under U.S. GAAP. Therefore, the figures after retrospective application are shown for the previous fiscal year.
- Tax loss carried forward and the deferred tax assets by carry forward period as follows:

As of March 31, 2021							¥ millions
	Within 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	Over 5 years	Total
Tax losses carried forward *1	¥ 11	¥ 5	¥ 6	¥ 280	—	¥ 532	¥ 836
Valuation allowance	(11)	(5)	(6)	(280)	—	(532)	(836)
Deferred tax assets	—	—	—	—	—	—	—

*1 Tax loss carried forward is calculated by multiplying statutory effective tax rate.

As of March 31, 2022							¥ millions
	Within 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	Over 5 years	Total
Tax losses carried forward *1	¥ 5	¥ 6	¥ 280	—	—	¥ 5,720	¥6,013
Valuation allowance	—	—	(276)	—	—	(1,006)	(1,282)
Deferred tax assets	5	6	3	—	—	4,714	*2 4,730

*1 Tax loss carried forward is calculated by multiplying statutory effective tax rate.

*2 Deferred tax assets of ¥4,730 million are recorded for tax losses carried forward of ¥6,013 million (calculated using the statutory effective tax rate). They are deemed to be recoverable as it is expected that there will be taxable income in the future.

(2) Breakdown of important differences between the statutory effective tax rate and the corporate tax rate, etc., after applying tax-effect accounting by main item of the causes

Years ended March 31,	2021	2022
Effective statutory tax rate	28.0%	28.0%
(Adjustments)		
Valuation allowance	0.2	(3.4)
Permanent non-deductible items including entertainment expense, etc.	0.2	1.5
Equity in earnings (losses) of affiliates	(11.0)	8.0
Inhabitant tax on per capita basis	0.2	2.3
Retained earnings of subsidiaries and affiliates	2.0	(0.4)
Others	0.9	1.1
Corporate tax rate, etc., after applying tax-effect accounting	20.5%	37.1%

Notes: As described in "Additional Information," as part of the Restructuring, Fortitude's liabilities as of June 2, 2020 were re-evaluated using a new calculation method under U.S. GAAP. Therefore, the figures after retrospective application are shown for the previous fiscal year.

Note 22 Financial Instruments

(1) Matters related to the condition of financial instruments

a. Policy for handling financial instruments

T&D Insurance Group's main business is life insurance business. The Group underwrites various classes of life insurance and invests the money collected as insurance premiums in financial assets including securities and loans.

In order to efficiently invest the insurance premiums entrusted to us by the policyholders, the Group's asset management policy aims to build a portfolio which ensures long-term stable returns considering the characteristics of obligations involved in life insurance policies, based on the concept of ERM which integrally manages capital, profit, and risk, and at the same time, paying adequate attention to the soundness and public nature of the investments.

Derivative financial instruments are used to hedge fluctuation risks involved in our investment in financial instruments, as well as partially complement physical assets.

Furthermore, in order to pursue greater financial soundness, the Group has been financing the subordinated-class capital (bonds and borrowings).

b. Details and risks of financial instruments

Financial assets held by the Group mainly comprise securities and loans.

Securities include public and corporate bonds, stocks and investment trusts offered at home and abroad that are held on a long-term basis for the purpose of investment geared to market prospects to ensure stable returns. These financial instruments are exposed to credit risks of the issuing entities and market risks associated with fluctuations in

interest rate, exchange rates and stock prices, as well as market liquidity risks.

Loans here include policy loans for policyholders and commercial loans (non-policy loans) provided mainly to domestic businesses and individuals. Commercial loans, though intended to ensure stable returns, are exposed to credit risks of borrowers' default. A policy loan is provided within the surrender value of each insurance policy, thus its credit risk is minimal.

Derivative transactions including stock index futures contracts, forward exchange contracts and interest rate swap agreements are used primarily to hedge price fluctuation risks of our financial assets, and partially to complement physical assets by, for example, providing a solution to the time constraint prior to the inclusion of physical assets into our portfolio. Accordingly, the Group does not enter into those transactions for speculative purposes.

Stringent risk management is in place for derivative transactions, by clearly defining tolerable allowances in terms of the details, hedged items and trading limits of the transactions as well as by properly controlling their status.

Hedge accounting is appropriately practiced in interest rate swap agreements for loans and forward exchange contracts for foreign currency-denominated assets, under the internal rules clearly defining qualifications, applicable types of transactions, methods of evaluation of its effectiveness and methods of its designation. Effectiveness of hedging is determined by ratio analysis methodology comparing the movements of fair values of the hedged items and hedging instruments.

c. Risk management system for financial instruments

(i) Overall risk management system

The Group, in consideration of the social and public nature of the life insurance business which is its main business, defines precise identification and management of risks as one of the crucial management tasks for ensuring the soundness and adequacy of management, where the Company, as the Group's holding company, has developed a "Group Risk Management Policy" which sets out the basic risk management philosophy within the Group and provides the appropriate risk management structure according to the business characteristics and risk profiles of each of the Company including the Three Life Insurance Companies.

As an organizational structure, the Group Risk Management Committee has been established for the purpose of coordinated management of risks within the Group, and has a clear understanding of the status of various risks at each company including the Three Life Insurance Companies, through reports prepared on a regular or as-needed basis at each company using the unified risk management criteria. Further, the Company provides guidance and advice as appropriate to companies including the Three Life Insurance Companies, to carry out thorough risk management at each company and strengthen the Group's entire risk management system.

At each of the Three Life Insurance Companies, a committee has been established to supervise company-wide risk management at an enhanced level, while a mutual check-and-balance system is in place under the internal organizational arrangement including the separation of the investment and loan execution function from the administration function within the investment division, independence of the credit check function and implementation of the internal audits by the Internal Auditing Department.

Furthermore, the Group has established the ERM committee to manage risks integrally with profit and capital on an economic value basis. Through the promotion and enhancement of ERM, the Group aims for steady and sustainable growth in its corporate value.

(ii) Management of market risk

Market risks are properly controlled according to the risk characteristic of each asset based on a precise understanding of the sensitivity of investment assets to parameters reflecting changes in the investment environment, including interest rate, stock prices and exchange rates, as well as by reviewing asset allocation and risk hedging based on identification of the overall risk of the portfolio using the Value at Risk criterion (hereafter referred to as "VaR").

(iii) Management of credit risk

Credit risk of the entire portfolio is identified and controlled through its quantification by the use of VaR based on an internal rating for individual borrowers. Meanwhile, the aggregate amount of investment and loans is capped by each industry sector or by group of companies according to the corresponding risks, whereby concentration of loans to specific industry sectors or groups of companies is restrained.

(iv) Management of liquidity risk

Liquidity risks are properly managed by ensuring a constant amount of liquidity based on the Risk Management Department's precise understanding of the latest risk information, including the share of highly liquid assets, cash flow situation, trends of the general financial/securities markets and the status of individual financial instruments, as well as by developing a management structure that enables smooth liquidation of assets for financing.

d. Supplementary notes concerning the matters related to fair value, etc., of financial instruments

Estimation of fair value requires the use of certain assumptions, etc. Therefore, the use of different assumptions, etc. may lead to a different value.

In addition, notional amounts of derivative financial instruments shown in "(2) Matters related to fair value, etc., of financial instruments" do not represent exposure to market risks.

(2) Matters related to fair value, etc., of financial instruments

The following tables show consolidated balance sheet amounts, fair values and differences. Stocks and investments in capital of partnerships and so forth without market prices are not included. (See Annotation 1 and 2.)

In addition, cash and deposits, call loans, commercial paper out of monetary claims purchased, monetary trusts which have similar nature with cash and deposits, short-term debentures, and cash collateral received for bond-lending transactions are omitted, because these are settled in a short period and their fair values are proximate to the carrying amounts.

As of March 31, 2021	Consolidated balance sheet amount	Fair value	Difference
			¥ millions
Monetary claims purchased	¥ 126,192	¥ 127,601	¥ 1,409
Treated as securities	122,832	124,128	1,296
Held-to-maturity bonds	63,208	64,504	1,296
Available-for-sale securities	59,624	59,624	—
Others	3,360	3,472	112
Monetary trusts	1,132,161	1,187,602	55,441
Monetary trusts for trading purposes	4,840	4,840	—
Monetary trusts for held-to-maturity purposes	30,176	30,951	774
Monetary trusts for policy reserve-matching purposes	694,770	749,437	54,666
Monetary trusts for other than trading, held-to-maturity or policy reserve-matching purposes	402,372	402,372	—
Securities	12,585,841	13,123,463	537,622
Trading securities	30,105	30,105	—
Held-to-maturity bonds	1,014,956	1,184,092	169,136
Policy reserve-matching bonds	4,079,227	4,447,712	368,485
Available-for-sale securities	7,461,552	7,461,552	—
Loans	1,731,960	1,761,690	29,730
Policy loans* ¹	105,944	115,706	9,768
Commercial loans* ¹	1,628,733	1,645,984	19,961
Reserve for possible loan losses* ²	(2,717)	—	—
Total assets	15,576,155	16,200,358	624,202
Bonds	157,000	157,158	158
Borrowings within other liabilities	46,921	46,959	37
Total liabilities	203,921	204,117	195
Derivative financial instruments* ³ :			
Hedge accounting not applied	6,645	6,645	—
Hedge accounting applied	(113,021)	(112,510)	511
Total derivative financial instruments	¥ (106,375)	¥ (105,864)	¥ 511

*1. Difference indicates the difference between the amount after deducting the reserve for possible loan losses recorded in the consolidated balance sheet and its current fair value.

*2. Reserve for possible loan losses for loans is deducted.

*3. Assets and liabilities arising from derivative transactions are shown at net value. In the case of net liabilities, amounts are shown in parentheses.

¥ millions

As of March 31, 2022	Consolidated balance sheet amount	Fair value	Difference
Monetary claims purchased	¥ 130,921	¥ 130,999	¥ 78
Treated as securities	127,915	127,912	(2)
Held-to-maturity bonds	73,342	73,340	(2)
Available-for-sale securities	54,572	54,572	—
Others	3,006	3,086	80
Monetary trusts	1,315,540	1,305,398	(10,142)
Monetary trusts for trading purposes	4,773	4,773	—
Monetary trusts for held-to-maturity purposes	30,331	30,162	(168)
Monetary trusts for policy reserve-matching purposes	1,022,045	1,012,072	(9,973)
Monetary trusts for other than trading, held-to-maturity or policy reserve-matching purposes	258,390	258,390	—
Securities	12,409,201	12,706,459	297,257
Trading securities	46,510	46,510	—
Held-to-maturity bonds	905,730	1,036,075	130,345
Policy reserve-matching bonds	4,546,557	4,713,469	166,912
Available-for-sale securities	6,910,404	6,910,404	—
Loans	1,693,169	1,712,179	19,009
Policy loans* ¹	100,044	108,488	8,451
Commercial loans* ¹	1,595,156	1,603,691	10,558
Reserve for possible loan losses* ²	(2,030)	—	—
Total assets	15,548,833	15,855,037	306,203
Bonds	157,000	157,171	171
Borrowings within other liabilities	67,156	67,097	(59)
Total liabilities	224,156	224,269	112
Derivative financial instruments* ³ :			
Hedge accounting not applied	509	509	—
Hedge accounting applied* ⁴	(172,048)	(171,785)	262
Total derivative financial instruments	¥ (171,538)	¥ (171,276)	¥ 262

*1. Difference indicates the difference between the amount after deducting the reserve for possible loan losses recorded in the consolidated balance sheet and its current fair value.

*2. Reserve for possible loan losses for loans is deducted.

*3. Assets and liabilities arising from derivative transactions are shown at net value. In the case of net liabilities, amounts are shown in parentheses.

*4. Regarding the special treatment of some interest rate swaps, "Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR" (ASBJ PITF No. 40, issued on March 17, 2022) was applied.

