

# Consolidated Financial Statements 2023

# Consolidated Financial Statements

## Consolidated Balance Sheet

As of March 31,	2022	2023
¥ millions		
<b>Assets:</b>		
Cash and deposits	¥ 890,674	¥ 1,140,802
Call loans	504	543
Monetary claims purchased	170,920	158,873
Monetary trusts	1,324,898	1,217,451
Securities (Notes 8, 12 and 13)	12,948,127	11,784,186
Loans (Notes 3 and 7)	1,695,200	1,757,818
Tangible fixed assets (Note 4)	372,668	382,430
Land (Note 2 (13))	212,115	216,508
Buildings	151,839	154,701
Lease assets	1,043	726
Construction in progress	3,539	6,671
Other tangible fixed assets	4,130	3,822
Intangible fixed assets	35,138	34,386
Software	33,892	33,162
Lease assets	89	64
Other intangible fixed assets	1,157	1,159
Due from agencies	396	424
Reinsurance receivable	34,298	44,504
Other assets (Note 13)	340,540	181,432
Net defined benefit asset	2,851	2,744
Deferred tax assets	505	71,282
Reserve for possible loan losses	(3,316)	(3,003)
<b>Total assets</b>	<b>¥17,813,408</b>	<b>¥16,773,877</b>

¥ millions

As of March 31,	2022	2023
<b>Liabilities:</b>		
Policy reserves	¥14,505,391	<b>¥14,055,870</b>
Reserve for outstanding claims	72,683	<b>75,569</b>
Policy reserve	14,359,852	<b>13,910,695</b>
Reserve for policyholder dividends (Note 6)	72,856	<b>69,605</b>
Due to agencies	1,676	<b>2,355</b>
Reinsurance payable	13,917	<b>27,605</b>
Short-term debentures	4,999	<b>5,999</b>
Bonds (Note 9)	157,000	<b>120,000</b>
Other liabilities (Notes 10 and 13)	1,413,188	<b>1,253,626</b>
Provision for bonuses to directors and audit and supervisory committee members	305	<b>302</b>
Provision for share-based remuneration	1,221	<b>1,425</b>
Net defined benefit liability	42,145	<b>40,818</b>
Provision for directors' and audit and supervisory committee members' retirement benefits	48	<b>62</b>
Reserves under the special laws	259,979	<b>267,329</b>
Reserve for price fluctuations	259,979	<b>267,329</b>
Deferred tax liabilities	19,538	<b>342</b>
Deferred tax liabilities on land revaluation (Note 2 (13))	4,488	<b>4,456</b>
<b>Total liabilities</b>	<b>16,423,901</b>	<b>15,780,196</b>
<b>Net assets:</b>		
Capital stock	207,111	<b>207,111</b>
Capital surplus	64,000	<b>64,040</b>
Retained earnings	670,203	<b>504,160</b>
Treasury shares	(43,013)	<b>(68,361)</b>
<b>Total shareholders' equity</b>	<b>898,301</b>	<b>706,952</b>
Valuation difference on available-for-sale securities	509,632	<b>274,861</b>
Deferred gains (losses) on hedging instruments	(2,527)	<b>161</b>
Revaluation reserve for land (Note 2 (13))	(35,062)	<b>(34,256)</b>
Foreign currency translation adjustments	10,906	<b>35,070</b>
Debt value adjustments of foreign subsidiaries and affiliates	—	<b>3,810</b>
<b>Total accumulated other comprehensive income</b>	<b>482,949</b>	<b>279,647</b>
Subscription rights to shares	659	<b>570</b>
Non-controlling interests	7,596	<b>6,511</b>
<b>Total net assets</b>	<b>1,389,506</b>	<b>993,681</b>
<b>Total liabilities and net assets</b>	<b>¥17,813,408</b>	<b>¥16,773,877</b>

See notes to consolidated financial statements.

## Consolidated Statement of Operations

¥ millions

Years ended March 31,	2022	2023
<b>Ordinary revenues</b>	¥2,614,377	<b>¥3,214,110</b>
Income from insurance premiums	1,781,952	<b>2,178,203</b>
Investment income	476,904	<b>500,793</b>
Interest, dividends and income from real estate for rent	319,845	<b>324,219</b>
Gains from monetary trusts, net	100,238	<b>17,885</b>
Gains on investments in trading securities, net	323	—
Gains on sales of securities	23,794	<b>125,014</b>
Gains on redemption of securities	417	<b>369</b>
Foreign exchange gains, net	28,152	<b>29,599</b>
Reversal of reserve for possible loan losses	—	<b>268</b>
Other investment income	2,498	<b>3,437</b>
Gains on separate accounts, net	1,634	—
Other ordinary income	338,770	<b>535,113</b>
Equity in earnings of affiliates	16,749	—
<b>Ordinary expenses</b>	2,557,348	<b>3,288,255</b>
Insurance claims and other payments	2,174,187	<b>2,547,969</b>
Insurance claims	410,161	<b>411,269</b>
Annuity payments	280,766	<b>311,365</b>
Insurance benefits	152,729	<b>194,533</b>
Surrender payments	421,270	<b>620,847</b>
Other payments	88,461	<b>106,522</b>
Reinsurance premiums	820,798	<b>903,432</b>
Provision for policy and other reserves	1,945	<b>2,902</b>
Provision for reserve for outstanding claims	1,929	<b>2,886</b>
Interest portion of reserve for policyholder dividends	16	<b>15</b>
Investment expenses	82,332	<b>191,076</b>
Interest expenses	1,690	<b>1,723</b>
Losses on investments in trading securities, net	—	<b>369</b>
Losses on sales of securities	25,069	<b>51,980</b>
Devaluation losses on securities	2,103	<b>3,920</b>
Losses from derivatives, net	30,618	<b>85,195</b>
Provision for reserve for possible loan losses	99	—
Write-off of loans	2	<b>2</b>
Depreciation of real estate for rent	5,871	<b>5,750</b>
Other investment expenses	16,877	<b>41,557</b>
Losses on separate accounts, net	—	<b>577</b>
Operating expenses	229,279	<b>251,301</b>
Other ordinary expenses	69,602	<b>77,621</b>
Equity in losses of affiliates	—	<b>217,383</b>
<b>Ordinary profit (loss)</b>	¥ 57,029	<b>¥ (74,144)</b>

(continued)

	¥ millions	
Years ended March 31,	2022	2023
<b>Extraordinary gains</b>	¥ 467	¥ 1,425
Gains on disposal of fixed assets	347	1,271
State subsidy	120	151
Other extraordinary gains	—	2
<b>Extraordinary losses</b>	10,283	8,875
Losses on disposal of fixed assets	1,538	1,164
Impairment losses (Note 14)	31	87
Provision for reserve for price fluctuations	8,593	7,350
Other extraordinary losses	120	272
<b>Provision for reserve for policyholder dividends</b>	24,284	22,378
<b>Income (loss) before income taxes</b>	22,928	(103,972)
Income taxes (current)	3,730	34,605
Income taxes (deferred)	4,779	(6,806)
<b>Total income taxes</b>	8,510	27,799
<b>Profit (loss)</b>	14,418	(131,771)
<b>Profit attributable to non-controlling interests</b>	237	378
<b>Profit (loss) attributable to owners of parent</b>	¥14,180	¥(132,150)

## Consolidated Statement of Comprehensive Income

	¥ millions	
Years ended March 31,	2022	2023
<b>Profit (loss)</b>	¥ 14,418	¥(131,771)
<b>Other comprehensive income:</b>		
Valuation difference on available-for-sale securities	(61,981)	(219,166)
Deferred gains (losses) on hedging instruments	153	2,688
Foreign currency translation adjustments	12	13
Share of other comprehensive income of associates accounted for using the equity method	11,317	12,292
<b>Total other comprehensive income (Note 15)</b>	(50,498)	(204,171)
<b>Comprehensive income</b>	¥(36,079)	¥(335,943)
(Breakdown)		
Comprehensive income attributable to owners of parent	(36,465)	(336,257)
Comprehensive income attributable to non-controlling interests	385	314

See notes to consolidated financial statements.

## Consolidated Statement of Changes in Net Assets

¥ 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	Debt value adjustments of foreign subsidiaries and affiliates	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

¥ millions

Year ended March 31, 2023	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	Debt value adjustments of foreign subsidiaries and affiliates	Total accumulated other comprehensive income			
Balance at the beginning 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
Changes in the period														
Dividends			(33,086)		(33,086)									(33,086)
Loss attributable to owners of parent			(132,150)		(132,150)									(132,150)
Purchase of treasury shares				(25,619)	(25,619)									(25,619)
Disposal of treasury shares		(33)		271	237									237
Change in ownership interest of parent due to transactions with non-controlling interests		74			74									74
Reversal of land revaluation			(805)		(805)									(805)
Net changes of items other than shareholders' equity						(234,771)	2,688	805	24,164	3,810	(203,301)	(89)	(1,084)	(204,476)
Total changes in the period	—	40	(166,042)	(25,348)	(191,349)	(234,771)	2,688	805	24,164	3,810	(203,301)	(89)	(1,084)	(395,825)
Balance at the end of the year	¥207,111	¥64,040	¥504,160	¥(68,361)	¥706,952	¥274,861	¥ 161	¥(34,256)	¥35,070	¥3,810	¥279,647	¥570	¥6,511	¥ 993,681

See notes to consolidated financial statements.

