

Empowering your future



Financial Statements

Fiscal Year Ended March 31, 2022

Financial Statements

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Consolidated Balance Sheets

Sumitomo Life Insurance Company and Consolidated Subsidiaries

As of March 31	Millions of Yen		Millions of U.S. Dollars	
	2020	2021	2022	2022
ASSETS:				
Cash and deposits (Notes 3, 4 and 14)	¥ 1,603,446	¥ 1,386,540	¥ 1,107,622	\$ 9,049
Call loans	354,415	192,142	260,597	2,129
Monetary claims bought (Note 4)	326,239	565,143	310,140	2,534
Money held in trust (Note 4)	—	—	4,914	40
Securities (Notes 4, 6, 14 and 15)	31,224,974	34,343,796	35,833,252	292,779
Loans (Notes 4, 14, 16 and 17)	2,834,875	2,645,407	3,023,520	24,703
Tangible fixed assets (Notes 5, 7, 8 and 19)				
Land	360,839	360,256	357,045	2,917
Buildings	178,097	174,980	178,632	1,459
Lease assets	6,225	4,548	3,782	30
Construction in progress	20,871	23,711	22,201	181
Other tangible fixed assets	7,744	6,548	5,503	44
Intangible fixed assets				
Software	34,970	37,258	37,497	306
Goodwill	51,599	42,918	41,220	336
Lease assets	12	—	—	—
Other intangible fixed assets	147,948	113,699	123,153	1,006
Due from agents	181	145	239	1
Reinsurance receivables	1,186	1,241	1,728	14
Other assets (Note 25)	1,264,231	1,112,257	1,375,566	11,239
Net defined benefit assets (Note 11)	7,258	18,370	21,677	177
Deferred tax assets (Notes 12 and 20)	218,110	69,056	290,037	2,369
Allowance for possible loan losses	(1,178)	(3,938)	(4,047)	(33)
Total assets	¥38,642,050	¥41,094,086	¥42,994,287	\$351,289

As of March 31	Millions of Yen			Millions of U.S. Dollars
	2020	2021	2022	2022
LIABILITIES:				
Policy reserves and other reserves	¥31,698,335	¥32,295,045	¥33,714,825	\$275,470
Reserve for outstanding claims	138,733	138,027	156,079	1,275
Policy reserves	31,338,115	31,938,861	33,342,519	272,428
Policyholders' dividend reserves (Note 10)	221,485	218,156	216,226	1,766
Reinsurance payables	11,958	12,837	20,523	167
Corporate bonds (Notes 4 and 21)	477,709	474,969	508,257	4,152
Other liabilities (Notes 22 and 25)	4,058,781	5,272,243	6,124,590	50,041
Payables under repurchase agreements	1,948,528	2,870,573	3,513,925	28,710
Payables under securities borrowing transactions	590,008	501,353	355,998	2,908
Other	1,520,244	1,900,316	2,254,666	18,421
Net defined benefit liabilities (Note 11)	13,655	4,775	2,884	23
Reserve for price fluctuation	787,707	883,835	972,169	7,943
Deferred tax liabilities (Notes 12 and 20)	14,729	33,615	13,172	107
Deferred tax liabilities for land revaluation	12,923	12,894	12,583	102
Total liabilities	37,075,800	38,990,217	41,369,007	338,009
NET ASSETS:				
Reserve for redemption of foundation funds (Note 13)	639,000	639,000	639,000	5,221
Reserve for revaluation	2	2	2	0
Surplus	102,654	81,850	73,458	600
Total funds, reserve and surplus	741,656	720,853	712,461	5,821
Net unrealized gains (losses) on available-for-sale securities	949,379	1,526,505	1,015,426	8,296
Deferred gains (losses) on derivatives under hedge accounting	405	104	(3,001)	(24)
Land revaluation differences	(59,708)	(59,397)	(59,581)	(486)
Foreign currency translation adjustments	(61,476)	(84,516)	(39,098)	(319)
Remeasurements of defined benefit plans	(4,127)	185	(1,067)	(8)
Total accumulated other comprehensive income	824,471	1,382,881	912,676	7,457
Non-controlling interests	121	133	141	1
Total net assets	1,566,249	2,103,868	1,625,279	13,279
Total liabilities and net assets	¥38,642,050	¥41,094,086	¥42,994,287	\$351,289

Consolidated Statements of Income and Consolidated Statements of

Sumitomo Life Insurance Company and Consolidated Subsidiaries

[Consolidated Statements of Income]

Years ended March 31	Millions of Yen			Millions of
	2020	2021	2022	U.S. Dollars
				2022
Ordinary income	¥3,485,973	¥3,517,715	¥3,599,428	\$29,409
Insurance premiums and other	2,446,744	2,415,578	2,411,977	19,707
Investment income	904,006	981,812	1,084,989	8,865
Interest, dividends and other income	766,032	748,445	827,483	6,761
Gains on money held in trust	—	—	379	3
Gains on trading securities	24,055	12,785	5,797	47
Gains on sales of securities	94,074	91,348	75,831	619
Gains on redemption of securities	14,001	16,592	2,665	21
Gains on derivative financial instruments	—	—	37,153	303
Foreign exchange gains	—	—	98,556	805
Reversal of allowance for possible loan losses	—	—	220	1
Other investment income	5,842	5,597	10,471	85
Investment gains on separate accounts	—	107,044	26,429	215
Other ordinary income	135,222	120,324	102,461	837
Ordinary expenses	3,448,381	3,399,491	3,470,616	28,357
Benefits and other payments	2,011,767	1,873,355	1,898,437	15,511
Claims paid	636,852	592,713	566,570	4,629
Annuity payments	488,078	439,632	428,801	3,503
Benefits payments	394,265	379,375	392,436	3,206
Surrender benefits	430,784	405,680	448,685	3,666
Other refunds	61,787	55,954	61,944	506
Provision for policy reserves and other reserves	553,536	771,972	827,824	6,763
Provision for reserves for outstanding claims	—	296	13,558	110
Provision for policy reserves	553,504	771,646	814,237	6,652
Provision for interest on policyholders' dividend reserves (Note 10)	32	29	29	0
Investment expenses	325,237	173,751	134,380	1,097
Interest expenses	28,553	14,480	14,279	116
Losses on sales of securities	17,108	19,970	71,520	584
Losses on valuation of securities	55,202	4,824	11,735	95
Losses on redemption of securities	5,847	1,657	2,694	22
Losses on derivative financial instruments	84,282	53,720	—	—
Foreign exchange losses	11,645	11,113	—	—
Provision for allowance for possible loan losses	26	1,257	—	—
Depreciation of real estate for investments	8,635	8,439	8,446	69
Other investment expenses	91,969	58,287	25,704	210
Investment losses on separate accounts	21,964	—	—	—
Operating expenses (Note 18)	401,645	422,875	454,743	3,715
Other ordinary expenses	156,194	157,536	155,229	1,268
Ordinary profit	¥ 37,591	¥ 118,223	¥ 128,811	\$ 1,052

Comprehensive Income

Years ended March 31	Millions of Yen			Millions of U.S. Dollars
	2020	2021	2022	2022
Extraordinary gains	¥ 247	¥ 241	¥ 2,344	\$ 19
Gains on disposals of fixed assets	247	241	2,344	19
Extraordinary losses	46,712	98,693	92,541	756
Losses on disposals of fixed assets	1,991	793	3,043	24
Impairment losses (Note 19)	873	1,111	480	3
Provision for reserve for price fluctuation	43,124	96,128	88,334	721
Payments to social responsibility reserve	723	659	683	5
Surplus (loss) before income taxes	(8,873)	19,771	38,614	315
Income taxes (Notes 12 and 20)				
Current	56,078	39,834	41,314	337
Deferred	(70,168)	(47,041)	(48,314)	(394)
Total income taxes	(14,090)	(7,206)	(7,000)	(57)
Net surplus	5,217	26,978	45,614	372
Net surplus attributable to non-controlling interests	10	12	9	0
Net surplus attributable to the Parent Company	¥ 5,207	¥ 26,965	¥ 45,605	\$ 372

[Consolidated Statements of Comprehensive Income]

Years ended March 31	Millions of Yen			Millions of U.S. Dollars
	2020	2021	2022	2022
Net surplus	¥ 5,217	¥ 26,978	¥ 45,614	\$ 372
Other comprehensive income (loss) (Note 23)	19,403	558,098	(470,020)	(3,840)
Net unrealized gains (losses) on available-for-sale securities	47,474	575,067	(511,875)	(4,182)
Deferred gains (losses) on derivatives under hedge accounting	(345)	(300)	(3,106)	(25)
Foreign currency translation adjustments	(5,157)	(19,738)	36,294	296
Remeasurements of defined benefit plans	(24,884)	4,313	(1,252)	(10)
Share of other comprehensive income (loss) of associates under the equity method	2,317	(1,243)	9,919	81
Comprehensive income (loss)	24,620	585,076	(424,405)	(3,467)
Comprehensive income (loss) attributable to the Parent Company	24,610	585,064	(424,415)	(3,467)
Comprehensive income (loss) attributable to non-controlling interests	10	12	9	0

Consolidated Statements of Changes in Net Assets

Sumitomo Life Insurance Company and Consolidated Subsidiaries

	Millions of Yen												
	Funds, reserve and surplus					Accumulated other comprehensive income (loss)							
	Foundation funds (Note 13)	Reserve for redemption of foundation funds (Note 13)	Reserve for revaluation	Surplus	Total funds, reserve and surplus	Net unrealized gains (losses) on available-for-sale securities	Deferred gains (losses) on derivatives under hedge accounting	Land revaluation differences	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income (loss)	Non-controlling interests	Total net assets
Year ended March 31, 2020													
Beginning balance	50,000	589,000	2	203,072	842,075	899,876	810	(61,417)	(56,487)	20,756	803,538	109	1,645,723
Cumulative effect due to U.S. GAAP (ASU2017-12) used for U.S. subsidiaries				60	60		(60)				(60)		—
Beginning balance after reflecting U.S. GAAP (ASU2017-12) used for U.S. subsidiaries	50,000	589,000	2	203,133	842,135	899,876	750	(61,417)	(56,487)	20,756	803,478	109	1,645,723
Changes in the fiscal year													
Additions to policyholders' dividend reserves (Note 10)				(50,285)	(50,285)								(50,285)
Additions to reserve for redemption of foundation funds		50,000		(50,000)	—								—
Payment of interest on foundation funds				(556)	(556)								(556)
Net surplus attributable to the Parent Company				5,207	5,207								5,207
Redemption of foundation funds	(50,000)				(50,000)								(50,000)
Change in scope of equity method				(3,135)	(3,135)								(3,135)
Reversal of land revaluation differences				(1,708)	(1,708)								(1,708)
Net changes, excluding funds, reserve and surplus						49,503	(345)	1,708	(4,988)	(24,884)	20,993	11	21,004
Net changes in the fiscal year	(50,000)	50,000	—	(100,478)	(100,478)	49,503	(345)	1,708	(4,988)	(24,884)	20,993	11	(79,474)
Ending balance	—	639,000	2	102,654	741,656	949,379	405	(59,708)	(61,476)	(4,127)	824,471	121	1,566,249

	Millions of Yen												
	Funds, reserve and surplus					Accumulated other comprehensive income (loss)							
	Foundation funds (Note 13)	Reserve for redemption of foundation funds (Note 13)	Reserve for revaluation	Surplus	Total funds, reserve and surplus	Net unrealized gains (losses) on available-for-sale securities	Deferred gains (losses) on derivatives under hedge accounting	Land revaluation differences	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income (loss)	Non-controlling interests	Total net assets
Year ended March 31, 2021													
Beginning balance	—	639,000	2	102,654	741,656	949,379	405	(59,708)	(61,476)	(4,127)	824,471	121	1,566,249
Cumulative effect due to U.S. GAAP (ASU2016-13, ASU2019-05) used for U.S. subsidiaries				(6)	(6)								(6)
Beginning balance after reflecting U.S. GAAP (ASU2016-13, ASU2019-05) used for U.S. subsidiaries	—	639,000	2	102,648	741,650	949,379	405	(59,708)	(61,476)	(4,127)	824,471	121	1,566,243
Changes in the fiscal year													
Additions to policyholders' dividend reserves (Note 10)				(47,451)	(47,451)								(47,451)
Net surplus attributable to the Parent Company				26,965	26,965								26,965
Reversal of land revaluation differences				(311)	(311)								(311)
Net changes, excluding funds, reserve and surplus						577,125	(300)	311	(23,039)	4,313	558,410	11	558,422
Net changes in the fiscal year	—	—	—	(20,797)	(20,797)	577,125	(300)	311	(23,039)	4,313	558,410	11	537,624
Ending balance	—	639,000	2	81,850	720,853	1,526,505	104	(59,397)	(84,516)	185	1,382,881	133	2,103,868

Year ended March 31, 2022

Millions of Yen

	Funds, reserve and surplus				Accumulated other comprehensive income (loss)								
	Foundation funds (Note 13)	Reserve for redemption of foundation funds (Note 13)	Reserve for revaluation	Surplus	Total funds, reserve and surplus	Net unrealized gains (losses) on available-for-sale securities	Deferred gains (losses) on derivatives under hedge accounting	Land revaluation differences	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income (loss)	Non-controlling interests	Total net assets
Beginning balance	—	639,000	2	81,850	720,853	1,526,505	104	(59,397)	(84,516)	185	1,382,881	133	2,103,868
Changes in the fiscal year													
Additions to policyholders' dividend reserves (Note 10)				(54,181)	(54,181)								(54,181)
Net surplus attributable to the Parent Company				45,605	45,605								45,605
Reversal of land revaluation differences				184	184								184
Net changes, excluding funds, reserve and surplus						(511,079)	(3,106)	(184)	45,417	(1,252)	(470,204)	8	(470,196)
Net changes in the fiscal year	—	—	—	(8,391)	(8,391)	(511,079)	(3,106)	(184)	45,417	(1,252)	(470,204)	8	(478,588)
Ending balance	—	639,000	2	73,458	712,461	1,015,426	(3,001)	(59,581)	(39,098)	(1,067)	912,676	141	1,625,279

Year ended March 31, 2022

Millions of U.S. Dollars

	Funds, reserve and surplus				Accumulated other comprehensive income (loss)								
	Foundation funds (Note 13)	Reserve for redemption of foundation funds (Note 13)	Reserve for revaluation	Surplus	Total funds, reserve and surplus	Net unrealized gains (losses) on available-for-sale securities	Deferred gains (losses) on derivatives under hedge accounting	Land revaluation differences	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income (loss)	Non-controlling interests	Total net assets
Beginning balance	—	5,221	0	668	5,889	12,472	0	(485)	(690)	1	11,298	1	17,189
Changes in the fiscal year													
Additions to policyholders' dividend reserves (Note 10)				(442)	(442)								(442)
Net surplus attributable to the Parent Company				372	372								372
Reversal of land revaluation differences				1	1								1
Net changes, excluding funds, reserve and surplus						(4,175)	(25)	(1)	371	(10)	(3,841)	0	(3,841)
Net changes in the fiscal year	—	—	—	(68)	(68)	(4,175)	(25)	(1)	371	(10)	(3,841)	0	(3,910)
Ending balance	—	5,221	0	600	5,821	8,296	(24)	(486)	(319)	(8)	7,457	1	13,279

Consolidated Statements of Cash Flows

Sumitomo Life Insurance Company and Consolidated Subsidiaries

Years ended March 31	Millions of Yen			Millions of U.S. Dollars
	2020	2021	2022	2022
I Cash flows from operating activities				
Surplus (loss) before income taxes	¥ (8,873)	¥ 19,771	¥ 38,614	\$ 315
Depreciation of real estate for investments	8,635	8,439	8,446	69
Depreciation	32,162	33,708	35,173	287
Impairment losses	873	1,111	480	3
Amortization of goodwill	3,673	5,826	6,475	52
Increase (Decrease) in reserve for outstanding claims	(3,016)	902	14,661	119
Increase (Decrease) in policy reserves	681,090	831,622	907,998	7,418
Provision for interest on policyholders' dividend reserves	32	29	29	0
Increase (Decrease) in allowance for possible loan losses	17	1,011	(230)	(1)
Increase (Decrease) in net defined benefit liabilities	(17,779)	(13,995)	(6,942)	(56)
Increase (Decrease) in reserve for price fluctuation	43,124	96,128	88,334	721
Interest, dividends, and other income	(766,032)	(748,445)	(827,483)	(6,761)
Losses (Gains) on securities	6,065	(192,148)	(18,090)	(147)
Interest expenses	28,553	14,480	14,279	116
Foreign exchange losses (gains)	11,381	11,365	(94,736)	(774)
Losses (Gains) on tangible fixed assets	1,696	427	679	5
Investment losses (gains) under the equity method	(175)	6,716	1,312	10
Decrease (Increase) in due from agents	(4)	26	(78)	(0)
Decrease (Increase) in reinsurance receivables	997	(111)	(375)	(3)
Decrease (Increase) in other assets (excluding those related to investing and financing activities)	6,432	16,236	6,349	51
Increase (Decrease) in reinsurance payables	(1,279)	1,870	5,058	41
Increase (Decrease) in other liabilities (excluding those related to investing and financing activities)	48,693	8,815	(23,030)	(188)
Others, net	51,589	48,742	(34,570)	(282)
Subtotal	127,859	152,532	122,355	999
Interest, dividends, and other income received	845,549	790,054	866,236	7,077
Interest paid	(30,611)	(15,482)	(12,937)	(105)
Policyholders' dividends paid	(55,155)	(50,810)	(56,141)	(458)
Others, net	(723)	(659)	(683)	(5)
Income taxes paid	(37,894)	(45,261)	(49,172)	(401)
Net cash provided by operating activities	¥ 849,025	¥ 830,371	¥ 869,657	\$ 7,105

	Millions of Yen			Millions of U.S. Dollars
	2020	2021	2022	2022
II Cash flows from investing activities				
Net decrease (increase) in deposits	¥ 150,380	¥ 204,089	¥ 5,353	\$ 43
Purchase of monetary claims bought	(245,999)	(961,921)	(476,962)	(3,897)
Proceeds from sales and redemption of monetary claims bought	237,501	720,425	730,125	5,965
Purchase of money held in trust	—	—	(4,534)	(37)
Purchase of securities	(5,211,014)	(5,073,449)	(4,988,814)	(40,761)
Proceeds from sales and redemption of securities	3,697,814	3,234,239	3,929,071	32,102
Loans made	(1,518,948)	(451,769)	(869,963)	(7,108)
Proceeds from collection of loans	2,210,826	576,602	562,077	4,592
Others, net	(81,078)	828,345	(83,609)	(683)
Total investment activities (IIa)	(760,519)	(923,438)	(1,197,256)	(9,782)
[I+IIa]	[88,506]	[(93,066)]	[(327,598)]	[(2,676)]
Purchase of tangible fixed assets	(24,166)	(16,105)	(16,434)	(134)
Proceeds from sales of tangible fixed assets	1,320	2,148	1,572	12
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(443)	—	—	—
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	—	805	—	—
Others, net	(14,501)	(10,973)	(11,615)	(94)
Net cash used in investing activities	(798,310)	(947,562)	(1,223,734)	(9,998)
III Cash flows from financing activities				
Proceeds from issuance of debt	50,000	70,000	—	—
Repayments of debt	—	—	(20)	(0)
Proceeds from issuance of corporate bonds	—	—	100,586	821
Redemption of corporate bonds	(50,000)	(1,129)	(70,000)	(571)
Redemption of foundation funds	(50,000)	—	—	—
Payment of interest on foundation funds	(556)	—	—	—
Others, net	149,362	39,595	37,260	304
Net cash provided by (used in) financing activities	98,805	108,465	67,827	554
IV Effect of foreign exchange rate changes on cash and cash equivalents	(426)	(4,058)	12,670	103
V Net increase (decrease) in cash and cash equivalents	149,094	(12,783)	(273,579)	(2,235)
VI Cash and cash equivalents at the beginning of the year	435,129	584,224	571,440	4,669
VII Cash and cash equivalents at the end of the year (Note 3)	¥ 584,224	¥ 571,440	¥ 297,861	\$ 2,433

Note 1

Basis of Presentation

SUMITOMO LIFE INSURANCE COMPANY ("the Company") has prepared the accompanying consolidated financial statements in accordance with the provisions set forth in the Insurance Business Act and its related accounting regulations in Japan, and in conformity with the accounting principles generally accepted in Japan ("Japanese GAAP"), which may differ in certain respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan. In preparing the accompanying consolidated financial statements, certain reclassifications have been made to the consolidated financial statements issued domestically in order to present them in a format which is more familiar to readers outside Japan. In addition, the notes to the consolidated financial statements include the information which is not required under Japanese GAAP but is presented herein as additional information.

Japanese yen amounts are rounded down to million yen amounts. As a result, the totals do not add up. The translation of Japanese yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan, using the exchange rate as of March 31, 2022 which was ¥122.39 to U.S. \$1. The convenience translation should not be construed as representations that Japanese yen amounts were, have been, or may in the future be, converted into U.S. dollars at this or any other exchange rate.

Note 2

Summary of Significant Accounting Policies

1) Principles of consolidation

a) Consolidated subsidiaries

The numbers of consolidated subsidiaries were 26, 26 and 27 as of March 31, 2020, 2021 and 2022, respectively.

The major subsidiaries as of March 31, 2022 are listed as follows:

- Medicare Life Insurance Co., Ltd. (Japan)
- Sumisei Building Management Co., Ltd. (Japan)
- Sumisei Bussan K.K. (Japan)
- Sumisei Business Service Co., Ltd. (Japan)
- Shinjuku Green Building Kanri K.K. (Japan)
- SUMISEI Harmony K.K. (Japan)
- Sumitomo Life Information Systems Co., Ltd. (Japan)
- CSS Co., Ltd. (Japan)
- SUMISEI Insurance Service Corporation (Japan)
- Izumi Life Designers Co., Ltd. (Japan)
- SUMISEI-Support & Consulting Co., Ltd. (Japan)
- INSURANCE DESIGN (Japan)
- AIARU Small Amount & Short Term Insurance Co., Ltd. (Japan)
- Symetra Financial Corporation (U.S.A.)

Two subsidiaries of Symetra Financial Corporation were included in the scope of the consolidation as a result of their establishment from the period ended March 31, 2022.

One subsidiary of Symetra Financial Corporation was excluded from the scope of the consolidation due to the dissolution of equity from the period ended March 31, 2022.

The major unconsolidated subsidiary is SUMISEI-SBI Limited Partnership.

The unconsolidated subsidiaries are excluded from the scope of consolidation, because its effect is immaterial, individually and in aggregate on the consolidated total assets, revenues, net income and surplus. These exclusions from the scope of consolidation would not prevent a reasonable understanding of the consolidated financial position and the results of the group operations.

b) Affiliates

The numbers of affiliates under the equity method were 8, 10 and 10 as of March 31, 2020, 2021, and 2022, respectively.

The major affiliates as of March 31, 2022 are listed as follows:

Nippon Building Fund Management Ltd. (Japan)
Japan Pension Navigator Co., Ltd. (Japan)
Mycommunication Co., Ltd. (Japan)
Agent Insurance Group, Inc. (Japan) (On July 1, 2021, Agent Co., Ltd. changed its corporate name to Agent Insurance Group, Inc.)
Baoviet Holdings (Vietnam)
PT BNI Life Insurance (Indonesia)
Singapore Life Holdings Pte. Ltd. (Singapore) (On January 1, 2022, Aviva Singlife Holdings Pte. Ltd. changed its corporate name to Singapore Life Holdings Pte. Ltd.)

The unconsolidated subsidiaries (SUMISEI-SBI Limited Partnership and others) and affiliates (Japan Pension Service Co., Ltd.) are excluded from the scope of affiliates under the equity method because its effect is immaterial, individually and in aggregate, on the consolidated net income and consolidated surplus.

c) Fiscal year-end of consolidated subsidiaries

The fiscal year-end of foreign subsidiaries is December 31. The consolidated financial statements include the accounts of the subsidiaries as of their fiscal year-end, with appropriate adjustments made for material transactions between their fiscal year-end and the consolidated balance sheet date.

d) Goodwill on consolidation

Goodwill (including goodwill relating to affiliates) is amortized on a straight-line basis over the period up to 20 years.

However, for items that are immaterial, the total amount of goodwill is fully recognized as expenses as incurred.

e) All the significant intercompany balances and transactions are eliminated in consolidation. In addition, all the material unrealized gains/losses included in assets/liabilities resulting from transactions within the group are also eliminated.

2) Cash and cash equivalents

For the purpose of presenting the consolidated statements of cash flows, cash and cash equivalents are comprised of cash on hand, deposits (except deposits bearing interest of the Company and domestic consolidated subsidiaries), and short-term investment securities of foreign consolidated subsidiaries.

3) Securities, derivative instruments, and hedge accounting

a) Securities

Securities held by the Company are classified and accounted for as follows:

Trading securities are stated at the market value on the balance sheet date. The cost of these securities sold is calculated using the moving average method.

Held-to-maturity debt securities are stated at amortized cost and the cost of these securities sold is calculated using the moving average method. Amortization is calculated using the straight-line method.

Policy-reserve-matching bonds (defined in Note 2, 4)) are stated at amortized cost in accordance with Industry Audit Committee Report No. 21, "Temporary Treatment of Accounting and Auditing Concerning Policy-Reserve-Matching Bonds in the Insurance Industry", issued by the Japanese Institute of Certified Public Accountants. The cost of the bonds sold is calculated using the moving average method and amortization is calculated using the straight-line method.

Investments in unconsolidated subsidiaries and affiliated companies (defined in Article 110, Paragraph 2 of the Insurance Business Act) are stated at cost.

Others classified as available-for-sale securities are stated at the market value on the balance sheet date.

Stocks with no market prices are stated mainly at cost. The cost of these securities sold is calculated using the moving average method.

Certain demand deposits, monetary claims bought and securities in money held in trust deemed equivalent to investment in securities are stated using the same methods described above.

Unrealized gains and losses on available-for-sale securities are reported net of income taxes, as a separate component of net assets in the consolidated balance sheet.

b) Derivative instruments

Derivatives are stated at the fair value.

c) Hedge accounting

Under Japanese GAAP, the deferred hedge method and the fair value hedge method are fundamental hedge accounting methods allowed.

Under the fair value hedge method, which is allowed only when available-for-sale securities are hedged items, hedging instruments' gains and losses on changes in the fair value are recognized in earnings together with hedged items' corresponding gains and losses attributable to risks being hedged.