Annotation 1

The balance sheet amounts of financial instruments deemed extremely difficult to determine fair value as of March 31, 2021, which are not included in "Securities" of "Assets" are summarized as follows:

As of March 31, 2021	¥ millions
Investments in affiliates * ¹	¥128,635
Available-for-sale securities	267,229
Unlisted stocks * ² , * ³	18,126
Foreign securities * ² , * ³ , * ⁴	221,281
Other securities * ³ , * ⁴	27,822

*1. As described in "Additional Information," as part of the Restructuring, Fortitude's liabilities as of June 2, 2020 were re-evaluated using a new calculation method under U.S. GAAP. Therefore, the figures after retrospective application are shown for the previous fiscal year.

*2. Unlisted stocks are exempt from disclosure of fair value because fair value is considered extremely difficult to obtain due to the lack of market value.

*3. Impairment losses: Foreign securities of ¥2,299 million, other securities of ¥694 million and unlisted stocks of ¥392 million

*4. Investment in capital of partnership is exempt from disclosure of fair value because the partnership assets comprise financial instruments deemed extremely difficult to determine fair value such as unlisted stocks.

Annotation 2

The balance sheet amounts of Stocks such as unlisted stocks and investments in capital of partnerships and so forth without market prices as of March 31, 2022, which are not included in "Securities" in the above table are summarized as follows:

As of March 31, 2022	¥ millions
Unlisted stocks of subsidiaries and affiliated companies	¥156,664
Unlisted stocks, etc. *1	1,112
Investments in capital of partnerships, etc. *2	155,551
Available-for-sale securities	382,260
Unlisted stocks, etc. *1, *3	41,433
Investments in capital of partnerships, etc. *2, *3	340,827

*1. Unlisted stocks, etc. are excluded from disclosure of fair value due to the lack of market prices based on the paragraph 5 of "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, issued on March 31, 2020).

*2. The investments in capital of partnerships, etc. are excluded from disclosure of fair value based on the paragraph 27 of "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, issued on July 4, 2019, hereinafter the "Implementation Guidance on Fair Value Measurement").

*3. The investments in capital of partnerships, etc. and unlisted stocks, etc. were impaired by 1,955 million yen.

Annotation 3

Scheduled redemption amounts after the consolidated closing date for monetary claims and fixed-maturity securities are as follows:

As of March 31, 2021	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Deposits	¥1,020,132	¥ —	¥ —	¥ —
Call loans	40,737	—	—	—
Monetary claims purchased	55,166	3,188	3,781	114,293
Securities:				
Held-to-maturity bonds:				
Government bonds	133,604	112,296	235,365	353,246
Municipal bonds	36	811	4,493	35,105
Corporate bonds	17,971	24,685	10,935	97,654
Foreign securities	—	—	—	3,536
Policy reserve-matching bonds:				
Government bonds	15,828	194,166	240,679	2,139,636
Municipal bonds	85	31,810	30,520	230,584
Corporate bonds	20,500	115,369	177,032	811,527
Foreign securities	—	8,123	31,685	8,608
Available-for-sale fixed maturity securities:				
Government bonds	55,400	33,525	41,870	359,848
Municipal bonds	3,602	12,817	19,066	16,031
Corporate bonds	70,227	317,482	258,755	190,138
Foreign securities	83,227	929,891	693,914	671,765
Other securities	—	6	459	—
Loans	177,942	656,817	541,091	227,456

* Securities without contractual maturity dates in the amount of ¥ 1,286,416 million are not included. In addition, loans without contractual maturity dates such as policy loans in the amount of ¥ 131,526 million are not included.

¥ millions

As of March 31, 2022	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Deposits	¥664,593	¥ —	¥ —	¥ —
Call loans	504	—	—	—
Monetary claims purchased	41,366	2,434	3,352	119,313
Securities:				
Held-to-maturity bonds:				
Government bonds	83,197	37,627	241,633	340,150
Municipal bonds	36	811	3,945	42,265
Corporate bonds	4,928	20,962	15,663	99,428
Foreign securities	—	—	—	28,510
Policy reserve-matching bonds:				
Government bonds	6,344	199,039	477,162	2,354,568
Municipal bonds	4,026	41,703	19,136	251,183
Corporate bonds	25,880	96,650	199,572	803,360
Foreign securities	—	15,299	27,171	9,191
Available-for-sale fixed maturity securities:				
Government bonds	8,819	40,299	6,827	224,798
Municipal bonds	1,726	21,890	9,652	11,573
Corporate bonds	90,668	301,635	204,647	178,710
Foreign securities	154,679	731,949	530,389	711,488
Other securities	—	45	98	—
Loans	184,974	654,018	506,505	225,005

* Securities without contractual maturity dates in the amount of ¥ 1,376,191 million are not included. In addition, loans without contractual maturity dates such as policy loans in the amount of ¥ 124,836 million are not included.

Annotation 4

Scheduled repayment amounts after the consolidated closing date for bonds, borrowings, and other liabilities are as follows:

¥ millions

As of March 31, 2021	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Short-term debentures	¥ 6,000	¥ —	¥ —	¥ —	¥ —	¥ —
Bonds	—	—	—	—	—	157,000
Cash collateral received for bond-lending transactions within other liabilities	709,666	—	—	—	—	—
Borrowings within other liabilities	9,622	7,735	6,475	5,106	2,723	15,257

¥ millions

As of March 31, 2022	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Short-term debentures	¥ 5,000	¥ —	¥ —	¥ —	¥ —	¥ —
Bonds	—	—	—	—	—	157,000
Cash collateral received for bond-lending transactions within other liabilities	1,001,890	—	—	—	—	—
Borrowings within other liabilities	10,626	9,366	7,997	5,614	3,619	29,933

(3) Breakdown of fair values of financial instruments by levels

Fair values of financial instruments are categorized into the following three levels according to observability and importance of inputs related to calculation of the fair values.

Level 1: Fair values calculated by using quoted prices that are formed in active markets and related to assets or liabilities for which the fair values are calculated among inputs related to calculation of observable fair values.

Level 2: Fair values calculated by using inputs related to calculation of observable fair values other than level 1 inputs.

Level 3: Fair values calculated by using inputs related to calculation of unobservable fair values.

When multiple inputs that have some significant impact on calculation of fair values are used, the fair values are categorized into the lowest priority level in the calculation of fair values among the levels to which each of those inputs belongs.

a. Financial instruments for which fair values are used as consolidated balance sheet amount

¥ millions

As of March 31, 2022	Fair value			Total
	Level 1	Level 2	Level 3	
Monetary claims purchased	¥ —	¥ 52,932	¥ 1,640	¥ 54,572
Available-for-sale securities	—	52,932	1,640	54,572
Monetary trusts	4,627	57,744	—	62,371
Monetary trusts for trading purposes	4,627	145	—	4,773
Monetary trusts for other than trading, held-to-maturity or policy reserve-matching purposes	—	57,598	—	57,598
Securities	2,691,075	1,768,752	33,797	4,493,624
Available-for-sale securities	2,691,075	1,768,752	33,797	4,493,624
Domestic bonds	323,488	1,234,270	388	1,558,147
Government bonds	302,430	—	—	302,430
Municipal bonds	—	47,566	—	47,566
Corporate bonds	21,058	1,186,703	388	1,208,150
Domestic stocks	745,326	—	—	745,326
Foreign securities	1,619,472	534,481	33,409	2,187,363
Foreign bonds	1,596,186	534,481	33,409	2,164,077
Foreign stocks	23,286	—	—	23,286
Other securities	2,788	—	—	2,788
Derivative financial instruments	484	14,084	—	14,568
Currency-related transactions	—	3,040	—	3,040
Interest-related transactions	—	11,043	—	11,043
Stock-related transactions	484	—	—	484
Total assets	2,696,187	1,893,512	35,437	4,625,137
Derivative financial instruments	—	186,107	—	186,107
Currency-related transactions	—	186,107	—	186,107
Total liabilities	¥ —	¥ 186,107	¥ —	¥ 186,107

* Investment trusts to which the transitional treatment were applied in accordance with the Paragraph 26 of Implementation Guidance on Accounting Standard for Fair Value Measurement and monetary trusts which are mainly invested in investment trusts are not included in the above table. The amount of such investment trusts on the consolidated balance sheet is ¥2,664,081 million.

b. Financial instruments for which fair values are not used as consolidated balance sheet amount

¥ millions

As of March 31, 2022	Fair value			Total
	Level1	Level2	Level3	
Monetary claims purchased	¥ —	¥ 73,340	¥ 3,086	¥ 76,427
Held-to-maturity bonds	—	73,340	—	73,340
Not treated as securities	—	—	3,086	3,086
Monetary trusts	1,042,234	—	—	1,042,234
Monetary trusts for held-to-maturity purposes	30,162	—	—	30,162
Monetary trusts for policy reserve-matching purposes	1,012,072	—	—	1,012,072
Securities	4,001,957	1,746,512	1,074	5,749,544
Held-to-maturity bonds	799,233	235,768	1,074	1,036,075
Domestic bonds	799,233	209,570	—	1,008,803
Government bonds	799,233	—	—	799,233
Municipal bonds	—	52,703	—	52,703
Corporate bonds	—	156,867	—	156,867
Foreign securities	—	26,197	1,074	27,271
Foreign bonds	—	26,197	1,074	27,271
Policy reserve-matching bonds	3,202,724	1,510,744	—	4,713,469
Domestic bonds	3,160,426	1,498,704	—	4,659,131
Government bonds	3,160,426	—	—	3,160,426
Municipal bonds	—	322,860	—	322,860
Corporate bonds	—	1,175,844	—	1,175,844
Foreign securities	42,297	12,039	—	54,337
Foreign bonds	42,297	12,039	—	54,337
Loans	—	—	1,712,179	1,712,179
Policy loans	—	—	108,488	108,488
Commercial loans	—	—	1,603,691	1,603,691
Derivative financial instruments	—	262	—	262
Interest-related transactions	—	262	—	262
Total assets	5,044,192	1,820,116	1,716,340	8,580,649
Bonds	—	120,150	37,021	157,171
Borrowings within other liabilities	—	13,395	53,702	67,097
Total liabilities	¥ —	¥ 133,545	¥ 90,723	¥ 224,269

Annotation 1

Description of the valuation techniques and inputs used to measure fair value

Monetary claims purchased

Fair value of monetary claims purchased which are deemed appropriate to treat as securities is based on the value calculated by the same method as that of securities. Fair value of monetary claims purchased which are deemed appropriate to treat as loans is based on the value calculated by the same method as that of loans.

Monetary trusts

Fair value of monetary trusts invested mainly in securities is based on the value calculated by the same method as that for securities. Monetary trusts are classified based on levels of constituents held in trust.

In addition to the above, currency options and stock index options, etc. are used within monetary trusts and fair value of them is calculated by the same method as that for derivatives.

See “Note 24 Monetary Trusts” for notes related to monetary trust by holding purposes.

Securities

Fair value of listed stocks is based on the quoted prices in markets, and listed stocks of which the fair value is based on the quoted prices in active markets with no adjustment are classified into Level 1.

Fair value of bonds is based on the observable transaction prices, etc. Bonds of which the fair value is based on the transaction prices, etc. in active markets with no adjustment are classified into Level 1. Bonds of which the fair value is based on the

observable transaction prices, etc. in inactive markets are classified into Level 2. If the transaction prices, etc. are not available, the fair value is calculated by the discounted present value method of future cash flow, etc. The Company makes maximum use of observable inputs in the calculations, including government bond yields and credit risk premiums, etc. If a significant unobservable input is used in the calculation, the fair value is classified into Level 3, and if not, the fair value is classified into Level 2.

The fair value of investment trusts is based on quoted prices in markets or standard price, etc. announced by industry groups and settlor companies of investment trusts. Investment trusts for which the transitional treatment is applied in accordance with Paragraph 26 of "The Implementation Guidance on Accounting Standard for Fair Value Measurement" are not classified into any levels.

See "Note 23 Securities" for notes related to securities by holding purposes.

Loans

a. Policy loans

Fair value of policy loans is calculated by discounting the expected future cash flow derived from the repayment rate based on the past actual repayment performance by the risk-free rate.

b. Commercial loans

Variable interest rate loans reflect the market interest rate in a short period. Therefore, carrying amount is recorded as fair value since fair value is proximate to the carrying amount unless the borrower's credit standing significantly changes after the loan is provided.