## Consolidated Statement of Cash Flows

¥ millions

Years ended March 31,	2022	2023
<b>Cash flows from operating activities:</b>		
Income (loss) before income taxes	¥ 22,928	¥(103,972)
Depreciation of real estate for rent	5,871	5,750
Depreciation	14,335	15,434
Impairment losses	31	87
Increase (decrease) in reserve for outstanding claims	1,929	2,886
Increase (decrease) in policy reserve	(259,945)	(449,156)
Interest portion of reserve for policyholder dividends	16	15
Provision for reserve for (reversal of) policyholder dividends	24,284	22,378
Increase (decrease) in reserve for possible loan losses	97	(312)
Increase (decrease) in provision for bonuses to directors and audit and supervisory committee members	11	(3)
Increase (decrease) in provision for share-based remuneration	323	203
Decrease (increase) in net defined benefit asset	(1,000)	107
Increase (decrease) in net defined benefit liability	(3,618)	(1,326)
Increase (decrease) in provision for directors' and audit and supervisory committee members' retirement benefits	(19)	14
Increase (decrease) in reserve for price fluctuations	8,593	7,350
Interest, dividends and income from real estate for rent	(319,845)	(324,219)
Losses (gains) on investment securities	1,003	(68,536)
Interest expenses	1,690	1,723
Foreign exchange losses (gains), net	(28,892)	(24,403)
Losses (gains) on disposal of tangible fixed assets	703	(228)
Equity in losses (earnings) of affiliates	(16,749)	217,383
Decrease (increase) in amount due from agencies	288	(28)
Decrease (increase) in amount reinsurance receivable	(11,075)	(9,545)
Decrease (increase) in other assets (excluding investment activities-related and financing activities-related)	(20,535)	(11,189)
Increase (decrease) in amount due to agencies	(1,052)	679
Increase (decrease) in amount reinsurance payable	1,813	13,687
Increase (decrease) in other liabilities (excluding investment activities-related and financing activities-related)	1,745	4,701
Others, net	(55,091)	105,542
Subtotal	(632,159)	(594,976)
Interest, dividends and income from real estate for rent received	316,057	313,474
Interest paid	(1,654)	(1,809)
Policyholder dividends	(26,225)	(25,613)
Others, net	(4,262)	(4,447)
Income taxes (paid) refunded	(48,637)	5,740
<b>Net cash provided by (used in) operating activities</b>	<b>¥(396,882)</b>	<b>¥(307,631)</b>

(continued)

¥ millions

Years ended March 31,	2022	2023
<b>Cash flows from investing activities:</b>		
Net decrease (increase) in cash and deposits	¥ 12,050	¥ 19,800
Investments in monetary claims purchased	(35,066)	(13,575)
Proceeds from sales and redemption of monetary claims purchased	30,028	10,301
Investments in monetary trusts	(201,929)	(67,606)
Proceeds from monetary trusts	110,037	185,000
Purchase of securities	(1,522,578)	(1,721,677)
Proceeds from sales and redemption of securities	1,847,212	2,825,143
Investments in loans	(263,027)	(377,178)
Collection of loans	318,237	318,532
Others, net	(4,012)	(492,118)
Subtotal	290,952	686,621
Total of net cash provided by (used in) operating activities and investment transactions as above	(105,930)	378,990
Purchase of tangible fixed assets	(7,989)	(22,291)
Proceeds from disposal of tangible fixed assets	943	2,215
Others, net	(709)	(585)
<b>Net cash provided by (used in) investing activities</b>	<b>283,196</b>	<b>665,960</b>
<b>Cash flows from financing activities:</b>		
Net increase (decrease) in short-term debentures	(999)	999
Proceeds from issuance of debt	31,100	14,900
Repayments of debt	(10,864)	(24,900)
Redemption of bonds	—	(37,000)
Proceeds from share issuance to non-controlling shareholders	332	154
Repayments to non-controlling shareholders	(521)	(668)
Payment of lease obligations	(637)	(644)
Purchase of treasury shares	(45,482)	(25,619)
Disposal of treasury shares	32	147
Dividends paid	(30,655)	(33,139)
Dividends paid to non-controlling interests	(49)	(34)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	—	(775)
Others, net	0	0
<b>Net cash provided by (used in) financing activities</b>	<b>(57,747)</b>	<b>(106,580)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>1,142</b>	<b>(1,455)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(170,290)</b>	<b>250,292</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>1,085,565</b>	<b>915,275</b>
<b>Cash and cash equivalents at the end of the year (Note 17)</b>	<b>¥ 915,275</b>	<b>¥ 1,165,567</b>

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: 20

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.  
All Right Co., Ltd.  
T&D United Capital North America Inc.  
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.  
and 3 other companies

Newly established All Right Co., Ltd. and T&D Innovation Fund are included within the scope of consolidation in the consolidated fiscal year ended March 31, 2023.

(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: 5

The affiliates accounted for under the equity method are Capital Taiyo Life Insurance, Ltd., Thuriya Ace Technology Co., Ltd., Alternative Investment Capital Ltd., FGH Parent, L.P., and 1 other company.

Due to discontinuance of dispatching officers from the T&D Insurance Group during the consolidated fiscal year ended March 31, 2023 and so on, Fortitude International Reinsurance Ltd., Fortitude Group Holdings, LLC, Fortitude Reinsurance Company Ltd., Fortitude International Ltd. and Fortitude International Group Holdings Ltd. are excluded from the affiliates accounted for under the equity method.

(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 some consolidated subsidiaries are December 31 and their financial statements as of the same date are used for preparing the consolidated financial statements. The necessary adjustments for consolidation are made when important transactions occur between the closing dates and 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.

### (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 are valued by using the fair value method (cost of sales is calculated by using the moving average method).
    - Stocks without market prices 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 variable interest rate type single-premium insurance asset segment

[Additional information]

The sub-segment of single-premium whole life/annuity insurance is integrated into the general asset segment at the end of the consolidated fiscal year ended March 31, 2023. While the balance of policy reserve in this segment is expected to decrease, this change is intended to achieve more accurate ALM through managing assets flexibly. This change has no impact on the consolidated balance sheet and consolidated statement of operations.

[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.

- b. 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 ¥353 million and ¥343 million for the years ended March 31, 2022 and 2023, 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 and Supervisory Committee members**

To provide for payment of bonuses to directors and Audit and Supervisory Committee members, a provision for the directors' and Audit and Supervisory Committee members' bonuses is recorded based on the expected amount to be paid in the year ended March 31, 2023.

#### **(9) Provision for share-based remuneration**

To provide for delivery of stock of the Company to directors and Audit and Supervisory Committee 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 and Supervisory Committee members' retirement benefits**

To provide for directors' and Audit and Supervisory Committee members' retirement benefits, the Company sets up a provision for directors' and Audit and Supervisory Committee 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, 2023.

#### **(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 and past service costs are fully 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.
- c. Hedge accounting method for T&D United Capital Co., Ltd.
- (i) Method for hedge accounting  
 Deferral hedge treatment is adopted for the method for hedge accounting. Furthermore, allocation treatment is adopted since the transaction qualify for the treatment.
- (ii) Hedging instrument and hedged item  
 Hedging instrument: foreign exchange contract  
 Hedged item: foreign currency-denominated stocks (forecast transaction)
- (iii) Hedging policy  
 Based on the resolution made at the Board of Director's meeting regarding the acquisition of foreign currency-denominated stocks, foreign exchange fluctuation risks of hedged items are hedged within a certain range.
- (iv) Evaluation method for hedge effectiveness  
 The evaluation is omitted, since 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) 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.

#### **(18) 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 consolidated fiscal year end or for which insured events have already incurred but not reported.

In the consolidated fiscal year ended March 31, 2023, the scope of payment of hospital benefit, etc. for those who are diagnosed with COVID-19 and receive medical treatment at accommodation facilities or home under the supervision of doctors, etc. (hereinafter the "deemed hospitalization") was changed. As a result, the reserve for IBNR claims (insurance claims, etc. for which insured events specified in the insurance policies have

already incurred but not reported, hereinafter the same) cannot be calculated at an appropriate level based on the main rule in Article 1, Paragraph 1 of Notification of the Ministry of Finance No. 234 (1998) (hereinafter the "IBNR Notification"). Therefore, the reserve is calculated and recognized as follows based on the proviso of Article 1, Paragraph 1 of IBNR Notification.

(Overview of calculation method)

The reserve is calculated by the same method as the main rule in Article 1, Paragraph 1 of IBNR Notification after excluding the amount relating to deemed hospitalization for policy holders other than those with high risk of severity (hereinafter the "4 categories") from the required amount of reserve for IBNR claims and payment amount of insurance claims, etc. for all the consolidated fiscal years stipulated by the main rule in Article 1, Paragraph 1 of IBNR Notification.

The amount relating to deemed hospitalization for the 4 categories, which is used to estimate the amount relating to deemed hospitalization for those other than the 4 categories with a diagnosis date before September 25, 2022, is estimated by multiplying the ratio of the cumulative payment amount for the 4 categories with a diagnosis date after September 26, 2022 and the cumulative payment amount relating to deemed hospitalization for those over 65 years old, which is one of the 4 categories, by the amount relating to deemed hospitalization for those over 65 years old with a diagnosis date before September 25, 2022.

#### **(19) 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.

## (20) Significant Accounting Estimates

### a. Policy reserve

#### (i) Amounts recognized on the consolidated financial statements

As of March 31,	2022	2023
Policy reserve	¥14,359,852	¥13,910,695
Other ordinary income (Reversal of policy reserve)	¥ 259,945	¥ 449,156

#### (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

As of March 31,	2022	2023
Net defined benefit asset	¥ 2,851	¥ 2,744
Net defined benefit liability	¥42,145	¥40,818

#### (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 24 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

As of March 31,	2022	2023
Impairment loss	¥31	¥87

#### (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.

## (21) Change in accounting policies

[Implementation Guidance on Accounting Standard for Fair Value Measurement]

Implementation Guidance on Accounting Standard for Fair

Value Measurement (ASBJ Guidance No.31, issued on June 17, 2021, hereinafter the “Fair Value Measurement Implementation Guidance”) was adopted from the beginning of this consolidated fiscal year. Accordingly, the Company has applied new accounting policies prescribed in the Fair Value Measurement Implementation Guidance prospectively in accordance with the transitional treatment stipulated in Paragraph 27-2 of the Fair Value Measurement Implementation Guidance. For the consolidated financial statements, the effect of the application is immaterial.

Also, the Company discloses notes on investment trusts in Note 20 Financial Instruments, Breakdown of fair values of financial instruments by levels. However, in accordance with the treatment stipulated in Paragraph 27-3 of the Fair Value Measurement Implementation Guidance, the notes for the consolidated fiscal year ended March 31, 2022 are not disclosed.

## (22) 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 Committee 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 Committee 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 ¥2,165 million, and the number of treasury share in the Trust was 1,436,300 shares for the fiscal year ended March 31, 2022. Also, as of the end of the fiscal year ended March 31, 2023, the carrying value of treasury share in the Trust is ¥2,018 million, and the number of treasury share in the Trust is 1,338,700 shares.