In addition, for certain derivative instruments, exceptional hedge accounting methods are allowed under Japanese GAAP as follows:

Assets and liabilities denominated in foreign currencies and hedged by foreign exchange forward contracts and currency swaps are allowed to be translated at the foreign exchange rates stipulated in the forward contract agreements and the currency swap agreements. Accordingly, the foreign exchange forward contracts and the currency swaps used as hedging instruments are not recognized as an asset or liability measured at the fair value either on initial recognition or subsequent reporting dates (the allocation method).

Interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at the fair value, but the net amounts paid or received under the swap agreements are recognized and included in interest expense or income of the hedged items (the exceptional method).

The Company mainly adopts the fair value hedge method and the allocation method to hedge foreign currency risks of assets and liabilities denominated in foreign currencies. From the period ended March 31, 2022, the deferred hedge method using interest rate swaps is used for hedges against interest rate fluctuations in certain policy reserves in order to appropriately control interest rate fluctuations, in accordance with Industry Audit Committee Practical Guideline No. 26, "Accounting and Auditing Treatment of Application of Accounting Standard for Financial Instruments in the Insurance Industry", issued by the Japanese Institute of Certified Public Accountants.

The Company also adopts the exceptional method to hedge interest rate risk primarily of floating rate loans.

Hedge effectiveness is assessed by comparing the cumulative changes in the fair values or cash flows of the hedged items and the hedging instruments.

The hedging relationships included in the scope of applying the "Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR" (ASBJ Practical Solutions No.40, March 17, 2022) are subject to the exceptional treatment of this Practical Solutions. The detail of the hedging relationships which apply the treatment are as follows:

Hedging method: the exceptional method (including the allocation method)

The type of hedging instruments: interest-rate swaps, currency-swaps

The type of hedged instruments: loans

The type of hedge transactions: to fix the cash flows

4) Policy-reserve-matching bonds

The Company classifies debt securities held in order to match their duration to the duration of the liabilities within the corresponding subsections - segregated by type of insurance and investment policy - as policy-reserve-matching bonds in accordance with Industry Audit Committee Report No. 21, "Temporary Treatment of Accounting and Auditing Concerning Policy-Reserve-Matching Bonds in the Insurance Industry", issued by the Japanese Institute of Certified Public Accountants.

From the period ended March 31, 2022, the deferred hedge method using interest rate swaps is used for hedges against interest rate fluctuations in certain policy reserves of the previous subsection "Individual life insurance and individual annuity (certain types of insurance are excluded)" in order to appropriately control interest rate fluctuations, in accordance with Industry Audit Committee Practical Guideline No. 26, "Accounting and Auditing Treatment of Application of Accounting Standard for Financial Instruments in the Insurance Industry", issued by the Japanese Institute of Certified Public Accountants.

As a result, the Company changed the subsection as follows and there has been no impact on profit and loss for the period ended March 31, 2022:

- The Company excludes a certain percentage of cash flows from the previous subsection "Individual life insurance and individual annuity (certain types of insurance are excluded)"

Current subsection: "Individual life insurance and individual annuity (certain types of insurance and a certain percentage of cash flows are excluded)"

The subsections are as follows:

Individual life insurance and individual annuity (certain types of insurance and a certain percentage of cash flows are excluded)

Primary policy of 3-year variable accumulation rate insurance with guaranteed minimum interest rates

Defined benefit corporate pension plan and new corporate pension plan (only cash flows expected within the next certain period of years are identified)

Insured contributory pension plans (only cash flows expected within the next certain period of years are identified)

Defined contribution pension plans and interest rate-setting rider by new unit account

Single premium endowment insurance (certain types of insurance are excluded)

Interest rate variable whole life insurance (single premium)

Individual life insurance and individual annuity denominated in U.S. dollars

Individual life insurance and individual annuity denominated in Australian dollars (certain types of insurance are excluded)

5) Foreign currency translation

The Company's assets and liabilities denominated in foreign currencies, except for investments in unconsolidated subsidiaries and affiliates, are translated into Japanese yen at the exchange rate on the balance sheet date. Investments in unconsolidated subsidiaries and affiliates are translated into Japanese yen at the exchange rates on the dates of acquisition.

6) Tangible fixed assets

Tangible fixed assets owned by the Company are depreciated as follows:

a) Buildings

Calculated using the straight-line method.

b) Lease assets related to financial leases where ownership is not transferred

Calculated using the straight-line method over the lease period.

c) Other tangible fixed assets

Calculated using the declining-balance method.

Tangible fixed assets are presented at cost, net of accumulated depreciation and impairment losses.

The estimated useful lives of major items are as follows:

Buildings 2 to 50 years

Other tangible fixed assets 2 to 20 years

Revaluation of land

The Company revalued certain parcels of land owned for operating use as of March 31, 2001, as permitted by the Act on Revaluation of Land.

The difference in value before and after the revaluation is directly included in net assets and presented as land revaluation differences, net of deferred tax liabilities for land revaluation in the consolidated balance sheets.

The revaluation method is stipulated in Article 3, Paragraph 3 of the Act on Revaluation of Land. Pursuant to

the Article, the Company used the publicly announced appraisal value with certain adjustments (detailed in Article 2, Paragraph 1 of the Order for Enforcement of the Act on Revaluation of Land (the "Order")) and appraisal value (detailed in Article 2, Paragraph 5 of the Order) for the revaluation.

7) Software

Capitalized software for internal use owned by the Company (included in intangible fixed assets) is amortized using the straight-line method over the estimated useful lives (3 to 5 years).

8) Allowance for possible loan losses

The Company's allowance for possible loan losses is provided pursuant to its standards for self-assessment of asset quality and internal rules for write-offs of loans and allowance for possible loan losses. For loans to borrowers that are legally bankrupt ("bankrupt borrowers") and for loans to borrowers that are not yet legally bankrupt but substantially bankrupt ("substantially bankrupt borrowers"), an allowance is provided based on the total amount of the loans after deduction of charge-offs and any amounts expected to be collected through disposal of collaterals and execution of guarantees. For loans to borrowers that are likely to become bankrupt ("borrowers likely to become bankrupt"), an allowance is provided at the amount deemed necessary based on an overall solvency assessment, net of the expected collection through disposal of collaterals and execution of guarantees. For the other loans, an allowance is provided by multiplying the claim amount by an anticipated default rate calculated based on the Company's actual default experience for a certain period in the past.

All loans are assessed based on the Company's standards for the self-assessment of asset quality and the assessment results are reviewed by a department independent of the department that performs and is responsible for the self-assessment. The allowance for possible loan losses is provided based on the assessment results.

For loans to bankrupt borrowers and substantially bankrupt borrowers, the amount of loans exceeding the value of estimated recovery through disposal of collaterals and execution of guarantees is deemed uncollectible and written off. The amount of loans written off for the fiscal years ended March 31, 2020, 2021 and 2022 amounted to ¥35 million, ¥260 million and ¥31 million (U.S. \$0 million), respectively.

An allowance for possible loan losses of the consolidated subsidiaries is provided mainly pursuant to their standards for self-assessment of asset quality and internal rules for write-offs of loans and allowance for possible loan losses which each consolidated subsidiary sets and maintains consistently with those of the Company.

9) Net defined benefit liabilities

Net defined benefit liabilities are provided based on the projected benefit obligations and plan assets as of the balance sheet date in accordance with the accounting standards for retirement benefits ("Statement on Establishing Accounting Standards for Retirement Benefits").

10) Reserve for price fluctuation

Reserve for price fluctuation is calculated pursuant to Article 115 of the Insurance Business Act.

11) Accounting for consumption taxes

National and local consumption taxes are accounted for using the tax-excluded method. Non-deductible consumption taxes are recognized as expenses for the fiscal year, except for those relating to purchases of depreciable fixed assets which are not charged to expense but deferred as other assets and amortized over a five-year period on the straight-line basis pursuant to the Corporation Tax Act.

12) Policy reserves

Policy reserves of the Company are calculated and accumulated by the method in accordance with the statement of calculation procedures for insurance premiums and policy reserves (Article 4, Paragraph 2, Item 4 of the Insurance Business Act) pursuant to Article 116 of the Insurance Business Act to prepare for future performance of obligations under its insurance contracts.

Premium reserves, one of the components of policy reserves, are calculated, based on the Article 116 of the Insurance Business Act and Article 69, Paragraph 1, Item 1 of the Ordinance for Enforcement of the Insurance Business Act according to the following methods:

- a) For contracts which are subject to the standard policy reserve requirements, premium reserves are calculated using the method stipulated by the Commissioner of Financial Services Agency (Ministry of Finance Notification No. 48 in 1996).
- b) For contracts which are not subject to the standard policy reserve requirements, premium reserves are calculated using the net level premium method.

The Company adopted its accounting policy for premium reserves for existing individual annuity contracts whose annuity payments commenced on or after April 1, 2006, effective from the fiscal year ended March 31, 2007, as follows:

For individual annuity contracts which commenced on or after April 1, 2006, the Company has regarded their commencement dates of annuity payments as the contract dates, and applied the calculation basis stipulated by the Commissioner of Financial Services Agency (Ministry of Finance Notification No. 48 in 1996). (For the contracts which annuity payments commenced during fiscal year of 2006, assumed mortality rates on the 2007 life insurance standard life table have been used.)

Unearned premiums are accumulated as a component of policy reserves pursuant to Article 116 of the Insurance Business Act and Article 69, Paragraph 1, Item 2 of the Ordinance for Enforcement of the Insurance Business Act.

Contingency reserves, one of the components of policy reserves, are accumulated pursuant to Article 116 of the Insurance Business Act and Article 69, Paragraph 1, Item 3 of the Ordinance for Enforcement of the Insurance Business Act to ensure performing future obligations under its insurance contracts.

Additional policy reserves need to be recognized based on Article 69, Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act if the policy reserves set aside pursuant to Article 69, Paragraphs 1, 2 and 4 of the Ordinance for Enforcement of the Insurance Business Act are found to be likely insufficient to cover the performance of the future obligations due to a large deviation in the estimated future cash flows based on the statement of calculation procedures with assumed incidents rates, interest rates and others, compared to recent actual results.

In determining the necessity of recognition and the amount of additional policy reserves, the Company refers to the result of the future cash flow analysis to confirm adequacy of policy reserves performed by the Appointed Actuary because future cash flows need to be estimated by using actuarial expertise in accordance with applicable laws and regulations.

Policy reserves of the consolidated foreign subsidiaries are provided pursuant to accounting principles generally accepted in the United States of America.

13) Recognition of insurance premiums and claims

The Company in principle recognizes insurance premiums when the premiums, which are measured at the amounts to be received, are received and the responsibility on the insurance contract is commenced.

The Company recognizes claims paid when incidents prescribed in policy clause are incurred and these claims are paid at the amounts to be paid.

The Company recognizes outstanding claims with the amount of unpaid claims over the contracts for which payment obligation exists at the year end or for which incidents prescribed in policy clause already incurred but not reported to the Company, pursuant to Article 117 of the Insurance Business Act and Article 72 of the Ordinance for Enforcement of the Insurance Business Act.

14) Policy acquisition costs

The Company recognizes policy acquisition costs when incurred.

15) New Accounting Standards

The Company has applied "Accounting Standard for Fair Value Measurement" (ASBJ Statement No.30, July 4, 2019), etc. from the beginning of the period ended March 31, 2022. In accordance with transitional treatment stipulated in Item 19 of "Accounting Standard for Fair Value Measurement" and Item 44-2 of "Accounting Standard for Financial Instruments" (ASBJ Statement No.10, July 4, 2019), the Company has applied new accounting policies prospectively since the beginning of the period ended March 31, 2022.

Due to this application, the measurement of the fair value of stocks with market price categorized as available-for-sale securities is changed from the fair value method based on the average market price during the last month of the period to the fair value method based on the market price on the balance sheet date. Also, the Company noted matters concerning fair value of financial instruments and breakdown by input level on the Note 4, "Financial Instruments" as of March 31, 2022. The matters as of March 31, 2020 and 2021 were not described in accordance with the transitional treatment set out in Item 7-4 of "Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No.19, March 31, 2020).

16) Accounting Standards and guidance not yet applied

Following accounting standards and guidance are those issued but not yet applied.

- "Application Guidelines of Accounting Standard for Fair Value Measurement" (Application Guidance of Corporate Accounting standards, No. 31(17 June 2021))

a) Overview

The guidance for fair value measurement of investment trusts was established as a result of the revision of "Application Guidelines of Accounting Standard for Calculation of fair value".

b) Effective date

These accounting standards and guidance will be effective from the beginning of the fiscal year ended March 31, 2023.

c) Impact of applying the standards and guidance

The impact of applying the standards and guidance is currently under assessment.

17) Accounting estimates

The accounting estimates recognized in accordance with "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No.31, March 31, 2020) are as follows:

a) Valuation of Goodwill

The Company records goodwill arising from the acquisition of U.S. subsidiaries in the consolidated balance sheet.

This goodwill is recognized in the consolidated balance sheets of U.S. subsidiaries. Amortization and impairment test of the goodwill is performed by U.S. subsidiaries in accordance with the accounting alternatives allowed for private companies specified in Financial Accounting Standards Board ("FASB") Accounting Standards Codification, Topic 350, "Intangibles-Goodwill and Other".

Specifically, U.S. subsidiaries assess as to whether there are any triggering events and changes in circumstances that may indicate impairment at the entity level. If it is deemed more likely than not that the fair value of a reporting unit including goodwill is less than the carrying amount based on qualitative factors, quantitative impairment test is performed. The Company assesses the necessity of impairment on goodwill based on the results of U.S. subsidiaries' assessment.

In performing the triggering event indication and qualitative assessment, the Company assesses macroeconomic conditions, trends in the U.S. life insurance industry, operating results of U.S. subsidiaries, future profit plans reflecting the impact of the pandemic of the novel coronavirus (COVID-19) and other relevant entity-specific events. When performing the quantitative impairment test, U.S. subsidiaries will determine key assumptions such as future cash flows reflecting the insurance premiums based on prediction of future economic circumstances and the rates of paying claims, discount rate, and long-term growth rate.

An impairment loss may be recognized when relevant events and circumstances which indicate the triggering events are identified due to changes in future economic conditions that are uncertain in nature.

The Company determined that no triggering events were identified and recorded no impairment losses for the fiscal year ended March 31, 2021 and 2022.

b) Amortization of Value of Business Acquired (VOBA) and Deferred Policy Acquisition Costs (DAC)

The Company recorded other intangible fixed assets which included Value of Business Acquired (VOBA) accompanied by the acquisition of U.S. subsidiaries of ¥3,796 million and ¥10,189 million and other assets which included Deferred Policy Acquisition Costs (DAC) of U.S. subsidiaries of ¥82,668 million and ¥118,356 million on the consolidated balance sheets for the fiscal year ended March 31, 2021 and 2022, respectively.

VOBA was recognized based on the actuarially estimated present value of future cash flows of insurance policies and annuity contracts in-force as of acquisition of U.S. subsidiaries and DAC was recognized for the deferred costs that were directly related to the successful acquisition or renewal of insurance contracts after acquisition date.

VOBA and DAC are amortized over the lives of the associated insurance contracts with the amortization rates based on estimated future gross profits. To estimate future gross profits, U.S. subsidiaries set assumptions as to persistency rates, mortality rates and so on.

Additional amortization of VOBA and DAC could be recognized due to change in uncertain economic condition.

18) Additional Information

The consolidation tax filings were adopted from the fiscal year ended March 31, 2018.

Following the enactment of "Act for Partial Revision of the Income Tax Act, etc." (Act No.8 of 2020), the transition from the consolidation tax filings to the group tax sharing system will be applied for the fiscal year beginning on April 1, 2022. With the adoption of "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (Practical Issues Task Force No.39, March 31, 2020), the Company and certain domestic subsidiaries recognized deferred tax assets/liabilities as of March 31, 2022 based on the provisions of pre-amended Tax Act.

Note 3

Reconciliations of Cash and Cash Equivalents

Reconciliations of cash and deposits in the consolidated balance sheets to cash and cash equivalents in the consolidated statements of cash flows as of March 31, 2020, 2021 and 2022 were as follows:

	Millions of Yen			Millions of U.S. dollars
	2020	2021	2022	2022
Cash and deposits	¥1,603,446	¥1,386,540	¥1,107,622	\$ 9,049
Deposits bearing interest of the Company and domestic consolidated subsidiaries	(1,019,222)	(815,099)	(809,761)	(6,616)
Restricted cash of foreign consolidated subsidiaries	—	—	—	—
Short-term investment securities of foreign consolidated subsidiaries	—	—	—	—
Cash and cash equivalents	¥ 584,224	¥ 571,440	¥ 297,861	\$ 2,433

Note 4

Financial Instruments

1) Qualitative information on financial instruments

The Company applies Asset and Liability Management (ALM) considering characteristics of life insurance liabilities to enhance soundness and profitability of investment returns in mid-to-long term by diversified investments mainly in assets denominated in yen such as bonds and loans, and in stocks within allowable risk limits. In addition, the Company utilizes derivative instruments primarily in order to hedge the risks of fluctuation of values of assets or liabilities.

Major components of the Company's financial instruments and associated risks are as follows:

Domestic bonds are exposed to market risk, which arises from the fluctuation of interest rates and other market indicators, and credit risk of issuers. Domestic and foreign stocks are exposed to market risk, which arises from the fluctuation of stock prices and foreign exchange rates, and credit risk of issuers. Foreign bonds are exposed to market risk, which arises from the fluctuation of interest rates, foreign exchange rates and other market indicators, and credit risk of issuers. Loans, mainly to domestic companies, are exposed to credit risk, which arises from deterioration of the financial condition of counterparties. They are also exposed to

market risk since certain loans, similarly to bonds, change the fair values by fluctuation of interest rates although no active secondary markets exist.

The Company utilizes foreign currency forward contracts, currency options and currency swaps to hedge foreign currency risks of assets and liabilities denominated in foreign currencies, futures trading, forwards trading and options to hedge market risks of stocks, bond futures, options and interest rate swaptions to hedge market risks of fixed rate assets relating to the fluctuation of interest rates, and interest rate swaps to hedge interest fluctuation risks of floating rate assets. Gains and losses on certain foreign currency forward contracts to hedge foreign currency risks mainly of foreign securities are accounted for under hedge accounting. From the period ended March 31, 2022, the deferred hedge method using interest rate swaps is used for hedges against interest rate fluctuations in certain policy reserves in order to appropriately control interest rate fluctuations, in accordance with Industry Audit Committee Practical Guideline No.26, "Accounting and Auditing Treatment of Application of Accounting Standard for Financial Instruments in the Insurance Industry", issued by the Japanese Institute of Certified Public Accountants. The hedge effectiveness is regularly assessed by comparing fluctuations in the fair value of hedged items and hedging instruments.

Gains and losses on certain interest rate swaps used for hedging interest rate risks mainly of floating rate loans are accounted for under hedge accounting. The hedge effectiveness is regularly assessed by comparing fluctuations in cash flows of hedged items and hedging instruments.

When foreign currency forward contracts and currency swaps meet the criteria for applying the allocation method or when interest rate swap transactions meet the criteria for applying the exceptional method, hedge effectiveness is not assessed, according to accounting principles.

The risk management department maintains asset risk management in accordance with Risk Management Policy established by the board of directors. In addition, the Company strives to enhance risk assessment and management quantitatively and comprehensively by defining the framework of risk management about market risk and credit risk of financial instruments and concrete risk management processes pursuant to related rules. Moreover, the risk management department maintains effective risk management structures by independently monitoring whether trading departments operate in compliance with related policies and rules. The board of directors makes decisions in response to the reports of risk management situations.

In order to manage market risk, the Company assesses and analyzes sensitivities of existing financial instruments to changes in interest rates, foreign exchange rates, stock prices and other market indicators by comparing Value-at-Risk (VaR) as integrated risk exposure with the limit for market risk, which is calculated with consideration given to unrealized gains (losses) and realized gains (losses) on sales.

In order to manage credit risk, the Company assesses financial assets such as loans by using internal credit ratings corresponding to financial conditions of security issuers or counterparties of loans when the Company makes investments, and regularly reviews these ratings. Moreover, the Company manages credit risk by comparing Value-at-Risk (VaR) calculated with Monte Carlo simulations, which are based on the assumptions such as probability of transition for each internal credit rating and expected recovery rate at default, with the limit for credit risk.

2) Fair value of financial instruments

The following table shows the carrying amounts in the consolidated balance sheets, the fair values and their differences of financial instruments as of March 31, 2020, 2021.

Cash and deposits (except Negotiable certificates of deposit), Call loans, Payables under repurchase agreements and Payables under securities borrowing transactions are not included in the following tables since they are mostly short-term, and their fair values approximate their book values.

As of March 31	Millions of Yen			Millions of Yen		
	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference
			2020			2021
Cash and deposits (Negotiable certificates of deposit)	¥ 435,863	¥ 435,863	¥ —	¥ 491,530	¥ 491,530	¥ —
[Available-for-sale securities] ^{*1}	[435,863]	[435,863]	—	[491,530]	[491,530]	—
Monetary claims bought	326,239	329,205	2,966	565,143	567,468	2,324
[Available-for-sale securities] ^{*1}	[193,071]	[193,071]	—	[439,749]	[439,749]	—
Money held in trust	—	—	—	—	—	—
Securities ^{*2}	31,107,116	33,429,771	¥2,322,654	34,148,858	36,023,018	1,874,159
Trading securities	1,008,273	1,008,273	—	1,143,093	1,143,093	—
Held-to-maturity debt securities	1,795,570	2,131,695	336,124	1,661,737	1,933,862	272,125
Policy-reserve-matching bonds	12,029,249	14,032,115	2,002,866	12,470,906	14,068,089	1,597,183
Investments in subsidiaries and affiliated companies	44,205	27,869	(16,336)	42,011	46,861	4,850
Available-for-sale securities	16,229,817	16,229,817	—	18,831,109	18,831,109	—
Loans	2,834,875			2,645,407		
Allowance for possible loan losses ^{*3}	(768)			(3,258)		
	2,834,106	2,852,340	18,233	2,642,149	2,677,466	35,316
Corporate bonds	477,709	464,761	(12,948)	474,969	485,900	10,930
Derivative transactions ^{*4}	179,494	179,494	—	(464,448)	(464,448)	—
Hedge accounting not applied	39,568	39,568	—	(89,026)	(89,026)	—
Hedge accounting applied	139,925	139,925	—	(375,421)	(375,421)	—

*1 Available-for-sale securities are shown in [].

*2 This table does not include financial instruments for which fair values are not practically determinable, such as unlisted securities.

The consolidated balance sheet amounts of these securities were ¥117,857 million and ¥194,937 million as of March 31, 2020 and 2021, respectively.

*3 The allowance for possible loan losses earmarked for loans is deducted from the carrying amount of loans.

*4 Debits and credits arising from derivative transactions are netted, and the net credit positions are shown in ().

The following table shows the carrying amounts in the consolidated balance sheet and the fair values and their differences of financial instruments as of March 31, 2022.

The amounts shown in the following tables do not include stocks with no market prices and investments in partnership. Cash and deposits (except Negotiable certificates of deposit), Call loans, Payables under repurchase agreements and Payables under securities borrowing transactions are not included in the following tables since they are mostly short-term, and their fair values approximate their book values.

As of March 31	Millions of Yen			Millions of U.S. Dollars		
	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference
Cash and deposits (Negotiable certificates of deposit)	¥ 520,844	¥ 520,844	¥ —	\$ 4,255	\$ 4,255	\$ —
[Available-for-sale securities] ^{*1}	[520,844]	[520,844]	—	[4,255]	[4,255]	—
Monetary claims bought	310,140	311,400	1,259	2,534	2,544	10
[Available-for-sale securities] ^{*1}	[192,123]	[192,123]	—	[1,569]	[1,569]	—
Money held in trust	4,914	4,914	—	40	40	—
Securities	35,450,247	36,790,028	1,339,781	289,649	300,596	10,946
Trading securities	1,107,657	1,107,657	—	9,050	9,050	—
Held-to-maturity debt securities	1,640,178	1,891,271	251,092	13,401	15,452	2,051
Policy-reserve-matching bonds	12,514,443	13,596,489	1,082,045	102,250	111,091	8,840
Investments in subsidiaries and affiliated companies	47,036	53,679	6,642	384	438	54
Available-for-sale securities	20,140,931	20,140,931	—	164,563	164,563	—
Loans	3,023,520			24,703		
Allowance for possible loan losses ^{*2}	(3,295)			(26)		
	3,020,225	3,046,138	25,912	24,677	24,888	211
Corporate bonds	508,257	515,593	7,336	4,152	4,212	59
Derivative transactions ^{*3}	(614,268)	(614,268)	—	(5,018)	(5,018)	—
Hedge accounting not applied	(23,373)	(23,373)	—	(190)	(190)	—
Hedge accounting applied	(590,895)	(590,895)	—	(4,827)	(4,827)	—

*1 Available-for-sale securities are shown in [].

*2 The allowance for possible loan losses earmarked for loans is deducted from the carrying amount of loans.

*3 Debits and credits arising from derivative transactions are netted, and the net credit positions are shown in ().

Note 1: Matters related to securities, including certain deposits regarded as securities pursuant to “Accounting Standard for Financial Instruments” (ASBJ Statement No.10)

The following tables show the carrying amounts in the consolidated balance sheets, the fair values and their differences of held-to-maturity debt securities and policy-reserve-matching bonds as of March 31, 2020, 2021 and 2022.