Fair value of fixed interest rate loans is calculated by discounting the total amount of principal and interest by risk-free rates weighted by credit risks involved.

For loans to bankrupt companies, effectively bankrupt companies and potentially bankrupt companies, estimated uncollectible amounts are calculated based on the present value of the estimated future cash flows or estimated

amounts recoverable through pledge or guarantee, etc. and fair values are proximate to consolidated balance sheet amounts less the estimated uncollectible amounts at the consolidated closing date, and thus the amounts are recorded as fair values.

For these transactions, unobservable inputs are used. Therefore, they are classified into Level 3.

Bonds

Fair value of bonds is based on quoted price, or calculated by discounting the total amount of principal and interest by discount rate that takes into account the remaining period of the bond and credit risk of the issuer. Those of which the fair value is based on the quoted prices in active markets are classified into Level 2. If not, those are classified into Level 3 as the discount rate is unobservable.

Borrowings

Fair value of borrowings is calculated by discounting the total amount of principal and interest by discount rate that takes into account the remaining period of the borrowing and credit risk of the borrower. If the discount rate is observable, borrowings are classified into Level 2. If not, those are classified into Level 3.

Derivatives

- a. Fair value of forward exchange contract transactions use forward exchange rates, etc., and are classified into Level 2.
- b. Fair value of stock index futures, stock forward contracts, stock index options, individual stock options, bond futures, bond options, currency options, currency swaps, and interest swap transactions are based on the quoted prices in markets, or the prices calculated based on observable market data, etc. Those of which the fair value is based on the quoted prices in active markets with no adjustment are classified into Level 1. If not, those are classified into Level 2.

Annotation 2

Financial instruments for which level 3 fair values are used as consolidated balance sheet amount

a. Quantitative information about significant unobservable input

As of March 31, 2022	Valuation techniques	Significant unobservable input	Range of inputs	Weighted average of inputs
Monetary claims purchased	Discounted-cash-flow method	Discount rate	1.53% – 1.73%	1.62%
Securities (Domestic bonds)	Discounted-cash-flow method	Discount rate	0.58% – 0.58%	0.58%

b. The table of adjustment from the balance at the beginning of the fiscal year to the balance at the end of the period, valuation gains / losses recognized in the gains / losses in the period

¥ millions				
As of March 31, 2022	Monetary claims purchased	Domestic bonds	Foreign securities	Total
Balance at the beginning of the fiscal year	1,877	726	—	2,603
Gains/losses or other comprehensive income in the period	(0)	(0)	—	(1)
Recorded in gains/losses *1	—	0	—	0
Recorded in other comprehensive income *2	(0)	(1)	—	(2)
Net amount for purchase, sale, issuance and settlement	(235)	(337)	—	(573)
Transfer to Level 3 fair values *3	—	—	33,409	33,409
Transfer from Level 3 fair values	—	—	—	—
Balance at the end of the fiscal year	1,640	388	33,409	35,437
Valuation gains / losses on financial assets and liabilities held at the end of the period out of the amount recorded in gains / losses for the period	—	—	—	—

*1. It is included in "Interest, dividends and income from real estate for rent" in the consolidated statement of operations.

*2. It is included in "Valuation difference on available-for-sale securities" under "Other comprehensive income" of the consolidated statement of comprehensive income.

*3. It is a transfer from Level 2 fair value to Level 3 fair value due to changes in the observability of the inputs used to calculate fair value based on market liquidity.

c. Description of the fair value valuation process

The Group has established policies and procedures for calculating the fair value, and calculates the fair value in accordance with them.

The calculated fair value is checked by an independent valuation department to confirm operations for the validity of the valuation technique and inputs used in the calculation of the fair value and the appropriateness of the classification of the fair value level, thereby ensuring the appropriateness of the policies and procedures for calculating the fair value.

In calculating the fair value, we use a valuation model that can most appropriately reflect the nature, characteristics and risks of individual assets. In addition, when using the quoted

price obtained from a third party, the validity of the price is verified by appropriate methods such as confirmation of the valuation technique and inputs used and comparison with the fair value of similar financial instruments.

d. Explanation of the sensitivity of the fair value to changes in significant unobservable input

A significant unobservable input used in calculating the fair value of monetary claims purchased and securities is the discount rate. The discount rate consists of government bond interest rates and credit risk premiums. In general, a significant increase (decrease) in the discount rate results in a significant decrease (increase) in the fair value.

(1) Trading securities

	2021	2022
As of March 31,		¥ millions
Valuation difference included in earnings (losses) of the consolidated fiscal year	¥4,392	¥(464)

(2) Held-to-maturity bonds

	Consolidated balance sheet amount	Fair value	Difference
As of March 31, 2021			¥ millions
Fair value exceeding consolidated balance sheet amount:			
Domestic bonds	¥ 960,568	¥1,130,602	¥170,033
Government bonds	796,028	935,574	139,546
Municipal bonds	30,174	37,594	7,419
Corporate bonds	134,365	157,433	23,068
Foreign securities	2,058	2,104	45
Foreign bonds	2,058	2,104	45
Other securities	46,512	48,088	1,575
Total	1,009,139	1,180,795	171,655
Fair value not exceeding consolidated balance sheet amount:			
Domestic bonds	50,785	49,842	(942)
Government bonds	23,060	22,872	(187)
Municipal bonds	10,623	10,531	(92)
Corporate bonds	17,101	16,438	(662)
Foreign securities	1,543	1,543	(0)
Foreign bonds	1,543	1,543	(0)
Other securities	51,694	51,415	(279)
Total	104,023	102,801	(1,222)
Grand total	¥1,113,163	¥1,283,596	¥170,433

Note: Other securities include commercial paper (consolidated balance sheet amount of ¥ 34,998 million) and beneficiary trust certificates (consolidated balance sheet amount of ¥ 63,208 million) which are represented as monetary claims purchased in the consolidated balance sheet.

	Consolidated balance sheet amount	Fair value	Difference
As of March 31, 2022			¥ millions
Fair value exceeding consolidated balance sheet amount:			
Domestic bonds	¥800,086	¥ 937,083	¥136,997
Government bonds	661,803	774,418	112,614
Municipal bonds	28,200	34,264	6,064
Corporate bonds	110,081	128,400	18,318
Foreign securities	932	933	0
Foreign bonds	932	933	0
Other securities	19,903	20,931	1,028
Total	820,922	958,948	138,025
Fair value not exceeding consolidated balance sheet amount:			
Domestic bonds	76,715	71,720	(4,995)
Government bonds	26,406	24,814	(1,591)
Municipal bonds	19,182	18,439	(743)
Corporate bonds	31,126	28,466	(2,659)
Foreign securities	27,995	26,338	(1,657)
Foreign bonds	27,995	26,338	(1,657)
Other securities	65,438	64,408	(1,030)
Total	170,149	162,467	(7,682)
Grand total	¥991,072	¥1,121,415	¥130,343

Note: Other securities include commercial paper (consolidated balance sheet amount of ¥ 11,999 million) and beneficiary trust certificates (consolidated balance sheet amount of ¥ 73,342 million) which are represented as monetary claims purchased in the consolidated balance sheet.

(3) Policy reserve-matching bonds

¥ millions

As of March 31, 2021	Consolidated balance sheet amount	Fair value	Difference
Fair value exceeding consolidated balance sheet amount:			
Domestic bonds	¥2,822,710	¥3,236,625	¥413,915
Government bonds	1,881,855	2,167,918	286,062
Municipal bonds	189,352	213,897	24,544
Corporate bonds	751,501	854,809	103,307
Foreign securities	40,159	43,751	3,591
Foreign bonds	40,159	43,751	3,591
Total	2,862,870	3,280,377	417,506
Fair value not exceeding consolidated balance sheet amount:			
Domestic bonds	1,205,313	1,156,911	(48,401)
Government bonds	718,541	688,766	(29,774)
Municipal bonds	105,036	100,601	(4,435)
Corporate bonds	381,735	367,543	(14,191)
Foreign securities	11,043	10,423	(619)
Foreign bonds	11,043	10,423	(619)
Total	1,216,357	1,167,335	(49,021)
Grand total	¥4,079,227	¥4,447,712	¥368,485

¥ millions

As of March 31, 2022	Consolidated balance sheet amount	Fair value	Difference
Fair value exceeding consolidated balance sheet amount:			
Domestic bonds	¥2,341,920	¥2,656,310	¥ 314,389
Government bonds	1,572,496	1,792,004	219,507
Municipal bonds	150,057	167,400	17,343
Corporate bonds	619,367	696,905	77,538
Foreign securities	30,771	31,664	893
Foreign bonds	30,771	31,664	893
Total	2,372,691	2,687,974	315,282
Fair value not exceeding consolidated balance sheet amount:			
Domestic bonds	2,150,240	2,002,821	(147,419)
Government bonds	1,468,562	1,368,422	(100,140)
Municipal bonds	167,342	155,459	(11,882)
Corporate bonds	514,335	478,939	(35,396)
Foreign securities	23,624	22,673	(951)
Foreign bonds	23,624	22,673	(951)
Total	2,173,865	2,025,494	(148,370)
Grand total	¥4,546,557	¥4,713,469	¥ 166,912

(4) Available-for-sale securities

¥ millions

As of March 31, 2021	Consolidated balance sheet amount	Acquisition cost	Difference
Consolidated balance sheet amount exceeding acquisition cost:			
Domestic bonds	¥1,559,072	¥1,488,597	¥70,474
Government bonds	341,044	321,736	19,308
Municipal bonds	45,754	41,945	3,808
Corporate bonds	1,172,273	1,124,915	47,357
Domestic stocks	732,871	416,209	316,661
Foreign securities	3,643,381	3,340,857	302,523
Foreign bonds	2,028,223	1,901,926	126,296
Foreign stocks	21,616	19,736	1,880
Foreign other securities	1,593,541	1,419,194	174,346
Other securities	392,582	320,452	72,129
Total	6,327,907	5,566,117	761,789
Consolidated balance sheet amount not exceeding acquisition cost:			
Domestic bonds	331,465	342,121	(10,655)
Government bonds	196,239	204,827	(8,587)
Municipal bonds	9,174	9,761	(587)
Corporate bonds	126,051	127,533	(1,481)
Domestic stocks	47,200	51,213	(4,012)
Foreign securities	758,423	775,825	(17,402)
Foreign bonds	571,554	585,459	(13,904)
Foreign stocks	422	432	(9)
Foreign other securities	186,446	189,934	(3,487)
Other securities	152,179	153,385	(1,206)
Total	1,289,269	1,322,546	(33,277)
Grand total	¥7,617,176	¥6,888,663	¥728,512

Note: Other securities include certificates of deposit (consolidated balance sheet amount of ¥76,000 million) which are represented as cash and deposits, commercial paper (consolidated balance sheet amount of ¥19,999 million) and beneficiary trust certificates (consolidated balance sheet amount of ¥59,624 million) which are represented as monetary claims purchased in the consolidated balance sheet.

¥ millions

As of March 31, 2022	Consolidated balance sheet amount	Acquisition cost	Difference
Consolidated balance sheet amount exceeding acquisition cost:			
Domestic bonds	¥1,117,903	¥1,071,921	¥45,981
Government bonds	147,227	132,430	14,796
Municipal bonds	43,851	41,018	2,833
Corporate bonds	926,824	898,472	28,352
Domestic stocks	653,835	365,239	288,595
Foreign securities	2,732,590	2,450,671	281,918
Foreign bonds	1,216,470	1,159,792	56,677
Foreign stocks	23,581	20,806	2,774
Foreign other securities	1,492,539	1,270,073	222,466
Other securities	431,860	363,824	68,036
Total	4,936,190	4,251,657	684,532
Consolidated balance sheet amount not exceeding acquisition cost:			
Domestic bonds	440,243	458,025	(17,781)
Government bonds	155,203	166,775	(11,572)
Municipal bonds	3,715	3,808	(92)
Corporate bonds	281,325	287,441	(6,115)
Domestic stocks	91,490	101,710	(10,219)
Foreign securities	1,448,062	1,513,499	(65,437)
Foreign bonds	947,606	993,745	(46,138)
Foreign stocks	171	178	(7)
Foreign other securities	500,283	519,575	(19,291)
Other securities	132,989	135,335	(2,346)
Total	2,112,785	2,208,571	(95,785)
Grand total	¥7,048,976	¥6,460,228	¥588,747

Note: Other securities include certificates of deposit (consolidated balance sheet amount of ¥56,000 million) which are represented as cash and deposits, commercial paper (consolidated balance sheet amount of ¥27,999 million) and beneficiary trust certificates (consolidated balance sheet amount of ¥54,572 million) which are represented as monetary claims purchased in the consolidated balance sheet.