[Additional investments in Fortitude]

T&D United Capital Co., Ltd. (“T&D United Capital”)’s Board of Directors has resolved at its meeting held on March 31, 2022, the agreement to make an additional capital contribution to FGH Parent, L.P. (“Fortitude”) up to USD 525 million (approx. JPY 64.3 billion, USD 1 = JPY 122.39) and T&D United Capital signed a contract about this additional capital contribution at the same day. T&D United Capital made an additional capital contribution by \$262.5 million on April 25, 2022 and May 12, 2023, respectively.

[Recording of debt value adjustments of foreign subsidiaries and affiliates]

Fortitude has purchased from Prudential Financial, Inc., a U.S. insurance group, 100% shares of its subsidiary, Prudential Annuities Life Assurance Corporation, with an aim to acquire U.S. variable annuity closed book. As Fortitude has applied fair value option in the measurement of insurance liabilities of the aforementioned U.S. variable annuity, Fortitude recorded the portion attributable to own credit risk in the changes in fair value of insurance liabilities under fair value option in other comprehensive income pursuant to the Accounting Standards Codification No. 825 (Financial Instruments) by the Financial Accounting Standards Board from the beginning of the consolidated fiscal year (from January 1, 2022 to December 31, 2022). As the Company has also adopted the accounting treatment in the same manner in applying equity method to Fortitude from this consolidated fiscal year, the Company recorded debt value adjustments of foreign subsidiaries and affiliates by ¥3,810 million in accumulated other comprehensive income.

[Ceded reinsurance transaction of a whole life insurance to Fortitude Group and others by Daido Life]

Daido Life has ceded a part of an existing paid-up whole life insurance to Fortitude International Reinsurance Ltd. and others



in a form of a coinsurance.

The effects of the reinsurance transaction are as shown below:

- Reversal of policy reserve ¥305,760 million
- Reinsurance premiums ¥327,104 million

[Ceded reinsurance transaction of a single-premium whole life insurance to Fortitude Group by T&D Financial Life]

T&D Financial Life has ceded a part of an existing single-premium whole life insurance to Fortitude International Reinsurance Ltd. in a form of a coinsurance.

The effects of the reinsurance transaction are as shown below:

- Reversal of policy reserve ¥175,760 million
- Reinsurance premiums ¥149,844 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,	2022	2023
Claims subject to bankruptcy proceeding and reorganization proceedings and any other type of claims equivalent thereto	¥ 186	¥ 205
Claims with risks	781	779
Loans overdue for three months or more	1,242	903
Restructured loans	20	20
<b>Total</b>	<b>¥2,230</b>	<b>¥1,908</b>

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.

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.

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

As of March 31,	2022	2023
Claims subject to bankruptcy proceeding and reorganization proceedings and any other type of claims equivalent thereto	¥147	¥137

### Note 4 Accumulated Depreciation of Tangible Fixed Assets

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

Years ended March 31,	2022	2023
Accumulated depreciation of tangible fixed assets	¥249,019	¥257,160

## 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,	2022	2023
Separate account assets as provided in Article 118, Paragraph 1 of the Insurance Business Act	¥48,602	¥76,720

¥ 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,	2022	2023
Balance at the beginning of the year	¥74,748	¥72,856
Policyholder dividends	26,225	25,613
Increase in interest	16	15
Increase due to other reasons	32	—
Decrease due to other reasons	—	31
Provision for reserve for policyholder dividends	24,284	22,378
Balance at the end of the year	¥72,856	¥69,605

¥ millions

## Note 7 Unused Loan Balance under Loan Commitments

The unused loan balance under loan commitments is as follows:

Years ended March 31,	2022	2023
Total amount of loan commitments	¥42,110	¥39,309
Balance of loans outstanding	18,650	23,232
Balance	¥23,460	¥16,076

¥ millions

## Note 8 Lending Securities for Loan Agreements

The lending securities for loan agreements are as follows:

Years ended March 31,	2022	2023
Lending securities for loan agreement	¥1,753,919	¥1,467,766

¥ 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,	2022	2023
Subordinated bonds	¥157,000	¥120,000

¥ 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:

Years ended March 31,	2022	2023
Subordinated borrowings	¥26,500	¥13,500

¥ millions

## Note 11 Organizational Change Surplus

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

Years ended March 31,	2022	2023
Taiyo Life Insurance Company	¥63,158	¥63,158
Daido Life Insurance Company	10,836	10,836

## Note 12 Stocks and capital of Affiliated Companies

Stocks and capital of Affiliated Companies are as follows:

Years ended March 31,	2022	2023
Stocks	¥ 1,112	¥ 1,157
Capital	155,551	17,186

## Note 13 Assets Pledged as Collateral and Secured Debts

Assets pledged as collateral are as follows:

Years ended March 31,	2022	2023
Securities (Japanese government bonds)	¥1,400,183	¥1,509,812
Securities (Foreign securities)	613,214	207,909
Cash collateral pledged for financial instruments	51,952	1,875
Balance	¥2,065,350	¥1,719,597

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

Years ended March 31,	2022	2023
Cash collateral received for bond-lending transactions	¥1,001,890	¥993,780

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

Year ended March 31, 2023		¥ millions		
Asset	Location	Land	Buildings, etc.	Total
Unused real estates, etc.	Hachinohe City, Aomori Prefecture, etc. (2 assets)	¥61	¥25	¥87

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

## Note 15 Consolidated Statement of Comprehensive Income

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

Years ended March 31,	2022	2023
Valuation difference on available-for-sale securities:		
Amount occurred during the year	¥(84,158)	¥(254,579)
Reclassification adjustments	(133)	(48,963)
Amount before tax effect	(84,291)	(303,543)
Tax effect	22,310	84,376
Valuation difference on available-for-sale securities	(61,981)	(219,166)
Deferred gains (losses) on hedging instruments:		
Amount occurred during the year	—	3,654
Reclassification adjustments	212	212
Amount before tax effect	212	3,867
Tax effect	(59)	(1,178)
Deferred gains (losses) on hedging instruments	153	2,688
Foreign currency translation adjustments:		
Amount occurred during the year	12	13
Share of other comprehensive income of associates accounted for using the equity method:		
Amount occurred during the year	11,317	12,292
Total other comprehensive income	¥(50,498)	¥(204,171)

**Note 16 Consolidated Statement of Changes in Net Assets**
**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	Shareholder dividends per share	Record date	Effective date
		¥ millions	¥		
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:

- 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.
- 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	Underlying assets	Shareholder dividends per share	Record date	Effective date
		¥ millions		¥		
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:

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

## For the year ended March 31, 2023

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

Year ended March 31, 2023	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	589,000,000	—	—	589,000,000
Treasury shares:				
Common stock	27,894,797	14,165,109	177,650	41,882,256

#### 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 12, 2021: 3,408,600 shares
  - Purchase of treasury shares based on the resolution made at the Board of Directors' meeting held on November 14, 2022: 10,735,700 shares
  - Purchase of odd-lot shares: 20,809 shares
- Treasury shares of common stock decreased due to the following reasons:
  - Exercise of stock option: 79,700 shares
  - Delivery by the BIP Trust: 34,700 shares
  - Sale of the BIP Trust: 62,900 shares
  - Purchase request of odd-lot shares: 350 shares
- The number of treasury shares of common stock includes 1,338,700 shares of the Company's treasury share owned by the BIP Trust as of the end of the fiscal year. (1,436,300 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	¥570

### (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 28 2022	Common stock	¥15,751	¥28.0	March 31, 2022	June 29, 2022
Board of Directors' meeting held on November 14, 2022	Common stock	¥17,335	¥31.0	September 30, 2022	December 6, 2022

#### Notes:

- The total amount of shareholder dividends, which based on the resolution made at the Ordinary General Meeting of Shareholders held on June 28, 2022, includes ¥40 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 14, 2022, includes ¥42 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, 2023, while their effective date is in the fiscal year ending March 31, 2024

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 28, 2023	Common stock	¥17,002	Retained earnings	¥31.0	March 31, 2023	June 29, 2023

#### Notes:

- It is planned to submit the bill to the Ordinary General Meeting of Shareholders scheduled to be held on June 28, 2023.
- The total amount of shareholder dividends includes ¥41 million of the dividends for the Company's treasury share owned by the BIP Trust.

## Note 17 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,	2022	2023
Cash and deposits	¥ 890,674	¥ 1,140,802
Less: deposits with an original maturity of more than three months	(25,260)	(5,460)
Call loans	504	543
Monetary claims purchased	170,920	158,873
Less: monetary claims purchased other than cash equivalents	(130,921)	(132,873)
Monetary trusts	1,324,898	1,217,451
Less: monetary trusts other than cash equivalents	(1,315,540)	(1,213,768)
Cash and cash equivalents	¥ 915,275	¥ 1,165,567

## Note 18 Lease Transactions

### [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,	2022	2023
Due within one year	¥11	¥12
Due after one year	29	20
Total	¥40	¥32

### [As lessor]

#### (1) Details of Lease investment assets

Other assets

	¥ millions	
As of March 31,	2022	2023
Lease income receivables	¥45,003	¥48,704
Estimated residual value	165	222
Interest income	(3,766)	(3,923)
Total lease investment assets	¥41,402	¥45,004

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

Other assets

As of March 31,	2022		2023	
	Lease receivables	Lease investment assets	Lease receivables	Lease investment assets
Due within one year	¥1,624	¥12,355	¥1,590	¥12,818
Due after one year through two years	1,364	10,484	1,335	10,782
Due after two years through three years	1,112	8,415	1,069	8,867
Due after three years through four years	852	6,492	801	6,942
Due after four years through five years	591	4,576	596	4,691
Due after five years	1,085	6,303	1,104	7,605

¥ millions

### Note 19 Tax-Effect Accounting

#### (1) Breakdown of the accrual of deferred tax assets and liabilities by main causes

As of March 31,	2022	2023
Deferred tax assets:		
Reserve for price fluctuations	¥ 72,706	¥ 74,761
Policy reserves	61,197	62,455
Net defined benefit liability	28,079	27,619
Devaluation losses on securities	17,576	15,724
Losses on disposal of fixed assets	5,778	5,518
Valuation difference on available-for-sale securities	3,924	5,001
Provision for bonuses	2,457	2,752
Tax loss carry-forward*	6,013	1,940
Reserve for possible loan losses	956	897
Others	15,200	16,636
Subtotal	213,889	213,309
Valuation allowance	(18,393)	(16,575)
Total deferred tax assets	195,496	196,733
Deferred tax liabilities:		
Valuation difference on available-for-sale securities	(195,308)	(111,910)
Accrued dividend income	(2,778)	(2,639)
Deferred gain on reduction of carrying amount of real estate	(696)	(690)
Others	(15,746)	(10,554)
Total deferred tax liabilities	(214,529)	(125,794)
Net deferred tax assets (liabilities)	¥ (19,033)	¥ 70,939

¥ millions

\* Tax loss carried forward and the deferred tax assets by carry forward period were as follows:

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.