1) Held-to-maturity debt securities

As of March 31	Millions of Yen			Millions of Yen		
	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference
Fair value exceeds the balance sheet amount						
Bonds	¥ 379,792	¥ 416,661	¥ 36,869	¥ 352,775	¥ 384,396	¥ 31,621
Foreign securities (bonds)	1,414,600	1,713,866	299,266	1,305,600	1,546,196	240,596
Fair value does not exceed the balance sheet amount						
Bonds	1,178	1,167	(11)	3,361	3,268	(92)
Foreign securities (bonds)	—	—	—	—	—	—
Total	1,795,570	2,131,695	336,124	1,661,737	1,933,862	272,125

As of March 31	Millions of Yen			Millions of U.S. Dollars		
	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference
Fair value exceeds the balance sheet amount						
Bonds	¥ 326,290	¥ 350,959	¥ 24,669	\$ 2,665	\$ 2,867	\$ 201
Foreign securities (bonds)	1,305,600	1,532,328	226,728	10,667	12,520	1,852
Fair value does not exceed the balance sheet amount						
Bonds	8,288	7,983	(304)	67	65	(2)
Foreign securities (bonds)	—	—	—	—	—	—
Total	1,640,178	1,891,271	251,092	13,401	15,452	2,051

2) Policy-reserve-matching bonds

As of March 31	Millions of Yen			Millions of Yen		
	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference
Fair value exceeds the balance sheet amount						
Bonds	¥10,989,452	¥12,959,664	¥1,970,212	¥10,346,526	¥11,949,729	¥1,603,203
Foreign securities (bonds)	559,223	603,107	43,884	613,425	664,746	51,321
Fair value does not exceed the balance sheet amount						
Bonds	302,785	297,241	(5,543)	1,269,774	1,229,897	(39,877)
Foreign securities (bonds)	177,788	172,101	(5,687)	241,179	223,715	(17,464)
Total	12,029,249	14,032,115	2,002,866	12,470,906	14,068,089	1,597,183

As of March 31	Millions of Yen			Millions of U.S. Dollars		
	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference
Fair value exceeds the balance sheet amount						
Bonds	¥ 9,121,741	¥10,385,240	¥1,263,498	\$ 74,530	\$ 84,853	\$10,323
Foreign securities (bonds)	408,480	422,909	14,429	3,337	3,455	117
Fair value does not exceed the balance sheet amount						
Bonds	2,425,133	2,276,412	(148,720)	19,814	18,599	(1,215)
Foreign securities (bonds)	559,088	511,926	(47,161)	4,568	4,182	(385)
Total	12,514,443	13,596,489	1,082,045	102,250	111,091	8,840

The following table shows the acquisition costs or amortized costs, the carrying amounts in the consolidated balance sheets and their differences of available-for-sale securities as of March 31, 2020, 2021 and 2022.

3) Available-for-sale securities

As of March 31	Millions of Yen			Millions of Yen		
	2020			2021		
Type	Acquisition costs or amortized costs	Balance sheet amount	Difference	Acquisition costs or amortized costs	Balance sheet amount	Difference
Balance sheet amount exceeds acquisition costs or amortized costs						
Negotiable certificates of deposit	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —
Monetary claims bought	159,666	168,153	8,486	131,002	137,430	6,427
Bonds	1,659,026	1,754,917	95,891	1,749,909	1,841,971	92,062
Stocks	590,729	1,270,735	680,005	951,446	2,204,160	1,252,714
Foreign securities	9,473,520	10,184,734	711,214	10,727,140	11,632,175	905,035
Foreign bonds	9,159,745	9,856,756	697,011	9,880,183	10,692,680	812,496
Other foreign securities	313,774	327,978	14,203	846,956	939,495	92,538
Other securities	54,551	66,754	12,202	329,067	367,843	38,775
Balance sheet amount does not exceed acquisition costs or amortized costs						
Negotiable certificates of deposit	435,900	435,863	(36)	491,600	491,530	(69)
Monetary claims bought	24,952	24,918	(34)	302,887	302,319	(567)
Bonds	591,297	577,571	(13,725)	866,604	831,411	(35,193)
Stocks	405,472	324,583	(80,889)	164,279	134,282	(29,996)
Foreign securities	1,885,745	1,819,711	(66,033)	1,886,365	1,800,000	(86,364)
Foreign bonds	1,427,585	1,383,966	(43,618)	1,559,224	1,477,596	(81,627)
Other foreign securities	458,160	435,744	(22,415)	327,140	322,403	(4,737)
Other securities	248,971	230,808	(18,163)	20,000	19,265	(735)
Total	15,529,834	16,858,752	1,328,917	17,620,302	19,762,389	2,142,087

As of March 31	Millions of Yen			Millions of U.S. Dollars		
	2022			2022		
Type	Acquisition costs or amortized costs	Balance sheet amount	Difference	Acquisition costs or amortized costs	Balance sheet amount	Difference
Balance sheet amount exceeds acquisition costs or amortized costs						
Negotiable certificates of deposit	¥ —	¥ —	¥ —	\$ —	\$ —	\$ —
Monetary claims bought	122,748	127,640	4,891	1,002	1,042	39
Bonds	927,128	975,276	48,148	7,575	7,968	393
Stocks	902,639	2,084,398	1,181,759	7,375	17,030	9,655
Foreign securities	7,579,746	8,118,621	538,875	61,931	66,334	4,402
Foreign bonds	6,858,017	7,242,811	384,794	56,034	59,178	3,144
Other foreign securities	721,728	875,810	154,081	5,896	7,155	1,258
Other securities	192,719	225,564	32,845	1,574	1,843	268
Balance sheet amount does not exceed acquisition costs or amortized costs						
Negotiable certificates of deposit	520,900	520,844	(55)	4,256	4,255	0
Monetary claims bought	65,354	64,483	(870)	533	526	(7)
Bonds	1,992,142	1,901,023	(91,118)	16,277	15,532	(744)
Stocks	252,606	213,078	(39,527)	2,063	1,740	(322)
Foreign securities	6,681,426	6,413,183	(268,242)	54,591	52,399	(2,191)
Foreign bonds	5,714,947	5,514,520	(200,427)	46,694	45,056	(1,637)
Other foreign securities	966,478	898,663	(67,815)	7,896	7,342	(554)
Other securities	218,287	209,782	(8,504)	1,783	1,714	(69)
Total	19,455,698	20,853,900	1,398,201	158,964	170,388	11,424

Note 2: Consolidated balance sheet amounts of stocks with no market prices and investments in partnerships are as follows. These amounts are not included the tables disclosed in “2) Fair value of financial instruments”:

As of March 31	Millions of Yen		Millions of U.S. Dollars	
	2022		2022	
	Balance sheet amount		Balance sheet amount	
Stocks with no market prices*1	¥136,387		\$1,114	
Investments in partnership*2	246,617		2,015	

*1 Unlisted stocks are included in stocks with no market prices.

*2 Investments in partnership includes those for Limited Partnerships. In accordance with Paragraph 27 of “Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, July 4, 2019),” these amounts are not included in fair value disclosure.

Note 3: Maturity analysis of monetary claims, securities with maturities, corporate bonds and other liabilities

Scheduled redemptions of monetary claims, securities with maturities and corporate bonds

As of March 31	Millions of Yen				Millions of Yen			
	2020				2021			
	Within 1 year	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years	Within 1 year	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years
Negotiable certificates of deposit	¥435,900	¥ —	¥ —	¥ —	¥491,600	¥ —	¥ —	¥ —
Monetary claims bought	24,116	203	282	293,163	280,549	208	288	278,221
Securities	699,726	3,043,624	8,459,941	13,699,243	487,926	3,938,537	9,055,851	14,394,458
Held-to-maturity debt securities	117,198	283,826	402,846	989,981	2,912	592,931	220,841	843,626
Policy-reserve-matching bonds	62,917	618,889	3,325,789	7,920,101	160,260	690,872	3,949,273	7,573,284
Available-for-sale securities	519,611	2,140,909	4,731,305	4,789,159	324,754	2,654,734	4,885,736	5,977,547
Loans	401,786	547,750	630,543	947,115	181,062	561,019	595,083	1,025,841
Corporate bonds	—	27,390	—	449,924	—	24,745	—	449,924

As of March 31	Millions of Yen				Millions of U.S. Dollars			
	2022				2022			
	Within 1 year	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years	Within 1 year	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years
Negotiable certificates of deposit	¥520,900	¥ —	¥ —	¥ —	\$4,256	\$ —	\$ —	\$ —
Monetary claims bought	34,550	213	295	271,025	282	1	2	2,214
Securities	729,290	4,928,930	9,413,674	14,116,412	5,958	40,272	76,915	115,339
Held-to-maturity debt securities	22,904	613,924	219,608	782,622	187	5,016	1,794	6,394
Policy-reserve-matching bonds	160,622	970,898	4,251,363	7,045,414	1,312	7,932	34,736	57,565
Available-for-sale securities	545,763	3,344,108	4,942,702	6,288,374	4,459	27,323	40,384	51,379
Loans	430,316	561,029	588,104	1,173,472	3,515	4,583	4,805	9,587
Corporate bonds	—	27,499	—	480,510	—	224	—	3,926

The table above excludes certain financial instruments for which estimation of the scheduled redemptions is impracticable, such as loans to borrowers that are legally or substantially bankrupt and borrowers likely to become bankrupt, and those without maturities.

3) Matters concerning fair value of financial instruments and breakdown by input level

The fair values of financial instruments are classified into the following three levels depending on the observability and significance of the input used in the fair value measurement.

Level 1: Fair value determined based on the (unadjusted) quoted price in an active market for the same asset or liability

Level 2: Fair value determined based on directly or indirectly observable inputs other than Level 1 inputs

Level 3: Fair value determined based on significant unobservable inputs

If multiple inputs with a significant impact are used for the fair value measurement of a financial instrument, the financial instrument is classified to the lowest priority level of fair value measurement in which each input belongs.

1) Financial assets and liabilities at the fair value on the consolidated balance sheets

As of March 31	Millions of Yen				Millions of U.S. Dollars			
	2022				2022			
	Fair value				Fair value			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Negotiable certificates of deposit	¥ —	¥ 520,844	¥ —	¥ 520,844	\$ —	\$ 4,255	\$ —	\$ 4,255
Monetary claims bought	—	34,493	157,630	192,123	—	281	1,287	1,569
Money held in trust	—	—	4,914	4,914	—	—	40	40
Securities	6,520,745	11,806,909	527,991	18,855,647	53,278	96,469	4,314	154,061
Trading securities	510,889	397,991	12,332	921,214	4,174	3,251	100	7,526
Available-for-sale securities	6,009,855	11,408,918	515,658	17,934,432	49,104	93,217	4,213	146,535
National government bonds	1,291,807	—	—	1,291,807	10,554	—	—	10,554
Local government bonds	—	46,195	—	46,195	—	377	—	377
Corporate bonds	—	1,537,296	1,000	1,538,296	—	12,560	8	12,568
Domestic stocks	2,296,837	640	—	2,297,477	18,766	5	—	18,771
Foreign securities	2,417,887	9,824,785	514,658	12,757,331	19,755	80,274	4,205	104,235
Foreign bonds	2,417,887	9,824,785	514,658	12,757,331	19,755	80,274	4,205	104,235
Other securities	3,323	—	—	3,323	27	—	—	27
Loans	—	—	114,039	114,039	—	—	931	931
Derivative transactions	558	208,908	11,734	221,201	4	1,706	95	1,807
Currency-related	—	155,693	—	155,693	—	1,272	—	1,272
Interest-rate related	—	13,306	—	13,306	—	108	—	108
Stock-related	556	38,016	11,734	50,307	4	310	95	411
Other	2	1,892	—	1,895	0	15	—	15
Total Assets	6,521,303	12,571,157	816,310	19,908,771	53,282	102,713	6,669	162,666
Derivative transactions	7,481	825,334	2,654	835,470	61	6,743	21	6,826
Currency-related	—	815,207	2,169	817,377	—	6,660	17	6,678
Interest-rate related	—	7,153	—	7,153	—	58	—	58
Stock-related	6,347	2,786	484	9,618	51	22	3	78
Other	1,133	187	—	1,320	9	1	—	10
Total Liabilities	7,481	825,334	2,654	835,470	61	6,743	21	6,826

The amount of investment trusts for which transitional measures are applied in accordance with Paragraph 26 of "Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, July 4, 2019)," were not included in the table above. The consolidated balance sheet amount of these investment trusts was ¥2,392,941 million (U.S. \$19,551 million) as of March 31, 2022.

2) Financial assets and liabilities which are not stated at the fair value on the consolidated balance sheet

As of March 31	Millions of Yen				Millions of U.S. Dollars			
	2022				2022			
	Fair value				Fair value			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Monetary claims bought	¥ —	¥ —	¥ 119,276	¥ 119,276	\$ —	\$ —	\$ 974	\$ 974
Securities	10,623,422	4,916,008	2,008	15,541,440	86,799	40,166	16	126,982
Held-to-maturity debt securities	165,421	1,725,849	—	1,891,271	1,351	14,101	—	15,452
National government bonds	165,421	—	—	165,421	1,351	—	—	1,351
Local government bonds	—	2,031	—	2,031	—	16	—	16
Corporate bonds	—	191,489	—	191,489	—	1,564	—	1,564
Foreign securities	—	1,532,328	—	1,532,328	—	12,520	—	12,520
Foreign bonds	—	1,532,328	—	1,532,328	—	12,520	—	12,520
Policy-reserve-matching bonds	10,458,000	3,136,479	2,008	13,596,489	85,448	25,626	16	111,091
National government bonds	10,458,000	—	—	10,458,000	85,448	—	—	85,448
Local government bonds	—	135,972	—	135,972	—	1,110	—	1,110
Corporate bonds	—	2,067,679	—	2,067,679	—	16,894	—	16,894
Foreign securities	—	932,827	2,008	934,836	—	7,621	16	7,638
Foreign bonds	—	932,827	2,008	934,836	—	7,621	16	7,638
Investment in unconsolidated subsidiaries and affiliated companies	—	53,679	—	53,679	—	438	—	438
Loans	—	18,038	2,914,060	2,932,098	—	147	23,809	23,957
Total Assets	10,623,422	4,934,046	3,035,346	18,592,815	86,799	40,314	24,800	151,914
Corporate Bonds	—	515,593	—	515,593	—	4,212	—	4,212
Total Liabilities	—	515,593	—	515,593	—	4,212	—	4,212

Note 1: Description of the valuation techniques and inputs used to measure fair value

Assets

1) Monetary claims bought

As for securitized products of monetary claims bought, the fair values are based on the values deemed as market prices obtained by the reasonable estimate such as those obtained from financial information vendors and brokers and are categorized as Level 3 since significant valuation inputs are unobservable.

As for monetary claims bought other than those described above, when the present values of the expected future cash flows are considered to be fair values, those other monetary claims bought are categorized as Level 3 since the discount rate and other significant valuation inputs are unobservable and as Level 2 when those inputs are observable.

2) Money held in trust

As for money held in trust, the fair value is determined based on each component of trust properties quoted by the financial institutions from which these securities were purchased, and classified into Level 3 since significant valuation inputs are unobservable.

3) Securities

As for securities for which unadjusted quoted prices in active markets are available, those securities are categorized as Level 1 which includes mainly stocks and national government bonds.

In the case the markets are inactive even if the quoted prices are available, those securities are categorized as Level 2, which includes mainly local government bonds and corporate bonds.

When the quoted prices are not available, fair values are measured at the present value of the expected future cash flows and others. When making these assessments, we maximize the use of relevant observable inputs and the main inputs include government bond yields, prepayments rates, credit spreads, default rates, loss given default rates. When significant unobservable valuation inputs are used, those securities are categorized as level 3.

4) Loans

As for general loans, the fair values are measured, for each category of the loans determined according to the types, internal ratings and terms of the loans, by discounting the total amount of principal and interest and others at the discount rate that reflects market interest rates and other factors such as credit risks. When significant unobservable valuation inputs are used, those loans are categorized as level 3.

As for policy loans, the book value is deemed as the fair value since the fair value approximates the book value, considering that the loan amount is limited within surrender value with no contractual maturity and given their estimated repayment period and interest rate terms, and those loans are categorized as level 3.

Liabilities

1) Corporate bonds

As for Corporate bonds, quoted prices in inactive markets are considered to be fair values and those bonds are categorized as level 2.

Derivative transactions

Derivative transactions that can be measured at unadjusted quoted prices in active markets are categorized as Level 1, which includes such transactions as bonds futures and stocks futures. However, since most derivative transactions are over-the-counter transactions and there are no quoted market prices, fair values are measured using valuation techniques such as the discounted cash flow method and the Black-Scholes model, depending on the type of transaction and the maturity period. The main inputs which are used in those valuation techniques include interest rate, currency rate, volatility and others. When unobservable inputs are not used or impact of unobservable inputs are not material, transactions are categorized as Level 2, which mainly includes such transactions as plain vanilla interest rate swaps and foreign exchange forwards. When significant unobservable inputs are used, transactions are categorized as Level 3, which includes transactions such as stock option transactions.

Since foreign exchange forward contracts and currency swap contracts subject to the allocation method are treated as an integral part of the hedged foreign currency denominated loans and bonds payable, their fair value is included in the fair value of hedged loans and bonds payable in the table above. In addition, since interest rate swaps subject to the exceptional method are treated as an integral part of the hedged loan, their fair value is included in the fair value of hedged loans in the table above.

Note 2: Information about financial assets and liabilities measured and stated on the consolidated balance sheet at fair value and classified in Level 3

1) Quantitative information about significant unobservable input^{*1}

Category	Valuation technique	Significant unobservable inputs	Range
Loans	Discounted cash flow	Discounted rate	2.4% - 4.8%

*1 The above table does not include information about Level 3 inputs when the prices obtained from third parties are used without adjustment as the fair value.

2) Reconciliation between the beginning and ending balance, and net unrealized gains (losses) recognized in the earnings for the period ended March 31, 2022

As of March 31	Millions of Yen						Millions of U.S. Dollars					
	2022						2022					
	Monetary claims bought	Money held in trust	Securities	Loans	Derivative transactions ^{*5}	Total	Monetary claims bought	Money held in trust	Securities	Loans	Derivative transactions ^{*5}	Total
Beginning balance	¥159,383	¥ —	¥473,620	¥112,291	¥(20,035)	¥725,260	\$1,302	\$—	\$3,869	\$917	\$(163)	\$5,925
Gains (losses) for the period/ other comprehensive income	(1,941)	382	27,331	(1,735)	2,099	26,136	(15)	3	223	(14)	17	213
Recorded to gains (losses) for the period ^{*1}	8	382	30,527	(1,735)	2,099	31,282	0	3	249	(14)	17	255
Recorded to other comprehensive income ^{*2}	(1,950)	—	(3,195)	—	—	(5,145)	(15)	—	(26)	—	—	(42)
Net amount of purchase, sale, issuance and settlement, etc.	187	4,532	30,549	3,483	27,016	65,768	1	37	249	28	220	537
Transfer to Level 3 ^{*3}	—	—	6,374	—	—	6,374	—	—	52	—	—	52
Transfer from Level 3 ^{*4}	—	—	(9,884)	—	—	(9,884)	—	—	(80)	—	—	(80)
Ending balance	157,630	4,914	527,991	114,039	9,080	813,656	1,287	40	4,314	931	74	6,648
Net unrealized gains (losses) on financial assets and liabilities held at consolidated balance sheet date among the amount recognized in the earnings of the period	—	—	3,114	6,402	(994)	8,522	—	—	25	52	(8)	69

*1 Principally included in "Investment income" and "Investment expenses" of the consolidated statements of income.

*2 Included in "Net unrealized gains (losses) on available-for-sale securities" under "Other comprehensive income (loss)." of the consolidated statements of comprehensive income.

*3 Those are the transfers from Level 1 or 2 to Level 3, due to changes in observability of valuation inputs which are used in fair value measurements.

The transfer was made on the beginning of the fiscal year.

*4 Those are the transfers from Level 3 to Level 1 or 2, due to changes in observability of valuation inputs which are used in fair value measurements.

The transfer was made on the beginning of the fiscal year.

*5 Debits and credits arising from derivative transactions are netted, and the net credit positions are shown in ().

3) Explanation about the fair value valuation process

The company's risk management department has implemented policies and procedures regarding the fair value measurement and front divisions and others obtain and measure the fair values in accordance with such policies and procedures. The risk management department and others verify the reasonableness of the fair value valuation models, the inputs used, and the appropriateness of the classified fair value level of the calculated fair value. The results of verification are reported to the risk management department every quarter to ensure the appropriateness of the policies and procedures regarding the fair value measurement.

When measuring the fair values, the valuation models which most appropriately reflect the nature, characteristics and risks of each asset are used. When quoted prices obtained from third parties are used as fair value, their validity is verified taking appropriate methods such as confirming the valuation techniques and inputs used and comparing with the fair value of similar financial instruments.

4) Description of the sensitivity of the fair value to changes in significant unobservable inputs

Discount rate

Discount rate is a rate that is adjusted to reflect the uncertainty of cash flow and the liquidity of financial instruments.

A significant increase (decrease) in discount rate generally causes a significant decrease (increase) in fair value.

Note 3: Fair values of derivative transactions

1) Interest-rate related

a) Hedge accounting not applied

Type	Millions of Yen				Millions of Yen			
	2020				2021			
	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)
Interest rate swaps								
Receipts fixed, payments floating	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —
Receipts floating, payments fixed	48,973	—	(544)	(544)	83,032	—	6,081	6,081
Others	130,010	130,010	(16)	(16)	61,409	61,409	3,828	3,828
Total				(560)				9,909

Type	Millions of Yen				Millions of U.S. Dollars			
	2022				2022			
	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)
Interest rate swaps								
Receipts fixed, payments floating	¥165,884	¥165,884	¥(1,871)	¥(1,871)	\$1,355	\$1,355	\$(15)	\$(15)
Receipts floating, payments fixed	91,792	91,792	10,820	10,820	750	750	88	88
Others	136,766	136,766	1,581	1,581	1,117	1,117	12	12
Total				10,529				86

*1. Net gains (losses) represent the fair values for interest rate swaps.

b) Hedge accounting applied

Hedge accounting model	Type	Main hedged items	Millions of Yen			Millions of Yen		
			2020			2021		
			Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value
Interest rate swaps								
Exceptional method	Receipts fixed, payments floating	Loans	¥ 4,535	¥ 145	¥ 5	¥ 145	¥ 80	¥ 1
Interest rate swaps								
Deferred hedge method	Receipts fixed, payments floating	Loans	114,755	114,061	1,012	107,501	100,499	3,649
Total								3,650

Hedge accounting model	Type	Main hedged items	Millions of Yen			Millions of U.S. Dollars		
			2022			2022		
			Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value
Interest rate swaps								
Exceptional method	Receipts fixed, payments floating	Loans	¥ 80	¥ 35	¥ 0	\$ 0	\$ 0	\$ 0
Interest rate swaps								
	Receipts fixed, payments floating	Loans	114,730	84,135	1,297	937	687	10
Deferred hedge method	Receipts fixed, payments floating	Insurance Liabilities	77,500	77,500	(5,038)	633	633	(41)
Total					(3,740)			(30)

*1. The fair values of certain interest rate swaps under the exceptional method are included in the fair values of related loans since they are accounted for as integrated transactions.

2) Currency-related

a) Hedge accounting not applied

As of March 31

Type	Millions of Yen				Millions of Yen			
	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)
				2020				2021
Foreign currency forward contracts								
Sold	¥2,458,184	¥ —	¥ 21,491	¥ 21,491	¥3,235,486	¥ —	¥(214,996)	¥(214,996)
(U.S. dollar)	1,304,922	—	(21,989)	(21,989)	1,500,512	—	(58,407)	(58,407)
(Euro)	750,151	—	6,909	6,909	1,149,871	—	(72,428)	(72,428)
(Australian dollar)	156,299	—	13,987	13,987	278,675	—	(67,010)	(67,010)
Bought	2,354,980	165,027	(22,626)	(22,626)	3,542,436	—	100,313	100,313
(U.S. dollar)	1,189,033	—	1,595	1,595	1,418,949	—	47,159	47,159
(Euro)	907,915	165,027	(1,984)	(1,984)	1,540,936	—	44,898	44,898
(Australian dollar)	22,344	—	(1,519)	(1,519)	272,639	—	5,311	5,311
Currency options								
Sold								
Call	220,250	—	—	—	172,500	—	—	—
	[907]	—	1,783	(876)	[726]	—	172	553
(U.S. dollar)	220,250	—	—	—	172,500	—	—	—
	[907]	—	1,783	(876)	[726]	—	172	553
Put	—	—	—	—	135,000	—	—	—
	—	—	—	—	[681]	—	—	681
(U.S. dollar)	—	—	—	—	135,000	—	—	—
	—	—	—	—	[681]	—	—	681
Bought								
Put	199,000	—	—	—	150,000	—	—	—
	[1,986]	—	1,201	(784)	[2,186]	—	2	(2,184)
(U.S. dollar)	199,000	—	—	—	150,000	—	—	—
	[1,986]	—	1,201	(784)	[2,186]	—	2	(2,184)
Total				(2,795)				(115,631)

As of March 31

Type	Millions of Yen				Millions of U.S. Dollars			
	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)
				2022				2022
Foreign currency forward contracts								
Sold	¥2,215,532	¥ —	¥(221,515)	¥(221,515)	\$18,102	\$ —	\$(1,809)	\$(1,809)
(U.S. dollar)	983,269	—	(118,453)	(118,453)	8,033	—	(967)	(967)
(Euro)	582,889	—	(29,456)	(29,456)	4,762	—	(240)	(240)
(Australian dollar)	513,509	—	(60,675)	(60,675)	4,195	—	(495)	(495)
Bought	2,640,665	—	147,989	147,989	21,575	—	1,209	1,209
(U.S. dollar)	989,700	—	47,798	47,798	8,086	—	390	390
(Euro)	1,034,799	—	60,119	60,119	8,454	—	491	491
(Australian dollar)	485,776	—	37,184	37,184	3,969	—	303	303
Currency options								
Sold								
Call	120,000	—	—	—	980	—	—	—
	[313]	—	2,169	(1,856)	[2]	—	17	(15)
(U.S. dollar)	120,000	—	—	—	980	—	—	—
	[313]	—	2,169	(1,856)	[2]	—	17	(15)
Put	—	—	—	—	—	—	—	—
(U.S. dollar)	—	—	—	—	—	—	—	—
Bought								
Put	100,000	—	—	—	817	—	—	—
	[422]	—	—	(422)	[3]	—	—	(3)
(U.S. dollar)	100,000	—	—	—	817	—	—	—
	[422]	—	—	(422)	[3]	—	—	(3)
Total				(75,805)				(619)

*1. Option fees are shown in [].