(5) Sales of securities classified as held-to-maturity bonds

- There were no sales of securities classified as held-to-maturity bonds for the year ended March 31, 2021.
- There were no sales of securities classified as held-to-maturity bonds for the year ended March 31, 2022.

(6) Sales of securities classified as policy reserve-matching bonds

	¥ millions		
Year ended March 31, 2021	Proceeds of sales	Gross gains	Gross losses
Domestic bonds	¥77,487	¥9,329	¥1,911
Government bonds	72,978	9,301	1,910
Corporate bonds	4,509	27	0
Foreign securities	¥ 172	¥ 40	¥ —
Foreign bonds	172	40	—
Total	¥77,660	¥9,370	¥1,911

	¥ millions		
Year ended March 31, 2022	Proceeds of sales	Gross gains	Gross losses
Domestic bonds	¥53,125	¥2,892	¥355
Government bonds	15,943	2,662	10
Corporate bonds	37,182	229	344
Foreign securities	¥ 966	¥ 18	¥ 7
Foreign bonds	966	18	7
Total	¥54,092	¥2,910	¥363

(7) Sales of securities classified as available-for-sale securities

	¥ millions		
Year ended March 31, 2021	Proceeds of sales	Gross gains	Gross losses
Domestic bonds	¥ 65,816	¥ 286	¥ 2,258
Government bonds	41,768	282	1,419
Municipal bonds	3,507	—	92
Corporate bonds	20,540	3	746
Domestic stocks	30,012	11,050	1,016
Foreign securities	779,646	20,601	26,217
Foreign bonds	725,755	15,992	23,044
Foreign stocks	1,344	23	186
Foreign other securities	52,545	4,585	2,985
Other securities	35,838	1,445	1,736
Total	¥911,314	¥33,382	¥31,228

	¥ millions		
Year ended March 31, 2022	Proceeds of sales	Gross gains	Gross losses
Domestic bonds	¥ 280,252	¥ 541	¥ 4,390
Government bonds	192,240	15	3,172
Municipal bonds	6,119	—	739
Corporate bonds	81,892	525	477
Domestic stocks	35,655	6,699	3,700
Foreign securities	709,365	12,967	16,614
Foreign bonds	685,683	9,228	12,117
Foreign stocks	666	38	4,496
Foreign other securities	23,015	3,700	—
Other securities	11,082	675	0
Total	¥1,036,356	¥20,883	¥24,706

(8) Impairment of securities

The Company and its consolidated subsidiaries recognized ¥2,249 million as impairment losses for the available-for-sale securities with fair value for the fiscal years ended March 31, 2021.

The Company and its consolidated subsidiaries recognized ¥148 million as impairment losses for the available-for-sale

securities excluding stocks and investments in capital of partnerships and so forth without market prices for the fiscal years ended March 31, 2022.

The Company and its consolidated subsidiaries recognize impairment losses on the securities if fair value as of the end of the fiscal year declines by 30% or more from their acquisition cost.

Note 24 Monetary Trusts

(1) Monetary trusts for trading purposes

		¥ millions
As of March 31,	2021	2022
Valuation difference included in earnings (losses) of the consolidated fiscal year	¥(93)	¥50

(2) Monetary trusts for held-to-maturity purposes

	¥ millions		
As of March 31, 2021	Consolidated balance sheet amount	Fair value	Difference
Monetary trusts	¥30,176	¥30,951	¥774

	¥ millions		
As of March 31, 2022	Consolidated balance sheet amount	Fair value	Difference
Monetary trusts	¥30,331	¥30,162	¥(168)

(3) Monetary trusts for policy reserve-matching purposes

	¥ millions		
As of March 31, 2021	Consolidated balance sheet amount	Fair value	Difference
Monetary trusts	¥694,770	¥749,437	¥54,666

	¥ millions		
As of March 31, 2022	Consolidated balance sheet amount	Fair value	Difference
Monetary trusts	¥1,022,045	¥1,012,072	¥(9,973)

(4) Monetary trusts for those other than trading, held-to-maturity or policy reserve-matching purposes

	¥ millions		
As of March 31, 2021	Consolidated balance sheet amount	Acquisition cost	Difference
Monetary trusts	¥409,265	¥400,862	¥8,403

	¥ millions		
As of March 31, 2022	Consolidated balance sheet amount	Acquisition cost	Difference
Monetary trusts	¥267,748	¥255,685	¥12,062

Note 25 Derivative Transactions
(1) Derivative financial instruments for which hedge accounting is not applied

a. Currency-related transactions

As of March 31, 2021	Notional amount		Fair value	Valuation gains (losses)
	Total	Over one year		
¥ millions				
Over-the-counter transactions:				
Foreign exchange contracts:				
Sold	¥278,364	¥ —	¥(7,369)	¥(7,369)
U.S. dollar	98,402	—	(2,577)	(2,577)
Euro	30,239	—	(215)	(215)
British pound	53,997	—	(2,396)	(2,396)
Canadian dollar	2,848	—	(100)	(100)
Australian dollar	89,103	—	(2,080)	(2,080)
Swiss franc	3,772	—	0	0
Bought	51,261	—	465	465
U.S. dollar	39,361	—	340	340
Euro	1,860	—	5	5
Australian dollar	10,039	—	120	120
Currency swaps:				
Receive yen/pay foreign currency	4,357	—	(158)	(158)
Brazilian real	1,330	—	9	9
Indian Rupee	3,027	—	(167)	(167)
Receive foreign currency/pay yen	14,252	—	1,209	1,209
U.S. dollar	618	—	44	44
Australian dollar	13,633	—	1,164	1,164
Total				¥(5,853)

Note: Assets and liabilities denominated in foreign currencies, which have fixed settlement amounts in yen under forward exchange contracts and are disclosed in yen amounts in the consolidated balance sheet, are not subject to this disclosure.

As of March 31, 2022	Notional amount		Fair value	Valuation gains (losses)
	Total	Over one year		
¥ millions				
Over-the-counter transactions:				
Foreign exchange contracts:				
Sold	¥324,606	¥ —	¥(12,174)	¥(12,174)
U.S. dollar	121,532	—	(4,609)	(4,609)
Euro	73,239	—	(648)	(648)
British pound	42,467	—	(1,041)	(1,041)
Canadian dollar	8,667	—	(410)	(410)
Australian dollar	74,629	—	(5,211)	(5,211)
Swiss franc	4,070	—	(252)	(252)
Bought	70,618	—	364	364
U.S. dollar	18,144	—	21	21
Euro	32,731	—	74	74
British pound	11,818	—	(55)	(55)
Australian dollar	7,923	—	324	324
Currency swaps:				
Receive yen/pay foreign currency	6,480	—	(663)	(663)
Indian Rupee	6,480	—	(663)	(663)
Receive foreign currency/pay yen	14,431	—	1,455	1,455
U.S. dollar	662	—	47	47
Australian dollar	13,769	—	1,407	1,407
Total				¥(11,018)

Note: Assets and liabilities denominated in foreign currencies, which have fixed settlement amounts in yen under forward exchange contracts and are disclosed in yen amounts in the consolidated balance sheet, are not subject to this disclosure.

b. Interest-related transactions

As of March 31, 2021	Notional amount		Fair value	Valuation gains (losses)
	Total	Over one year		
Over-the-counter transactions:				
Interest rate swaps:				
Receive fixed/pay floating	¥15,449	¥14,546	¥12,497	¥12,497
Total				¥12,497

As of March 31, 2022	Notional amount		Fair value	Valuation gains (losses)
	Total	Over one year		
Over-the-counter transactions:				
Interest rate swaps:				
Receive fixed/pay floating	¥15,873	¥14,849	¥11,043	¥11,043
Total				¥11,043

c. Stock-related transactions

As of March 31, 2021	Notional amount		Fair value	Valuation gains (losses)
	Total	Over one year		
Market transactions:				
Stock index options:				
Bought:				
Put	¥17,504	¥—		
	[201]	[—]	1	(200)
Total				¥(200)

Note: Figures in square brackets for "Notional amount" represent option premiums that are reported on the consolidated balance sheet.

As of March 31, 2022	Notional amount		Fair value	Valuation gains (losses)
	Total	Over one year		
Market transactions:				
Stock index options:				
Bought:				
Put	¥44,999	¥—		
	[846]	[—]	484	(362)
Total				¥(362)

Note: Figures in square brackets for "Notional amount" represent option premiums that are reported on the consolidated balance sheet.

T&D Financial Life uses monetary trusts to execute derivative transactions. The following tables show a summary of the notional amount and fair value of derivative financial instruments.

As of March 31, 2021	Notional amount		Fair value	¥ millions
	Total	Over one year		Valuation gains (losses)
Over-the-counter transactions:				
Currency-related transactions:				
Currency options:				
Bought:				
Put				
U.S. dollar	1,114	840	51	(242)
	[294]	[225]		
Euro	634	492	33	(149)
	[182]	[144]		
	480	348	18	(93)
	[111]	[81]		
Stock-related transactions:				
Stock index options:				
Bought:				
Put	2,257	1,811	86	(399)
	[486]	[395]		
Total				¥(642)

Note: Figures in square brackets for "Notional amount" represent option premiums that are reported on the consolidated balance sheet.

As of March 31, 2022	Notional amount		Fair value	¥ millions
	Total	Over one year		Valuation gains (losses)
Over-the-counter transactions:				
Currency-related transactions:				
Foreign exchange contracts:				
Sold:				
U.S. dollar	15,422	—	3	3
	15,422	—	3	3
Currency options:				
Bought:				
Put				
U.S. dollar	840	627	34	(191)
	[225]	[170]		
Euro	492	378	21	(123)
	[144]	[112]		
	348	249	13	(67)
	[81]	[57]		
Stock-related transactions:				
Stock index options:				
Bought:				
Put	1,811	1,477	62	(333)
	[395]	[330]		
Total				¥(521)

Note: Figures in square brackets for "Notional amount" represent option premiums that are reported on the consolidated balance sheet.

(2) Derivative financial instruments for which hedge accounting is applied

a. Currency-related transactions

¥ millions

As of March 31, 2021	Hedged item	Notional amount		Fair value
		Total	Over one year	
Recognition of valuation gains/losses on hedged items:				
Foreign exchange contracts:				
Sold				
	Foreign currency-denominated assets	¥3,737,389	¥ —	¥(113,716)
	U.S. dollar	2,620,936	—	(87,260)
	Euro	754,753	—	(15,153)
	British pound	152,047	—	(3,284)
	Canadian dollar	90,299	—	(3,684)
	Swedish krona	334	—	(3)
	Australian dollar	115,179	—	(4,261)
	Polish zloty	1,413	—	23
	Danish krone	713	—	(17)
	Singapore dollar	1,600	—	(69)
	Norwegian krone	111	—	(5)
Bought				
	U.S. dollar	384,300	—	644
	Euro	303,342	—	292
	British pound	19,284	—	81
	U.S. dollar	30,708	—	193
	Australian dollar	30,965	—	78
Allocation treatment for foreign exchange contracts, etc.:				
Foreign exchange contracts:				
Sold				
	Certificates of deposit in foreign currencies	10,000	—	—
	Australian dollar	10,000	—	—
Currency swaps:				
Receive yen/pay foreign currency				
	Foreign currency-denominated loans	37,937	37,937	—
	U.S. dollar	37,937	37,937	—
Total				¥(113,071)

Note: Fair value of foreign exchange contracts, etc., with allocation treatments are included in the relevant certificates of deposit in foreign currencies and foreign currency-denominated loans because they are the hedged assets for each of these contracts and the assets are treated as a unit.