As of March 31, 2023

There is no significance in tax loss carried forward for the year ended March 31, 2023. Therefore, notes are omitted.



## (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,	2022	2023
Effective statutory tax rate	28.0%	—%
(Adjustments)		
Valuation allowance	(3.4)	—
Permanent non-deductible items including entertainment expense, etc.	1.5	—
Equity in earnings (losses) of affiliates	8.0	—
Inhabitant tax on per capita basis	2.3	—
Retained earnings of subsidiaries and affiliates	(0.4)	—
Others	1.1	—
Corporate tax rate, etc., after applying tax-effect accounting	37.1%	—%

Note: Loss before income taxes is recognized for the consolidated year ended March 31, 2023. Therefore, notes are omitted.

## (3) Accounting treatment for corporate tax and local corporate tax, and tax-effect accounting related to these taxes

The Company and some domestic consolidated subsidiaries have adopted group tax sharing system which regards the Company as the parent company of tax sharing from the consolidated year

ended March 31, 2023.

These companies have accounted for and made disclosure of corporate tax and local corporate tax, and tax effect accounting, based on “the Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (ASBJ Practical Issues Task Force (PITF) No. 42, issued on August 12, 2021).

## Note 20 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 without market prices and investments in partnerships and other similar business entities that are recorded at net value which is equivalent to the Company's equity interest on the consolidated balance sheet (hereinafter the "Investments in capital of partnerships and so forth") are not included. (See Annotation 1.)

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.

	¥ 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* <sup>1</sup>	100,044	108,488	8,451
Commercial loans* <sup>1</sup>	1,595,156	1,603,691	10,558
Reserve for possible loan losses* <sup>2</sup>	(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* <sup>3</sup>			
Hedge accounting not applied	509	509	—
Hedge accounting applied* <sup>4</sup>	(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.

¥ millions

As of March 31, 2023	Consolidated balance sheet amount	Fair value	Difference
Monetary claims purchased	¥ 132,873	¥ 131,516	¥ (1,357)
Treated as securities	130,034	128,640	(1,393)
Held-to-maturity bonds	82,373	80,980	(1,393)
Available-for-sale securities	47,660	47,660	—
Others	2,839	2,875	35
Monetary trusts	1,213,768	1,174,024	(39,744)
Monetary trusts for trading purposes	4,710	4,710	—
Monetary trusts for held-to-maturity purposes	30,485	29,040	(1,444)
Monetary trusts for policy reserve-matching purposes	929,828	891,528	(38,299)
Monetary trusts for other than trading, held-to-maturity or policy reserve-matching purposes	248,745	248,745	—
Securities	11,325,531	11,326,403	872
Trading securities*1	73,480	73,480	—
Held-to-maturity bonds	821,559	907,015	85,455
Policy reserve-matching bonds	4,819,431	4,734,848	(84,582)
Available-for-sale securities*1	5,611,059	5,611,059	—
Loans	1,755,779	1,763,965	8,186
Policy loans*2	100,664	108,283	7,627
Commercial loans*2	1,657,153	1,655,681	559
Reserve for possible loan losses*3	(2,038)	—	—
Total assets	14,427,952	14,395,909	(32,043)
Bonds	120,000	116,489	(3,511)
Borrowings within other liabilities	57,155	56,771	(384)
Total liabilities	177,155	173,260	(3,895)
Derivative financial instruments*4			
Hedge accounting not applied	(2,910)	(2,910)	—
Hedge accounting applied*5	(20,530)	(20,396)	134
Total derivative financial instruments	¥ (23,441)	¥ (23,307)	¥ 134

\*1. Net asset value of a part of investment trusts is regarded as fair value in accordance with generally accepted accounting principles and such investment trusts are included in the above table.

\*2. 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.

\*3. Reserve for possible loan losses for loans is deducted.

\*4. Assets and liabilities arising from derivative transactions are shown at net value. In the case of net liabilities, amounts are shown in parentheses.

\*5. 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 stocks without market prices such as unlisted stocks and the Investments in capital of partnerships and so forth are not included in "Securities" in the above table and summarized as follows:

Years ended March 31,	2022	2023
Unlisted stocks of subsidiaries and affiliated companies	¥156,664	¥18,343
Unlisted stocks, etc. *1	1,112	1,157
Investments in capital of partnerships and so forth *2	155,551	17,186
Available-for-sale securities	382,260	440,311
Unlisted stocks, etc. *1, *3	41,433	31,912
Investments in capital of partnerships and so forth *2, *3	340,827	408,399

\*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 and so forth as of March 31, 2022, 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). The Investments in capital of partnerships and so forth as of March 31, 2023, are excluded from disclosure of fair value based on the paragraph 24-16 of the "Fair Value Measurement Implementation Guidance."

\*3. Unlisted stocks, etc. and the Investments in capital of partnerships and so forth were impaired by 1,955 million yen in the consolidated fiscal year ended March 31, 2022. Unlisted stocks, etc. and the Investments in capital of partnerships and so forth were impaired by 3,433 million yen in the consolidated fiscal year ended March 31, 2023.

## Annotation 2

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

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.

¥ millions

As of March 31, 2023	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	¥1,140,753	¥ —	¥ —	¥ —
Call loans	543	—	—	—
Monetary claims purchased	26,604	2,445	2,924	123,767
Securities:				
Held-to-maturity bonds:				
Government bonds	16,000	29,915	261,378	312,116
Municipal bonds	701	2,096	1,447	42,506
Corporate bonds	21,981	400	19,989	95,089
Foreign securities	100	728	2,000	27,369
Policy reserve-matching bonds:				
Government bonds	89,171	136,363	585,299	2,550,106
Municipal bonds	10,321	31,509	19,136	254,046
Corporate bonds	38,500	79,823	262,200	735,381
Foreign securities	3,605	15,998	11,434	7,237
Available-for-sale fixed maturity securities:				
Government bonds	15,000	21,328	3,540	354,600
Municipal bonds	3,662	17,207	8,588	11,110
Corporate bonds	52,299	138,106	110,711	171,780
Foreign securities	53,910	272,918	375,725	648,971
Other securities	—	25	104	—
Loans	186,531	669,055	480,289	290,598

\* Securities without contractual maturity dates in the amount of ¥1,169,213 million are not included. In addition, loans without contractual maturity dates such as policy loans in the amount of ¥130,478 million are not included.

### Annotation 3

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

¥ 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

¥ millions

As of March 31, 2023	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	—	—	—	—	—	120,000
Cash collateral received for bond-lending transactions within other liabilities	993,780	—	—	—	—	—
Borrowings within other liabilities	12,089	10,720	8,337	6,342	4,029	15,637

### (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

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 and monetary trusts which are mainly invested in investment trusts to which the transitional treatment was applied in accordance with the Paragraph 26 of "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, issued on July 4, 2019) are not included in the above table. The amount of such investment trusts on the consolidated balance sheet is ¥2,664,081 million.

As of March 31, 2023	Fair value			Total
	Level 1	Level 2	Level 3	
Monetary claims purchased	¥ —	¥ 46,143	¥1,517	¥ 47,660
Available-for-sale securities	—	46,143	1,517	47,660
Monetary trusts	4,599	248,855	—	253,455
Monetary trusts for trading purposes	4,599	110	—	4,710
Monetary trusts for other than trading, held-to-maturity or policy reserve-matching purposes	—	248,745	—	248,745
Securities	2,532,440	2,576,181	91	5,108,712
Trading securities	—	72,830	—	72,830
Foreign securities	—	37	—	37
Foreign other securities	—	37	—	37
Other securities	—	72,793	—	72,793
Available-for-sale securities	2,532,440	2,503,350	91	5,035,881
Domestic bonds	420,601	917,678	91	1,338,371
Government bonds	397,170	—	—	397,170
Municipal bonds	—	42,067	—	42,067
Corporate bonds	23,430	875,611	91	899,133
Domestic stocks	661,438	—	—	661,438
Foreign securities	1,177,700	1,493,796	—	2,671,497
Foreign bonds	792,046	437,881	—	1,229,928
Foreign stocks	23,574	—	—	23,574
Foreign other securities	362,079	1,055,914	—	1,417,993
Other securities	272,699	91,874	—	364,574
Derivative financial instruments	1	11,084	—	11,086
Currency-related transactions	—	11,024	—	11,024
Stock-related transactions	1	59	—	61
Total assets	2,537,041	2,882,264	1,608	5,420,915
Derivative financial instruments	—	34,527	—	34,527
Currency-related transactions	—	34,366	—	34,366
Stock-related transactions	—	161	—	161
Total liabilities	¥ —	¥ 34,527	¥ —	¥ 34,527

\* Net asset value of a part of investment trusts is regarded as fair value in accordance with generally accepted accounting principles and such investment trusts are not included in the above table.