*2. Net gains (losses) represent the fair values for foreign currency forward contracts and the differences between the option fees and the fair values for option transactions.

b) Hedge accounting applied

As of March 31

Hedge accounting model	Type	Main hedged items	Millions of Yen			Millions of Yen			
			2020		2021				
			Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	
Fair value hedge method	Foreign currency forward contracts	Foreign-currency-denominated assets	Sold	¥7,329,758	¥1,191,995	¥134,617	¥7,954,817	¥2,386,505	¥(374,068)
			(U.S. dollar)	3,754,163	1,138,338	(24,521)	3,670,328	1,116,818	(161,117)
			(Euro)	2,155,977	—	24,938	2,412,569	906,783	(84,208)
			(Australian dollar)	915,189	53,656	97,658	1,234,976	248,123	(109,166)
Allocation method	Currency swaps (U.S. dollar)	Foreign-currency-denominated assets		168,916	168,916	12,234	179,829	173,945	4,776
				168,916	168,916	12,234	179,829	173,945	4,776
Allocation method	Currency swaps (U.S. dollar)	Foreign-currency-denominated liabilities		244,924	244,924	28,825	244,924	244,924	29,996
				244,924	244,924	28,825	244,924	244,924	29,996
Cash flow hedge	Currency swaps (Great Britain pound)	Foreign-currency-denominated assets		139,541	131,908	5,422	124,047	112,113	(1,052)
				73,309	67,473	7,878	54,240	44,444	4,059
			(U.S. dollar)	35,351	35,351	(3,656)	35,351	35,351	(3,685)
			(Euro)	27,328	25,530	1,138	28,501	26,363	(1,118)
Total					181,100			(340,346)	

As of March 31

Hedge accounting model	Type	Main hedged items	Millions of Yen			Millions of U.S. Dollars			
			2022		2022				
			Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	
Fair value hedge method	Foreign currency forward contracts	Foreign-currency-denominated assets	Sold	¥7,894,713	¥3,363,811	¥(585,471)	\$64,504	\$27,484	\$(4,783)
			(U.S. dollar)	3,829,723	1,656,305	(318,481)	31,291	13,533	(2,602)
			(Euro)	2,546,059	1,265,539	(126,821)	20,802	10,340	(1,036)
			(Australian dollar)	1,159,427	441,967	(114,262)	9,473	3,611	(933)
Allocation method	Currency swaps (U.S. dollar)	Foreign-currency-denominated assets		185,118	185,118	(15,141)	1,512	1,512	(123)
				185,118	185,118	(15,141)	1,512	1,512	(123)
Allocation method	Currency swaps (U.S. dollar)	Foreign-currency-denominated liabilities		345,510	345,510	49,984	2,823	2,823	408
				345,510	345,510	49,984	2,823	2,823	408
Cash flow hedge	Currency swaps (Great Britain pound)	Foreign-currency-denominated assets		124,488	109,629	(516)	1,017	895	(4)
				49,249	34,390	3,735	402	280	30
			(U.S. dollar)	35,351	35,351	(5,057)	288	288	(41)
			(Euro)	33,434	33,434	891	273	273	7
Total				(551,144)			(4,503)		

*1. The fair values of foreign currency forward contracts and currency swaps under the allocation method are included in the fair values of related foreign-currency-denominated assets and liabilities since they are accounted for as integrated transactions.

3) Stock-related

a) Hedge accounting not applied

As of March 31

Classification	Type	Millions of Yen				Millions of Yen			
		Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)
					2020				2021
Exchange-traded transactions	Stock index futures								
	Sold	¥ —	¥ —	¥ —	¥ —	¥ 2,344	¥ —	¥ (58)	¥ (58)
	Bought	32,153	12,652	1,344	1,344	33,041	—	487	487
	Commodity index futures								
	Sold	—	—	—	—	—	—	—	—
	Bought	—	—	—	—	100	—	5	5
Over-the-counter transactions	Stock index options								
	Sold								
	Call	—	—	—	—	148,470	—	—	—
	Put	[—]	—	—	—	[1,674]	—	28,555	(26,881)
	Bought								
	Call	10,751	5,723	134	157	151,707	2,622	725	3,282
	Put	[292]	—	—	—	[4,007]	—	—	—
	Bought								
	Call	961,900	736,347	39,796	14,384	1,027,089	7,083	41,838	13,964
	Put	[25,412]	—	—	—	[27,873]	—	—	—
	Put	—	—	—	—	149,985	—	—	—
	Put	[—]	—	—	—	[5,481]	—	—	(5,481)
Total					15,886				(14,680)

As of March 31

Classification	Type	Millions of Yen				Millions of U.S. Dollars			
		Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)
					2022				2022
Exchange-traded transactions	Stock index futures								
	Sold	¥ 83,890	¥ —	¥ (6,328)	¥ (6,328)	\$ 685	\$ —	\$ (51)	\$ (51)
	Bought	13,907	—	537	537	113	—	4	4
	Commodity index futures								
	Sold	—	—	—	—	—	—	—	—
	Bought	78	—	2	2	0	—	0	0
Over-the-counter transactions	Stock index options								
	Sold								
	Call	—	—	—	—	—	—	—	—
	Put	[—]	—	—	—	[—]	—	—	—
	Bought								
	Call	100,316	6,295	3,271	1,767	819	51	26	14
	Put	[5,038]	—	—	—	[41]	—	—	—
	Bought								
	Call	1,225,406	35,993	49,751	14,674	10,012	294	406	119
	Put	[35,076]	—	—	—	[286]	—	—	—
	Put	66,000	—	—	—	539	—	—	—
	Put	[1,392]	—	0	(1,391)	[11]	—	0	(11)
Total					9,260				75

*1. Option fees are shown in [].

*2. Net gains (losses) represent the fair values for futures trading and the difference between the option fees and the fair values for option transactions.

b) Hedge accounting applied

No ending balances as of March 31, 2020, 2021 and 2022.

4) Bond-related

a) Hedge accounting not applied

As of March 31		Millions of Yen				Millions of Yen			
		2020				2021			
Classification	Type	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)
Exchange-traded transactions	Bond futures Sold	¥ —	¥ —	¥ —	¥ —	¥20,393	¥ —	¥ 99	¥ 99
	Bought	—	—	—	—	33,536	—	(47)	(47)
Total		—				51			

As of March 31		Millions of Yen				Millions of U.S. Dollars			
		2022				2022			
Classification	Type	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)
Exchange-traded transactions	Bond futures Sold	¥ —	¥ —	¥ —	¥ —	\$ —	\$ —	\$ —	\$ —
	Bought	66,423	—	(1,133)	(1,133)	542	—	(9)	(9)
Total		(1,133)				(9)			

*1. Net gains (losses) represent the fair values for futures trading.

b) Hedge accounting applied

No ending balances as of March 31, 2020, 2021 and 2022.

5) Other

a) Hedge accounting not applied

As of March 31		Millions of Yen				Millions of Yen			
		2020				2021			
Classification	Type	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)
Over-the-counter transactions	Multi-Asset index options Sold	¥139,122	¥ —	¥ 62	¥ 275	¥134,140	¥ —	¥ 549	¥(103)
		[337]				[445]			
	Bought	128,961	—	900	(1,915)	127,843	—	3,421	790
		[2,816]				[2,630]			
Total		(1,639)				687			

As of March 31		Millions of Yen				Millions of U.S. Dollars			
		2022				2022			
Classification	Type	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)
Over-the-counter transactions	Multi-Asset index options Sold	¥136,100	¥ —	¥ 187	¥ 227	\$1,112	\$ —	\$ 1	\$ 1
		[414]				[3]			
	Bought	143,926	—	1,892	(990)	1,175	—	15	(8)
		[2,882]				[23]			
Total		(762)				(6)			

*1. Option fees are shown in [].

*2. Net gains (losses) represent the differences between the option fees and the fair values for option transactions.

b) Hedge accounting applied

No ending balances as of March 31, 2020, 2021 and 2022.

Note **5**

Fair Value of Investment and Rental Property

The carrying amounts for investment and rental properties were ¥393,623 million, ¥397,361 million and ¥395,019 million (U.S. \$3,227 million), and their fair values were ¥504,776 million, ¥516,728 million and ¥532,472 million (U.S. \$4,350 million) as of March 31, 2020, 2021 and 2022, respectively. The Company owns office buildings and land in Tokyo and other areas, the fair value of which is mainly based on appraisals by qualified external appraisers. Asset retirement obligations for certain investment and rental properties were established as other liabilities in the amounts of ¥1,364 million, ¥1,384 million and ¥1,319 million (U.S. \$10 million) as of March 31, 2020, 2021 and 2022, respectively.

Note **6**

Securities Lending

Securities loaned under security lending agreements amounted to ¥3,905,476 million, ¥4,366,031 million and ¥4,776,801 million (U.S. \$39,029 million) as of March 31, 2020, 2021 and 2022, respectively.

Note **7**

Accumulated Depreciation

Accumulated depreciation of tangible fixed assets amounted to ¥424,009 million, ¥433,122 million and ¥434,717 million (U.S. \$3,551 million) as of March 31, 2020, 2021 and 2022, respectively.

Note **8**

Deduction from the original acquisition cost of qualified properties

The Company's total amounts deducted from the original acquisition cost of the qualified properties were nil, nil and ¥2,826 million (U.S. \$23 million) for the fiscal years ended March 31, 2020, 2021 and 2022, respectively.

Note **9**

Separate Accounts

The total amounts of assets held in separate accounts defined in Article 118 of the Insurance Business Act were ¥726,126 million, ¥828,123 million and ¥828,542 million (U.S. \$6,769 million) as of March 31, 2020, 2021 and 2022, respectively. The total amounts of separate account liabilities were the same as these.

Note **10**

Policyholders' Dividend Reserves

Changes in policyholders' dividend reserves for the fiscal years ended March 31, 2020, 2021 and 2022 were as follows:

	Millions of Yen			Millions of U.S. Dollars
	2020	2021	2022	2022
At the beginning of the fiscal year	¥226,323	¥221,485	¥218,156	\$1,782
Transfer from surplus in the previous fiscal year	50,285	47,451	54,181	442
Dividend payments to policyholders during the fiscal year	(55,155)	(50,810)	(56,141)	(458)
Interest accrued during the fiscal year	32	29	29	0
At the end of the fiscal year	¥221,485	¥218,156	¥216,226	\$1,766

Net Defined Benefit Liabilities

Assumptions used in accounting for the defined benefit plans for the fiscal years ended March 31, 2020, 2021 and 2022 were as follows:

	2020	2021	2022
	Benefit formula basis	Benefit formula basis	Benefit formula basis
Method of attributing benefits to period of service			
Amortization period for actuarial losses (Commencing in the following fiscal year after they are incurred)	8 years	8 years	8 years
Amortization period for past service costs	3 years	3 years	3 years

The following provide details of the retirement benefit plans.

1) Summary of the retirement benefit plans

The Company has defined benefit corporate pension plans and retirement allowance systems, which distribute a lump sum payment on retirement, as defined benefit plans, and a defined contribution pension plan as defined contribution plans.

The Company established retirement benefit trusts for certain retirement allowance systems.

As for accrued retirement benefits of certain consolidated subsidiaries, the simplified method is applied.

Certain foreign consolidated subsidiaries have defined contribution plans.

2) Defined benefit plans

a) Changes in the defined benefit obligations for the fiscal years ended March 31, 2020, 2021 and 2022 were as follows:

	Millions of Yen			Millions of U.S. Dollars	
	2020	2021	2022	2020	2022
At the beginning of the fiscal year	¥290,529	¥279,090	¥304,975	\$2,491	
Service costs	12,154	11,888	13,265	108	
Interest costs on projected benefit obligations	4,179	4,009	1,726	14	
Actuarial losses(gains)	(60)	33,137	2,090	17	
Benefits paid	(27,087)	(23,255)	(15,081)	(123)	
Past service costs	(737)	—	(780)	(6)	
Others	112	106	344	2	
At the end of the fiscal year	¥279,090	¥304,975	¥306,541	\$2,504	

b) Changes in the plan assets for the fiscal years ended March 31, 2020, 2021 and 2022 were as follows:

	Millions of Yen			Millions of U.S. Dollars	
	2020	2021	2022	2020	2022
At the beginning of the fiscal year	¥300,902	¥272,693	¥318,570	\$2,602	
Expected return on plan assets	3,719	2,146	3,048	24	
Actuarial gains(losses)	(24,323)	47,593	4,973	40	
Contribution by employer	7,012	6,985	5,418	44	
Benefits paid	(14,608)	(10,877)	(6,686)	(54)	
Others	(9)	29	10	0	
At the end of the fiscal year	¥272,693	¥318,570	¥325,333	\$2,658	

c) The amounts of the defined benefit liabilities and the defined benefit assets in the consolidated balance sheets as of March 31, 2020, 2021 and 2022 were determined as follows:

	Millions of Yen			Millions of U.S. Dollars
	2020	2021	2022	2022
Present value of funded obligations	¥ 277,305	¥ 303,128	¥ 304,018	\$ 2,484
Plan assets at fair value	(272,693)	(318,570)	(325,333)	(2,658)
Net present value of funded obligations	4,612	(15,442)	(21,315)	(174)
Present value of unfunded obligations	1,784	1,847	2,522	20
Net value on the balance sheet	6,396	(13,595)	(18,792)	(153)
Net defined benefit liabilities	13,655	4,775	2,884	23
Net defined benefit assets	(7,258)	(18,370)	(21,677)	(177)
Net value on the balance sheet	¥ 6,396	¥ (13,595)	¥ (18,792)	\$ (153)

d) The amounts recognized in retirement benefit expenses in the consolidated statements of income for the fiscal years ended March 31, 2020, 2021 and 2022 were as follows:

	Millions of Yen			Millions of U.S. Dollars
	2020	2021	2022	2022
Service costs	¥12,154	¥11,888	¥13,265	\$108
Interest costs on projected benefit obligations	4,179	4,009	1,726	14
Expected return on plan assets	(3,719)	(2,146)	(3,048)	(24)
Amortization of net actuarial losses(gains)	(7,227)	(4,734)	(4,381)	(35)
Amortization of net past service costs	(3,795)	(3,724)	(1,026)	(8)
Others	135	85	340	2
Retirement benefit expenses	¥ 1,726	¥ 5,376	¥ 6,876	\$ 56

e) Major components of other comprehensive income and accumulated other comprehensive income
Major components of other comprehensive income (before income tax effect adjustments) for the fiscal years ended March 31, 2020, 2021 and 2022 were as follows:

	Millions of Yen			Millions of U.S. Dollars
	2020	2021	2022	2022
Actuarial gains(losses)	¥(31,491)	¥ 9,721	¥(1,498)	\$ (12)
Past service costs	(3,057)	(3,724)	(245)	(2)
Total	¥(34,548)	¥ 5,997	¥(1,744)	\$ (14)

Major components of accumulated other comprehensive income (before income tax effect adjustments) as of March 31, 2020, 2021 and 2022 were as follows:

	Millions of Yen			Millions of U.S. Dollars
	2020	2021	2022	2022
Unrecognized actuarial gains(losses)	¥(9,951)	¥(229)	¥(1,728)	\$ (14)
Unrecognized past service costs	4,216	491	245	2
Total	¥(5,735)	¥ 261	¥(1,482)	\$ (12)

f) The plan assets

The plan assets as of March 31, 2020, 2021 and 2022 were comprised as follows:

	% of total fair value of plan assets		
	2020	2021	2022
Equity securities	32	35	40
General accounts of life insurance companies	46	41	36
Investment trusts	8	6	6
Debt securities	7	7	4
Others	7	11	14
Total	100	100	100

40%, 47% and 47% of the plan assets were the retirement benefit trusts as of March 31, 2020, 2021 and 2022, respectively.

g) The expected long-term rate of return on the plan assets

The expected long-term rate of return on the plan assets is calculated by aggregating the weighted rates of return derived from each asset category. The expected long-term rates of return for each asset category are based primarily on various aspects of long-term prospects for the economy that include historical performance and the market environment.

h) Assumptions used in calculation

Assumptions used in accounting for the defined benefit plans for the fiscal years ended March 31, 2020, 2021 and 2022 were as follows:

	2020	2021	2022
Discount rate	1.473%	0.575%	0.575%
Expected long-term rates of return on the plan assets			
Defined benefit pension plans	2.2%	1.3%	1.8%
Retirement benefit trusts	0.0%	0.0%	0.0%

3) Defined contribution plans

The amounts recognized as expenses for the defined contribution plans were ¥2,170 million, ¥2,317 million and ¥2,643 million (U.S. \$21 million) for the fiscal years ended March 31, 2020, 2021 and 2022, respectively.

Note 12

Income Taxes

The provision for income taxes is calculated based on the pretax surplus included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying the effective income tax rates that are based on the enacted statutory rates to the temporary differences.

Note 13

Foundation Funds

Foundation funds serve as the primary source of capital for Japanese mutual life insurance companies. These funds are similar to loans, as interest payments, maturity dates and other items must be established at the time of the offering. In the event of a bankruptcy or similar situations, repayment of the principal and interest of foundation funds is subordinated to the repayment of amounts owed to ordinary creditors and insurance claims and benefit payments owed to policyholders. Upon redemption of foundation funds, mutual companies are required to make an addition to the reserves for redemption of foundation funds, which serves as retained earnings, equal to the amount redeemed. As a result, the full amount of foundation funds remains in net assets even after redemption.

The Company redeemed ¥50,000 million, nil and nil of foundation funds and transferred the same amount of reserve for fund redemption to reserve for redemption of foundation funds as prescribed in Article 56 of the Insurance Business Act for the fiscal years ended March 31, 2020, 2021 and 2022, respectively.

Note 14

Pledged Assets

Assets pledged as collateral were securities in the amounts of ¥2,565,127 million, ¥3,407,982 million and ¥4,023,777 million (U.S. \$32,876 million), loans in the amounts of ¥203,300 million, ¥325,829 million and ¥427,658 million (U.S. \$3,494 million) and cash and deposits in the amounts of ¥1,102 million, ¥1,035 million and ¥1,144 million (U.S. \$9 million) as of March 31, 2020, 2021 and 2022, respectively.

Note 15

Investments in Affiliates

Total amounts of investments in affiliates were ¥76,949 million, ¥151,065 million and ¥189,174 million (U.S. \$1,545 million) as of March 31, 2020, 2021 and 2022, respectively.

Note 16**Loans**

Of claims pursuant to the Insurance Business Act, the aggregate amounts of claims against bankrupt or de facto bankrupt borrowers, doubtful claims, past due claims (3 months or more) and restructured claims were ¥1,089 million, ¥2,053 million and ¥1,355 million (U.S. \$11 million) as of March 31, 2020, 2021 and 2022, respectively. The details are as follows:

The amounts of claims against bankrupt or de facto bankrupt borrowers were nil, nil and nil, and doubtful claims were ¥835 million, ¥853 million and ¥755 million (U.S. \$6 million) as of March 31, 2020, 2021 and 2022, respectively.

The amounts of claims deemed uncollectible and directly deducted from the claims in the consolidated balance sheet were ¥21 million, ¥20 million and ¥17 million (U.S. \$0 million) as of March 31, 2020, 2021 and 2022, respectively, which were claims against bankrupt or de facto bankrupt borrowers. The amounts of claims deemed uncollectible and directly deducted from the claims in the non-consolidated balance sheet were nil, ¥226 million and nil as of March 31, 2020, 2021 and 2022, respectively, which is doubtful claims.

Claims against bankrupt or de facto bankrupt borrowers represent claims held against borrowers who have been declared insolvent or in a substantially similar condition, on the grounds of the commencement of bankruptcy or restructuring proceedings, filing for the proceedings of rehabilitation of other similar legal proceedings.

Doubtful claims are those against borrowers who have not yet failed but their financial condition and business performance have deteriorated, with a high possibility that the principal and interest on these claims will not be received as per agreement, excluding claims against bankrupt or de facto bankrupt borrowers.

The amounts of past due claims (3 months or more) were ¥254 million, nil and nil as of March 31, 2020, 2021 and 2022, respectively.

Past due claims (3 months or more) represent claims on which payments of principal or interest are past due over three months from the day following the contractual due date. Past due claims (3 months or more) do not include claims classified as claims against bankrupt or de facto bankrupt borrowers or doubtful claims.

The amounts of restructured claims were nil, ¥1,200 million and ¥600 million (U.S. \$4 million) as of March 31, 2020, 2021 and 2022, respectively.

Restructured claims represent claims which have been restructured to provide relief to the borrowers by reducing or waiving interest payments, by rescheduling repayments of principal or payments of interest, or by waiving claims for borrowers in order to support their recovery from financial difficulties. Restructured claims do not include claims classified as claims against bankrupt or de facto bankrupt borrowers, doubtful claims or past due claims (3 months or more).

Note 17**Loan Commitments**

The amounts of loan commitments outstanding were ¥17,777 million, ¥9,896 million and ¥27,098 million (U.S. \$221 million) as of March 31, 2020, 2021 and 2022, respectively.

Note 18**Contributions to the Life Insurance Policyholders Protection Corporation**

The Company and a domestic life insurance business subsidiary estimated future contributions to the Life Insurance Policyholders Protection Corporation in the amounts of ¥37,924 million, ¥36,294 million and ¥36,665 million (U.S. \$299 million) as of March 31, 2020, 2021 and 2022, respectively, pursuant to Article 259 of the Insurance Business Act.

These contributions are recognized as operating expenses when they are made.

Impairment of Fixed Assets

The details of impairment losses on fixed assets were as follows:

Accumulated impairment losses on fixed assets are directly reduced from amounts of their respective assets.

1) Method for grouping the assets

The Company groups all the fixed assets held and utilized for its insurance business as one asset group for the impairment test.

The Company treats real estates for investment and idle assets as an independent asset group for the impairment test.

2) Description of impairment losses

For the fiscal years ended March 31, 2020, 2021 and 2022, the Company recognized impairment losses on real estates for investment that experienced the deterioration of profitability and on the idle assets that experienced the decline in the fair value. For these assets, the Company reduced the carrying amounts to the recoverable amounts, and recognized impairment losses as extraordinary losses in the consolidated statements of income.

3) Breakdown of impairment losses for the fiscal years ended March 31, 2020, 2021 and 2022

Asset Group	Asset Category	Millions of Yen			Millions of U.S. Dollars	
		2020	2021	2022	2020	2022
Idle assets, etc.	Land and buildings	¥514	¥1,082	¥432	\$3	
Total		¥514	¥1,082	¥432	\$3	

4) The recoverable amounts

The recoverable amounts of real estates for investment are determined at net realizable value or value in use. The recoverable amounts for idle assets are determined at net realizable value. Net realizable value is calculated based on an estimated selling value, appraisal value based on the Real Estate Appraisal Standards, or publicly announced value. Value in use is determined as the estimated net future cash flows discounted at 5.0%.

Note **20**

Deferred Taxes

1) Deferred tax assets/liabilities as of March 31, 2020, 2021 and 2022 were recognized as follows:

	Millions of Yen			Millions of U.S. Dollars
	2020	2021	2022	2022
Deferred tax assets	¥ 648,740	¥ 701,323	¥ 781,308	\$ 6,383
Valuation allowance for deferred tax assets	(16,234)	(18,331)	(16,500)	(134)
Subtotal	632,505	682,991	764,807	6,248
Deferred tax liabilities	(429,125)	(647,550)	(487,943)	(3,986)
Net deferred tax assets(liabilities)	203,380	35,440	276,864	2,262

Major components of deferred tax assets/liabilities as of March 31, 2020, 2021 and 2022 were as follows:

	Millions of Yen			Millions of U.S. Dollars
	2020	2021	2022	2022
Deferred tax assets:				
Policy reserves and other reserves	¥ 309,500	¥ 340,808	¥ 396,857	\$ 3,242
Reserve for price fluctuation	220,239	247,115	271,813	2,220
Net defined benefit liabilities	34,322	28,691	27,341	223
Deferred tax liabilities:				
Net unrealized gains on available-for-sale securities	(354,974)	(567,898)	(378,029)	(3,088)
Other intangible fixed assets	(28,291)	(22,349)	(24,408)	(199)

2) The actual effective income tax rates were (36.4)% and (18.1)% for the fiscal years ended March 31, 2021 and 2022, respectively. Major components in the differences with the statutory effective income tax rates were as follows:

	2020	2021	2022
Policyholders' dividend reserves		(76.5)%	(42.2)%
Investment tax credits of foreign consolidated subsidiaries		(13.6)%	(5.5)%
Change in valuation allowance	*1	10.6 %	(4.7)%
Investment losses and gains under the equity method		9.5 %	0.9 %
Amortization of goodwill		6.1 %	3.5 %

*1 The reconciliation for the fiscal year ended March 31, 2020, was not presented because of loss before income taxes.

Note **21**

Subordinated Bonds

The amounts of corporate bonds in liabilities included ¥499,924 million, ¥449,924 million and ¥480,510 million (U.S. \$3,926 million) of subordinated bonds and foreign currency-denominated subordinated bonds, the repayments of which are subordinated to other obligations, as of March 31, 2020, 2021 and 2022, respectively.

Note **22**

Subordinated Debt

Other liabilities included subordinated debt of ¥50,000 million, ¥120,000 million and ¥120,000 million (U.S. \$980 million), the repayments of which are subordinated to other obligations, as of March 31, 2020, 2021 and 2022, respectively.

Other Comprehensive Income

The components of other comprehensive income for the fiscal years ended March 31, 2020, 2021 and 2022 were as follows:

Reclassification adjustments and income tax effects relating to other comprehensive income were as follows:

	Millions of Yen			Millions of U.S. Dollars
	2020	2021	2022	2022
Net unrealized gains (losses) on available-for-sale securities:				
Amount arising during the fiscal year	¥ 66,193	¥ 818,328	¥(740,795)	\$ (6,052)
Reclassification adjustments	(17,252)	(30,336)	38,959	318
Before income tax effect adjustments	48,940	787,992	(701,835)	(5,734)
Income tax effects	(1,466)	(212,924)	189,960	1,552
Net unrealized gains (losses) on available-for-sale securities	47,474	575,067	(511,875)	(4,182)
Deferred gains (losses) on derivatives under hedge accounting:				
Amount arising during the fiscal year	¥ (310)	¥ 2,071	¥ (2,475)	\$ (20)
Reclassification adjustments	(364)	(2,475)	(1,985)	(16)
Before income tax effect adjustments	(674)	(403)	(4,460)	(36)
Income tax effects	329	103	1,353	11
Deferred gains (losses) on derivatives under hedge accounting	(345)	(300)	(3,106)	(25)
Foreign currency translation adjustments:				
Amount arising during the fiscal year	¥ (5,157)	¥ (19,738)	¥ 36,294	\$ 296
Reclassification adjustments	—	—	—	—
Before income tax effect adjustments	(5,157)	(19,738)	36,294	296
Income tax effects	—	—	—	—
Foreign currency translation adjustments	(5,157)	(19,738)	36,294	296
Remeasurements of defined benefit plans:				
Amount arising during the fiscal year	¥ (23,525)	¥ 14,456	¥ 3,663	\$ 29
Reclassification adjustments	(11,023)	(8,459)	(5,408)	(44)
Before income tax effect adjustments	(34,548)	5,997	(1,744)	(14)
Income tax effects	9,664	(1,683)	492	4
Remeasurements of defined benefit plans	(24,884)	4,313	(1,252)	(10)
Share of other comprehensive income of associates under the equity method:				
Amount arising during the fiscal year	¥ 2,104	¥ (807)	¥ 10,494	\$ 85
Reclassification adjustments	212	(436)	(575)	(4)
Share of other comprehensive income of associates under the equity method	2,317	(1,243)	9,919	81
Total other comprehensive income (loss)	¥ 19,403	¥ 558,098	¥(470,020)	\$ (3,840)

Note 24**Securities Borrowed under Borrowing Agreements**

Securities borrowed under borrowing agreements can be sold or pledged as collateral. The fair values of the securities which were not sold or pledged as collateral were ¥34,460 million, ¥824 million and ¥6,492 million (U.S. \$53 million), and none of the securities was pledged as collateral as of March 31, 2020, 2021 and 2022, respectively.