¥ millions

As of March 31, 2022	Hedged item	Notional amount		Fair value
		Total	Over one year	
Recognition of valuation gains/losses on hedged items:				
Foreign exchange contracts:				
Sold				
	Foreign currency-denominated assets	¥3,489,524	¥ —	¥(172,018)
	U.S. dollar	2,546,920	—	(115,964)
	Euro	673,007	—	(35,252)
	British pound	94,213	—	(2,770)
	Canadian dollar	56,664	—	(4,560)
	Swedish krona	421	—	(19)
	Australian dollar	111,792	—	(13,148)
	Polish zloty	1,728	—	(22)
	Danish krone	1,571	—	(59)
	Singapore dollar	1,808	—	(97)
	Norwegian krone	1,396	—	(124)
Bought				
	U.S. dollar	266,184	—	(30)
	U.S. dollar	201,503	—	(283)
	Euro	61,971	—	255
	British pound	1,570	—	8
	Australian dollar	1,139	—	(9)
Allocation treatment for foreign exchange contracts, etc.:				
Foreign exchange contracts:				
Sold				
	Certificates of deposit in foreign currencies	17,000	—	—
	U.S. dollar	5,000	—	—
	Australian dollar	12,000	—	—
Currency swaps:				
Receive yen/pay foreign currency				
	Foreign currency-denominated loans	37,937	37,937	—
	U.S. dollar	37,937	37,937	—
Total				¥(172,048)

Note: Fair value of foreign exchange contracts, etc., with allocation treatments are included in the relevant certificates of deposit in foreign currencies and foreign currency-denominated loans because they are the hedged assets for each of these contracts and the assets are treated as a unit.

b. Interest-related transactions

¥ millions				
As of March 31, 2021	Hedged item	Notional amount		Fair value
		Total	Over one year	
Special treatment for interest rate swaps:				
Interest rate swaps:				
Receive fixed/pay floating	Loans	¥26,199	¥22,199	¥511
Total				¥511

¥ millions				
As of March 31, 2022	Hedged item	Notional amount		Fair value
		Total	Over one year	
Special treatment for interest rate swaps:				
Interest rate swaps:				
Receive fixed/pay floating	Loans	¥21,804	¥17,804	¥262
Total				¥262

c. Stock-related transactions

¥ millions				
As of March 31, 2021	Hedged item	Notional amount		Fair value
		Total	Over one year	
Recognition of valuation gains/losses on hedged items:				
Forward contracts:				
Sold	Domestic equities	¥8,885	¥—	¥49
Total				¥49

There were no stock-related transactions for the year ended March 31, 2022.

Note 26 Employees' Retirement Benefits

(1) Overview of the retirement benefit plan adopted by the T&D Insurance Group

Domestic consolidated subsidiaries have defined benefit retirement plans such as a defined benefit corporate pension plan, a retirement pension plan, and a retirement lump-sum payment plan. Further, certain subsidiaries have defined contribution pension plans as their defined contribution retirement plan as well as retirement benefit trusts.

(2) Defined benefit retirement plan

a. Reconciliations of the beginning- and end-of-the-year balances of retirement benefit obligations are as follows:

¥ millions		
Years ended March 31,	2021	2022
Balance at the beginning of the year	¥156,694	¥154,825
Service cost	6,589	6,462
Interest cost	621	753
Actuarial gains and losses	(1,771)	(2,861)
Retirement benefit paid	(7,308)	(7,489)
Accrual of past service costs	—	(1,940)
Balance at the end of the year	¥154,825	¥149,749

Note: Retirement benefit expense for consolidated subsidiaries using the simplified method is recorded in service cost.

b. Reconciliations of the beginning- and end-of-the-year balances of pension plan assets are as follows:

¥ millions		
Years ended March 31,	2021	2022
Balance at the beginning of the year	¥107,538	¥110,912
Expected return on plan assets	876	1,013
Net actuarial gains and losses	1,921	(1,267)
Employer contribution	6,433	5,743
Benefit obligation paid	(5,858)	(5,946)
Balance at the end of the year	¥110,912	¥110,455

- c. Reconciliations of retirement benefit obligations and pension plan assets to net defined benefit liabilities and net defined benefit assets stated in the consolidated balance sheet are as follows:

	¥ millions	
As of March 31,	2021	2022
Retirement benefit obligations for funded plans	¥ 128,287	¥ 122,356
Plan assets	(110,912)	(110,455)
Employee pension trusts	[(63,599)]	[(61,784)]
	17,375	11,901
Retirement benefit obligations for unfunded plans	26,537	27,392
Net amount of defined benefit liability and defined benefit asset stated in the consolidated balance sheet	43,912	39,293
Defined benefit liability	45,764	42,145
Defined benefit asset	(1,851)	(2,851)
Net amount of defined benefit liability and defined benefit asset stated in the consolidated balance sheet	¥ 43,912	¥ 39,293

- d. Components of retirement benefit expense are as follows:

	¥ millions	
Years ended March 31,	2021	2022
Service cost	¥ 6,589	¥ 6,462
Interest cost	621	753
Expected return on plan assets	(876)	(1,013)
Recognized actuarial gains and losses	(3,693)	(1,594)
Recognized past service costs	—	(1,940)
Retirement benefit expense relating to defined benefit retirement plan	¥ 2,640	¥ 2,667

Note: Retirement benefit expense for consolidated subsidiaries using the simplified method is included in service cost.

- e. Matters related to pension plan assets

- (i) Components of pension plan assets are as follows:

As of March 31,	2021	2022
Bonds	68.6%	66.4%
General account	11.9%	12.7%
Foreign securities	10.2%	9.8%
Stocks	5.5%	5.1%
Cash and deposits	3.1%	4.4%
Joint assets	0.7%	0.7%
Others	0.0%	0.9%
Total	100.0%	100.0%

Note: The total includes 57.3% and 55.9% of employee pension trusts set up for corporate pension plans for the fiscal years ended March 31, 2021 and 2022, respectively.

- (ii) The setting method for long-term expected rate of return

The long-term expected rate of return on pension plan assets is set by considering the present and the prospective asset allocation of pension plan assets, as well as the present and the expected long-term rate of return arising from various assets that comprise the plan assets.

- f. Matters related to actuarial basis

Years ended March 31,	2021	2022
Discount rate	0.13% – 0.80%	0.24% – 0.80%
Expected long-term rate of return on plan assets	0.14% – 1.90%	0.25% – 1.90%

(3) Defined contribution retirement plan

The required contribution for the defined contribution retirement plan of the Company and its consolidated subsidiaries amounted to ¥274 million and ¥279 million for the fiscal years ended March 31, 2021 and 2022, respectively.

Note 27 **Stock Options**
(1) Amount of expenses related to stock options

There were no operating expenses related to stock options for the fiscal years ended March 31, 2021 and 2022.

(2) Details, size and status of stock options

a. Details of stock options

T&D Holdings, Inc. stock subscription rights (1st series)	
Title and number of grantees	Directors (excluding outside directors) and executive officers of the Company: 7 Directors (excluding outside directors) and executive officers of subsidiaries of the Company: 40
Number of stock options by class*	Common stock: 449,600 shares
Grant date	July 31, 2012
Conditions for vesting	Stock options are vested on the grant date.
Requisite service period	Not applicable
Exercise period	August 1, 2012 to July 31, 2042

* Translated to the number of common stock.

T&D Holdings, Inc. stock subscription rights (2nd series)	
Title and number of grantees	Directors (excluding outside directors) and executive officers of the Company: 7 Directors (excluding outside directors) and executive officers of subsidiaries of the Company: 39
Number of stock options by class*	Common stock: 235,500 shares
Grant date	August 1, 2013
Conditions for vesting	Stock options are vested on the grant date.
Requisite service period	Not applicable
Exercise period	August 2, 2013 to August 1, 2043

* Translated to the number of common stock.

T&D Holdings, Inc. stock subscription rights (3rd series)	
Title and number of grantees	Directors (excluding outside directors) and executive officers of the Company: 6 Directors (excluding outside directors) and executive officers of subsidiaries of the Company: 41
Number of stock options by class*	Common stock: 231,300 shares
Grant date	August 1, 2014
Conditions for vesting	Stock options are vested on the grant date.
Requisite service period	Not applicable
Exercise period	August 2, 2014 to August 1, 2044

* Translated to the number of common stock.

T&D Holdings, Inc. stock subscription rights (4th series)	
Title and number of grantees	Directors (excluding outside directors) and executive officers of the Company: 15 Directors (excluding outside directors) and executive officers of subsidiaries of the Company: 43
Number of stock options by class*	Common stock: 170,700 shares
Grant date	August 3, 2015
Conditions for vesting	Stock options are vested on the grant date.
Requisite service period	Not applicable
Exercise period	August 4, 2015 to August 3, 2045

* Translated to the number of common stock.

	T&D Holdings, Inc. stock subscription rights (5th series)
Title and number of grantees	Directors (excluding outside directors) and executive officers of the Company: 10 Directors (excluding outside directors) and executive officers of subsidiaries of the Company: 48
Number of stock options by class*	Common stock: 379,800 shares
Grant date	August 1, 2016
Conditions for vesting	Stock options are vested on the grant date.
Requisite service period	Not applicable
Exercise period	August 2, 2016 to August 1, 2046

* Translated to the number of common stock.

	T&D Holdings, Inc. stock subscription rights (6th series)
Title and number of grantees	Directors (excluding outside directors) and executive officers of the Company: 10 Directors (excluding outside directors) and executive officers of subsidiaries of the Company: 47
Number of stock options by class*	Common stock: 208,200 shares
Grant date	August 1, 2017
Conditions for vesting	Stock options are vested on the grant date.
Requisite service period	Not applicable
Exercise period	August 2, 2017 to August 1, 2047

* Translated to the number of common stock.

b. Size and status of stock options

For stock options which existed during the consolidated fiscal year ended March 31, 2022, the number of stock options is translated to the number of common stock.

(i) Number of stock options

	T&D Holdings, Inc. stock subscription rights (1st series)	T&D Holdings, Inc. stock subscription rights (2nd series)	T&D Holdings, Inc. stock subscription rights (3rd series)
Before vesting:			
At the end of previous fiscal year	—	—	—
Granted	—	—	—
Forfeited	—	—	—
Vested	—	—	—
Outstanding	—	—	—
After vesting:			
At the end of previous fiscal year	87,800 shares	56,500 shares	70,400 shares
Vested	—	—	—
Exercised	—	—	—
Forfeited	—	—	—
Exercisable	87,800 shares	56,500 shares	70,400 shares
	T&D Holdings, Inc. stock subscription rights (4th series)	T&D Holdings, Inc. stock subscription rights (5th series)	T&D Holdings, Inc. stock subscription rights (6th series)
Before vesting:			
At the end of previous fiscal year	—	—	—
Granted	—	—	—
Forfeited	—	—	—
Vested	—	—	—
Outstanding	—	—	—
After vesting:			
At the end of previous fiscal year	69,700 shares	180,200 shares	134,000 shares
Vested	—	—	—
Exercised	1,600 shares	12,600 shares	10,400 shares
Forfeited	—	—	—
Exercisable	68,100 shares	167,600 shares	123,600 shares

(ii) Unit price information

	T&D Holdings, Inc. stock subscription rights (1st series)	T&D Holdings, Inc. stock subscription rights (2nd series)	T&D Holdings, Inc. stock subscription rights (3rd series)
Exercise price	1 yen	1 yen	1 yen
Average stock price at the time of exercise	—	—	—
Fair value at the granted date	685 yen	1,143 yen	1,153 yen

	T&D Holdings, Inc. stock subscription rights (4th series)	T&D Holdings, Inc. stock subscription rights (5th series)	T&D Holdings, Inc. stock subscription rights (6th series)
Exercise price	1 yen	1 yen	1 yen
Average stock price at the time of exercise	1,427 yen	1,423 yen	1,424 yen
Fair value at the granted date	1,708 yen	918 yen	1,485 yen

(3) Method for estimating the number of stock options vested

Only the actual number of forfeited stock options is reflected because it is difficult to rationally estimate the actual number of stock options that will be forfeited in the future.