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

As of March 31, 2023	Fair value			
	Level1	Level2	Level3	Total
Monetary claims purchased	¥ —	¥ 80,980	¥ 2,875	¥ 83,855
Held-to-maturity bonds	—	80,980	—	80,980
Not treated as securities	—	—	2,875	2,875
Monetary trusts	920,569	—	—	920,569
Monetary trusts for held-to-maturity purposes	29,040	—	—	29,040
Monetary trusts for policy reserve-matching purposes	891,528	—	—	891,528
Securities	3,993,339	1,648,424	99	5,641,864
Held-to-maturity bonds	686,092	220,822	99	907,015
Domestic bonds	685,392	195,429	—	880,821
Government bonds	685,392	—	—	685,392
Municipal bonds	—	50,114	—	50,114
Corporate bonds	—	145,315	—	145,315
Foreign securities	700	25,392	99	26,193
Foreign bonds	700	25,392	99	26,193
Policy reserve-matching bonds	3,307,246	1,427,602	—	4,734,848
Domestic bonds	3,285,194	1,411,395	—	4,696,589
Government bonds	3,285,194	—	—	3,285,194
Municipal bonds	—	307,247	—	307,247
Corporate bonds	—	1,104,147	—	1,104,147
Foreign securities	22,051	16,207	—	38,259
Foreign bonds	22,051	16,207	—	38,259
Loans	—	—	1,763,965	1,763,965
Policy loans	—	—	108,283	108,283
Commercial loans	—	—	1,655,681	1,655,681
Derivative financial instruments	—	134	—	134
Interest-related transactions	—	134	—	134
<b>Total assets</b>	<b>4,913,908</b>	<b>1,729,539</b>	<b>1,766,940</b>	<b>8,410,387</b>
Bonds	—	116,489	—	116,489
Borrowings within other liabilities	—	13,296	43,474	56,771
<b>Total liabilities</b>	<b>¥ —</b>	<b>¥ 129,785</b>	<b>¥ 43,474</b>	<b>¥ 173,260</b>

### 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 22 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.

Fair value of investment trusts is based on quoted prices in markets or net asset value, etc. announced by industry groups and settlor companies of investment trusts. If the fair value is based on the quoted prices in markets with no adjustment, it is classified into Level 1; otherwise, it is classified into Level 2.

See “Note 21 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 and classified into Level 3.

##### 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

- Fair value of forward exchange contract transactions use forward exchange rates, etc., and are classified into Level 2.
- 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%

  

As of March 31, 2023	Valuation techniques	Significant unobservable input	Range of inputs	Weighted average of inputs
Monetary claims purchased	Discounted-cash-flow method	Discount rate	<b>1.86%</b>	<b>1.86%</b>
Securities (Domestic bonds)	Discounted-cash-flow method	Discount rate	<b>0.58%</b>	<b>0.58%</b>

b. Reconciliations between the beginning and ending balances, 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 "Investment income" and "Investment expenses" 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 and transferred in the last date of fiscal consolidated year.

¥ millions				
As of March 31, 2023	Monetary claims purchased	Domestic bonds	Foreign securities	Total
Balance at the beginning of the fiscal year	¥1,640	¥ 388	¥ 33,409	¥ 35,437
Gains/losses or other comprehensive income in the period	(37)	(0)	1,508	1,471
Recorded in gains/losses *1	—	0	3,046	3,046
Recorded in other comprehensive income *2	(37)	(0)	(1,538)	(1,575)
Net amount for purchase, sale, issuance and settlement	(85)	(296)	(10,718)	(11,101)
Transfer to Level 3 fair values *3	—	—	—	—
Transfer from Level 3 fair values	—	—	(24,198)	(24,198)
Balance at the end of the fiscal year	1,517	91	—	1,608
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 "Investment income" and "Investment expenses" 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 3 fair value to Level 2 fair value due to changes in the observability of the inputs used to calculate fair value based on market liquidity. It is executed at the end of the consolidated fiscal year.

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.

#### (4) Investment trusts for which net asset value is regarded as fair value in accordance with generally accepted accounting principles

Investment trusts for which net asset value is regarded as fair value in accordance with generally accepted accounting principles are not disclosed in “(3) Breakdown of fair values of financial instruments by levels.” The amount of the investment trusts on the consolidated balance sheet is ¥ 575,827 million in financial assets.

##### a. Reconciliations between the beginning and ending balances of investment trusts whose properties are financial instruments

As of March 31, 2023	¥ millions		
	Trading securities	Available-for-sale securities	Total
	Foreign other securities	Foreign other securities	
Balance at the beginning of the fiscal year	¥1,321	¥419,087	¥420,409
Gains/losses or other comprehensive income in the period	(367)	39,734	39,367
Recorded in gains/losses *1	(367)	31,301	30,934
Recorded in other comprehensive income *2	—	8,433	8,433
Net amount for purchase, sale and redemption	(304)	52,861	52,556
Amount of investment trusts for which net asset value is regarded as fair value from the period	—	—	—
Amount of investment trusts for which net asset value is not regarded as fair value from the period	—	—	—
Balance at the end of the fiscal year	649	511,683	512,332
Valuation gains/losses on investment trusts held at the end of the period out of the amount recorded in gains/losses for the period *1	(277)	1,419	1,142

\*1. It is included in “Investment income” and “Investment expenses” 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.

##### b. Breakdown of restriction regarding cancellation or buyback request of investment trusts whose properties are financial assets

As of March 31, 2023	¥ millions		
	Trading securities	Available-for-sale securities	Total
	Foreign other securities	Foreign other securities	
Having limitation in frequency, etc., of cancellation or buyback request	¥649	¥461,025	¥461,674
Others	—	50,658	50,658
Total	¥649	¥511,683	¥512,332

##### c. Reconciliations between the beginning and ending balances of investment trusts whose properties are real estates

As of March 31, 2023	¥ millions		
	Available for sale securities		Total
	Foreign other securities	Other securities	
Balance at the beginning of the fiscal year	¥6,554	¥51,212	¥57,767
Gains/losses or other comprehensive income in the period	744	1,109	1,853
Recorded in gains/losses	—	—	—
Recorded in other comprehensive income*	744	1,109	1,853
Net amount for purchase, sale and redemption	—	3,873	3,873
Amount of investment trusts for which net asset value is regarded as fair value from the period	—	—	—
Amount of investment trusts for which net asset value is not regarded as fair value from the period	—	—	—
Balance at the end of the fiscal year	7,298	56,195	63,494
Valuation gains/losses on investment trusts held at the end of the period out of the amount recorded in gains/losses for the period	—	—	—

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

**(1) Trading securities**

As of March 31,	2022	2023
Valuation difference included in earnings (losses) of the consolidated fiscal year	¥(464)	¥(3,056)

¥ millions

**(2) Held-to-maturity bonds**

As of March 31, 2022	Consolidated balance sheet amount	Fair value	Difference
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

¥ millions

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.

As of March 31, 2023	Consolidated balance sheet amount	Fair value	Difference
Fair value exceeding consolidated balance sheet amount:			
Domestic bonds	¥710,922	¥811,595	¥100,673
Government bonds	577,866	660,661	82,794
Municipal bonds	28,028	32,627	4,599
Corporate bonds	105,027	118,306	13,279
Foreign securities	2,000	2,012	12
Foreign bonds	2,000	2,012	12
Other securities	21,887	22,745	858
Total	734,809	836,354	101,544
Fair value not exceeding consolidated balance sheet amount:			
Domestic bonds	80,053	69,226	(10,826)
Government bonds	28,344	24,731	(3,613)
Municipal bonds	19,023	17,486	(1,537)
Corporate bonds	32,685	27,008	(5,676)
Foreign securities	28,583	24,180	(4,403)
Foreign bonds	28,583	24,180	(4,403)
Other securities	66,485	64,233	(2,251)
Total	175,123	157,640	(17,482)
Grand total	¥909,932	¥993,994	¥ 84,062

¥ millions

Note: Other securities include commercial paper (consolidated balance sheet amount of ¥5,999 million) and beneficiary trust certificates (consolidated balance sheet amount of ¥82,373 million) which are represented as monetary claims purchased in the consolidated balance sheet.

### (3) Policy reserve-matching bonds

¥ 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

¥ millions

As of March 31, 2023	Consolidated balance sheet amount	Fair value	Difference
Fair value exceeding consolidated balance sheet amount:			
Domestic bonds	<b>¥2,347,571</b>	<b>¥2,584,408</b>	<b>¥ 236,837</b>
Government bonds	<b>1,692,051</b>	<b>1,859,508</b>	<b>167,457</b>
Municipal bonds	<b>123,464</b>	<b>135,752</b>	<b>12,287</b>
Corporate bonds	<b>532,055</b>	<b>589,147</b>	<b>57,092</b>
Foreign securities	<b>7,229</b>	<b>7,316</b>	<b>86</b>
Foreign bonds	<b>7,229</b>	<b>7,316</b>	<b>86</b>
Total	<b>2,354,801</b>	<b>2,591,724</b>	<b>236,923</b>
Fair value not exceeding consolidated balance sheet amount:			
Domestic bonds	<b>2,432,498</b>	<b>2,112,181</b>	<b>(320,316)</b>
Government bonds	<b>1,648,764</b>	<b>1,425,686</b>	<b>(223,078)</b>
Municipal bonds	<b>192,895</b>	<b>171,495</b>	<b>(21,399)</b>
Corporate bonds	<b>590,837</b>	<b>514,999</b>	<b>(75,837)</b>
Foreign securities	<b>32,132</b>	<b>30,942</b>	<b>(1,189)</b>
Foreign bonds	<b>32,132</b>	<b>30,942</b>	<b>(1,189)</b>
Total	<b>2,464,630</b>	<b>2,143,124</b>	<b>(321,506)</b>
Grand total	<b>¥4,819,431</b>	<b>¥4,734,848</b>	<b>¥ (84,582)</b>

#### (4) Available-for-sale securities

¥ 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.

¥ millions

As of March 31, 2023	Consolidated balance sheet amount	Acquisition cost	Difference
Consolidated balance sheet amount exceeding acquisition cost:			
Domestic bonds	¥ 466,529	¥ 442,878	¥ 23,651
Government bonds	206,558	193,065	13,493
Municipal bonds	28,761	26,893	1,868
Corporate bonds	231,209	222,919	8,289
Domestic stocks	607,181	351,670	255,511
Foreign securities	1,377,602	1,169,919	207,683
Foreign bonds	182,801	175,941	6,860
Foreign stocks	23,576	21,768	1,808
Foreign other securities	1,171,224	972,209	199,015
Other securities	415,391	353,271	62,120
Total	2,866,705	2,317,739	548,966
Consolidated balance sheet amount not exceeding acquisition cost:			
Domestic bonds	871,842	916,392	(44,550)
Government bonds	190,611	210,824	(20,212)
Municipal bonds	13,305	13,701	(395)
Corporate bonds	667,924	691,865	(23,941)
Domestic stocks	54,256	58,871	(4,614)
Foreign securities	1,812,876	2,033,705	(220,829)
Foreign bonds	1,047,126	1,210,830	(163,703)
Foreign stocks	321	323	(1)
Foreign other securities	765,427	822,552	(57,124)
Other securities	116,039	119,487	(3,448)
Total	2,855,014	3,128,457	(273,443)
Grand total	¥5,721,720	¥5,446,196	¥ 275,523

Note: Other securities include certificates of deposit (consolidated balance sheet amount of ¥43,000 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 ¥47,660 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, 2022.
- There were no sales of securities classified as held-to-maturity bonds for the year ended March 31, 2023.