Note 25**Other assets and other liabilities**

Other assets and other liabilities included assets and liabilities related to the modified coinsurance in U.S. subsidiary of ¥617,869 million and ¥651,281 million as of March 31, 2020, respectively. Other assets and other liabilities included assets and liabilities related to the modified coinsurance in U.S. subsidiary of ¥553,964 million and ¥616,675 million as of March 31, 2021, respectively. Other assets and other liabilities included assets and liabilities related to the modified coinsurance in U.S. subsidiary of ¥589,198 million (U.S. \$4,814 million) and ¥641,532 million (U.S. \$5,241 million) as of March 31, 2022, respectively.



Independent auditor's report

To the Board of Directors of Sumitomo Life Insurance Company:

Opinion

We have audited the accompanying consolidated financial statements of Sumitomo Life Insurance Company ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheets as at March 31, 2020, 2021 and 2022, the consolidated statements of income, the consolidated statements of comprehensive income, the consolidated statements of changes in net assets and the consolidated statements of cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

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, 2020, 2021 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audits 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 audits 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 period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

With respect to "Appropriateness of the changes in the accounting for goodwill arising from the acquisition of Symetra and the judgment as to whether an impairment loss should be recognized", which was identified as one of the key audit matters in our audit of the consolidated financial statements of the previous fiscal year, we determined that the audit risk had been reduced relatively. Therefore, we did not identify the matter as a key audit matter in our audit of the consolidated financial statements of the current fiscal year.

Appropriateness of the amount of policy reserves	
The key audit matter	How the matter was addressed in our audit
In the consolidated financial statements of SUMITOMO LIFE INSURANCE COMPANY	In order to assess whether the amount of policy reserves of the Company was appropriate, we

<p>(“the Company”), policy reserves of ¥33,342,519 million were recognized. Of this amount, the policy reserves of the Company (the parent company) amounted to ¥27,884,255 million, which accounted for a significant portion (approximately 83%) of total liabilities in the consolidated financial statements.</p> <p>As described in Note 2, “Summary of Significant Accounting Policies, 12) Policy reserves” to the consolidated financial statements, policy reserves of the Company are calculated in accordance with the actuarial calculation methodology specified in the statement of calculation procedures for insurance premiums and policy reserves approved by the Financial Services Agency to prepare for the fulfilment of future obligations under the insurance contracts pursuant to the provisions of the Insurance Business Act and other applicable regulations. If the policy reserve set aside pursuant to Article 69, Paragraphs 1, 2 and 4 of the Ordinance for Enforcement of the Insurance Business Act (“the Ordinance”) is deemed insufficient to cover the fulfilment of the future obligations, an additional policy reserve needs to be recognized based on Article 69, Paragraph 5 of the Ordinance.</p> <p>Policy reserves are calculated based on assumptions for long-term future cash flows (such as assumed incidence rate and assumed interest rate) by gender, age and other attributes. Since the calculation methodology of policy reserves is complex and requires actuarial expertise, an experienced internal actuary is involved in the examination of whether the calculation of policy reserves is appropriately reflected in the policy reserve calculation system (i.e., whether the amount of policy reserves is calculated in accordance with the statement of calculation procedures) when a new product is developed or the assumed incidence rate of an existing product is revised, as well as in the examination of the results of the policy reserve calculation at the end of each fiscal year.</p> <p>In addition, in order to validate whether the amount of policy reserves is sufficient, a future cash flow analysis is performed by the appointed actuary. In this analysis, the appointed actuary determines whether the Company will be able to maintain the ability to make future benefit payments by estimating future cash flows based on several</p>	<p>primarily performed the following audit procedures with the assistance of actuarial specialists and IT system specialists within our firm:</p> <p>(1) Internal control testing</p> <p>We tested the design and operating effectiveness of certain of the Company’s internal controls relevant to the process of validating the appropriateness of the amount of policy reserves by involving IT system specialists within our firm in our assessment. In this assessment, we focused our testing on the following controls:</p> <p>(i) Accuracy of the amount of policy reserves</p> <ul style="list-style-type: none"> • controls in which the Actuarial Department examines whether the calculation methodology was appropriately reflected in the policy reserve calculation system; • IT system controls to accurately calculate the amount of policy reserves through the policy reserve calculation system developed by the Information System Department; • controls in which the Actuarial Department confirms that the policy reserves were completely recognized for all the insurance contracts; and • controls in which the Actuarial Department recalculates the amount of policy reserves on a sample basis to evaluate the accuracy of the results of the policy reserve calculation. <p>(ii) Sufficiency of the amount of policy reserves</p> <ul style="list-style-type: none"> • controls in which management determines the amount of policy reserves based on the opinion report on the future cash flow analysis provided by the appointed actuary. <p>(2) Assessment of the appropriateness of the amount of policy reserves</p> <p>In order to assess whether the amount of policy reserves recognized by the Company was appropriate, we primarily performed the following procedures by involving actuarial specialists and IT system specialists within our firm who assisted in our assessment:</p> <p>(i) Accuracy of the amount of policy reserves</p> <ul style="list-style-type: none"> • recalculated the policy reserves for insurance products newly launched in the current fiscal
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<p>scenarios. Future cash flows need to be estimated using actuarial expertise in accordance with applicable laws and regulations. Management determines the amount of policy reserves to be recognized by referencing the results of the future cash flow analysis performed by the appointed actuary.</p> <p>We, therefore, determined that our assessment of the appropriateness of the amount of policy reserves of the Company was of most significance in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.</p>	<p>year in accordance with the statement of calculation procedures and examined whether the results were consistent;</p> <ul style="list-style-type: none"> • assessed whether the changes in policy reserves from the previous fiscal year were consistent with insurance premiums, benefit payments and operating expenses for the current fiscal year; and • assessed whether the year-end in-force contract data used in the policy reserve calculation system were consistent with the year-end insurance contract data prepared based on the data of contracts and condition changes in the insurance contract system. <p>(ii) Sufficiency of the amount of policy reserves</p> <ul style="list-style-type: none"> • assessed whether the future cash flow analysis was performed in accordance with applicable laws and regulations and “Standard of Practice for Appointed Actuaries of Life Insurance Companies” (issued by the Institute of Actuaries of Japan), by inspecting the opinion report provided by the appointed actuary and inquiring of the appointed actuary regarding the matter; • examined whether the appointed actuary was given the appropriate authority by the board of directors to execute his/her duties as well as whether the appointed actuary was independent of revenue generating departments, revenue management departments and product development departments, by inspecting the organization rules and the rules on the appointed actuary and inquiring of the appointed actuary regarding these matters; and • examined whether management determined the amount of policy reserves by referencing the results of the future cash flow analysis performed by the appointed actuary to validate whether the amount of policy was sufficient, by inquiring of management regarding the matter and inspecting the document for managerial approval related to policy reserves.
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Other Information

The other information comprises the information included in the disclosure documents that contain or accompany the audited consolidated financial statements, but does not include the consolidated financial statements and our auditor's report thereon.

We do not perform any work on the other information as we determine such information does not exist.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the provisions of the Insurance Business Act and its related regulations thereunder and in conformity 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, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

The audit committee is responsible for overseeing the executive officers and the directors' performance of their duties with regard to the design, implementation and maintenance of 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. 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 our 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. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express 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 whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, 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.
- 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 committee regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period 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.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2022 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We 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.

/S/Noriaki Habuto
Designated Engagement Partner
Certified Public Accountant

/S/Yukihisa Tatsumi
Designated Engagement Partner
Certified Public Accountant

/S/Takao Suzuki
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC

Tokyo Office, Japan

June 30, 2022

Notes to the Reader of Independent Auditor's Report:

This is a copy of the Independent Auditor's Report and the original copies are kept separately by the Company and KPMG AZSA LLC.



Non-Consolidated Balance Sheets

Sumitomo Life Insurance Company

As of March 31	Millions of Yen			Millions of
	2020	2021	2022	U.S. Dollars
				2022
ASSETS:				
Cash and deposits (Note 3)	¥ 1,467,878	¥ 1,198,652	¥ 883,913	\$ 7,222
Cash	136	10	12	0
Deposits	1,467,741	1,198,642	883,901	7,222
Call loans	354,415	192,142	260,597	2,129
Monetary claims bought (Note 3)	326,239	565,143	310,140	2,534
Money held in trust (Note 3)	—	—	4,914	40
Securities (Notes 3, 5, 15 and 16)	27,423,878	30,463,881	31,362,641	256,251
National government bonds	10,182,036	10,774,290	10,969,097	89,624
Local government bonds	235,930	238,126	197,554	1,614
Corporate bonds	3,683,890	3,715,977	3,600,985	29,422
Domestic stocks	1,831,515	2,623,466	2,595,648	21,208
Foreign securities	11,181,658	12,643,660	13,470,574	110,062
Other securities	308,848	468,359	528,781	4,320
Loans (Notes 3, 17 and 18)	2,099,584	1,945,518	2,192,253	17,912
Policy loans	281,112	258,549	244,196	1,995
Industrial and consumer loans	1,818,472	1,686,968	1,948,057	15,916
Tangible fixed assets (Notes 4, 6, 7 and 23)	569,148	566,262	563,567	4,604
Land	360,643	359,957	356,840	2,915
Buildings	177,036	173,740	177,432	1,449
Lease assets	5,525	4,387	3,061	25
Construction in progress	20,871	23,711	22,200	181
Other tangible fixed assets	5,070	4,465	4,032	32
Intangible fixed assets	40,387	38,193	36,293	296
Software	31,627	32,682	31,845	260
Other intangible fixed assets	8,760	5,511	4,448	36
Due from agents	0	—	—	—
Reinsurance receivables	110	181	135	1
Other assets	443,657	347,619	519,054	4,240
Accounts receivable	26,944	33,143	31,617	258
Prepaid expenses	5,042	5,353	5,559	45
Accrued income	132,779	142,574	155,921	1,273
Money on deposit	4,258	4,315	4,759	38
Deposits for futures transactions	3,663	13,407	47,680	389
Derivative financial instruments (Note 3)	241,663	108,906	152,345	1,244
Cash collateral paid for financial instruments	9	25,786	82,758	676
Suspense	5,078	6,779	8,843	72
Other assets	24,218	7,353	29,568	241
Prepaid pension cost (Note 12)	12,482	15,726	22,150	180
Deferred tax assets (Notes 12 and 24)	214,138	68,356	288,586	2,357
Allowance for possible loan losses	(816)	(890)	(925)	(7)
Total assets	¥32,951,105	¥35,400,786	¥36,443,323	\$297,763

As of March 31	Millions of Yen			Millions of U.S. Dollars
	2020	2021	2022	2022
LIABILITIES:				
Policy reserves and other reserves	¥26,965,750	¥27,586,099	¥28,218,160	\$230,559
Reserve for outstanding claims (Note 19)	108,199	105,903	117,678	961
Policy reserves (Note 19)	26,636,065	27,262,040	27,884,255	227,831
Policyholders' dividend reserves (Note 10)	221,485	218,156	216,226	1,766
Reinsurance payables	200	196	195	1
Corporate bonds (Notes 3 and 26)	449,924	449,924	480,510	3,926
Other liabilities	3,085,190	4,330,415	5,060,044	41,343
Payables under repurchase agreements	1,948,528	2,870,573	3,513,925	28,710
Payables under securities borrowing transactions	590,008	501,353	355,998	2,908
Loans payable (Notes 3 and 27)	50,000	120,000	120,000	980
Income taxes payable	22,503	16,204	10,093	82
Accounts payable	94,843	34,738	65,056	531
Accrued expenses	37,892	39,907	40,792	333
Deferred income	1,384	851	828	6
Deposits received	67,316	70,349	71,355	583
Guarantee deposits received	28,750	28,596	27,556	225
Derivative financial instruments (Note 3)	110,413	626,965	829,832	6,780
Cash collateral received for financial instruments	118,280	4,389	9,943	81
Lease obligations	5,762	4,563	3,185	26
Asset retirement obligations	1,749	1,768	1,760	14
Suspense receipts	6,609	7,079	8,199	66
Rest of other liabilities	1,147	3,074	1,517	12
Accrued retirement benefits (Note 12)	10,730	—	—	—
Reserve for price fluctuation	787,547	883,647	971,947	7,941
Deferred tax liabilities for land revaluation	12,923	12,894	12,583	102
Total liabilities	31,312,267	33,263,179	34,743,442	283,874
NET ASSETS:				
Reserve for redemption of foundation funds (Note 14)	639,000	639,000	639,000	5,221
Reserve for revaluation	2	2	2	0
Surplus	220,677	227,648	231,993	1,895
Reserve for future losses	5,804	6,004	6,204	50
Other surplus	214,873	221,643	225,788	1,844
Fund for price fluctuation allowance	165,000	165,000	165,000	1,348
Reserve for assisting social responsibility	1,298	1,338	1,355	11
Other reserves	223	223	223	1
Unappropriated surplus	48,351	55,081	59,210	483
Total funds, reserve and surplus	859,680	866,650	870,995	7,116
Net unrealized gains on available-for-sale securities	841,237	1,332,915	895,346	7,315
Deferred gains (losses) on derivatives under hedge accounting	(2,371)	(2,561)	(6,879)	(56)
Land revaluation differences	(59,708)	(59,397)	(59,581)	(486)
Total unrealized gains, revaluation reserve and adjustments	779,157	1,270,957	828,885	6,772
Total net assets	1,638,837	2,137,607	1,699,880	13,889
Total liabilities and net assets	¥32,951,105	¥35,400,786	¥36,443,323	\$297,763

Non-Consolidated Statements of Income

Sumitomo Life Insurance Company

Years ended March 31	Millions of Yen			Millions of
	2020	2021	2022	U.S. Dollars
				2022
Ordinary income	¥3,085,037	¥3,108,974	¥3,094,278	\$25,282
Insurance premiums and other	2,224,303	2,187,755	2,143,199	17,511
Insurance premiums	2,221,182	2,185,080	2,140,392	17,488
Reinsurance revenue	526	338	411	3
Other income to policy reserves	2,594	2,336	2,396	19
Investment income (Note 21)	740,064	816,010	867,086	7,084
Interest, dividends and other income	639,439	611,775	667,365	5,452
Interest on deposits	13,656	2,595	787	6
Interest and dividends on securities	549,407	535,731	593,228	4,847
Interest on loans	27,182	23,518	24,105	196
Rent revenue from real estate	35,206	34,717	32,111	262
Other interest and dividend	13,986	15,211	17,132	139
Gains on money held in trust	—	—	379	3
Gains on sales of securities	86,022	79,393	67,019	547
Gains on redemption of securities	13,534	16,323	1,761	14
Gains on derivative financial instruments	—	—	2,546	20
Foreign exchange gains	—	—	98,853	807
Reversal of allowance for possible loan losses	44	—	—	—
Other investment income	1,022	1,474	2,732	22
Investment gains on separate accounts	—	107,044	26,429	215
Other ordinary income	120,670	105,208	83,991	686
Annuity supplementary contract premiums	7,141	5,288	5,239	42
Proceeds from deferred insurance	66,119	57,546	43,053	351
Reversal of reserves for outstanding claims (Note 22)	6,535	2,295	—	—
Reversal of accrued retirement benefits	17,746	13,974	6,424	52
Other ordinary income	23,127	26,102	29,274	239
Ordinary expenses	2,989,898	2,953,340	2,948,315	24,089
Benefits and other payments	1,885,624	1,746,005	1,757,264	14,357
Claims paid	608,258	558,220	521,345	4,259
Annuity payments	488,059	439,604	428,761	3,503
Benefits payments	306,947	296,512	308,317	2,519
Surrender benefits	428,994	403,822	446,828	3,650
Other refunds	52,323	46,791	50,934	416
Reinsurance premiums	1,040	1,053	1,077	8

Years ended March 31	Millions of Yen			Millions of U.S. Dollars
	2020	2021	2022	2022
Provision for policy reserves and other reserves	¥397,207	¥626,004	¥634,019	\$5,180
Provision for reserve for outstanding claims (Note 22)	—	—	11,775	96
Provision for policy reserves (Note 22)	397,174	625,975	622,214	5,083
Provision for interest on policyholders' dividend reserves (Note 10)	32	29	29	0
Investment expenses (Note 21)	268,467	137,046	112,344	917
Interest expenses	24,529	10,484	10,363	84
Losses on sales of securities	14,782	17,087	68,051	556
Losses on valuation of securities	52,233	2,025	9,633	78
Losses on redemption of securities	4,028	5	—	—
Losses on derivative financial instruments	118,531	74,286	—	—
Foreign exchange losses	11,416	10,974	—	—
Provision for allowance for possible loan losses	—	318	43	0
Depreciation of real estate for investments	8,601	8,422	8,425	68
Other investment expenses	12,380	13,441	15,827	129
Investment losses on separate accounts	21,964	—	—	—
Operating expenses (Note 20)	320,034	330,027	331,030	2,704
Other ordinary expenses	118,563	114,257	113,655	928
Payments of benefits left to accumulate at interest	62,947	53,441	47,753	390
Taxes	24,760	26,671	27,224	222
Depreciation	17,007	17,951	18,922	154
Other ordinary expenses	13,848	16,192	19,755	161
Ordinary profit	95,138	155,634	145,962	1,192
Extraordinary gains	198	241	2,344	19
Gains on disposals of fixed assets	198	241	2,344	19
Extraordinary losses	46,290	98,463	92,147	752
Losses on disposals of fixed assets	1,952	621	2,731	22
Impairment losses (Note 23)	514	1,082	432	3
Provision for reserve for price fluctuation	43,100	96,100	88,300	721
Payments to social responsibility reserve	723	659	683	5
Surplus before income taxes	49,046	57,412	56,159	458
Income taxes (Notes 13 and 24)				
Current	54,336	47,680	46,854	382
Deferred	(54,627)	(45,001)	(49,036)	(400)
Total income taxes	(290)	2,678	(2,182)	(17)
Net surplus	¥ 49,337	¥ 54,733	¥ 58,342	\$ 476

Non-Consolidated Statements of Changes in Net Assets

Sumitomo Life Insurance Company

Year ended March 31, 2020

Millions of Yen

	Funds, reserve and surplus										
	Surplus										Total funds, reserve and surplus
	Other surplus									Total surplus	
	Foundation funds (Note 14)	Reserve for redemption of foundation funds (Note 14)	Reserve for revaluation	Reserve for future losses	Reserve for fund redemption (Note 14)	Fund for price fluctuation allowance	Reserve for assisting social responsibility	Other reserves	Unappropriated surplus		
Beginning balance	50,000	589,000	2	5,604	42,600	165,000	1,321	223	59,141	273,890	912,893
Changes in the fiscal year											
Additions to policyholders' dividend reserves (Note 10)									(50,285)	(50,285)	(50,285)
Additions to reserve for future losses				200					(200)	—	—
Additions to reserve for redemption of foundation funds		50,000									50,000
Payment of interest on foundation funds									(556)	(556)	(556)
Net surplus									49,337	49,337	49,337
Redemption of foundation funds	(50,000)										(50,000)
Additions to reserve for fund redemption					7,400				(7,400)	—	—
Reversal of reserve for fund redemption					(50,000)					(50,000)	(50,000)
Additions to reserve for assisting social responsibility							700		(700)	—	—
Reversal of reserve for assisting social responsibility							(723)		723	—	—
Reversal of land revaluation differences									(1,708)	(1,708)	(1,708)
Net changes, excluding funds, reserve and surplus											
Net changes in the fiscal year	(50,000)	50,000	—	200	(42,600)	—	(23)	—	(10,790)	(53,213)	(53,213)
Ending balance	—	639,000	2	5,804	—	165,000	1,298	223	48,351	220,677	859,680

	Unrealized gains (losses), revaluation reserve				
	Net unrealized gains (losses) on available-for-sale securities	Deferred gains (losses) on derivatives under hedge accounting	Land revaluation differences	Total unrealized gains (losses), revaluation reserve	Total net assets
Beginning balance	931,081	(431)	(61,417)	869,233	1,782,126
Changes in the fiscal year					
Additions to policyholders' dividend reserves (Note 10)				(50,285)	
Additions to reserve for future losses				—	
Additions to reserve for redemption of foundation funds				50,000	
Payment of interest on foundation funds				(556)	
Net surplus				49,337	
Redemption of foundation funds				(50,000)	
Additions to reserve for fund redemption				—	
Reversal of reserve for fund redemption				(50,000)	
Additions to reserve for assisting social responsibility				—	
Reversal of reserve for assisting social responsibility				—	
Reversal of land revaluation differences				(1,708)	
Net changes, excluding funds, reserve and surplus	(89,844)	(1,939)	1,708	(90,075)	(90,075)
Net changes in the fiscal year	(89,844)	(1,939)	1,708	(90,075)	(143,289)
Ending balance	841,237	(2,371)	(59,708)	779,157	1,638,837

Year ended March 31, 2021

Millions of Yen

	Funds, reserve and surplus											
	Surplus										Total funds, reserve and surplus	
	Foundation funds (Note 14)	Reserve for redemption of foundation funds (Note 14)	Reserve for revaluation	Reserve for future losses	Other surplus							Total surplus
					Reserve for fund redemption (Note 14)	Fund for price fluctuation allowance	Reserve for assisting social responsibility	Other reserves	Unappropriated surplus			
Beginning balance	—	639,000	2	5,804	—	165,000	1,298	223	48,351	220,677	859,680	
Changes in the fiscal year												
Additions to policyholders' dividend reserves (Note 10)									(47,451)	(47,451)	(47,451)	
Additions to reserve for future losses				200					(200)	—	—	
Net surplus									54,733	54,733	54,733	
Additions to reserve for assisting social responsibility							700		(700)	—	—	
Reversal of reserve for assisting social responsibility							(659)		659	—	—	
Reversal of land revaluation differences									(311)	(311)	(311)	
Net changes, excluding funds, reserve and surplus												
Net changes in the fiscal year	—	—	—	200	—	—	40	—	6,729	6,970	6,970	
Ending balance	—	639,000	2	6,004	—	165,000	1,338	223	55,081	227,648	866,650	

	Unrealized gains (losses), revaluation reserve				
	Net unrealized gains (losses) on available-for-sale securities	Deferred gains (losses) on derivatives under hedge accounting	Land revaluation differences	Total unrealized gains (losses), revaluation reserve	Total net assets
Beginning balance	841,237	(2,371)	(59,708)	779,157	1,638,837
Changes in the fiscal year					
Additions to policyholders' dividend reserves (Note 10)				(47,451)	
Additions to reserve for future losses				—	
Net surplus				54,733	
Additions to reserve for assisting social responsibility				—	
Reversal of reserve for assisting social responsibility				—	
Reversal of land revaluation differences				(311)	
Net changes, excluding funds, reserve and surplus	491,678	(190)	311	491,799	491,799
Net changes in the fiscal year	491,678	(190)	311	491,799	498,770
Ending balance	1,332,915	(2,561)	(59,397)	1,270,957	2,137,607

Year ended March 31, 2022

Millions of Yen

	Funds, reserve and surplus										Total funds, reserve and surplus
	Surplus									Total surplus	
	Other surplus						Unappropriated surplus	Total surplus			
	Foundation funds (Note 14)	Reserve for redemption of foundation funds (Note 14)	Reserve for revaluation	Reserve for future losses	Reserve for fund redemption (Note 14)	Fund for price fluctuation allowance			Reserve for assisting social responsibility		
Beginning balance	—	639,000	2	6,004	—	165,000	1,338	223	55,081	227,648	866,650
Changes in the fiscal year											
Additions to policyholders' dividend reserves (Note 10)									(54,181)	(54,181)	(54,181)
Additions to reserve for future losses				200					(200)	—	—
Net surplus									58,342	58,342	58,342
Additions to reserve for assisting social responsibility							700		(700)	—	—
Reversal of reserve for assisting social responsibility							(683)		683	—	—
Reversal of land revaluation differences									184	184	184
Net changes, excluding funds, reserve and surplus											
Net changes in the fiscal year	—	—	—	200	—	—	16	—	4,128	4,345	4,345
Ending balance	—	639,000	2	6,204	—	165,000	1,355	223	59,210	231,993	870,995

	Unrealized gains (losses), revaluation reserve				
	Net unrealized gains (losses) on available-for-sale securities	Deferred gains (losses) on derivatives under hedge accounting	Land revaluation differences	Total unrealized gains (losses), revaluation reserve	Total net assets
Beginning balance	1,332,915	(2,561)	(59,397)	1,270,957	2,137,607
Changes in the fiscal year					
Additions to policyholders' dividend reserves (Note 10)					(54,181)
Additions to reserve for future losses					—
Net surplus					58,342
Additions to reserve for assisting social responsibility					—
Reversal of reserve for assisting social responsibility					—
Reversal of land revaluation differences					184
Net changes, excluding funds, reserve and surplus	(437,569)	(4,318)	(184)	(442,071)	(442,071)
Net changes in the fiscal year	(437,569)	(4,318)	(184)	(442,071)	(437,726)
Ending balance	895,346	(6,879)	(59,581)	828,885	1,699,880

Year ended March 31, 2022

Millions of U.S. Dollars

	Funds, reserve and surplus										Total funds, reserve and surplus
	Foundation funds (Note 14)	Reserve for redemption of foundation funds (Note 14)	Reserve for revaluation	Reserve for future losses	Surplus					Total surplus	
					Other surplus						
					Reserve for fund redemption (Note 14)	Fund for price fluctuation allowance	Reserve for assisting social responsibility	Other reserves	Unappropriated surplus		
Beginning balance	—	5,221	0	49	—	1,348	10	1	450	1,860	7,081
Changes in the fiscal year											
Additions to policyholders' dividend reserves (Note 10)									(442)	(442)	(442)
Additions to reserve for future losses				1					(1)	—	—
Net surplus									476	476	476
Additions to reserve for assisting social responsibility							5		(5)	—	—
Reversal of reserve for assisting social responsibility							(5)		5	—	—
Reversal of land revaluation differences									1	1	1
Net changes, excluding funds, reserve and surplus											
Net changes in the fiscal year	—	—	—	1	—	—	0	—	33	35	35
Ending balance	—	5,221	0	50	—	1,348	11	1	483	1,895	7,116

	Unrealized gains (losses), revaluation reserve				
	Net unrealized gains (losses) on available-for-sale securities	Deferred gains (losses) on derivatives under hedge accounting	Land revaluation differences	Total unrealized gains (losses), revaluation reserve	Total net assets
Beginning balance	10,890	(20)	(485)	10,384	17,465
Changes in the fiscal year					
Additions to policyholders' dividend reserves (Note 10)					(442)
Additions to reserve for future losses					—
Net surplus					476
Additions to reserve for assisting social responsibility					—
Reversal of reserve for assisting social responsibility					—
Reversal of land revaluation differences					1
Net changes, excluding funds, reserve and surplus	(3,575)	(35)	(1)	(3,611)	(3,611)
Net changes in the fiscal year	(3,575)	(35)	(1)	(3,611)	(3,576)
Ending balance	7,315	(56)	(486)	6,772	13,889

Non-Consolidated Proposed Appropriation of Surplus

Sumitomo Life Insurance Company

Years ended March 31	Millions of Yen			Millions of U.S. Dollars
	2020	2021	2022	2022
Unappropriated surplus	¥48,351	¥55,081	¥59,210	\$483
Appropriation of surplus	48,351	55,081	59,210	483
Policyholders' dividend reserves	47,451	54,181	58,310	476
Net surplus	900	900	900	7
Reserve for future losses	200	200	200	1
Voluntary surplus reserves	700	700	700	5
Reserve for assisting social responsibility	700	700	700	5

Note 1

Basis of Presentation

SUMITOMO LIFE INSURANCE COMPANY ("the Company") has prepared the accompanying non-consolidated financial statements in accordance with the provisions set forth in the Insurance Business Act and its related accounting regulations in Japan, and in conformity with the accounting principles generally accepted in Japan ("Japanese GAAP"), which may differ in certain respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan. In preparing the accompanying non-consolidated financial statements, certain reclassifications have been made to the non-consolidated financial statements issued domestically in order to present them in a format which is more familiar to readers outside Japan. In addition, the notes to the non-consolidated financial statements include the information which is not required under Japanese GAAP but is presented herein as additional information.