Note 28 Asset Retirement Obligations

Asset retirement obligations recorded in the consolidated balance sheet are as follows:

(1) Overview of the asset retirement obligations

Asbestos removal obligations for office buildings and rental properties are recorded as asset retirement obligations.

(2) Calculation method for the amount of the asset retirement obligations

For the estimation of the present value of asset retirement obligations, 50 years from the acquisition of buildings is used as an estimated period before the cost will accrue and 2.11% as a discount rate.

(3) Increase or decrease of the total amount of the asset retirement obligations

Years ended March 31,	2021	2022
Balance at the beginning of the year	¥2,084	¥2,128
Time progress adjustment	44	45
Balance at the end of the year	¥2,128	¥2,173

Note 29 Real Estate for Rent

Some subsidiaries own real estate for rent, consisting mainly of office buildings in major cities in Japan. Their balance sheet amount, net increase or decrease and fair value at the end of the year are as follows:

Years ended March 31,	2021	2022
Balance sheet amount:		
Balance at the beginning of the year	¥269,492	¥271,658
Net increase (decrease)	2,165	(1,033)
Balance at the end of the year	271,658	270,624
Fair value at the end of the year	¥371,033	¥374,605

Notes:

- Balance sheet amount represents acquisition cost less accumulated depreciation and accumulated impairment losses. Balances at the end of the year for the years ended March 31, 2021 and 2022 include amounts related to asset retirement obligations of ¥24 million and ¥2 million, respectively.
- For the year ended March 31, 2021, the increase mainly consisted of purchase of real estate totaling ¥7,375 million and the decrease mainly consisted of depreciation totaling ¥5,743 million. For the year ended March 31, 2022, the increase mainly consisted of purchase of real estate totaling ¥3,822 million and the decrease mainly consisted of depreciation totaling ¥5,606 million.
- Fair value at the end of the year of major properties is calculated based on their appraisal value by external real estate appraisers. The value of other properties is calculated in-house based on the posted price.

Gains (losses) on real estate for rent are as follows:

Years ended March 31,	¥ millions	
	2021	2022
Ordinary revenues	¥20,784	¥21,135
Ordinary expenses	12,588	12,066
Ordinary profit	8,196	9,069
Other gains(losses)	(145)	(601)

Notes:

- Ordinary revenues and ordinary expenses constitute income from lease and corresponding expenses, such as depreciation, repair expenses, insurance expenses and taxes. These amounts are recorded in investment income and investment expenses.
- For the year ended March 31, 2021, other losses were mainly losses on disposal of fixed assets and impairment losses, and these amounts are recorded in extraordinary losses. For the year ended March 31, 2022, other losses were mainly losses on disposal of fixed assets, and these amounts are recorded in extraordinary losses.

Note 30 Revenue Recognition

Revenues arising from contracts with customers for the Company are immaterial since a large part of Ordinary revenues, substitute for Sales, consists of Income from insurance premiums and Investment income not subject to the Revenue Recognition Accounting Standard in accordance with Paragraph 3 of the standard. Therefore, the Company disclose the revenues without separating from other revenues on the consolidated statement of operations as well as disclose contract assets, contract liabilities and claims arising from contracts with customers without separating from other assets and liabilities on the consolidated balance sheet. Also, the Company omit notes on the following information.

- Information on disaggregated revenue arising from contracts with customers
- Information providing a basis for understanding revenue arising from contracts with customers
 - Information on contracts with customers and performance obligations

- Information on determining the transaction price
 - Information on the calculation of the price allocated to a performance obligation
 - Information regarding the timing of satisfaction of performance obligations
 - Significant judgements on applying the Revenue Recognition Accounting Standard
- Information about the relationship between the satisfaction of performance obligations under contracts with customers and cash flows from these contracts, and the amount and timing of revenue from contracts with existing customers at the end of the current fiscal year that are expected to be recognized in the following fiscal year or beyond
 - Balance of contract assets and contract liabilities, etc.
 - Transaction price allocated to remaining performance obligations

Note 31 Segment Information

(1) Overview of reportable segments

The reportable segments of the Company are components of the Company for which separate financial information is available. These segments are subject to regular review by the Company's Board of Directors to determine the allocation of business resources and evaluate business performances.

The Company is an insurance holding company which manages life insurance companies and other subsidiaries in accordance with the Insurance Business Act. Under the Company, the Three Life Insurance Companies, with unique product strategies and sales strategies, operate life insurance business which is the Group's core business. Each of the Three Life Insurance Companies focuses on different markets. Taiyo Life focuses on the households market, Daido Life focuses on the small and medium enterprises market and T&D Financial Life focuses on

independent insurance agent market and each company has different products under its unique marketing strategy.

As a part of diversification of business portfolio, T&D United Capital was established in 2019 to build up an effective and efficient investment process as a strategic initiative of the Group.

Therefore, the Company's four reportable segments are the Taiyo Life Insurance Company segment, the Daido Life Insurance Company segment, the T&D Financial Life Insurance Company segment and the T&D United Capital (consolidated) segment.

(2) Method for calculating ordinary revenues, income or loss, assets and liabilities, and others by reportable segment

The method for the accounting treatment of the reportable segments is the same as described in "Note 2. Summary of Significant Accounting Policies."

[Fortitude restructuring and revision of the Company's consolidated financial results in connection with retrospective accounting treatment]

As described in "Additional Information", as part of the Restructuring, Fortitude's liabilities as of June 2, 2020 were re-evaluated using a new calculation method under US-GAAP. The Company, having applied the equity method with respect to Fortitude's consolidated financial statements, applies a retrospective accounting treatment to its own consolidated financial

statements in the same manner from the current fiscal year.

Accordingly, segment information after retrospective application are shown for the previous fiscal year.

As a result, compared to the figures before retrospective application, T&D United Capital (consolidated)'s Ordinary revenues, Segment income (loss) and Equity in earnings (losses) of affiliates decreased by ¥53,482 million, Segment assets decreased by ¥51,040 million, and Segment liabilities and Taxes increased by ¥320 million.

(3) Information on ordinary revenues, income or loss, assets and liabilities, and others by reportable segment

Year ended March 31, 2021	Reportable segments						Others	Total	Adjustments	Amount on consolidated financial statements
	Taiyo Life	Daido Life	Financial Life	T&D	T&D United Capital (consolidated)	Subtotal				
Ordinary revenues	¥ 796,107	¥1,022,193	¥ 460,661	¥ 49,508	¥ 49,508	¥ 2,328,470	¥ 36,930	¥ 2,365,401	¥ (4,930)	¥ 2,360,470
Intersegment transfers	1,194	641	—	—	—	1,835	69,469	71,305	(71,305)	—
Total	797,301	1,022,834	460,661	49,508	49,508	2,330,306	106,399	2,436,706	(76,236)	2,360,470
Segment income (loss)	31,606	95,905	(2,947)	47,804	47,804	172,369	42,196	214,566	(39,917)	174,649
Segment assets	8,235,372	7,554,346	1,850,918	139,176	139,176	17,779,814	1,091,890	18,871,705	(1,045,466)	17,826,238
Segment liabilities	7,708,881	6,701,219	1,782,638	82,886	82,886	16,275,625	316,301	16,591,927	(267,485)	16,324,441
Others										
Depreciation of real estate for rent	3,615	2,942	—	—	—	6,558	—	6,558	(28)	6,530
Depreciation	6,949	5,064	637	0	0	12,651	715	13,367	(55)	13,311
Provision for (reversal of) policy reserve	46,413	218,464	216,631	—	—	481,510	415	481,925	—	481,925
Provision for (reversal of) reserve for policyholder dividends	12,574	11,854	0	—	—	24,429	—	24,429	—	24,429
Interest, dividends and income from real estate for rent	144,708	140,496	7,295	79	79	292,580	40,384	332,964	(43,037)	289,927
Interest expenses	1,008	12	5	700	700	1,726	1,265	2,991	(1,437)	1,553
Equity in earnings (losses) of affiliates	—	—	—	49,367	49,367	49,367	—	49,367	64	49,431
Extraordinary gains	1,186	224	—	—	—	1,411	297	1,708	—	1,708
Extraordinary losses	5,779	7,347	868	—	—	13,995	276	14,272	27	14,300
Impairment losses	546	2,368	—	—	—	2,915	—	2,915	—	2,915
Provision for reserve for price fluctuations	3,844	3,659	868	—	—	8,371	—	8,371	—	8,371
Taxes	4,156	22,064	(1,031)	2,397	2,397	27,585	634	28,219	5	28,224
Investments in affiliated companies	900	365	—	78,743	78,743	80,009	—	80,009	—	80,009
Increase in tangible fixed assets and intangible fixed assets	¥ 11,810	¥ 8,970	¥ 905	¥ —	¥ —	¥ 21,685	¥ 767	¥ 22,453	¥ (95)	¥ 22,357

Notes:

1. Ordinary revenues instead of net sales are presented here.

2. Adjustments are as follows:

(1) The adjustment of ¥(4,930 million) to ordinary revenues is the transferred amount, which mainly consists of gains from derivatives, net of ¥3,287 million of ordinary revenues and reversal of reserve for outstanding claims of ¥352 million of ordinary revenues which are included in ordinary expenses of the consolidated statement of operations as losses from derivatives, net and provision for reserve for outstanding claims, respectively, and provision for defined benefits of ¥1,226 million of ordinary expenses which is included in ordinary expenses of the consolidated statement of operations as reversal of provision for defined benefits.

(2) The adjustment of ¥(39,917 million) to segment income (loss) is mainly due to the elimination of dividends from subsidiaries and affiliates.

(3) The adjustment of ¥(1,045,466 million) to segment assets is mainly due to the elimination of investments in stocks of subsidiaries and affiliates.

(4) The adjustment of ¥(267,485 million) to segment liabilities is mainly due to the elimination of intersegment receivables and payables.

3. Segment income (loss) is adjusted to align with the ordinary profits set forth in the consolidated statement of operations.

¥ millions

Year ended March 31, 2022	Reportable segments							Adjustments	Amount on consolidated financial statements
	Taiyo Life	Daido Life	T&D Financial Life	T&D United Capital (consolidated)	Subtotal	Others	Total		
Ordinary revenues	¥1,438,620	¥1,032,090	¥ 485,311	¥ 99	¥ 2,956,122	¥ 60,321	¥ 3,016,443	¥(402,066)	¥ 2,614,377
Intergroup transfers	1,272	600	—	—	1,872	136,823	138,696	(138,696)	—
Total	1,439,893	1,032,690	485,311	99	2,957,994	197,145	3,155,140	(540,763)	2,614,377
Segment income (loss)	(86,642)	122,780	5,667	(8,655)	33,149	128,169	161,319	(104,290)	57,029
Segment assets	7,693,272	7,837,366	2,007,568	142,948	17,681,155	1,118,237	18,799,393	(985,984)	17,813,408
Segment liabilities	7,351,808	6,978,638	1,943,616	82,852	16,356,915	289,674	16,646,589	(222,688)	16,423,901
Others									
Depreciation of real estate for rent	3,689	2,718	—	—	6,407	—	6,407	(536)	5,871
Depreciation	6,541	5,809	842	0	13,193	688	13,882	453	14,335
Provision for (reversal of) policy reserve	(654,503)	211,563	182,632	—	(260,306)	361	(259,945)	—	(259,945)
Provision for (reversal of) reserve for policyholder dividends	12,572	11,711	(0)	—	24,284	—	24,284	—	24,284
Interest, dividends and income from real estate for rent	151,836	162,851	7,015	—	321,703	128,205	449,909	(130,063)	319,845
Interest expenses	1,035	11	4	805	1,858	1,324	3,183	(1,492)	1,690
Equity in earnings (losses) of affiliates	—	—	—	(6,099)	(6,099)	—	(6,099)	22,849	16,749
Extraordinary gains	254	92	—	—	347	120	467	—	467
Extraordinary losses	3,920	5,359	880	—	10,160	124	10,284	(0)	10,283
Impairment losses	31	—	—	—	31	—	31	—	31
Provision for reserve for price fluctuations	3,740	3,972	880	—	8,593	—	8,593	—	8,593
Taxes	(28,734)	29,578	1,589	(744)	1,688	452	2,141	6,368	8,510
Investments in affiliated companies	900	365	—	78,743	80,009	—	80,009	—	80,009
Increase in tangible fixed assets and intangible fixed assets	¥ 8,995	¥ 10,240	¥ 1,110	¥ 35	¥ 20,381	¥ 911	¥ 21,293	¥ (83)	¥ 21,209

Notes:

1. Ordinary revenues instead of net sales are presented here.

2. Adjustments are as follows:

- (1) The adjustment of ¥(402,066 million) to ordinary revenues is the transferred amount, which mainly consists of provision for policy and other reserves of ¥394,558 million, and equity in losses of affiliates of ¥6,099 million of ordinary expenses which are in ordinary revenue of the consolidated statement of operations as reversal for policy and other reserves and equity in earnings of affiliates.
- (2) The adjustment of ¥(104,290 million) to segment income (loss) is mainly due to the elimination of dividends from subsidiaries and affiliates.
- (3) The adjustment of ¥(985,984 million) to segment assets is mainly due to the elimination of investments in stocks of subsidiaries and affiliates.
- (4) The adjustment of ¥(222,688 million) to segment liabilities is mainly due to the elimination of intersegment receivables and payables.