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

	¥ 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
<b>Total</b>	<b>¥54,092</b>	<b>¥2,910</b>	<b>¥363</b>

	¥ millions		
Year ended March 31, 2023	Proceeds of sales	Gross gains	Gross losses
Domestic bonds	<b>¥ 89,655</b>	<b>¥ 9,225</b>	<b>¥101</b>
Government bonds	<b>65,134</b>	<b>7,444</b>	<b>—</b>
Corporate bonds	<b>24,520</b>	<b>1,781</b>	<b>101</b>
Foreign securities	<b>26,797</b>	<b>1,586</b>	<b>585</b>
Foreign bonds	<b>26,797</b>	<b>1,586</b>	<b>585</b>
<b>Total</b>	<b>¥116,452</b>	<b>¥10,811</b>	<b>¥686</b>

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

	¥ 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
<b>Total</b>	<b>¥1,036,356</b>	<b>¥20,883</b>	<b>¥24,706</b>

	¥ millions		
Year ended March 31, 2023	Proceeds of sales	Gross gains	Gross losses
Domestic bonds	<b>¥ 328,436</b>	<b>¥ 9,313</b>	<b>¥ 2,837</b>
Government bonds	<b>13,906</b>	<b>228</b>	<b>399</b>
Municipal bonds	<b>2,861</b>	<b>91</b>	<b>—</b>
Corporate bonds	<b>311,668</b>	<b>8,993</b>	<b>2,437</b>
Domestic stocks	<b>130,853</b>	<b>61,113</b>	<b>3,419</b>
Foreign securities	<b>1,253,059</b>	<b>39,064</b>	<b>44,760</b>
Foreign bonds	<b>1,152,848</b>	<b>22,748</b>	<b>43,985</b>
Foreign stocks	<b>19</b>	<b>—</b>	<b>7</b>
Foreign other securities	<b>100,190</b>	<b>16,316</b>	<b>767</b>
Other securities	<b>20,173</b>	<b>4,618</b>	<b>275</b>
<b>Total</b>	<b>¥1,732,523</b>	<b>¥114,108</b>	<b>¥51,293</b>

## (8) Impairment of securities

The Company and its consolidated subsidiaries recognized ¥148 million as impairment losses for the available-for-sale securities other than stocks without market prices and the Investments in capital of partnerships and so forth for the fiscal years ended March 31, 2022.

The Company and its consolidated subsidiaries recognized ¥204 million as impairment losses for the policy reserve matching

bonds, ¥282 million as impairment losses for the available-for-sale securities other than stocks without market prices and the Investments in capital of partnerships and so forth for the fiscal years ended March 31, 2023.

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

## Note 22 Monetary Trusts

### (1) Monetary trusts for trading purposes

		¥ millions
As of March 31,	2022	2023
Valuation difference included in earnings (losses) of the consolidated fiscal year	¥50	¥14

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

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

	Consolidated balance sheet amount	Fair value	Difference	¥ millions
As of March 31, 2023				
Monetary trusts	¥30,485	¥29,040	¥(1,444)	

### (3) Monetary trusts for policy reserve-matching purposes

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

	Consolidated balance sheet amount	Fair value	Difference	¥ millions
As of March 31, 2023				
Monetary trusts	¥929,828	¥891,528	¥(38,299)	

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

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

	Consolidated balance sheet amount	Acquisition cost	Difference	¥ millions
As of March 31, 2023				
Monetary trusts	¥252,427	¥252,611	¥(183)	

**Note 23 Derivative Transactions**
**(1) Derivative financial instruments for which hedge accounting is not applied**

## a. Currency-related transactions

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
<b>Total</b>				<b>¥(11,018)</b>

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, 2023	Notional amount		Fair value	Valuation gains (losses)
	Total	Over one year		
¥ millions				
Over-the-counter transactions:				
Foreign exchange contracts:				
Sold	<b>¥272,566</b>	¥ —	<b>¥(3,329)</b>	<b>¥(3,329)</b>
U.S. dollar	<b>71,474</b>	—	<b>(731)</b>	<b>(731)</b>
Euro	<b>25,988</b>	—	<b>(481)</b>	<b>(481)</b>
British pound	<b>37,112</b>	—	<b>(1,230)</b>	<b>(1,230)</b>
Canadian dollar	<b>16,527</b>	—	<b>(222)</b>	<b>(222)</b>
Australian dollar	<b>117,834</b>	—	<b>(555)</b>	<b>(555)</b>
Swiss franc	<b>3,629</b>	—	<b>(107)</b>	<b>(107)</b>
Bought	<b>44,462</b>	—	<b>424</b>	<b>424</b>
U.S. dollar	<b>33,393</b>	—	<b>349</b>	<b>349</b>
Australian dollar	<b>11,068</b>	—	<b>75</b>	<b>75</b>
Currency options:				
Sold				
Call	<b>209,177</b>	—		
U.S. dollar	<b>[648]</b>	<b>[—]</b>	<b>187</b>	<b>461</b>
U.S. dollar	<b>209,177</b>	—	<b>187</b>	<b>461</b>
U.S. dollar	<b>[648]</b>	<b>[—]</b>	<b>187</b>	<b>461</b>
Bought				
Put	<b>181,202</b>	—		
U.S. dollar	<b>[648]</b>	<b>[—]</b>	<b>280</b>	<b>(367)</b>
U.S. dollar	<b>181,202</b>	—	<b>280</b>	<b>(367)</b>
U.S. dollar	<b>[648]</b>	<b>[—]</b>	<b>280</b>	<b>(367)</b>
<b>Total</b>				<b>¥(2,811)</b>

## Notes:

1. 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.

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

b. Interest-related transactions

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

As of March 31, 2023

There were no Interest-related transactions for the year ended March 31, 2023.

c. Stock-related transactions

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.

As of March 31, 2023	Notional amount		Fair value	Valuation gains (losses)
	Total	Over one year		
Market transactions:				
Stock index options:				
Bought				
Put	¥30,000	¥—		
	[499]	[—]	1	(497)
Over-the-counter transactions:				
Stock index options:				
Sold				
Call	60,145	—		
	[228]	[—]	161	66
Bought				
Put	50,162	—		
	[205]	[—]	59	(145)
Total				¥(576)

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

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

As of March 31, 2023	Notional amount		Fair value	Valuation gains (losses)
	Total	Over one year		
¥ millions				
Over-the-counter transactions:				
Currency-related transactions:				
Foreign exchange contracts:				
Sold	¥166,641	¥ —	¥(3,440)	¥(3,440)
U.S. dollar	166,641	—	(3,440)	(3,440)
Bought	29,096	—	453	453
U.S. dollar	19,821	—	321	321
Australian dollar	9,274	—	132	132
Currency options:				
Bought				
Put	627	440		
	[170]	[121]	22	(148)
U.S. dollar	378	282		
	[112]	[86]	12	(100)
Euro	249	157		
	[57]	[34]	9	(47)
Over-the-counter transactions:				
Stock-related transactions:				
Stock index options:				
Bought				
Put	1,477	1,193		
	[330]	[271]	39	(290)
<b>Total</b>				<b>¥(3,425)</b>

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

		Notional amount		¥ millions
As of March 31, 2022	Hedged item	Total	Over one year	Fair value
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)
	Euro	201,503	—	(283)
	British pound	61,971	—	255
	Australian dollar	1,570	—	8
		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.

		Notional amount		¥ millions
As of March 31, 2023	Hedged item	Total	Over one year	Fair value
Recognition of valuation gains/losses on hedged items:				
Foreign exchange contracts:				
Sold				
	Foreign currency-denominated assets	¥2,206,080	¥ —	¥(21,153)
	U.S. dollar	1,664,544	—	(8,729)
	Euro	445,778	—	(11,513)
	British pound	33,665	—	(1,077)
	Canadian dollar	12,919	—	(140)
	Australian dollar	43,801	—	513
	Polish zloty	1,713	—	(100)
	Danish krone	1,511	—	(55)
	Singapore dollar	2,145	—	(48)
Bought				
	U.S. dollar	159,578	—	83
	Euro	149,626	—	49
		9,952	—	33
Allocation treatment for foreign exchange contracts, etc.:				
Foreign exchange contracts:				
Sold				
	Certificates of deposit in foreign currencies	7,000	—	—
	U.S. dollar	7,000	—	—
Bought				
	Capital in foreign currencies (forecast transaction)	32,752	—	539
	U.S. dollar	32,752	—	539
Currency swaps:				
Receive yen/pay foreign currency				
	Foreign currency-denominated loans	37,937	29,442	—
	U.S. dollar	37,937	29,442	—
Total				¥(20,530)

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, 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

¥ millions				
As of March 31, 2023	Hedged item	Notional amount		Fair value
		Total	Over one year	
Special treatment for interest rate swaps:				
Interest rate swaps:				
Receive fixed/pay floating	Loans	¥17,408	¥14,628	¥134
Total				¥134

## Note 24 Employees' Retirement Benefits

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

The Company and 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 companies 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,	2022	2023
Balance at the beginning of the year	¥154,825	¥149,749
Service cost	6,462	6,001
Interest cost	753	946
Actuarial gains and losses	(2,861)	(3,029)
Retirement benefit paid	(7,489)	(6,471)
Accrual of past service costs	(1,940)	—
Others	—	(1)
Balance at the end of the year	¥149,749	¥147,194

Note: Retirement benefit expense for companies 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,	2022	2023
Balance at the beginning of the year	¥110,912	¥110,455
Expected return on plan assets	1,013	1,369
Actuarial gains and losses	(1,267)	(3,068)
Employer contribution	5,743	5,137
Benefit obligation paid	(5,946)	(4,773)
Balance at the end of the year	¥110,455	¥109,119

- 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,	2022	2023
Retirement benefit obligations for funded plans	¥ 122,356	¥ 120,042
Plan assets	(110,455)	(109,119)
Employee pension trusts	[(61,784)]	[(59,216)]
	11,901	10,922
Retirement benefit obligations for unfunded plans	27,392	27,151
Net amount of defined benefit liability and defined benefit asset stated in the consolidated balance sheet	39,293	38,074
Defined benefit liability	42,145	40,818
Defined benefit asset	(2,851)	(2,744)
Net amount of defined benefit liability and defined benefit asset stated in the consolidated balance sheet	¥ 39,293	¥ 38,074

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

	¥ millions	
Years ended March 31,	2022	2023
Service cost	¥ 6,462	¥ 6,001
Interest cost	753	946
Expected return on plan assets	(1,013)	(1,369)
Recognized actuarial gains and losses	(1,594)	38
Recognized past service costs	(1,940)	—
Retirement benefit expense relating to defined benefit retirement plan	¥ 2,667	¥ 5,616

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

- e. Matters related to pension plan assets

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

As of March 31,	2022	2023
Bonds	66.4%	62.9%
General account	12.7	13.3
Foreign securities	9.8	8.6
Cash and deposits	4.4	7.9
Stocks	5.1	4.9
Joint assets	0.7	0.8
Others	0.9	1.6
Total	100.0%	100.0%

Note: The total includes 55.9% and 54.3% of employee pension trusts set up for corporate pension plans for the fiscal years ended March 31, 2022 and 2023, 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,	2022	2023
Discount rate	0.24% – 0.80%	0.38% – 1.06%
Expected long-term rate of return on plan assets	0.25% – 1.90%	0.42% – 2.96%

### (3) Defined contribution retirement plan

The required contribution for the defined contribution retirement plan of the consolidated subsidiaries amounted to ¥279 million and ¥278 million for the fiscal years ended March 31, 2022 and 2023, respectively.