Japanese yen amounts are rounded down to million yen amounts. As a result, the totals do not add up. The translation of Japanese yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan, using the exchange rate as of March 31, 2022 which was ¥122.39 to U.S. \$1. The convenience translation should not be construed as representations that Japanese yen amounts were, have been, or may in the future be, converted into U.S. dollars at this or any other exchange rate.

Note 2

Summary of Significant Accounting Policies

1) Securities, derivative instruments, and hedge accounting

a) Securities

Securities held by the Company are classified and accounted for as follows:

Trading securities are stated at the market value on the balance sheet date. The cost of these securities sold is calculated using the moving average method.

Held-to-maturity debt securities are stated at amortized cost and the cost of these securities sold is calculated using the moving average method. Amortization is calculated using the straight-line method.

Policy-reserve-matching bonds (defined in Note 2, 2)) are stated at amortized cost in accordance with Industry Audit Committee Report No. 21, "Temporary Treatment of Accounting and Auditing Concerning Policy-Reserve-Matching Bonds in the Insurance Industry", issued by the Japanese Institute of Certified Public Accountants. The cost of the bonds sold is calculated using the moving average method and amortization is calculated using the straight-line method.

Investments in unconsolidated subsidiaries and affiliated companies (defined in Article 110, Paragraph 2 of the Insurance Business Act) are stated at cost.

Others classified as available-for-sale securities are stated at the market value on the balance sheet date.

Stocks with no market prices are stated mainly at cost. The cost of these securities sold is calculated using the moving average method.

Certain demand deposits, monetary claims bought and securities in money held in trust deemed equivalent to investment in securities are stated using the same methods described above.

Unrealized gains and losses on available-for-sale securities are reported net of income taxes, as a separate component of net assets in the non-consolidated balance sheet.

b) Derivative instruments

Derivatives are stated at the fair value.

c) Hedge accounting

Under Japanese GAAP, the deferred hedge method and the fair value hedge method are fundamental hedge accounting methods allowed.

Under the fair value hedge method, which is allowed only when available-for-sale securities are hedged items, hedging instruments' gains and losses on changes in the fair value are recognized in earnings together with hedged items' corresponding gains and losses attributable to risks being hedged.

In addition, for certain derivative instruments, exceptional hedge accounting methods are allowed under Japanese GAAP as follows:

Assets and liabilities denominated in foreign currencies and hedged by foreign exchange forward contracts and currency swaps are allowed to be translated at the foreign exchange rates stipulated in the forward contract agreements and the currency swap agreements. Accordingly, the foreign exchange forward contracts and the currency swaps used as hedging instruments are not recognized as an asset or liability measured at the fair value either on initial recognition or subsequent reporting dates (the allocation method).

Interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at the fair value, but the net amounts paid or received under the swap agreements are recognized and included in interest expense or income of the hedged items (the exceptional method).

The Company mainly adopts the fair value hedge method and the allocation method to hedge foreign currency risks of assets and liabilities denominated in foreign currencies. From the period ended March 31, 2022, the deferred hedge method using interest rate swaps is used for hedges against interest rate fluctuations in certain policy reserves in order to appropriately control interest rate fluctuations, in accordance with Industry Audit Committee Practical Guideline No. 26, "Accounting and Auditing Treatment of Application of Accounting Standard for Financial Instruments in the Insurance Industry", issued by the Japanese Institute of Certified Public Accountants.

The Company also adopts the exceptional method to hedge interest rate risk primarily of floating rate loans.

Hedge effectiveness is assessed by comparing the cumulative changes in the fair values or cash flows of the hedged items and the hedging instruments.

The hedging relationships included in the scope of applying the "Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR" (ASBJ Practical Solutions No.40, March 17, 2022) are subject to the exceptional treatment of this Practical Solutions. The detail of the hedging relationships which apply the treatment are as follows:

Hedging method: the exceptional method (including the allocation method)

The type of hedging instruments: interest-rate swaps, currency-swaps

The type of hedged instruments: loans

The type of hedge transactions: to fix the cash flows

2) Policy-reserve-matching bonds

The Company classifies debt securities held in order to match their duration to the duration of the liabilities within the corresponding subsections - segregated by type of insurance and investment policy - as policy-reserve-matching bonds in accordance with Industry Audit Committee Report No. 21, "Temporary Treatment of Accounting and Auditing Concerning Policy-Reserve-Matching Bonds in the Insurance Industry", issued by the Japanese Institute of Certified Public Accountants.

From the period ended March 31, 2022, the deferred hedge method using interest rate swaps is used for hedges against interest rate fluctuations in certain policy reserves of the previous subsection "Individual life insurance and individual annuity (certain types of insurance are excluded)" in order to appropriately control interest rate fluctuations, in accordance with Industry Audit Committee Practical Guideline No. 26, "Accounting and Auditing Treatment of Application of Accounting Standard for Financial Instruments in the Insurance Industry", issued by the Japanese Institute of Certified Public Accountants.

As a result, the Company changed the subsection as follows and there has been no impact on profit and loss for the period ended March 31, 2022:

- The Company excludes a certain percentage of cash flows from the previous subsection "Individual life insurance and individual annuity (certain types of insurance are excluded)"

Current subsection: "Individual life insurance and individual annuity (certain types of insurance and a certain percentage of cash flows are excluded)"

The subsections are as follows:

Individual life insurance and individual annuity (certain types of insurance and a certain percentage of cash flows are excluded)

Primary policy of 3-year variable accumulation rate insurance with guaranteed minimum interest rates

Defined benefit corporate pension plan and new corporate pension plan (only cash flows expected within the next certain period of years are identified)

Insured contributory pension plans (only cash flows expected within the next certain period of years are identified)

Defined contribution pension plans and interest rate-setting rider by new unit account

Single premium endowment insurance (certain types of insurance are excluded)

Interest rate variable whole life insurance (single premium)

Individual life insurance and individual annuity denominated in U.S. dollars

Individual life insurance and individual annuity denominated in Australian dollars (certain types of insurance are excluded)

3) Foreign currency translation

The Company's assets and liabilities denominated in foreign currencies, except for investments in subsidiaries and affiliates, are translated into Japanese yen at the exchange rate on the balance sheet date. Investments in subsidiaries and affiliates are translated into Japanese yen at the exchange rates on the dates of acquisition.

4) Tangible fixed assets

Tangible fixed assets owned by the Company are depreciated as follows:

a) Buildings

Calculated using the straight-line method.

b) Lease assets related to financial leases where ownership is not transferred

Calculated using the straight-line method over the lease period.

c) Other tangible fixed assets

Calculated using the declining-balance method.

Tangible fixed assets are presented at cost, net of accumulated depreciation and impairment losses.

The estimated useful lives of major items are as follows:

Buildings 2 to 50 years

Other tangible fixed assets 2 to 20 years

Revaluation of land

The Company revalued certain parcels of land owned for operating use as of March 31, 2001, as permitted by the Act on Revaluation of Land.

The difference in value before and after the revaluation is directly included in net assets and presented as land revaluation differences, net of deferred tax liabilities for land revaluation in the non-consolidated balance sheets.

The revaluation method is stipulated in Article 3, Paragraph 3 of the Act on Revaluation of Land. Pursuant to the Article, the Company used the publicly announced appraisal value with certain adjustments (detailed in Article 2, Paragraph 1 of the Order for Enforcement of the Act on Revaluation of Land (the "Order")) and appraisal value (detailed in Article 2, Paragraph 5 of the Order) for the revaluation.

5) Software

Capitalized software for internal use included in intangible fixed assets is amortized using the straight-line method over the estimated useful lives (3 to 5 years).

6) Allowance for possible loan losses

The Company's allowance for possible loan losses is provided pursuant to its standards for self-assessment of asset quality and internal rules for write-offs of loans and allowance for possible loan losses. For loans to borrowers that are legally bankrupt ("bankrupt borrowers") and for loans to borrowers that are not yet legally bankrupt but substantially bankrupt ("substantially bankrupt borrowers"), an allowance is provided based on the total amount of the loans after deduction of charge-offs and any amounts expected to be collected through disposal of collaterals and execution of guarantees. For loans to borrowers that are likely to become bankrupt ("borrowers likely to become bankrupt"), an allowance is provided at the amount deemed necessary based on an overall solvency assessment, net of the expected collection through disposal of collaterals and execution of guarantees. For the other loans, an allowance is provided by multiplying the claim amount by an anticipated default rate calculated based on the Company's actual default experience for a certain period in the past.

All loans are assessed based on the Company's standards for the self-assessment of asset quality and the assessment results are reviewed by a department independent of the department that performs and is responsible for the self-assessment. The allowance for possible loan losses is provided based on the assessment results.

For loans to bankrupt borrowers and substantially bankrupt borrowers, the amount of loans exceeding the value of estimated recovery through disposal of collaterals and execution of guarantees is deemed uncollectible and written off. The amount of loans written off for the fiscal years ended March 31, 2020, 2021 and 2022 amounted to ¥35 million, ¥260 million and ¥31 million (U.S. \$0 million), respectively.

7) Accrued retirement benefits

Accrued retirement benefits are provided based on the projected benefit obligations and plan assets as of the balance sheet date in accordance with the accounting standards for retirement benefits ("Statement on Establishing Accounting Standards for Retirement Benefits").

8) Reserve for price fluctuation

Reserve for price fluctuation is calculated pursuant to Article 115 of the Insurance Business Act.

9) Accounting for consumption taxes

National and local consumption taxes are accounted for using the tax-excluded method. Non-deductible consumption taxes are recognized as expenses for the fiscal year, except for those relating to purchases of depreciable fixed assets which are not charged to expense but deferred as other assets and amortized over a five-year period on the straight-line basis pursuant to the Corporation Tax Act.

10) Policy reserves

Policy reserves are calculated and accumulated by the method in accordance with the statement of calculation procedures for insurance premiums and policy reserves (Article 4, Paragraph 2, Item 4 of the Insurance Business Act) pursuant to Article 116 of the Insurance Business Act to prepare for future performance of obligations under its insurance contracts.

Premium reserves, one of the components of policy reserves, are calculated, based on the Article 116 of the Insurance Business Act and Article 69, Paragraph 1, Item 1 of the Ordinance for Enforcement of the Insurance Business Act, according to the following methods:

- a) For contracts which are subject to the standard policy reserve requirements, premium reserves are calculated using the method stipulated by the Commissioner of Financial Services Agency (Ministry of Finance Notification No. 48 in 1996).
- b) For contracts which are not subject to the standard policy reserve requirements, premium reserves are calculated using the net level premium method.

The Company adopted its accounting policy for premium reserves for existing individual annuity contracts whose annuity payments commenced on or after April 1, 2006, effective from the fiscal year ended March 31, 2007, as follows:

For individual annuity contracts which commenced on or after April 1, 2006, the Company has regarded their commencement dates of annuity payments as the contract dates, and applied the calculation basis stipulated by the Commissioner of Financial Services Agency (Ministry of Finance Notification No. 48 in 1996). (For the contracts which annuity payments commenced during fiscal year of 2006, assumed mortality rates on the 2007 life insurance standard life table have been used.)

Unearned premiums are accumulated as a component of policy reserves pursuant to Article 116 of the Insurance Business Act and Article 69, Paragraph 1, Item 2 of the Ordinance for Enforcement of the Insurance Business Act.

Contingency reserves, one of the components of policy reserves, are accumulated pursuant to Article 116 of the Insurance Business Act and Article 69, Paragraph 1, Item 3 of the Ordinance for Enforcement of the Insurance Business Act to ensure performing future obligations under its insurance contracts.

Additional policy reserves need to be recognized based on Article 69, Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act if the policy reserves set aside pursuant to Article 69, Paragraphs 1, 2 and 4 of the Ordinance for Enforcement of the Insurance Business Act are found to be likely insufficient to cover the performance of the future obligations due to a large deviation in the estimated future cash flows

based on the statement of calculation procedures with assumed incidents rates, interest rates and others, compared to recent actual results.

In determining the necessity of recognition and the amount of additional policy reserves, the Company refers to the result of the future cash flow analysis to confirm adequacy of policy reserves performed by the Appointed Actuary because future cash flows need to be estimated by using actuarial expertise in accordance with applicable laws and regulations.

11) Recognition of insurance premiums and claims

The Company in principle recognizes insurance premiums when the premiums, which are measured at the amounts to be received, are received and the responsibility on the insurance contract is commenced.

The Company recognizes claims paid when incidents prescribed in policy clause are incurred and these claims are paid at the amounts to be paid.

The Company recognizes outstanding claims with the amount of unpaid claims over the contracts for which payment obligation exists at the year end or for which incidents prescribed in policy clause already incurred but not reported to the Company, pursuant to Article 117 of the Insurance Business Act and Article 72 of the Ordinance for Enforcement of the Insurance Business Act.

12) Policy acquisition costs

The Company recognizes policy acquisition costs when incurred.

13) New Accounting Standards

The Company has applied "Accounting Standard for Fair Value Measurement" (ASBJ Statement No.30, July 4, 2019), etc. from the beginning of the period ended March 31, 2022. In accordance with transitional treatment stipulated in Item 19 of "Accounting Standard for Fair Value Measurement" and Item 44-2 of "Accounting Standard for Financial Instruments" (ASBJ Statement No.10, July 4, 2019), the Company has applied new accounting policies prospectively since the beginning of the period ended March 31, 2022.

Due to this application, the measurement of the fair value of stocks with market price categorized as available-for-sale securities is changed from the fair value method based on the average market price during the last month of the period to the fair value method based on the market price on the balance sheet date. Also, the Company noted matters concerning fair value of financial instruments and breakdown by input level on the Note 4, "Financial Instruments" as of March 31, 2022. The matters as of March 31, 2020 and 2021 were not described in accordance with the transitional treatment set out in Item 7-4 of "Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No.19, March 31, 2020).

14) Accounting Standards and guidance not yet applied

Following accounting standards and guidance are those issued but not yet applied.

- "Application Guidelines of Accounting Standard for Fair Value Measurement" (Application Guidance of Corporate Accounting standards, No. 31(17 June 2021))

a) Overview

The guidance for fair value measurement of investment trusts was established as a result of the revision of "Application Guidelines of Accounting Standard for Calculation of fair value".

b) Effective date

These accounting standards and guidance will be effective from the beginning of the fiscal year ended March 31, 2023.

c) Impact of applying the standards and guidance

The impact of applying the standards and guidance is currently under assessment.

15) Additional Information

The consolidation tax filings were adopted, with the Company being a parent company under the system from the fiscal year ended March 31, 2018.

Following the enactment of "Act for Partial Revision of the Income Tax Act, etc." (Act No.8 of 2020), the transition from the consolidation tax filings to the group tax sharing system will be applied for the fiscal year beginning on April 1, 2022. With the adoption of "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (Practical Issues Task Force No.39, March 31, 2020), the Company and certain domestic subsidiaries recognized deferred tax assets/liabilities as of March 31, 2022 based on the provisions of pre-amended Tax Act.

Financial Instruments

1) Qualitative information on financial instruments

The Company applies Asset and Liability Management (ALM) considering characteristics of life insurance liabilities to enhance soundness and profitability of investment returns in mid-to-long term by diversified investments mainly in assets denominated in yen such as bonds and loans, and in stocks within allowable risk limits. In addition, the Company utilizes derivative instruments primarily in order to hedge the risks of fluctuation of values of assets or liabilities.

Major components of the Company's financial instruments and associated risks are as follows:

Domestic bonds are exposed to market risk, which arises from the fluctuation of interest rates and other market indicators, and credit risk of issuers. Domestic and foreign stocks are exposed to market risk, which arises from the fluctuation of stock prices and foreign exchange rates, and credit risk of issuers. Foreign bonds are exposed to market risk, which arises from the fluctuation of interest rates, foreign exchange rates and other market indicators, and credit risk of issuers. Loans, mainly to domestic companies, are exposed to credit risk, which arises from deterioration of the financial condition of counterparties. They are also exposed to market risk since certain loans, similarly to bonds, change the fair values by fluctuation of interest rates although no active secondary markets exist.

The Company utilizes foreign currency forward contracts, currency options and currency swaps to hedge foreign currency risks of assets and liabilities denominated in foreign currencies, futures trading, forwards trading and options to hedge market risks of stocks, bond futures, options and interest rate swaptions to hedge market risks of fixed rate assets relating to the fluctuation of interest rates, and interest rate swaps to hedge interest fluctuation risks of floating rate assets. Gains and losses on certain foreign currency forward contracts to hedge foreign currency risks mainly of foreign securities are accounted for under hedge accounting. From the period ended March 31, 2022, the deferred hedge method using interest rate swaps is used for hedges against interest rate fluctuations in certain policy reserves in order to appropriately control interest rate fluctuations, in accordance with Industry Audit Committee Practical Guideline No. 26, "Accounting and Auditing Treatment of Application of Accounting Standard for Financial Instruments in the Insurance Industry," issued by the Japanese Institute of Certified Public Accountants. The hedge effectiveness is regularly assessed by comparing fluctuations in the fair value of hedged items and hedging instruments.

Gains and losses on certain interest rate swaps used for hedging interest rate risks mainly of floating rate loans are accounted for under hedge accounting. The hedge effectiveness is regularly assessed by comparing fluctuations in cash flows of hedged items and hedging instruments.

When foreign currency forward contracts and currency swaps meet the criteria for applying the allocation method or when interest rate swap transactions meet the criteria for applying the exceptional method, hedge effectiveness is not assessed, according to accounting principles.

The risk management department maintains asset risk management in accordance with Risk Management Policy established by the board of directors. In addition, the Company strives to enhance risk assessment and management quantitatively and comprehensively by defining the framework of risk management about market risk and credit risk of financial instruments and concrete risk management processes pursuant to related rules. Moreover, the risk management department maintains effective risk management structures by independently monitoring whether trading departments operate in compliance with related policies and rules. The board of directors makes decisions in response to the reports of risk management situations.

In order to manage market risk, the Company assesses and analyzes sensitivities of existing financial instruments to changes in interest rates, foreign exchange rates, stock prices and other market indicators by comparing Value-at-Risk (VaR) as integrated risk exposure with the limit for market risk, which is calculated with consideration given to unrealized gains (losses) and realized gains (losses) on sales.

In order to manage credit risk, the Company assesses financial assets such as loans by using internal credit ratings corresponding to financial conditions of security issuers or counterparties of loans when the Company makes investments, and regularly reviews these ratings. Moreover, the Company manages credit risk by comparing Value-at-Risk (VaR) calculated with Monte Carlo simulations, which are based on the assumptions such as probability of transition for each internal credit rating and expected recovery rate at default, with the limit for credit risk.

2) Fair value of financial instruments

The following table shows the carrying amounts in the non-consolidated balance sheets and the fair values and their differences of financial instruments as of March 31, 2020 and 2021.

Cash and deposits (except Negotiable certificates of deposit), Call loans, Payables under repurchase agreements and Payables under securities borrowing transactions are not included in the following tables since they are mostly short-term, and their fair values approximate their book values.

As of March 31	Millions of Yen			Millions of Yen		
	2020			2021		
	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference
Cash and deposits (Negotiable certificates of deposit)	¥ 435,863	¥ 435,863	¥ —	¥ 491,530	¥ 491,530	¥ —
[Available-for-sale securities] ^{*1}	[435,863]	[435,863]	—	[491,530]	[491,530]	—
Monetary claims bought	326,239	329,205	2,966	565,143	567,468	2,324
[Available-for-sale securities] ^{*1}	[193,071]	[193,071]	—	[439,749]	[439,749]	—
Money held in trust	—	—	—	—	—	—
Securities ^{*2}	26,762,393	29,064,098	2,301,705	29,694,760	31,547,963	1,853,202
Trading securities	633,006	633,006	—	707,708	707,708	—
Held-to-maturity debt securities	1,725,807	2,049,016	323,208	1,590,707	1,852,103	261,395
Policy-reserve-matching bonds	12,029,249	14,032,115	2,002,866	12,470,906	14,068,089	1,597,183
Investments in subsidiaries and affiliated companies	52,238	27,869	(24,369)	52,238	46,861	(5,376)
Available-for-sale securities	12,322,091	12,322,091	—	14,873,199	14,873,199	—
Loans	2,099,584			1,945,518		
Allowance for possible loan losses ^{*3}	(598)			(649)		
	2,098,985	2,104,022	5,036	1,944,868	1,958,383	13,514
Corporate bonds	449,924	435,958	(13,965)	449,924	458,557	8,632
Loans payable	50,000	49,680	(320)	120,000	120,167	167
Derivative transactions ^{*4}	131,250	131,250	—	(518,059)	(518,059)	—
Hedge accounting not applied	247	247	—	(140,102)	(140,102)	—
Hedge accounting applied	131,002	131,002	—	(377,956)	(377,956)	—

*1 Available-for-sale securities are shown in [].

*2 This table does not include financial instruments for which fair values are not practically determinable, such as unlisted securities.

The non-consolidated balance sheet amounts of these securities were ¥661,485 million and ¥769,120 million as of March 31, 2020 and 2021, respectively.

*3 The allowance for possible loan losses earmarked for loans is deducted from the carrying amount of loans.

*4 Debits and credits arising from derivative transactions are netted, and the net credit positions are shown in ().

The following table shows the carrying amounts in the non-consolidated balance sheet and the fair values and their differences of financial instruments as of March 31, 2022.

The amounts shown in the following tables do not include stocks with no market prices and investments in partnership. Cash and deposits (except Negotiable certificates of deposit), Call loans, Payables under repurchase agreements and Payables under securities borrowing transactions are not included in the following tables since they are mostly short-term, and their fair values approximate their book values.

As of March 31	Millions of Yen			Millions of U.S. Dollars		
	Balance sheet amount	Fair value	2022 Difference	Balance sheet amount	Fair value	2022 Difference
Cash and deposits (Negotiable certificates of deposit)	¥ 520,844	¥ 520,844	¥ —	\$ 4,255	\$ 4,255	\$ —
[Available-for-sale securities] ^{*1}	[520,844]	[520,844]	—	[4,255]	[4,255]	—
Monetary claims bought	310,140	311,400	1,259	2,534	2,544	10
[Available-for-sale securities] ^{*1}	[192,123]	[192,123]	—	[1,569]	[1,569]	—
Money held in trust	4,914	4,914	—	40	40	—
Securities	30,451,921	31,778,325	1,326,403	248,810	259,648	10,837
Trading securities	641,645	641,645	—	5,242	5,242	—
Held-to-maturity debt securities	1,569,177	1,812,094	242,917	12,821	14,805	1,984
Policy-reserve-matching bonds	12,514,443	13,596,489	1,082,045	102,250	111,091	8,840
Investments in subsidiaries and affiliated companies	52,238	53,679	1,441	426	438	11
Available-for-sale securities	15,674,417	15,674,417	—	128,069	128,069	—
Loans	2,192,253			17,912		
Allowance for possible loan losses ^{*2}	(684)			(5)		
	2,191,569	2,186,908	(4,661)	17,906	17,868	(38)
Corporate bonds	480,510	486,370	5,859	3,926	3,973	47
Loans payable	120,000	119,804	(196)	980	978	(1)
Derivative transactions ^{*3}	(677,486)	(677,486)	—	(5,535)	(5,535)	—
Hedge accounting not applied	(82,187)	(82,187)	—	(671)	(671)	—
Hedge accounting applied	(595,298)	(595,298)	—	(4,863)	(4,863)	—

*1 Available-for-sale securities are shown in [].

*2 The allowance for possible loan losses earmarked for loans is deducted from the carrying amount of loans.

*3 Debits and credits arising from derivative transactions are netted, and the net credit positions are shown in ().

Note 1: Matters related to securities, including certain deposits regarded as securities pursuant to “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10)

The following tables show the carrying amounts in the non-consolidated balance sheets, the fair values and their differences of held-to-maturity debt securities and policy-reserve-matching bonds as of March 31, 2020, 2021 and 2022.