3. Segment income (loss) is adjusted to align with the ordinary profit set forth in the consolidated statement of operations.

[Related information]

For the year ended March 31, 2021

1. Information by product and service

Sales to external customers

						¥ millions
Year ended March 31, 2021	Taiyo Life	Daido Life	T&D Financial Life	T&D United Capital (consolidated)	Others	Total
Income from insurance premiums	¥619,721	¥808,161	¥348,020	¥—	¥7,465	¥1,783,369
Insurance premiums	619,493	804,536	331,443	—	7,465	1,762,939
Individual insurance and individual annuities	507,639	749,504	331,292	—	—	1,588,436
Group insurance	27,548	20,168	—	—	—	47,716
Group annuities	83,212	33,704	132	—	—	117,050
Others	1,092	1,159	18	—	7,465	9,735
Ceded reinsurance recoveries	¥ 228	¥ 3,624	¥ 16,577	¥—	¥ —	¥ 20,429

Note: Income from insurance premiums instead of net sales is presented here.

2. Information by geographic area

(1) Net sales

Information by geographic area is omitted, as net sales (ordinary revenues) to external customers in Japan exceed 90% of net sales (ordinary revenues) in the consolidated statement of operations.

(2) Tangible fixed assets

Information by geographic area is omitted, as the amount of tangible fixed assets in Japan exceeds 90% of the amount of tangible fixed assets in the consolidated balance sheet.

3. Information by major customer

Information by major customer is omitted, as there are no customers to whom sales exceed 10% of net sales (ordinary revenues) to external customers in the consolidated statement of operations.

For the year ended March 31, 2022

1. Information by product and service

Sales to external customers

						¥ millions
Year ended March 31, 2022	Taiyo Life	Daido Life	T&D Financial Life	T&D United Capital (consolidated)	Others	Total
Income from insurance premiums	¥598,144	¥808,083	¥367,118	¥—	¥8,605	¥1,781,952
Insurance premiums	597,896	805,611	338,150	—	8,605	1,750,263
Individual insurance and individual annuities	491,135	751,212	338,000	—	—	1,580,348
Group insurance	26,903	19,984	—	—	—	46,887
Group annuities	78,819	33,252	131	—	—	112,203
Others	1,037	1,162	18	—	8,605	10,823
Ceded reinsurance recoveries	¥ 248	¥ 2,472	¥ 28,968	¥—	¥ —	¥ 31,688

Note: Income from insurance premiums instead of net sales is presented here.

2. Information by geographic area

(1) Net sales

Information by geographic area is omitted, as net sales (ordinary revenues) to external customers in Japan exceed 90% of net sales (ordinary revenues) in the consolidated statement of operations.

(2) Tangible fixed assets

Information by geographic area is omitted, as the amount of tangible fixed assets in Japan exceeds 90% of the amount of tangible fixed assets in the consolidated balance sheet.

3. Information by major customer

Information by major customer is omitted, as there are no customers to whom sales exceed 10% of net sales (ordinary revenues) to external customers in the consolidated statement of operations.

[Information on impairment losses on fixed assets by reportable segment]

For the years ended March 31, 2021 and 2022

Information on impairment losses on fixed assets by reportable segment is disclosed in "Note 31. Segment information."

[Information on amortization of goodwill and unamortized balance of goodwill by reportable segment]

For the years ended March 31, 2021 and 2022: Not applicable.

[Information on gains on negative goodwill by reportable segment]

For the years ended March 31, 2021:

[Significant gains on negative goodwill]

In the T&D United Capital (consolidated) segment, negative goodwill of ¥6,674 million resulting from the inclusion of Fortitude Group Holdings, LLC in the scope of affiliated companies over which the equity method is applied has been recorded as equity in earnings of affiliates.

For the years ended March 31, 2022: Not applicable.

Note: As described in "Additional Information", as part of the Restructuring, Fortitude's liabilities as of June 2, 2020 were re-evaluated using a new calculation method under US-GAAP. Therefore, negative goodwill after retrospective application are shown for the previous fiscal year.

[Related party information]

1. Related party transactions

For the years ended March 31, 2021: Not applicable.

For the years ended March 31, 2022:

(1) Transactions with the Company: Not applicable.

(2) Transactions with the Company's consolidated subsidiaries

- a. The Company's parent company and major shareholders (limited to companies, etc.), etc.: Not applicable.
- b. The Company's non-consolidated subsidiaries and affiliated companies, etc.

Type	Name	Location	Paid-in Capital	Type of business	Voting rights ownership (%)	Relation of related party	Transaction	¥ millions		¥ millions	
								Amount of transaction	Accounting item	Balance at the end of the year	
Affiliated company	Fortitude Reinsurance Company, Ltd.	Bermuda (British territory)	\$ 1 million	reinsurance	Indirect ownership 25.0	Enter of reinsurance contract	Payment of reinsurance premiums	¥507,696	Reinsurance payable		¥563

Note: Reinsurance premiums agreed with the reinsurer based on the reinsurance contract were recorded at the time of reinsurance contract. Reinsurance premiums were determined by considering multiple quotes.

- c. Companies, etc. having the same parent company as the Company and subsidiaries, etc. of the Company's other affiliated companies: Not applicable.
- d. The Company's officer and major shareholders (limited to individuals), etc.: Not applicable.

2. Notes on the parent company or any important affiliated company

For the years ended March 31, 2021:

- a. Notes on the parent company: Not applicable.
- b. Summarized financial information of important affiliated company

For the consolidated fiscal year ended March 31, 2021, the important affiliated companies were Fortitude Group Holdings, LLC and Fortitude Reinsurance Company Ltd., a wholly owned subsidiary of Fortitude Group Holdings, LLC, and its summarized consolidated financial information (main consolidated balance sheet items and consolidated statement of operations items) is as follows.

The consolidated financial statements of the company have been prepared in accordance with U.S. GAAP.

	¥ millions
	Fortitude Group Holdings, LLC
Total assets	¥4,872,146
Total liabilities	¥4,362,121
Total net assets	¥ 510,025
Total revenues	¥ 508,783
Total expenses	¥ 264,784
Income before income taxes	¥ 243,998
Profit	¥ 192,646

Notes:

1. Since T&D United Capital Co., Ltd. acquired equity interest of Fortitude Group Holdings, LLC in the consolidated fiscal year, Fortitude Group Holdings, LLC and Fortitude Reinsurance Company Ltd., are included in affiliated companies over which the equity method is applied. Therefore, both companies are considered important affiliated companies from the consolidated fiscal year.
2. As described in "Additional Information", as part of the Restructuring, Fortitude's liabilities as of June 2, 2020 were re-evaluated using a new calculation method under US-GAAP. Therefore, the figures after retrospective application are shown.

For the years ended March 31, 2022: Not applicable.

- a. Notes on the parent company: Not applicable.
- b. Summarized financial information of important affiliated company

For the consolidated fiscal year ended March 31, 2022, the important affiliated company was New Fortitude and its summarized consolidated financial information (main consolidated balance sheet items and consolidated statement of operations items) is as follows.

The consolidated financial statements of the company have been prepared in accordance with U.S. GAAP.

	¥ millions
	Fortitude Group Holdings, LLC
Total assets	¥5,596,122
Total liabilities	¥5,064,914
Total net assets	¥ 531,208
Total revenues	¥ 136,710
Total expenses	¥ 168,108
Income before income taxes	¥ (31,397)
Profit	¥ (24,399)

Note: As described in "(2) Principles of consolidation" and "Additional information" of "Note 2. Summary of Significant Accounting Policies", Fortitude implemented the Restructuring and Fortitude's liabilities as of June 2, 2020 were re-evaluated in the current fiscal year. As a result, New Fortitude became the important affiliated company and its summarized consolidated financial statements are shown.

Note 32 Per Share Information

	¥	
Years ended March 31,	2021	2022
Net assets per share	¥2,530.07	¥2,461.66
Net income per share	181.54	24.39
Net income per share (fully diluted)	181.34	24.36

Note1: A summary of the net assets per share, the net income per share and the net income per share (fully diluted) computations is as follows:

(1) Net income per share and net income per share (fully diluted)

	¥ millions	
Years ended March 31,	2021	2022
Net income per share:		
Profit attributable to owners of parent	¥108,512	¥14,180
Amount not attributable to common shareholders	—	—
Profit attributable to owners of parent attributable to common shareholders	¥108,512	¥14,180

	Shares	
Weighted-average number of common stocks outstanding	597,736,297	581,494,101

	¥ millions	
Years ended March 31,	2021	2022
Net income per share (fully diluted):		
Adjusted profit attributable to owners of parent	¥(3)	¥—
Amortization of bond premium (after tax)	¥(3)	¥—

	Shares	
Increase in common stock	631,588	573,718
Convertible Bond	—	—
Subscription rights to shares	631,588	573,718
Summary of potential shares that are not included in computation of net income per share (fully diluted) due to lack of dilution effect	—	—

(2) Net assets per share

	¥ millions	
As of March 31,	2021	2022
Net assets	¥1,501,796	¥1,389,506
Deduction from net assets	8,138	8,255
Subscription rights to shares	689	659
Non-controlling interests	7,449	7,596
Net assets available to common shareholders	¥1,493,657	¥1,381,251

	Shares	
The number of common stock outstanding	590,361,894	561,105,203

(3) The Company's shares remaining in the BIP (Board Incentive Plan) Trust, which are recorded as treasury shares in shareholders' equity, are included in treasury shares to be deducted in the calculation of the average number of shares during the period for calculation of net income per share and net income per share (fully diluted). Also, for the calculation of net assets per share, it is included in the number of treasury shares deducted from the total number of outstanding shares at the end of the fiscal year.

Accordingly, the average number of treasury shares to be deducted in calculation of net income per share and net income per share (fully diluted) is 1,173,823, and the number of treasury shares to be deducted in calculation of net assets

per share is 1,436,300 for the consolidated fiscal year ended March 31, 2022. Also, for the consolidated fiscal year ended March 31, 2021, the average number of treasury shares to be deducted in calculation of net income per share and net income per share (fully diluted) was 763,295, and the number of treasury shares to be deducted in calculation of net assets per share was 742,900.

Note2: As described in "Additional Information", as part of the Restructuring, Fortitude's liabilities as of June 2, 2020 were re-evaluated using a new calculation method under US-GAAP. The Company, having applied the equity method with respect to Fortitude's consolidated financial statements, applies a retrospective accounting treatment to its own consolidated financial statements in the same manner from the current fiscal year. Accordingly, the figures after retrospective application are shown for the previous fiscal year.
As a result, compared to the figures before retrospective application, net assets per share decreased by ¥87.00, net income per share decreased by ¥90.01 and net income per share (fully diluted) decreased by ¥89.92 in the previous consolidated fiscal year.