**Note 25** **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, 2022 and 2023.

**(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, 2023, 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	14,500 shares	8,200 shares	10,400 shares
Forfeited	—	—	—
Exercisable	73,300 shares	48,300 shares	60,000 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	68,100 shares	167,600 shares	123,600 shares
Vested	—	—	—
Exercised	8,900 shares	22,700 shares	15,000 shares
Forfeited	—	—	—
Exercisable	59,200 shares	144,900 shares	108,600 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	1,671 yen	1,672 yen	1,668 yen
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	1,678 yen	1,663 yen	1,672 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 26 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,	2022	2023
Balance at the beginning of the year	¥2,128	¥2,173
Time progress adjustment	45	26
Balance at the end of the year	¥2,173	¥2,200

#### Note 27 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,	2022	2023
Balance sheet amount:		
Balance at the beginning of the year	¥271,658	¥270,624
Net increase (decrease)	(1,033)	9,289
Balance at the end of the year	270,624	279,913
Fair value at the end of the year	¥374,605	¥393,472

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, 2022 include amounts related to asset retirement obligations of ¥2 million. (Balances at the end of the year for the years ended March 31, 2023 do not include amounts related to asset retirement obligations)
- 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. For the year ended March 31, 2023, the increase mainly consisted of purchase of real estate totaling ¥16,583 million and the decrease mainly consisted of depreciation totaling ¥5,539 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:

	¥ millions	
Years ended March 31,	2022	2023
Ordinary revenues	¥21,135	¥21,677
Ordinary expenses	12,066	12,510
Ordinary profit	9,069	9,166
Other gains(losses)	(601)	601

Notes:

1. 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.
2. For the year ended March 31, 2022, other losses were losses on disposal of fixed assets, and these amounts are recorded in extraordinary losses.

For the year ended March 31, 2023, other gains were mainly gains on disposal of fixed assets, and these amounts are recorded in extraordinary gains.

## Note 28 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 “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, issued on March 31, 2020) 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.

- (1) Information on disaggregated revenue arising from contracts with customers
- (2) Information providing a basis for understanding revenue arising from contracts with customers
  - a. Information on contracts with customers and performance obligations

- b. Information on determining the transaction price
  - c. Information on the calculation of the price allocated to a performance obligation
  - d. Information regarding the timing of satisfaction of performance obligations
  - e. Significant judgements on applying the Revenue Recognition Accounting Standard
- (3) 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
- a. Balance of contract assets and contract liabilities, etc.
  - b. Transaction price allocated to remaining performance obligations

## Note 29 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.

In addition, T&D United Capital, which is a main entity to promote “diversification and optimization of business portfolio,” aims to increase the Group’s revenue over the mid-and-long term through the investment in new business fields with a strong affinity for the life insurance business. 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 Company (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."

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

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)	—
<b>Total</b>	<b>1,439,893</b>	<b>1,032,690</b>	<b>485,311</b>	<b>99</b>	<b>2,957,994</b>	<b>197,145</b>	<b>3,155,140</b>	<b>(540,763)</b>	<b>2,614,377</b>
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.

¥ millions

Year ended March 31, 2023	Reportable segments							Adjustments	Amount on consolidated financial statements
	Taiyo Life	Daido Life	Financial Life	T&D United Capital (consolidated)	Subtotal	Others	Total		
Ordinary revenues	¥ 960,026	¥1,232,218	¥ 980,991	¥ 2,318	¥ 3,175,556	¥ 39,665	¥ 3,215,221	¥ (1,110)	¥ 3,214,110
Intergroup transfers	1,316	823	—	137	2,277	80,255	82,533	(82,533)	—
Total	961,343	1,233,042	980,991	2,456	3,177,834	119,920	3,297,754	(83,644)	3,214,110
Segment income (loss)	48,144	84,079	11,054	(213,261)	(69,982)	47,583	(22,399)	(51,745)	(74,144)
Segment assets	7,354,754	7,464,151	1,833,544	47,072	16,699,523	1,156,634	17,856,158	(1,082,280)	16,773,877
Segment liabilities	7,108,475	6,693,817	1,764,802	184,748	15,751,844	339,500	16,091,345	(311,148)	15,780,196
Others									
Depreciation of real estate for rent	3,664	2,676	—	—	6,340	—	6,340	(589)	5,750
Depreciation	6,248	6,944	952	0	14,146	770	14,917	517	15,434
Provision for (reversal of) policy reserve	(83,950)	(132,866)	(233,119)	—	(449,935)	779	(449,156)	—	(449,156)
Provision for (reversal of) reserve for policyholder dividends	10,847	11,530	(0)	—	22,378	—	22,378	—	22,378
Interest, dividends and income from real estate for rent	160,817	159,359	6,058	304	326,539	47,764	374,303	(50,083)	324,219
Interest expenses	1,011	27	3	1,082	2,125	1,593	3,718	(1,995)	1,723
Equity in earnings (losses) of affiliates	—	—	—	(211,908)	(211,908)	—	(211,908)	(5,474)	(217,383)
Extraordinary gains	1,271	—	—	—	1,271	154	1,425	—	1,425
Extraordinary losses	4,026	4,313	713	—	9,053	267	9,321	(445)	8,875
Impairment losses	87	—	—	—	87	—	87	—	87
Provision for reserve for price fluctuations	3,295	3,423	631	—	7,350	—	7,350	—	7,350
Taxes	7,710	18,926	2,399	(763)	28,273	424	28,698	(899)	27,799
Investments in affiliated companies	453	365	—	110,732	111,551	—	111,551	—	111,551
Increase in tangible fixed assets and intangible fixed assets	¥ 7,810	¥ 22,291	¥ 1,176	¥ 2	¥ 31,281	¥ 726	¥ 32,008	¥ (59)	¥ 31,948

## Notes:

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

2. Adjustments are as follows:

(1) The adjustment of ¥(1,110 million) to ordinary revenues is the transferred amount, which mainly consists of provision for policy and other reserves of ¥779 million of ordinary expenses which are in ordinary revenue of the consolidated statement of operations as reversal for policy and other reserves, and reversal for employees' retirement benefits of ¥338 million of ordinary revenue which are in ordinary expenses of the consolidated statement of operations as provision for employees' retirement benefits.

(2) The adjustment of ¥(51,745 million) to segment income (loss) is mainly due to the elimination of dividends from subsidiaries and affiliates.

(3) The adjustment of ¥(1,082,280 million) to segment assets is mainly due to the elimination of investments in stocks of subsidiaries and affiliates.

(4) The adjustment of ¥(311,148 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, 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.

For the year ended March 31, 2023

### 1. Information by product and service

Sales to external customers

	¥ millions					
Year ended March 31, 2023	Taiyo Life	Daido Life	T&D Financial Life	T&D United Capital (consolidated)	Others	Total
Income from insurance premiums	<b>¥643,308</b>	<b>¥810,311</b>	<b>¥714,695</b>	¥—	<b>¥9,887</b>	<b>¥2,178,203</b>
Insurance premiums	<b>551,268</b>	<b>808,414</b>	<b>614,755</b>	—	<b>9,887</b>	<b>1,984,325</b>
Individual insurance and individual annuities	<b>393,722</b>	<b>754,564</b>	<b>614,604</b>	—	—	<b>1,762,892</b>
Group insurance	<b>26,827</b>	<b>20,235</b>	—	—	—	<b>47,063</b>
Group annuities	<b>129,723</b>	<b>32,413</b>	<b>133</b>	—	—	<b>162,270</b>
Others	<b>994</b>	<b>1,200</b>	<b>17</b>	—	<b>9,887</b>	<b>12,099</b>
Ceded reinsurance recoveries	<b>¥ 92,040</b>	<b>¥ 1,897</b>	<b>¥ 99,940</b>	¥—	¥ —	<b>¥ 193,877</b>

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, 2022 and 2023

Information on impairment losses on fixed assets by reportable segment is disclosed in “Note 29. Segment information.”

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

For the years ended March 31, 2022 and 2023: Not applicable.

**[Information on gains on negative goodwill by reportable segment]**

For the years ended March 31, 2022 and 2023: Not applicable.

**[Related party information]**

**1. Related party transactions**

(1) Transactions with the Company:

For the years ended March 31, 2022 and 2023: Not applicable.

(2) Transactions with the Company's consolidated subsidiaries

a. The Company's parent company and major shareholders (limited to companies, etc.), etc.:

For the years ended March 31, 2022 and 2023: Not applicable.

b. The Company's non-consolidated subsidiaries and affiliated companies, etc.

As of March 31, 2022

Type	Name	Location	Paid-in Capital	Type of business	Voting rights ownership (%)	Relation of related party	Transaction	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 with Taiyo Life	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.