1) Held-to-maturity debt securities

As of March 31	Millions of Yen			Millions of Yen		
	2020			2021		
Type	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference
Fair value exceeds the balance sheet amount						
Bonds	¥ 310,662	¥ 334,609	¥ 23,947	¥ 284,558	¥ 305,365	¥ 20,807
Foreign securities (bonds)	1,414,600	1,713,866	299,266	1,305,600	1,546,196	240,596
Fair value does not exceed the balance sheet amount						
Bonds	545	540	(5)	549	541	(8)
Foreign securities (bonds)	—	—	—	—	—	—
Total	1,725,807	2,049,016	323,208	1,590,707	1,852,103	261,395

As of March 31	Millions of Yen			Millions of U.S. Dollars		
	2022			2022		
Type	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference
Fair value exceeds the balance sheet amount						
Bonds	¥ 261,940	¥ 278,138	¥ 16,197	\$ 2,140	\$ 2,272	\$ 132
Foreign securities (bonds)	1,305,600	1,532,328	226,728	10,667	12,520	1,852
Fair value does not exceed the balance sheet amount						
Bonds	1,636	1,627	(8)	13	13	(0)
Foreign securities (bonds)	—	—	—	—	—	—
Total	1,569,177	1,812,094	242,917	12,821	14,805	1,984

2) Policy-reserve-matching bonds

As of March 31	Millions of Yen			Millions of Yen		
	2020			2021		
Type	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference
Fair value exceeds the balance sheet amount						
Bonds	¥10,989,452	¥12,959,664	¥1,970,212	¥10,346,526	¥11,949,729	¥1,603,203
Foreign securities (bonds)	559,223	603,107	43,884	613,425	664,746	51,321
Fair value does not exceed the balance sheet amount						
Bonds	302,785	297,241	(5,543)	1,269,774	1,229,897	(39,877)
Foreign securities (bonds)	177,788	172,101	(5,687)	241,179	223,715	(17,464)
Total	12,029,249	14,032,115	2,002,866	12,470,906	14,068,089	1,597,183

As of March 31	Millions of Yen			Millions of U.S. Dollars		
	2022			2022		
Type	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference
Fair value exceeds the balance sheet amount						
Bonds	¥ 9,121,741	¥10,385,240	¥1,263,498	\$ 74,530	\$ 84,853	\$10,323
Foreign securities (bonds)	408,480	422,909	14,429	3,337	3,455	117
Fair value does not exceed the balance sheet amount						
Bonds	2,425,133	2,276,412	(148,720)	19,814	18,599	(1,215)
Foreign securities (bonds)	559,088	511,926	(47,161)	4,568	4,182	(385)
Total	12,514,443	13,596,489	1,082,045	102,250	111,091	8,840

The following table shows the acquisition costs or amortized costs, the carrying amounts in the non-consolidated balance sheets and their differences of available-for-sale securities as of March 31, 2020, 2021 and 2022.

3) Available-for-sale securities

As of March 31	Millions of Yen			Millions of Yen		
	2020			2021		
Type	Acquisition costs or amortized costs	Balance sheet amount	Difference	Acquisition costs or amortized costs	Balance sheet amount	Difference
Balance sheet amount exceeds acquisition costs or amortized costs						
Negotiable certificates of deposit	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —
Monetary claims bought	159,666	168,153	8,486	131,002	137,430	6,427
Bonds	1,565,064	1,655,370	90,306	1,648,506	1,735,325	86,818
Stocks	590,674	1,270,621	679,946	951,390	2,203,981	1,252,591
Foreign securities	6,376,328	6,920,454	544,125	7,580,013	8,181,944	601,930
Foreign bonds	6,062,554	6,592,476	529,922	6,733,057	7,242,449	509,392
Other foreign securities	313,774	327,978	14,203	846,956	939,495	92,538
Other securities	54,551	66,754	12,202	329,067	367,843	38,775
Balance sheet amount does not exceed acquisition costs or amortized costs						
Negotiable certificates of deposit	435,900	435,863	(36)	491,600	491,530	(69)
Monetary claims bought	24,952	24,918	(34)	302,887	302,319	(567)
Bonds	563,691	550,254	(13,437)	828,731	794,415	(34,315)
Stocks	405,472	324,583	(80,889)	164,279	134,282	(29,996)
Foreign securities	1,363,273	1,303,244	(60,028)	1,516,097	1,436,141	(79,956)
Foreign bonds	905,113	867,499	(37,613)	1,188,957	1,113,738	(75,219)
Other foreign securities	458,160	435,744	(22,415)	327,140	322,403	(4,737)
Other securities	248,971	230,808	(18,163)	20,000	19,265	(735)
Total	11,788,547	12,951,026	1,162,478	13,963,576	15,804,479	1,840,903

As of March 31	Millions of Yen			Millions of U.S. Dollars		
	2022			2022		
Type	Acquisition costs or amortized costs	Balance sheet amount	Difference	Acquisition costs or amortized costs	Balance sheet amount	Difference
Balance sheet amount exceeds acquisition costs or amortized costs						
Negotiable certificates of deposit	¥ —	¥ —	¥ —	\$ —	\$ —	\$ —
Monetary claims bought	122,748	127,640	4,891	1,002	1,042	39
Bonds	843,584	887,744	44,159	6,892	7,253	360
Stocks	902,583	2,084,152	1,181,568	7,374	17,028	9,654
Foreign securities	4,487,576	4,823,301	335,724	36,666	39,409	2,743
Foreign bonds	3,765,847	3,947,491	181,643	30,769	32,253	1,484
Other foreign securities	721,728	875,810	154,081	5,896	7,155	1,258
Other securities	192,719	225,564	32,845	1,574	1,843	268
Balance sheet amount does not exceed acquisition costs or amortized costs						
Negotiable certificates of deposit	520,900	520,844	(55)	4,256	4,255	(0)
Monetary claims bought	65,354	64,483	(870)	533	526	(7)
Bonds	1,909,150	1,822,223	(86,927)	15,598	14,888	(710)
Stocks	252,606	213,078	(39,527)	2,063	1,740	(322)
Foreign securities	5,661,806	5,408,569	(253,236)	46,260	44,191	(2,069)
Foreign bonds	4,695,327	4,509,905	(185,421)	38,363	36,848	(1,515)
Other foreign securities	966,478	898,663	(67,815)	7,896	7,342	(554)
Other securities	218,287	209,782	(8,504)	1,783	1,714	(69)
Total	15,177,316	16,387,386	1,210,069	124,007	133,894	9,886

Note 2: Non-consolidated balance sheet amounts of stocks with no market prices and investments in partnerships are as follows. These amounts are not included in the tables disclosed in “2) Fair value of financial instruments”:

As of March 31	Millions of Yen		Millions of U.S. Dollars	
	2022		2022	
	Balance sheet amount		Balance sheet amount	
Stocks with no market prices*1	¥731,432		\$5,976	
Investments in partnership*2	179,286		1,464	

*1 Unlisted stocks are included in stocks with no market prices.

*2 Investments in partnership includes those for Limited Partnerships. In accordance with Paragraph 27 of “Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, July 4, 2019),” these amounts are not included in fair value disclosure.

Note 3: Maturity analysis of monetary claims, securities with maturities, corporate bonds and other liabilities

Scheduled redemptions of monetary claims, securities with maturities, corporate bonds and other liabilities

As of March 31	Millions of Yen				Millions of Yen			
	2020				2021			
	Within 1 year	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years	Within 1 year	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years
Negotiable certificates of deposit	¥435,900	¥ —	¥ —	¥ —	¥491,600	¥ —	¥ —	¥ —
Monetary claims bought	24,116	203	282	293,163	280,549	208	288	278,221
Securities	547,096	1,961,310	7,185,892	12,534,174	336,202	2,810,959	7,952,005	12,742,022
Held-to-maturity debt securities	117,000	283,031	400,400	924,088	2,717	592,331	214,400	780,229
Policy-reserve-matching bonds	62,917	618,889	3,325,789	7,920,101	160,260	690,872	3,949,273	7,573,284
Available-for-sale securities	367,179	1,059,390	3,459,702	3,689,983	173,224	1,527,755	3,788,332	4,388,508
Loans	441,242	454,636	446,426	466,166	162,860	478,612	501,410	533,973
Corporate bonds	—	—	—	449,924	—	—	—	449,924
Loans payable	—	—	—	50,000	—	—	—	120,000

As of March 31	Millions of Yen				Millions of U.S. Dollars			
	2022				2022			
	Within 1 year	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years	Within 1 year	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years
Negotiable certificates of deposit	¥520,900	¥ —	¥ —	¥ —	\$4,256	\$ —	\$ —	\$ —
Monetary claims bought	34,550	213	295	271,025	282	1	2	2,214
Securities	523,415	3,691,288	8,319,230	12,416,511	4,276	30,160	67,973	101,450
Held-to-maturity debt securities	22,704	613,295	189,800	742,621	185	5,010	1,550	6,067
Policy-reserve-matching bonds	160,622	970,898	4,251,363	7,045,414	1,312	7,932	34,736	57,565
Available-for-sale securities	340,089	2,107,094	3,878,067	4,628,474	2,778	17,216	31,686	37,817
Loans	417,137	472,572	481,508	570,839	3,408	3,861	3,934	4,664
Corporate bonds	—	—	—	480,510	—	—	—	3,926
Loans payable	—	—	—	120,000	—	—	—	980

The table above excludes certain financial instruments for which estimation of the scheduled redemptions is impracticable, such as loans to borrowers that are legally or substantially bankrupt and borrowers likely to become bankrupt, and those without maturities.

3) Matters concerning fair value of financial instruments and breakdown by input level

The fair values of financial instruments are classified into the following three levels depending on the observability and significance of the input used in the fair value measurement.

Level 1: Fair value determined based on the (unadjusted) quoted price in an active market for the same asset or liability

Level 2: Fair value determined based on directly or indirectly observable inputs other than Level 1 inputs

Level 3: Fair value determined based on significant unobservable inputs

If multiple inputs with a significant impact are used for the fair value measurement of a financial instrument, the financial instrument is classified to the lowest priority level of fair value measurement in which each input belongs.

1) Financial assets and liabilities at the fair value on the non-consolidated balance sheet

As of March 31	Millions of Yen				Millions of U.S. Dollars			
	2022				2022			
	Fair value				Fair value			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Negotiable certificates of deposit	¥ —	¥ 520,844	¥ —	¥ 520,844	\$ —	\$ 4,255	\$ —	\$ 4,255
Monetary claims bought	—	34,493	157,630	192,123	—	281	1,287	1,569
Money held in trust	—	—	4,914	4,914	—	—	40	40
Securities	6,460,842	7,163,503	447,470	14,071,816	52,788	58,530	3,656	114,975
Trading securities	493,324	110,573	—	603,897	4,030	903	—	4,934
Available-for-sale securities	5,967,518	7,052,930	447,470	13,467,918	48,758	57,626	3,656	110,041
National government bonds	1,249,716	—	—	1,249,716	10,210	—	—	10,210
Local government bonds	—	45,975	—	45,975	—	375	—	375
Corporate bonds	—	1,413,274	1,000	1,414,275	—	11,547	8	11,555
Domestic stocks	2,296,590	640	—	2,297,231	18,764	5	—	18,769
Foreign securities	2,417,887	5,593,039	446,469	8,457,396	19,755	45,698	3,647	69,102
Foreign bonds	2,417,887	5,593,039	446,469	8,457,396	19,755	45,698	3,647	69,102
Other securities	3,323	—	—	3,323	27	—	—	27
Derivative transactions	415	151,929	0	152,345	3	1,241	0	1,244
Currency-related	—	150,030	—	150,030	—	1,225	—	1,225
Stock-related	415	—	0	415	3	—	0	3
Other	—	1,899	—	1,899	—	15	—	15
Total Assets	6,461,258	7,870,772	610,014	14,942,044	52,792	64,308	4,984	122,085
Derivative transactions	7,467	820,194	2,169	829,832	61	6,701	17	6,780
Currency-related	—	814,379	2,169	816,549	—	6,653	17	6,671
Stock-related	6,333	—	—	6,333	51	—	—	51
Other	1,133	5,814	—	6,948	9	47	—	56
Total Liabilities	7,467	820,194	2,169	829,832	61	6,701	17	6,780

The amount of investment trusts for which transitional measures are applied in accordance with Paragraph 26 of "Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, July 4, 2019)," were not included in the table above. The balance sheet amount of these investment trusts was ¥2,244,246 million (U.S. \$18,336 million) as of March 31, 2022.

2) Financial assets and liabilities which are not stated at the fair value on the non-consolidated balance sheet

As of March 31	Millions of Yen				Millions of U.S. Dollars			
	2022				2022			
	Fair value				Fair value			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Monetary claims bought	¥ —	¥ —	¥ 119,276	¥ 119,276	\$ —	\$ —	\$ 974	\$ 974
Securities	10,565,266	4,894,987	2,008	15,462,263	86,324	39,994	16	126,336
Held-to-maturity debt securities	107,266	1,704,828	—	1,812,094	876	13,929	—	14,805
National government bonds	107,266	—	—	107,266	876	—	—	876
Corporate bonds	—	172,500	—	172,500	—	1,409	—	1,409
Foreign securities	—	1,532,328	—	1,532,328	—	12,520	—	12,520
Foreign bonds	—	1,532,328	—	1,532,328	—	12,520	—	12,520
Policy-reserve-matching bonds	10,458,000	3,136,479	2,008	13,596,489	85,448	25,626	16	111,091
National government bonds	10,458,000	—	—	10,458,000	85,448	—	—	85,448
Local government bonds	—	135,972	—	135,972	—	1,110	—	1,110
Corporate bonds	—	2,067,679	—	2,067,679	—	16,894	—	16,894
Foreign securities	—	932,827	2,008	934,836	—	7,621	16	7,638
Foreign bonds	—	932,827	2,008	934,836	—	7,621	16	7,638
Investment in unconsolidated subsidiaries and affiliated companies	—	53,679	—	53,679	—	438	—	438
Loans	—	18,038	2,168,870	2,186,908	—	147	17,720	17,868
Total Assets	10,565,266	4,913,025	2,290,155	17,768,448	86,324	40,142	18,711	145,178
Corporate Bonds	—	486,370	—	486,370	—	3,973	—	3,973
Loans payables	—	119,804	—	119,804	—	978	—	978
Total Liabilities	—	606,174	—	606,174	—	4,952	—	4,952

Note 1: Description of the valuation techniques and inputs used to measure fair value

Assets

1) Monetary claims bought

As for securitized products of monetary claims bought, the fair values are based on the values deemed as market prices obtained by the reasonable estimate such as those obtained from financial information vendors and brokers and are categorized as Level 3 since significant valuation inputs are unobservable.

As for monetary claims bought other than those described above, when the present values of the expected future cash flows are considered to be fair values, those other monetary claims bought are categorized as Level 3 since the discount rate and other significant valuation inputs are unobservable and as Level 2 when those inputs are observable.

2) Money held in trust

As for money held in trust, the fair value is determined based on each component of trust properties quoted by the financial institutions from which these securities were purchased, and classified into Level 3 since significant valuation inputs are unobservable.

3) Securities

As for securities for which unadjusted quoted prices in active markets are available, those securities are categorized as Level 1 which includes mainly stocks and national government bonds.

In the case the markets are inactive even if the quoted prices are available, those securities are categorized as Level 2, which includes mainly local government bonds and corporate bonds.

When the quoted prices are not available, fair values are measured at the present value of the expected future cash flows and others. When making these assessments, we maximize the use of relevant observable inputs and the main inputs include government bond yields, prepayments rates, credit spreads, default rates, loss given default rates. When significant unobservable valuation inputs are used, those securities are categorized as level 3.

4) Loans

As for general loans, the fair values are measured, for each category of the loans determined according to the types, internal ratings and terms of the loans, by discounting the total amount of principal and interest and others at the discount rate that reflects market interest rates and other factors such as credit risks.

When significant unobservable valuation inputs are used, those loans are categorized as level 3.

As for policy loans, the book value is deemed as the fair value since the fair value approximates the book value, considering that the loan amount is limited within surrender value with no contractual maturity and given their estimated repayment period and interest rate terms, and those loans are categorized as level 3.

Liabilities

1) Corporate bonds

As for Corporate bonds, quoted prices in inactive markets are considered to be fair values and those bonds are categorized as level 2.

2) Loans payable

As for Loan payable, quoted prices in inactive markets of loan-backed bonds are considered to be fair values and those loans payable are categorized as level 2.

Derivative transactions

Derivative transactions that can be measured at unadjusted quoted prices in active markets are categorized as Level 1, which includes such transactions as bonds futures and stocks futures. However, since most derivative transactions are over-the-counter transactions and there are no quoted market prices, fair values are measured using valuation techniques such as the discounted cash flow method and the Black-Scholes model, depending on the type of transaction and the maturity period. The main inputs which are used in those valuation techniques include interest rate, currency rate, volatility and others. When unobservable inputs are not used or impact of unobservable inputs are not material, transactions are categorized as Level 2, which mainly includes such transactions as plain vanilla interest rate swaps and foreign exchange forwards. When significant unobservable inputs are used, transactions are categorized as Level 3, which includes transactions such as stock option transactions.

Since foreign exchange forward contracts and currency swap contracts subject to the allocation method are treated as an integral part of the hedged foreign currency denominated loans and bonds payable, their fair value is included in the fair value of hedged loans and bonds payable in the table above. In addition, since interest rate swaps subject to the exceptional method are treated as an integral part of the hedged loan, their fair value is included in the fair value of hedged loans in the table above.

Note 2: Information about financial assets and liabilities measured and stated on the non-consolidated balance sheet at fair value and classified in Level 3

1) Quantitative information about significant unobservable inputs

Since the significant unobservable inputs were not estimated, the Company omitted the quantitative information about significant unobservable inputs.

2) Reconciliation between the beginning and ending balance, and net unrealized gains (losses) recognized in the earnings for the period ended March 31, 2022

As of March 31	Millions of Yen					Millions of U.S. Dollars				
	2022					2022				
	Monetary claims bought	Money held in trust	Securities	Derivative transactions ^{*2}	Total	Monetary claims bought	Money held in trust	Securities	Derivative transactions ^{*2}	Total
Beginning balance	¥159,383	¥ —	¥411,734	¥(28,725)	¥542,392	\$1,302	\$—	\$3,364	\$(234)	\$4,431
Gains (losses) for the period/ other comprehensive income	(1,941)	382	26,318	(7,842)	16,916	(15)	3	215	(64)	138
Recorded to gains (losses) for the period ^{*1}	8	382	30,573	(7,842)	23,121	0	3	249	(64)	188
Recorded to other comprehensive income	(1,950)	—	(4,255)	—	(6,205)	(15)	—	(34)	—	(50)
Net amount of purchase, sale, issuance and settlement, etc.	187	4,532	9,418	34,398	48,536	1	37	76	281	396
Transfer to Level 3	—	—	—	—	—	—	—	—	—	—
Transfer from Level 3	—	—	—	—	—	—	—	—	—	—
Ending balance	157,630	4,914	447,470	(2,169)	607,844	1,287	40	3,656	(17)	4,966
Net unrealized gains (losses) on financial assets and liabilities held at the non-consolidated balance sheet date among the amount recognized in the earnings of the period	—	—	—	(3,670)	(3,670)	—	—	—	(29)	(29)

*1 Principally included in "Investment income" and "Investment expenses" of the non-consolidated statements of income.

*2 Debits and credits arising from derivative transactions are netted, and the net credit positions are shown in ().

3) Explanation about the fair value valuation process

The company's risk management department has implemented policies and procedures regarding the fair value measurement and front divisions and others obtain and measure the fair values in accordance with such policies and procedures. The risk management department and others verify the reasonableness of the fair value valuation models, the inputs used, and the appropriateness of the classified fair value level of the calculated fair value. The results of verification are reported to the risk management department every quarter to ensure the appropriateness of the policies and procedures regarding the fair value measurement.

When measuring the fair values, the valuation models which most appropriately reflect the nature, characteristics and risks of each asset are used. When quoted prices obtained from third parties are used as fair value, their validity is verified taking appropriate methods such as confirming the valuation techniques and inputs used and comparing with the fair value of similar financial instruments.

4) Description of the sensitivity of the fair value to changes in significant unobservable inputs

Since the significant unobservable inputs were not estimated, the Company omitted the description of the sensitivity of the fair value to changes in significant unobservable inputs.

Note 3: Fair values of derivative transactions

1) Interest-rate related

a) Hedge accounting not applied

Type	Millions of Yen				Millions of Yen			
	2020				2021			
	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)
Interest rate swaps								
Receipts fixed, payments floating	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —
Total				—				—

Type	Millions of Yen				Millions of U.S. Dollars			
	2022				2022			
	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)
Interest rate swaps								
Receipts fixed, payments floating	¥47,500	¥47,500	¥(568)	¥(568)	\$388	\$388	\$(4)	\$(4)
Total				(568)				(4)

*1. Net gains (losses) represent the fair values for interest rate swaps.

b) Hedge accounting applied

Hedge accounting model	Type	Main hedged items	Millions of Yen			Millions of Yen		
			2020			2021		
			Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value
Exceptional method	Interest rate swaps							
	Receipts fixed, payments floating	Loans	¥ 4,535	¥ 4,535	¥ 64	¥ 145	¥ 80	¥ 1
	Receipts floating, payments fixed	Loans	48,973	—	(544)	83,032	83,032	6,081
Deferred hedge method	Interest rate swaps							
	Receipts fixed, payments floating	Loans	15,500	15,500	23	15,500	11,500	12
Total					(515)			6,094

Hedge accounting model	Type	Main hedged items	Millions of Yen			Millions of U.S. Dollars		
			2022			2022		
			Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value
Exceptional method	Interest rate swaps							
	Receipts fixed, payments floating	Loans	¥ 80	¥ 35	¥ 0	\$ 0	\$ 0	\$ 0
	Receipts floating, payments fixed	Loans	91,792	91,792	10,820	750	750	88
Deferred hedge method	Interest rate swaps							
	Receipts fixed, payments floating	Loans	11,500	11,500	(14)	93	93	(0)
	Receipts fixed, payments floating	Insurance Liabilities	77,500	77,500	(5,038)	633	633	(41)
Total					5,768			47

*1. The fair values of certain interest rate swaps under the exceptional method are included in the fair values of related loans since they are accounted for as integrated transactions.

2) Currency-related
a) Hedge accounting not applied

As of March 31	Millions of Yen				Millions of Yen			
				2020				2021
Type	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)
Foreign currency forward contracts								
Sold	¥2,458,184	¥ —	¥ 21,491	¥ 21,491	¥3,235,486	¥—	¥(214,996)	¥(214,996)
(U.S. dollar)	1,304,922	—	(21,989)	(21,989)	1,500,512	—	(58,407)	(58,407)
(Euro)	750,151	—	6,909	6,909	1,149,871	—	(72,428)	(72,428)
(Australian dollar)	156,299	—	13,987	13,987	278,675	—	(67,010)	(67,010)
Bought	2,354,980	165,027	(22,626)	(22,626)	3,542,436	—	100,313	100,313
(Euro)	907,915	165,027	(1,984)	(1,984)	1,540,936	—	44,898	44,898
(U.S. dollar)	1,189,033	—	1,595	1,595	1,418,949	—	47,159	47,159
(Australian dollar)	22,344	—	(1,519)	(1,519)	272,639	—	5,311	5,311
Currency options								
Sold								
Call	220,250	—			172,500	—		
	[907]		1,783	(876)	[726]		172	553
(U.S. dollar)	220,250	—			172,500	—		
	[907]		1,783	(876)	[726]		172	553
Put	—	—			135,000	—		
					[681]			681
(U.S. dollar)	—	—			135,000	—		
					[681]			681
Bought								
Put	199,000	—			150,000	—		
	[1,986]		1,201	(784)	[2,186]		2	(2,184)
(U.S. dollar)	199,000	—			150,000	—		
	[1,986]		1,201	(784)	[2,186]		2	(2,184)
Total				(2,795)				(115,631)

As of March 31	Millions of Yen				Millions of U.S. Dollars			
				2022				2022
Type	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)
Foreign currency forward contracts								
Sold	¥2,215,532	¥—	¥(221,515)	¥(221,515)	\$18,102	\$—	\$(1,809)	\$(1,809)
(U.S. dollar)	983,269	—	(118,453)	(118,453)	8,033	—	(967)	(967)
(Euro)	582,889	—	(29,456)	(29,456)	4,762	—	(240)	(240)
(Australian dollar)	513,509	—	(60,675)	(60,675)	4,195	—	(495)	(495)
Bought	2,640,665	—	147,989	147,989	21,575	—	1,209	1,209
(Euro)	1,034,799	—	60,119	60,119	8,454	—	491	491
(U.S. dollar)	989,700	—	47,798	47,798	8,086	—	390	390
(Australian dollar)	485,776	—	37,184	37,184	3,969	—	303	303
Currency options								
Sold								
Call	120,000	—			980	—		
	[313]		2,169	(1,856)	[2]		17	(15)
(U.S. dollar)	120,000	—			980	—		
	[313]		2,169	(1,856)	[2]		17	(15)
Put	—	—			—	—		
					—	—		
(U.S. dollar)	—	—			—	—		
					—	—		
Bought								
Put	100,000	—			817	—		
	[422]			(422)	[3]			(3)
(U.S. dollar)	100,000	—			817	—		
	[422]			(422)	[3]			(3)
Total				(75,805)				(619)

*1. Option fees are shown in [].

*2. Net gains (losses) represent the fair values for foreign currency forward contracts and the differences between the option fees and the fair values for option transactions.

b) Hedge accounting applied

As of March 31			Millions of Yen			Millions of Yen			
			2020		Fair value	2021		Fair value	
Hedge accounting model	Type	Main hedged items	Notional amount/ contract value (A)	Over 1 year included in (A)		Notional amount/ contract value (A)	Over 1 year included in (A)		
Fair value hedge method	Foreign currency forward contracts	Foreign-currency-denominated assets	Sold	¥7,329,758	¥1,191,995	¥134,617	¥7,954,817	¥2,386,505	¥(374,068)
			(U.S. dollar)	3,754,163	1,138,338	(24,521)	3,670,328	1,116,818	(161,117)
			(Euro)	2,155,977	—	24,938	2,412,569	906,783	(84,208)
			(Australian dollar)	915,189	53,656	97,658	1,234,976	248,123	(109,166)
Allocation method	Currency swaps (U.S. dollar)	Foreign-currency-denominated assets	168,916	168,916	12,234	179,829	173,945	4,776	
			168,916	168,916	12,234	179,829	173,945	4,776	
Allocation method	Currency swaps (U.S. dollar)	Foreign-currency-denominated liabilities	244,924	244,924	28,825	244,924	244,924	29,996	
			244,924	244,924	28,825	244,924	244,924	29,996	
Deferred hedge method	Currency swaps (U.S. dollar)	Foreign-currency-denominated assets	37,806	37,806	(3,638)	37,806	37,806	(3,900)	
			35,351	35,351	(3,656)	35,351	35,351	(3,685)	
Total			172,039			(343,195)			

As of March 31			Millions of Yen			Millions of U.S. Dollars			
			2022		Fair value	2022		Fair value	
Hedge accounting model	Type	Main hedged items	Notional amount/ contract value (A)	Over 1 year included in (A)		Notional amount/ contract value (A)	Over 1 year included in (A)		
Fair value hedge method	Foreign currency forward contracts	Foreign-currency-denominated assets	Sold	¥7,894,713	¥3,363,811	¥(585,471)	\$64,504	\$27,484	\$(4,783)
			(U.S. dollar)	3,829,723	1,656,305	(318,481)	31,291	13,533	(2,602)
			(Euro)	2,546,059	1,265,539	(126,821)	20,802	10,340	(1,036)
			(Australian dollar)	1,159,427	441,967	(114,262)	9,473	3,611	(933)
Allocation method	Currency swaps (U.S. dollar)	Foreign-currency-denominated assets	185,118	185,118	(15,141)	1,512	1,512	(123)	
			185,118	185,118	(15,141)	1,512	1,512	(123)	
Allocation method	Currency swaps (U.S. dollar)	Foreign-currency-denominated liabilities	345,510	345,510	49,984	2,823	2,823	408	
			345,510	345,510	49,984	2,823	2,823	408	
Deferred hedge method	Currency swaps (U.S. dollar)	Foreign-currency-denominated assets	37,806	37,806	(5,352)	308	308	(43)	
			35,351	35,351	(5,057)	288	288	(41)	
Total			(555,980)			(4,542)			

*1. The fair values of foreign currency forward contracts and currency swaps under the allocation method are included in the fair values of related foreign-currency-denominated assets and liabilities since they are accounted for as integrated transactions.