Note 33 Significant Subsequent Events

[Equity in earnings or losses of affiliates with different closing date]

In this consolidated fiscal year, equity in earnings of affiliates related to New Fortitude use the financial statements of Fortitude for the consolidated fiscal year (January 1, 2021 to December 31, 2021).

Equity in losses of affiliates related to New Fortitude for the first quarter accounting period (January 1, 2022 to March 31, 2022) of approximately 91,000 million yen was recognized for the first quarter of the next consolidated fiscal year for the Company.

Equity in losses of affiliates related to New Fortitude for the second quarter accounting period (April 1, 2022 to June 30, 2022) of approximately 100,000 million yen will be recognized for the second quarter of the next consolidated fiscal year for the Company.

[Additional Investment into New Fortitude]

T&D United Capital Co., Ltd. ("TDUC")'s Board of Directors has resolved at its meeting held on March 31, 2022, the agreement to make an additional capital contribution to New Fortitude up to USD 525 million (approx. JPY 64.3 billion, USD 1 = JPY 122.39) and TDUC signed a contract about this additional capital contribution at the same day.

New Fortitude plans to raise capital which in total amounts to USD 2.1 billion (approx. JPY 257.0 billion, USD 1 = JPY 122.39) from the Group and Carlyle FRL, L.P., which is an affiliate of The Carlyle Group Inc. based in the U.S., and such capital will be deployed for its business growth and other expenses through its operations.

The impact of the transaction on the consolidated financial results has not yet been determined.

Independent Auditor's Report



Independent Auditor's Report

The Board of Directors
T&D Holdings, Inc.

Opinion

We have audited the accompanying consolidated financial statements of T&D Holdings, Inc. and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2022, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

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

Basis for Opinion

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

Key Audit Matters

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

With respect to "Reasonableness in the calculation of negative goodwill," which was identified as one of the key audit matters in our audit of the consolidated financial statements of the previous fiscal year, we did not identify the matter as a key audit matter in our audit of the consolidated financial statements of the current fiscal year since no negative goodwill that would have a significant effect on the consolidated financial statements arose in the current fiscal year. On the other hand, Taiyo Life Insurance Company, a consolidated subsidiary, ceded a portion of existing individual annuity insurance policies through coinsurance type reinsurance, which had a significant effect on the consolidated financial statements of the current fiscal year. Therefore, we newly added the reasonableness of accounting treatment for the reinsurance transactions as a key audit matter in our audit of the consolidated financial statements of the current fiscal year.

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Sufficiency of the policy reserve

Description of Key Audit Matter	Auditor's Response
<p>The Group recorded a policy reserve of ¥14,359,852 million on the consolidated balance sheet as of March 31, 2022. The policy reserve was a significant account, accounting for 87.4% of total liabilities of ¥16,423,901 million.</p> <p>As described in “(7) Policy reserve in Note 2 Summary of Significant Accounting Policies” in Notes to Consolidated Financial Statements, the policy reserve of consolidated subsidiaries (Taiyo Life Insurance Company, Daido Life Insurance Company and T&D Financial Life Insurance Company) that are life insurance companies is calculated and set aside in accordance with the calculation methodology specified in the statement of calculation procedures for insurance premiums and policy reserve (Article 4, paragraph (2), item (iv) of the Insurance Business Act) to prepare for future performance of obligations under their insurance policies for which contractual responsibilities have commenced before the fiscal year end based on Article 116, paragraph (1) of the Insurance Business Act.</p> <p>In addition, as described in “(2) Major assumptions and their effects on the consolidated financial statements of the following fiscal year, etc. in (ii) Information on significant accounting estimates in connection with items identified of a. Policy reserve under (22) Significant Accounting Estimates in Note 2 Summary of Significant Accounting Policies” in Notes to Consolidated Financial Statements, if the calculation assumptions (base rates such as assumed incidence rate and assumed interest rate) specified in the statement of calculation procedures for insurance premiums and policy reserve significantly deviate from the latest actual rates and it is deemed to be insufficient to cover the performance of the</p>	<p>In regard to the sufficiency of the policy reserve, we evaluated the design and operating effectiveness of significant internal controls and performed the following audit procedures, as well as other procedures, involving actuarial specialists from our network firm, to consider whether it was necessary to set aside an additional policy reserve in accordance with Article 116 of the Insurance Business Act and Article 69, paragraph (5) of the Ordinance for Enforcement of the Insurance Business Act.</p> <ul style="list-style-type: none"> • In regard to the Group’s assessment for the sufficiency of the policy reserve (by performing future cash flow analysis and stress tests for third-sector insurance), we compared the calculation results with the prior year’s results in order to confirm that the assessment was appropriately performed based on relevant laws, “Standard of Practice for Appointed Actuaries of Life Insurance Companies (issued by the Institute of Actuaries of Japan)” and internal policies. • To evaluate the reasonableness of management judgements related to the sufficiency of the policy reserve, we inspected written opinions of the appointed actuary and supplementary reports, and made inquiries of the actuary. • To confirm that factors such as the latest economic and business environment were taken into consideration for interest rate scenarios used in future cash flow analysis, we verified the consistency between these interest rate scenarios and interest rate information that we obtained independently.



future obligations, an additional policy reserve must be set aside in accordance with Article 69, paragraph (5) of the Ordinance for Enforcement of the Insurance Business Act.

To prepare for the future performance of obligations under insurance policies, a policy reserve must be set aside based on sound actuarial methodologies, including reasonable forecasts as of the fiscal year end, which take into consideration the occurrence of insured events, operating expenses and asset management performance, so that the policy reserve is not insufficient to cover a life insurance company's future ability to make payments. To judge the sufficiency of the policy reserve, it is necessary to understand the economic and business environment, and business policies on matters such as sales and investments, as well as have actuarial expertise taking into consideration correlations among these factors.

Based on the above, we determined the sufficiency of the policy reserve as a key audit matter due to the significance of effect on the consolidated financial statements.

Reasonableness of accounting treatment related to coinsurance type reinsurance transactions at Taiyo Life Insurance Company

Description of Key Audit Matter	Auditor's Response
<p>As described in "[Ceded reinsurance transaction of an individual annuity insurance to New Fortitude Group and others by Taiyo Life] under [Additional information]" in Notes to Consolidated Financial Statements, Taiyo Life Insurance Company ("Taiyo Life"), a consolidated subsidiary, ceded a portion of existing individual annuity insurance policies through coinsurance type reinsurance (the "Reinsurance"), with the result that other ordinary income (Reversal of policy reserves) of ¥576,964 million and Reinsurance premiums of ¥704,667 million related to the Reinsurance were recorded in the consolidated statement of operations for</p>	<p>We evaluated the design and operating effectiveness of significant internal controls relating to the accounting treatment of the reinsurance transactions.</p> <p>We performed the following audit procedures, as well as other procedures, related to determining the part of the policy reserve not to be set aside.</p> <ul style="list-style-type: none"> To verify the certainty of risk transfer, we involved actuarial specialists from our network firm, and inspected reinsurance agreements concluded with reinsurers and related documents, as well as the minutes of relevant meetings and discussions with

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the fiscal year ended March 31, 2022.

In addition, as described in “[Ceded reinsurance transaction of an individual annuity insurance to New Fortitude Group and others by Taiyo Life] under [Additional information]” and “b. The Company’s non-consolidated subsidiaries and affiliated companies, etc. in (2) Transactions with the Company’s consolidated subsidiaries of 1. Related party transactions under [Related party information]” in Notes to Consolidated Financial Statements, Fortitude Reinsurance Company, Ltd., an entity under FGH Parent, L.P. (“New Fortitude”) group, which is an affiliate of T&D Holdings, Inc. (the “Company”) accounted for under the equity method, was included as a reinsurer of the Reinsurance. The Reinsurance transfers the economic risk of insurance policies for products with high assumed interest rate to the reinsurers and is intended to reduce financial risk and enhance future profitability and capital efficiency at Taiyo Life.

As described in “(21) Reinsurance premium income and reinsurance premium in Note 2 Summary of Significant Accounting Policies” in Notes to Consolidated Financial Statements, Taiyo Life did not set aside a part of the policy reserve that correspond to the Reinsurance in accordance with Article 71, paragraph (1) of the Ordinance for Enforcement of the Insurance Business Act, with the result that Reversal of policy reserves was recorded. In determining whether not to set aside the aforementioned policy reserve, it is necessary to examine the certainty of risk transfer and the probability of recovery of reinsurance proceeds with actuarial expertise in accordance with the aforementioned ordinance and the Comprehensive Guidelines for Supervision for Insurance Companies.

The reinsurance premiums are determined in accordance with amounts agreed to with reinsurers under reinsurance agreements, on the basis of amounts calculated based on

the supervisory authorities and based on the inspection, we made inquiries of the responsible departments at Taiyo Life.

- To verify the probability of recovery of reinsurance proceeds, we inspected the external ratings and financial performance trends of the reinsurers.
- We confirmed that the part of the policy reserve not to be set aside was equal to the balances of the policy reserve multiplied by the ceding ratio stipulated in reinsurance agreements.

We also performed the following audit procedures, as well as other procedures, related to the economic reasonableness of transaction prices for reinsurance premiums.

- To verify the economic reasonableness of the transaction prices for reinsurance premiums, we involved actuarial specialists from our network firm, and understood the calculation method used for reinsurance premiums, performed analytical procedures and inspected the results of recalculations performed by Taiyo Life.
- We also verified whether certain assumptions used in the calculation of the transaction prices of reinsurance premiums, such as the discount rate, mortality rate and lapse rate, were consistent with other audit evidence obtained and made inquiries of the responsible departments at Taiyo Life.
- We performed confirmation procedures for the details of transactions between the reinsurers and Taiyo Life, including the transaction prices of reinsurance premiums.
- To verify the business rationale for selecting a related party as the reinsurer, we made inquiries of management, and inspected the minutes of relevant meetings and the reinsurance agreement .
- To verify the reasonableness of the transaction terms, including the transaction price, for the reinsurance transaction with



estimates using certain assumptions also with actuarial expertise. In general, reinsurance transactions are highly individual in nature, and reinsurers include an affiliate of the Company accounted for under the equity method as well as external third parties, with which transactions are deemed related party transactions. Therefore, the transaction price of such a related party transaction may not be economically reasonable or the terms for such related party transactions may differ from general transaction terms.

In addition, in regard to the calculations for the part of the policy reserve not to be set aside and the reinsurance premiums, the accuracy and completeness of the ceded policies are important as they are the basis of calculations.

Based on the above, we determined the reasonableness of accounting treatment related to the aforementioned reinsurance transactions as a key audit matter due to the significance of effect on the consolidated financial statements.

the related party, we compared them to those in reinsurance transactions with external third parties.

In addition, in regard to the accuracy and completeness of the ceded policies, we involved IT specialists from our network firm and performed the following audit procedures, as well as other procedures.

- We inspected the results of verifications conducted by Taiyo Life regarding the consistency between data on in-force policies and data on ceded policies, program specifications related to the sampling process in related systems and tools, documents regarding logs on sampling process results and others.
- We verified that the ceded policies in the data on in-force policies were consistent with the data on ceded policies used to calculate reinsurance premiums.

Other Information

The other information comprises the information included in the disclosure document that contains audited consolidated financial statements but does not include the consolidated financial statements and our auditor's report thereon.

We have concluded that the other information does not exist. Accordingly, we have not performed any work related to the other information.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Audit and Supervisory Committee is responsible for overseeing the Group's financial reporting process.



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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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



We also provide the Audit and Supervisory Committee with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the consolidated financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Ernst & Young ShinNihon LLC
Tokyo, Japan

September 7, 2022

/s/ 臼倉 健司

Kenji Usukura
Designated Engagement Partner
Certified Public Accountant

/s/ 羽柴 則央

Norio Hashiba
Designated Engagement Partner
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/s/ 近藤 洋平

Yohei Kondo
Designated Engagement Partner
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