As of March 31, 2023

Type	Name	Location	Paid-in Capital	Type of business	Voting rights ownership (%)	Relation of related party	Transaction	Amount of transaction	Accounting item	Balance at the end of the year
Affiliated company	Fortitude International Reinsurance Ltd.	Bermuda (British territory)	\$ 1 million	reinsurance	Indirect ownership 25.93	Enter of reinsurance contract with Daido Life	Payment of reinsurance premiums	¥165,719	Reinsurance payable	¥528
Affiliated company	Fortitude International Reinsurance Ltd..	Bermuda (British territory)	\$ 1 million	reinsurance	Indirect ownership 25.93	Enter of reinsurance contract with T&D Financial Life	Payment of reinsurance premiums	¥280,330	Reinsurance payable	¥16,447

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:

For the years ended March 31, 2022 and 2023: Not applicable.

d. The Company's officer and major shareholders (limited to individuals), etc.:

For the years ended March 31, 2022 and 2023: Not applicable.



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

(1) Notes on the parent company:

For the years ended March 31, 2022 and 2023: Not applicable.

(2) Summarized financial information of important affiliated company

For the consolidated fiscal year ended March 31, 2023 the important affiliated company was FGH Parent, L.P. 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	
As of March 31,	2022	2023
Total assets	¥5,596,122	¥10,191,894
Total liabilities	¥5,064,914	¥10,496,293
Total net assets	¥ 531,208	¥ (304,398)
Total revenues	¥ 136,710	¥ (1,171,026)
Total expenses	¥ 168,108	¥ 103,191
Income before income taxes	¥ (31,397)	¥ (1,274,218)
Profit	¥ (24,399)	¥ (1,010,822)

### Note 30 Per Share Information

	¥	
Years ended March 31,	2022	2023
Net assets per share	¥2,461.66	¥1,803.27
Net income (loss) per share	24.39	(237.31)
Net income per share (fully diluted)	24.36	—

Notes:

1. Net Income per share (fully diluted) for this fiscal year is not presented because net income per share was negative although there are potential shares.

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

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

	¥ millions	
Years ended March 31,	2022	2023
Net income (loss) per share:		
Profit (loss) attributable to owners of parent	¥14,180	¥(132,150)
Amount not attributable to common shareholders	—	—
Profit (loss) attributable to owners of parent attributable to common shareholders	¥14,180	¥(132,150)

	Shares	
Weighted-average number of common stocks outstanding	581,494,101	556,862,823

	¥ millions	
Years ended March 31,	2022	2023
Net income per share (fully diluted):		
Adjusted profit attributable to owners of parent	¥ —	¥ —

	Shares	
Increase in common stock	573,718	—
Subscription rights to shares	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,	2022	<b>2023</b>
Net assets	¥1,389,506	<b>¥993,681</b>
Deduction from net assets	8,255	<b>7,081</b>
Subscription rights to shares	659	<b>570</b>
Non-controlling interests	7,596	<b>6,511</b>
Net assets available to common shareholders	¥1,381,251	<b>¥986,599</b>
		Shares
The number of common stock outstanding	561,105,203	<b>547,117,744</b>

(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 (loss) 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 (loss) per share and net income per share (fully diluted) is 1,374,432, and the number of treasury shares to be deducted in calculation of net assets per share is 1,338,700 for the consolidated fiscal year ended March 31, 2023. Also, for the consolidated fiscal year ended March 31, 2022, the average number of treasury shares to be deducted in calculation of net income per share and net income per share (fully diluted) was 1,173,823, and the number of treasury shares to be deducted in calculation of net assets per share was 1,436,300.

### Note 31 Significant Subsequent Events

#### [Acquisition of treasury shares]

The Company has resolved the acquisition of treasury shares at the Board of Director's meeting held on May 15, 2023, based on the provisions of Article 31 of the Company's Articles of Incorporation complying with Article 459, Paragraph 1, Item 1 of the Companies Act of Japan.

#### (1) Reasons for the acquisition of treasury shares

To increase shareholder returns and improve the capital efficiency.

#### (2) Details of the acquisition

- a. Type of shares to be acquired: Shares of common stock
- b. Total number of shares to be acquired : Up to 40,000,000 shares
- c. Total amount of acquisition: up to ¥40,000 million
- d. Period of acquisition: From May 16, 2023, to May 15, 2024
- e. Method of acquisition: Open-market repurchase by the discretionary trading method

# 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, 2023, 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, 2023, 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.

Sufficiency of the policy reserve	
Description of Key Audit Matter	Auditor's Response
T&D Holdings, Inc. and its consolidated subsidiaries (the "Group") recorded a policy reserve of ¥13,910,695 million on the consolidated balance sheet as of March 31, 2023. The policy reserve was a significant account, accounting for 88.2% of total	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

liabilities of ¥15,780,196 million.

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.

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 (20) 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 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

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.

- 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 to 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, including responses to the establishment of a standard policy reserve for foreign currency insurance.
- To evaluate the reasonableness of management judgement 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 assessed the consistency between these interest rate scenarios and interest rate information that we obtained independently.



into consideration the occurrence of insured events, operating expenses and investment 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 Daido Life Insurance Company and T&D Financial Life Insurance Company

Description of Key Audit Matter	Auditor's Response
<p>As described in “[Ceded reinsurance transaction of a whole life insurance to Fortitude Group and others by Daido Life] under (22) Additional information in Note 2 Summary of Significant Accounting Policies” in Notes to Consolidated Financial Statements, Daido Life Insurance Company (“Daido Life”), a consolidated subsidiary, ceded a part of an existing paid-up whole life insurance in a form of a coinsurance, with the result that Other ordinary income (Reversal of policy reserve) of ¥305,760 million and Reinsurance premiums of ¥327,104 million related to the Reinsurance were recorded in the consolidated statement of operations for the fiscal year ended March 31, 2023.</p> <p>In addition, as described in “[Ceded reinsurance transaction of a single-premium whole life insurance to Fortitude Group by T&amp;D Financial Life] under (22) Additional information in Note 2 Summary of Significant Accounting Policies” in Notes to Consolidated Financial Statements, T&amp;D Financial Life Insurance Company (“T&amp;D</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"> <li>• To assess 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 documents related to discussions with the supervisory authorities and based on the inspection, we made inquiries of the responsible departments at Daido Life and T&amp;D Financial Life.</li> <li>• To assess the probability of recovery of reinsurance proceeds, we inspected the external ratings, financial condition, and financial performance trends of the</li> </ul>

Financial Life”), a consolidated subsidiary, ceded a part of existing an single-premium whole life insurance in a form of a coinsurance (collectively with Daido Life’s reinsurance, “Reinsurance”), with the result that related Other ordinary income (Reversal of policy reserve) of ¥175,760 million and Reinsurance premiums of ¥149,844 million were recorded in the consolidated statement of operations for the fiscal year ended March 31, 2023.

The Reinsurance transfers the financial risk of insurance policies to the reinsurers and is intended to reduce investment risk and enhance future profitability and capital efficiency at Daido Life and T&D Financial Life.

As described in “[Ceded reinsurance transaction of a whole life insurance to Fortitude Group and others by Daido Life]” and “[Ceded reinsurance transaction of a single-premium whole life insurance to Fortitude Group by T&D Financial Life]” as well as “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, these transactions are deemed related party transactions since Fortitude International Reinsurance Ltd., an entity under FGH Parent, L.P. group, which is an affiliate of T&D Holdings, Inc. accounted for under the equity method, was included as a reinsurer of the Reinsurance.

As described in “(19) Reinsurance income and Reinsurance premiums in Note 2 Summary of Significant Accounting Policies” in Notes to Consolidated Financial Statements, Daido Life and T&D Financial Life did not set aside a part of the policy reserve that corresponds to the Reinsurance in accordance with Article 71, paragraph (1) of the Ordinance for Enforcement of the Insurance Business Act, with the result that

reinsurers.

- We assessed whether 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 and the appropriateness of transaction terms.

- To assess 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 assessments performed by Daido Life and T&D Financial Life.
- We also assessed whether certain assumptions included in the calculation of the transaction prices of reinsurance premiums, such as the discount rate, were consistent with other audit evidence obtained and made inquiries of the responsible departments at Daido Life and T&D Financial Life.
- We performed confirmation procedures for the details of transactions between the reinsurers and Daido Life and T&D Financial Life, including the transaction prices of reinsurance premiums.
- To assess 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 assess the appropriateness of the transaction terms, including the transaction prices, for the reinsurance transactions with the related party, we compared them to those in reinsurance transactions with reinsurers that are not related parties.

In addition, with regard to the accuracy and



the policy reserve was reversed and Reversal of policy reserve was recorded. In determining whether not to set aside the aforementioned policy reserve, it is necessary to examine the certainty of risk transfer from Daido Life and T&D Financial Life to the reinsurers in accordance with the aforementioned ordinance and the Comprehensive Guidelines for Supervision for Insurance Companies. In addition, it is necessary to examine the probability of recovery of reinsurance and other proceeds received from the reinsurers in the future in accordance with these guidelines. In other words, even after the Reinsurance transactions are carried out, Daido Life and T&D Financial Life need to pay insurance and other proceeds related to the ceded policies at the time of occurrence of an insured event, and continue to recover reinsurance and other proceeds from the reinsurers corresponding to the amounts paid. Therefore, it is necessary to ascertain the financial condition and creditworthiness of the reinsurers.

The reinsurance premiums, which are the transaction prices of reinsurance, are also determined in accordance with amounts agreed to with reinsurers under reinsurance agreements, on the basis of calculations using certain assumptions that involve actuarial expertise. In general, reinsurance transactions are highly individual in nature, and the reinsurers include a related party as well as an external third party. Therefore, the transaction prices may not be economically reasonable or the terms of the transactions may differ from general transaction terms.

In addition, with 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 selected from insurance policy data are important as they are the basis of the calculations.

Based on the above, we determined the

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 Daido Life and T&D Financial Life regarding the consistency between data on in-force policies and data on ceded policies, documents and others regarding the sampling process and results of the sampling performed by related systems and tools.
- We assessed whether the ceded policies in the data on in-force policies were consistent with the data on ceded policies used to calculate reinsurance premiums.



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.	
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#### **Other Information**

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

We have concluded that other information does not exist. Accordingly, we have not performed any work related to 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, 2023

/s/ 白倉 健司

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Kenji Usukura  
Designated Engagement Partner  
Certified Public Accountant

/s/ 羽柴 則央

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Norio Hashiba  
Designated Engagement Partner  
Certified Public Accountant

/s/ 近藤 洋平

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Yohei Kondo  
Designated Engagement Partner  
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