3) Stock-related

a) Hedge accounting not applied

As of March 31

		Millions of Yen				Millions of Yen			
		2020				2021			
Classification	Type	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)
Exchange-traded transactions	Stock index futures								
	Sold	¥ —	¥—	¥ —	¥ —	¥ 2,344	¥—	¥ (58)	¥ (58)
	Bought	19,501	—	1,126	1,126	30,720	—	440	440
Over-the counter transactions	Stock index options								
	Sold								
	Call	—	—	—	—	148,470	—	28,555	(26,881)
	Put	—	—	—	—	[1,674]	—	—	—
	Bought								
	Put	—	—	—	—	122,715	—	—	2,326
	Put	—	—	—	—	[2,326]	—	—	—
	Put	—	—	—	—	149,985	—	—	—
	Put	—	—	—	—	[5,481]	—	—	(5,481)
Total					1,126	(29,654)			

As of March 31

		Millions of Yen				Millions of U.S. Dollars			
		2022				2022			
Classification	Type	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)
Exchange-traded transactions	Stock index futures								
	Sold	¥83,809	¥—	¥(6,326)	¥(6,326)	\$684	\$—	\$(51)	\$(51)
	Bought	5,044	—	408	408	41	—	3	3
Over-the counter transactions	Stock index options								
	Sold								
	Call	—	—	—	—	—	—	—	—
	Put	—	—	—	—	—	—	—	—
	Bought								
	Put	66,000	—	—	—	539	—	—	—
	Put	[1,392]	—	0	(1,391)	[11]	—	0	(11)
Total					(7,310)	(59)			

*1. Option fees are shown in [].

*2. Net gains (losses) represent the fair values for futures trading and the differences between the option fees and the fair values for option transactions.

b) Hedge accounting applied

No ending balances as of March 31, 2020, 2021 and 2022.

4) Bond-related

a) Hedge accounting not applied

As of March 31		Millions of Yen				Millions of Yen			
		2020				2021			
Classification	Type	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)
Exchange-traded transactions	Bond futures								
	Sold	¥—	¥—	¥—	¥—	¥20,393	¥—	¥99	¥99
	Bought	—	—	—	—	33,536	—	(47)	(47)
Total									51

As of March 31		Millions of Yen				Millions of U.S. Dollars			
		2022				2022			
Classification	Type	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)
Exchange-traded transactions	Bond futures								
	Sold	¥ —	¥—	¥ —	¥ —	\$ —	\$ —	\$ —	\$ —
	Bought	66,423	—	(1,133)	(1,133)	542	—	(9)	(9)
Total					(1,133)				(9)

*1. Net gains (losses) represent the fair values for futures trading.

b) Hedge accounting applied

No ending balances as of March 31, 2020, 2021 and 2022.

5) Other

a) Hedge accounting not applied

As of March 31		Millions of Yen				Millions of Yen			
		2020				2021			
Classification	Type	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)
Over-the-counter transactions	Multi-Asset index options								
	Sold								
	Call	¥139,122 [337]	¥—	¥ 62	¥ 275	¥134,140 [445]	¥—	¥ 549	¥(103)
	Bought								
	Call	128,961 [2,816]	—	900	(1,915)	127,843 [2,630]	—	3,421	790
Total					(1,639)				687

As of March 31		Millions of Yen				Millions of U.S. Dollars			
		2022				2022			
Classification	Type	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)
Over-the-counter transactions	Multi-Asset index options								
	Sold								
	Call	¥136,100 [414]	¥—	¥ 187	¥ 227	\$1,112 [3]	\$—	\$ 1	\$ 1
	Bought								
	Call	143,926 [2882]	—	1,892	(990)	1,175 [23]	—	15	(8)
Total					(762)				(6)

*1. Option fees are shown in [].

*2. Net gains (losses) represent the differences between the option fees and the fair values for option transactions.

b) Hedge accounting applied

No ending balances as of March 31, 2020, 2021 and 2022.

Note 4

Fair Value of Investment and Rental Property

The carrying amounts for investment and rental properties were ¥392,983 million, ¥396,511 million and ¥394,362 million (U.S. \$3,222 million), and their fair values were ¥504,136 million, ¥515,877 million and ¥531,814 million (U.S. \$4,345 million) as of March 31, 2020, 2021 and 2022, respectively. The Company owns office buildings and land in Tokyo and other areas, the fair value of which is mainly based on appraisals by qualified external appraisers. Asset retirement obligations for certain investment and rental properties were established as other liabilities in the amounts of ¥1,364 million, ¥1,384 million and ¥1,319 million (U.S. \$10 million) as of March 31, 2020, 2021 and 2022, respectively.

Note 5

Securities Lending

Securities loaned under security lending agreements amounted to ¥3,905,476 million, ¥4,366,031 million and ¥4,776,801 million (U.S. \$39,029 million) as of March 31, 2020, 2021 and 2022, respectively.

Note 6

Accumulated Depreciation

Accumulated depreciation of tangible fixed assets amounted to ¥419,213 million, ¥427,522 million and ¥428,797 million (U.S. \$3,503 million) as of March 31, 2020, 2021 and 2022, respectively.

Note 7

Deduction from the original acquisition cost of qualified properties

The Company's total amounts deducted from the original acquisition cost of the qualified properties were nil, nil and ¥2,826 million for the fiscal years ended March 31, 2020, 2021 and 2022, respectively.

Note 8

Separate Accounts

The total amounts of assets held in separate accounts defined in Article 118 of the Insurance Business Act were ¥726,126 million, ¥828,123 million and ¥828,542 million (U.S. \$6,769 million) as of March 31, 2020, 2021 and 2022, respectively. The total amounts of separate account liabilities were the same as these.

Note 9

Monetary Receivable from and Payable to Subsidiaries

The total amounts of monetary receivable from and payable to subsidiaries as of March 31, 2020, 2021 and 2022 were as follows:

	Millions of Yen			Millions of U.S. Dollars
	2020	2021	2022	2022
Monetary receivable	¥50,195	¥84,223	¥93,648	\$765
Monetary payable	11,474	14,792	17,277	141

Note 10

Policyholders' Dividend Reserves

Changes in policyholders' dividend reserves for the fiscal years ended March 31, 2020, 2021 and 2022 were as follows:

	Millions of Yen			Millions of U.S. Dollars
	2020	2021	2022	2022
At the beginning of the fiscal year	¥226,323	¥221,485	¥218,156	\$1,782
Transfer from surplus in the previous fiscal year	50,285	47,451	54,181	442
Dividend payments to policyholders during the fiscal year	(55,155)	(50,810)	(56,141)	(458)
Interest accrued during the fiscal year	32	29	29	0
At the end of the fiscal year	¥221,485	¥218,156	¥216,226	\$1,766

Note **11**

Net Assets Stipulated by the Ordinance for Enforcement of the Insurance Business Act

The amounts of net assets pursuant to Article 30, Paragraph 2 of the Ordinance for Enforcement of the Insurance Business Act were ¥838,868 million, ¥1,330,356 million and ¥888,469 million (U.S. \$10,869 million) as of March 31, 2020, 2021 and 2022, respectively.

Note **12**

Accrued Retirement Benefits

Assumptions used in accounting for the defined benefit plans for the fiscal years ended March 31, 2020, 2021 and 2022 were as follows:

	2020	2021	2022
Method of attributing benefits to period of service	Benefit formula basis	Benefit formula basis	Benefit formula basis
Amortization period for actuarial losses (Commencing in the following fiscal year after they are incurred)	8 years	8 years	8 years
Amortization period for past service costs	3 years	3 years	3 years

The following provide details of the retirement benefit plans.

1) Summary of the retirement benefit plans

The Company has defined benefit corporate pension plans and retirement allowance systems, which distribute a lump sum payment on retirement, as defined benefit plans, and a defined contribution pension plan as defined contribution plans.

The Company established retirement benefit trusts for certain retirement allowance systems.

2) Defined benefit plans

a) Changes in the defined benefit obligations for the fiscal years ended March 31, 2020, 2021 and 2022 were as follows:

	Millions of Yen			Millions of U.S. Dollars
	2020	2021	2022	2022
At the beginning of the fiscal year	¥282,010	¥270,390	¥295,943	\$2,418
Service costs	11,764	11,495	12,895	105
Interest costs on projected benefit obligations	4,154	3,982	1,701	13
Actuarial losses (gains)	(22)	33,123	1,957	15
Benefits paid	(26,777)	(23,049)	(14,834)	(121)
Past service costs	(737)	—	—	—
At the end of the fiscal year	¥270,390	¥295,943	¥297,663	\$2,432

b) Changes in the plan assets for the fiscal years ended March 31, 2020, 2021 and 2022 were as follows:

	Millions of Yen			Millions of U.S. Dollars
	2020	2021	2022	2022
At the beginning of the fiscal year	¥294,803	¥266,550	¥311,806	\$2,547
Expected return on plan assets	3,607	2,033	2,923	23
Actuarial gains (losses)	(24,159)	47,337	5,008	40
Contribution by employer	6,676	6,648	5,153	42
Benefits paid	(14,377)	(10,763)	(6,511)	(53)
At the end of the fiscal year	¥266,550	¥311,806	¥318,380	\$2,601

c) The amounts of the defined benefit liabilities and the defined benefit assets in the non-consolidated balance sheets as of March 31, 2020, 2021 and 2022 were determined as follows:

	Millions of Yen			Millions of U.S. Dollars
	2020	2021	2022	2022
Present value of funded obligations	¥ 270,390	¥ 295,943	¥ 297,663	\$ 2,432
Plan assets at fair value	(266,550)	(311,806)	(318,380)	(2,601)
Net present value of funded obligations	3,840	(15,862)	(20,716)	(169)
Unrecognized actuarial gains (losses)	(9,808)	(355)	(1,680)	(13)
Unrecognized past service costs	4,216	491	245	2
Net value on the balance sheet	(1,751)	(15,726)	(22,150)	(180)
Accrued retirement benefits	10,730	—	—	—
Prepaid pension cost	(12,482)	(15,726)	(22,150)	(180)
Net value on the balance sheet	¥ (1,751)	¥ (15,726)	¥ (22,150)	\$ (180)

d) The amounts recognized in retirement benefit expenses in the non-consolidated statements of income for the fiscal years ended March 31, 2020, 2021 and 2022 were as follows:

	Millions of Yen			Millions of U.S. Dollars
	2020	2021	2022	2022
Service costs	¥11,764	¥11,495	¥12,895	\$105
Interest costs on projected benefit obligations	4,154	3,982	1,701	13
Expected return on plan assets	(3,607)	(2,033)	(2,923)	(23)
Amortization of net actuarial losses (gains)	(7,185)	(4,759)	(4,376)	(35)
Amortization of net past service costs	(3,795)	(3,724)	(245)	(2)
Retirement benefit expenses	¥ 1,329	¥ 4,960	¥ 7,051	\$ 57

e) The plan assets

The plan assets as of March 31, 2020, 2021 and 2022 were comprised as follows:

	% of total fair value of plan assets		
	2020	2021	2022
Equity securities	33	42	41
General accounts of life insurance companies	46	35	36
Investment trusts	8	6	6
Debt securities	6	6	4
Others	7	11	13
Total	100	100	100

41%, 48% and 48% of the plan assets were the retirement benefit trusts as of March 31, 2020, 2021 and 2022, respectively.

f) The expected long-term rate of return on the plan assets

The expected long-term rate of return on the plan assets is calculated by aggregating the weighted rates of return derived from each asset category. The expected long-term rates of return for each asset category are based primarily on various aspects of long-term prospects for the economy that include historical performance and the market environment.

g) Assumptions used in calculation

Assumptions used in accounting for the defined benefit plans for the fiscal years ended March 31, 2020, 2021 and 2022 were as follows:

	2020	2021	2022
Discount rate	1.473%	0.575%	0.575%
Expected long-term rates of return on the plan assets			
Defined benefit pension plans	2.2%	1.3%	1.8%
Retirement benefit trusts	0.0%	0.0%	0.0%

3) Defined contribution plans

The amounts recognized as expenses for the defined contribution plans were ¥1,008 million, ¥1,147 million and ¥1,206 million (U.S. \$9 million) for the fiscal years ended March 31, 2020, 2021 and 2022, respectively.

Note 13

Income Taxes

The provision for income taxes is calculated based on the pretax surplus included in the non-consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying the effective income tax rates that are based on the enacted statutory rates to the temporary differences.

Note 14

Foundation Funds

Foundation funds serve as the primary source of capital for Japanese mutual life insurance companies. These funds are similar to loans, as interest payments, maturity dates and other items must be established at the time of the offering. In the event of a bankruptcy or similar situations, repayment of the principal and interest of foundation funds is subordinated to the repayment of amounts owed to ordinary creditors and insurance claims and benefit payments owed to policyholders. Upon redemption of foundation funds, mutual companies are required to make an addition to the reserves for redemption of foundation funds, which serves as retained earnings, equal to the amount redeemed. As a result, the full amount of foundation funds remains in net assets even after redemption.

The Company redeemed ¥50,000 million, nil and nil of foundation funds and transferred the same amount of reserve for fund redemption to reserve for redemption of foundation funds as prescribed in Article 56 of the Insurance Business Act for the fiscal years ended March 31, 2020, 2021 and 2022, respectively.

Note 15

Pledged Assets

Assets pledged as collateral were securities in the amounts of ¥2,508,450 million, ¥3,360,448 million and ¥3,965,603 million (U.S. \$32,401 million) as of March 31, 2020, 2021 and 2022, respectively.

Note 16

Equity Investments in Subsidiaries

Total amounts of equity investments in subsidiaries were ¥646,220 million, ¥749,854 million and ¥800,903 million (U.S. \$6,543 million) as of March 31, 2020, 2021 and 2022, respectively.

Note 17**Loans**

Of claims pursuant to the Insurance Business Act, the aggregate amounts of claims against bankrupt or de facto bankrupt borrowers, doubtful claims, past due claims (3 months or more) and restructured claims were ¥835 million, ¥2,053 million and ¥1,355 million (U.S. \$11 million) as of March 31, 2020, 2021 and 2022, respectively. The details are as follows:

The amounts of claims against bankrupt or de facto bankrupt borrowers were nil, nil and nil, and doubtful claims were ¥835 million, ¥853 million and ¥755 million (U.S. \$6 million) as of March 31, 2020, 2021 and 2022, respectively.

The amounts of claims deemed uncollectible and directly deducted from the claims in the non-consolidated balance sheet were ¥21 million, ¥20 million and ¥17 million (U.S. \$0 million) as of March 31, 2020, 2021 and 2022, respectively, which were claims against bankrupt or de facto bankrupt borrowers. The amounts of claims deemed uncollectible and directly deducted from the claims in the non-consolidated balance sheet were nil, ¥226 million and nil as of March 31, 2020, 2021 and 2022, respectively, which is doubtful claims.

Claims against bankrupt or de facto bankrupt borrowers represent claims held against borrowers who have been declared insolvent or in a substantially similar condition, on the grounds of the commencement of bankruptcy or restructuring proceedings, filing for the proceedings of rehabilitation of other similar legal proceedings.

Doubtful claims are those against borrowers who have not yet failed but their financial condition and business performance have deteriorated, with a high possibility that the principal and interest on these claims will not be received as per agreement, excluding claims against bankrupt or de facto bankrupt borrowers.

The amounts of past due claims (3 months or more) were nil, nil and nil as of March 31, 2020, 2021 and 2022, respectively.

Past due claims (3 months or more) represent claims on which payments of principal or interest are past due over three months from the day following the contractual due date. Past due claims (3 months or more) do not include claims classified as claims against bankrupt or de facto bankrupt borrowers or doubtful claims.

The amounts of restructured claims were nil, ¥1,200 million and ¥600 million (U.S. \$4 million) as of March 31, 2020, 2021 and 2022, respectively.

Restructured claims represent claims which have been restructured to provide relief to the borrowers by reducing or waiving interest payments, by rescheduling repayments of principal or payments of interest, or by waiving claims for borrowers in order to support their recovery from financial difficulties. Restructured claims do not include claims classified as claims against bankrupt or de facto bankrupt borrowers, doubtful claims or past due claims (3 months or more).

Note 18**Loan Commitments**

The amounts of loan commitments outstanding were ¥7,185 million, ¥7,278 million and ¥17,044 million (U.S. \$139million) as of March 31, 2020, 2021 and 2022, respectively.

Note 19**Reinsurance**

The amounts of reinsurance recoverable on outstanding claims pursuant to Article 73, Paragraph 3 of the Ordinance for Enforcement of the Insurance Business Act which applies mutatis mutandis to Article 71, Paragraph 1 of the Ordinance for Enforcement of the Insurance Business Act ("reinsurance recoverable on outstanding claims"), were ¥8 million, ¥36 million and ¥15 million (U.S. \$0 million) as of March 31, 2020, 2021 and 2022, respectively.

The amounts of reinsurance recoverable on policy reserves pursuant to Article 71, Paragraph 1 of the Ordinance for Enforcement of the Insurance Business Act ("reinsurance recoverable on policy reserves") were ¥1,300 million, ¥1,056 million and ¥1,328 million (U.S. \$10 million) as of March 31, 2020, 2021 and 2022, respectively.

Note **20**

Contributions to the Life Insurance Policyholders Protection Corporation

The Company estimated future contributions to the Life Insurance Policyholders Protection Corporation in the amounts of ¥37,567 million, ¥35,900 million and ¥36,195 million (U.S. \$295 million) as of March 31, 2020, 2021 and 2022, respectively, pursuant to Article 259 of the Insurance Business Act.

These contributions are recognized as operating expenses when they are made.

Note **21**

Investment Income and Expenses

Major components of gains on sales of securities for the fiscal years ended March 31, 2020, 2021 and 2022 were as follows:

	Millions of Yen			Millions of U.S. Dollars
	2020	2021	2022	2022
Domestic bonds including national government bonds	¥41,035	¥46,798	¥23,057	\$188
Domestic stocks	8,177	15,991	21,326	174
Foreign securities	36,810	16,603	22,634	184

Major components of losses on sales of securities for the fiscal years ended March 31, 2020, 2021 and 2022 were as follows:

	Millions of Yen			Millions of U.S. Dollars
	2020	2021	2022	2022
Domestic bonds including national government bonds	¥ 186	¥ 4,197	¥23,374	\$190
Domestic stocks	9,654	2,100	3,780	30
Foreign securities	4,940	10,789	40,896	334

Major components of losses on valuation of securities for the fiscal years ended March 31, 2020, 2021 and 2022 were as follows:

	Millions of Yen			Millions of U.S. Dollars
	2020	2021	2022	2022
Domestic stocks	¥36,524	¥1,875	¥9,633	\$78
Foreign securities	15,709	149	—	—

Gains or losses on derivative financial instruments, net, included net valuation gains of ¥8,017 million, losses of ¥96,461 million and gains of ¥132,023 million (U.S. \$1,078 million) for the fiscal years ended March 31, 2020, 2021 and 2022, respectively.

Gains or losses on money held in trust, net, did not include net valuation gain and losses for the fiscal years ended March 31, 2020, 2021 and 2022, respectively.

Note 22

Policy Reserves for Ceded Reinsurance

The amounts of provision for (reversal of) reinsurance recoverable on outstanding claims and reinsurance recoverable on policy reserves, which are deducted in calculating reversal of (provision for) reserves for outstanding claims and policy reserves, for the fiscal years ended March 31, 2020, 2021 and 2022 were as follows:

	Millions of Yen			Millions of U.S. Dollars
	2020	2021	2022	2022
Provision for (reversal of) reinsurance recoverable on outstanding claims	¥ (5)	¥ 27	¥ (21)	\$(0)
Provision for (reversal of) reinsurance recoverable on policy reserves	128	(243)	272	2

Note 23

Impairment of Fixed Assets

The details of impairment losses on fixed assets were as follows:

Accumulated impairment losses on fixed assets are directly reduced from amounts of their respective assets.

1) Method for grouping the assets

The Company groups all the fixed assets held and utilized for its insurance business as one asset group for the impairment test.

The Company treats real estates for investment and idle assets as an independent asset group for the impairment test.

2) Description of impairment losses

For the fiscal years ended March 31, 2020, 2021 and 2022, the Company recognized impairment losses on real estates for investment that experienced the deterioration of profitability and on the idle assets that experienced the decline in the fair value. For these assets, the Company reduced the carrying amounts to the recoverable amounts, and recognized impairment losses as extraordinary losses in the non-consolidated statements of income.

3) Breakdown of impairment losses for the fiscal years ended March 31, 2020, 2021 and 2022

Asset Group	Asset Category	Millions of Yen			Millions of U.S. Dollars
		2020	2021	2022	2022
Idle assets, etc.	Land and buildings	¥514	¥1,082	¥432	\$3
Total		¥514	¥1,082	¥432	\$3

4) The recoverable amounts

The recoverable amounts of real estates for investment are determined at net realizable value or value in use. The recoverable amounts for idle assets are determined at net realizable value. Net realizable value is calculated based on an estimated selling value, appraisal value based on the Real Estate Appraisal Standards, or publicly announced value. Value in use is determined as the estimated net future cash flows discounted at 5.0%.

Note **24**

Deferred Taxes

1) Deferred tax assets/liabilities as of March 31, 2020, 2021 and 2022 were recognized as follows:

	Millions of Yen			Millions of U.S. Dollars
	2020	2021	2022	2022
Deferred tax assets	¥ 573,812	¥ 623,773	¥ 695,062	\$ 5,679
Valuation allowance for deferred tax assets	(20,448)	(22,182)	(19,914)	(162)
Subtotal	553,364	601,590	675,147	5,516
Deferred tax liabilities	(339,226)	(533,234)	(386,561)	(3,158)
Net deferred tax assets (liabilities)	214,138	68,356	288,586	2,357

Major components of deferred tax assets/liabilities as of March 31, 2020, 2021 and 2022 were as follows:

	Millions of Yen			Millions of U.S. Dollars
	2020	2021	2022	2022
Deferred tax assets:				
Policy reserves and other reserves	¥244,324	¥270,860	¥319,682	\$2,611
Reserve for price fluctuation	220,198	247,067	271,756	2,220
Accrued retirement benefits	32,033	28,100	26,330	215
Deferred tax liabilities:				
Net unrealized gains on available-for-sale securities	326,499	517,328	347,499	2,839

2) The actual effective income tax rates were (0.5)%, 4.6% and (3.8)% for the fiscal years ended March 31, 2020, 2021 and 2022, respectively. Major components in the differences with the statutory effective income tax rates were as follows:

	2020	2021	2022
Policyholders' dividend reserves	(27.0)%	(26.3)%	(29.0)%

Note **25**

Transactions with Subsidiaries

The total amounts of income and expenses resulting from transactions with subsidiaries for the fiscal years ended March 31, 2020, 2021 and 2022 were as follows:

	Millions of Yen			Millions of U.S. Dollars
	2020	2021	2022	2022
Total income	¥ 9,176	¥ 5,159	¥ 6,042	\$ 49
Total expenses	16,496	19,422	20,841	170

Note **26**

Subordinated Bonds

Corporate bonds in liabilities are subordinated bonds and foreign currency-denominated subordinated bonds, the repayments of which are subordinated to other obligations.

Note **27**

Subordinated Debt

Loan payables are subordinated debt, the repayments of which are subordinated to other obligations.

Note **28**

Securities Borrowed under Borrowing Agreements

Securities borrowed under borrowing agreements can be sold or pledged as collateral. The fair values of the securities which were not sold or pledged as collateral were ¥34,460 million, ¥824 million and ¥6,492 million (U.S. \$53 million), and none of the securities was pledged as collateral as of March 31, 2020, 2021 and 2022, respectively.



Independent auditor's report

To the Board of Directors of Sumitomo Life Insurance Company:

Opinion

We have audited the accompanying non-consolidated financial statements of Sumitomo Life Insurance Company ("the Company"), which comprise the non-consolidated balance sheets as at March 31, 2020, 2021 and 2022, the non-consolidated statements of income, the non-consolidated statements of changes in net assets and the non-consolidated proposed appropriation of surplus for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying non-consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2020, 2021 and 2022, and its financial performance for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audits 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 Non-Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the 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.

Other Information

The other information comprises the information included in the disclosure documents that contain or accompany the audited non-consolidated financial statements, but does not include the non-consolidated financial statements and our auditor's report thereon.

We do not perform any work on the other information as we determine such information does not exist.

Responsibilities of Management and the Audit Committee for the Non-Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the non-consolidated financial statements in accordance with the provisions of the Insurance Business Act and its related regulations thereunder and in conformity with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

The audit committee is responsible for overseeing the executive officers and the directors' performance

of their duties with regard to the design, implementation and maintenance of the Company's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the non-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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. 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 non-consolidated financial statements.

As part of our 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 non-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. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Company'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 Company'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 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 Company to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the non-consolidated financial statements, including the disclosures, and whether the non-consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Convenience Translation

The U.S. dollar amounts in the accompanying non-consolidated financial statements with respect to the year ended March 31, 2022 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the

basis described in Note 1 to the non-consolidated financial statements.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

/S/Noriaki Habuto
Designated Engagement Partner
Certified Public Accountant

/S/Yukihisa Tatsumi
Designated Engagement Partner
Certified Public Accountant

/S/Takao Suzuki
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Tokyo Office, Japan
June 30, 2022

Notes to the Reader of Independent Auditor's Report:

This is a copy of the Independent Auditor's Report and the original copies are kept separately by the Company and KPMG AZSA LLC.

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