

Empowering your future



SUMITOMO LIFE

Financial Statements

Fiscal Year Ended March 31, 2024

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
	2023	2024	2024
ASSETS:			
Cash and deposits (Notes 3, 4 and 14)	¥ 1,565,736	¥ 1,102,612	\$ 7,282
Call loans	847,388	834,182	5,509
Monetary claims bought (Note 4)	407,646	479,404	3,166
Money held in trust (Note 4)	14,990	24,345	160
Securities (Notes 4, 6, 13 and 14)	33,568,041	38,852,266	256,603
Loans (Notes 4, 13, 15 and 16)	3,175,130	3,322,067	21,940
Tangible fixed assets (Notes 5, 7, 8 and 18)	598,313	660,619	4,363
Land	385,089	432,346	2,855
Buildings	198,570	206,170	1,361
Lease assets	2,128	7,592	50
Construction in progress	5,169	6,427	42
Other tangible fixed assets	7,355	8,082	53
Intangible fixed assets	234,084	693,863	4,582
Software	38,591	45,261	298
Goodwill	40,085	490,405	3,238
Other intangible fixed assets	155,407	158,197	1,044
Due from agents	151	113	0
Reinsurance receivables (Note 26)	12,480	32,601	215
Other assets (Note 25)	1,588,901	1,821,437	12,029
Net defined benefit assets (Note 11)	35,837	108,311	715
Deferred tax assets (Notes 12 and 19)	588,114	282,554	1,866
Allowance for possible loan losses	(4,373)	(4,486)	(29)
Total assets	¥42,632,444	¥48,209,893	\$318,406

As of March 31	Millions of Yen		Millions of U.S. Dollars
	2023	2024	2024
LIABILITIES:			
Policy reserves and other reserves	¥35,233,129	¥37,723,230	\$249,146
Reserve for outstanding claims	169,352	228,310	1,507
Policy reserves	34,848,109	37,281,381	246,228
Policyholders' dividend reserves (Note 10)	215,667	213,538	1,410
Reinsurance payables	12,643	21,144	139
Corporate bonds (Notes 4 and 20)	428,417	539,766	3,564
Other liabilities (Notes 21 and 25)	5,361,612	7,216,973	47,665
Payables under repurchase agreements	3,110,297	4,760,283	31,439
Payables under securities borrowing transactions	67,438	—	—
Other	2,183,877	2,456,689	16,225
Net defined benefit liabilities (Note 11)	4,133	2,440	16
Accrued retirement benefits for directors	—	1	0
Reserve for price fluctuation	849,771	908,100	5,997
Deferred tax liabilities (Notes 12 and 19)	5	964	6
Deferred tax liabilities for land revaluation	12,466	12,430	82
Total liabilities	41,902,180	46,425,050	306,618
NET ASSETS:			
Foundation funds (Note 12)	—	50,000	330
Reserve for redemption of foundation funds	639,000	639,000	4,220
Reserve for revaluation	2	2	0
Surplus	125,036	229,119	1,513
Total funds, reserve and surplus	764,039	918,122	6,063
Net unrealized gains (losses) on available-for-sale securities	5,564	864,260	5,708
Deferred gains (losses) on derivatives under hedge accounting	(13,063)	(36,360)	(240)
Land revaluation differences	(59,645)	(56,600)	(373)
Foreign currency translation adjustments	28,216	38,740	255
Remeasurements of defined benefit plans	5,005	57,188	377
Total accumulated other comprehensive income	(33,921)	867,227	5,727
Non-controlling interests	147	(507)	(3)
Total net assets	730,264	1,784,843	11,788
Total liabilities and net assets	¥42,632,444	¥48,209,893	\$318,406

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 U.S. Dollars
	2023	2024	2024
Ordinary income	¥4,222,291	¥4,378,769	\$28,919
Insurance premiums and other	2,583,077	2,644,206	17,463
Investment income	1,542,012	1,643,252	10,852
Interest, dividends and other income	964,997	1,132,162	7,477
Gains on money held in trust	287	2,861	18
Gains on trading securities	—	31,917	210
Gains on sales of securities	361,890	148,786	982
Gains on redemption of securities	2,076	3,559	23
Foreign exchange gains	77,386	192,241	1,269
Other investment income	135,375	14,270	94
Investment gains on separate accounts	—	117,452	775
Other ordinary income	97,200	91,311	603
Ordinary expenses	4,182,932	4,260,978	28,141
Benefits and other payments	2,161,551	2,303,512	15,213
Claims paid	597,894	597,207	3,944
Annuity payments	424,618	432,351	2,855
Benefits payments	519,679	480,481	3,173
Surrender benefits	553,709	557,210	3,680
Other refunds	65,648	236,261	1,560
Provision for policy reserves and other reserves	546,040	764,409	5,048
Provision for reserve for outstanding claims	5,945	15,223	100
Provision for policy reserves	540,067	749,160	4,947
Provision for interest on policyholders' dividend reserves (Note 10)	26	25	0
Investment expenses	816,509	501,233	3,310
Interest expenses	32,319	55,551	366
Losses on trading securities	68,513	—	—
Losses on sales of securities	377,965	137,691	909
Losses on valuation of securities	8,618	5,712	37
Losses on redemption of securities	1,221	445	2
Losses on derivative financial instruments	235,685	229,103	1,513
Provision for allowance for possible loan losses	84	39	0
Depreciation of real estate for investments	8,954	9,758	64
Other investment expenses	76,842	62,931	415
Investment losses on separate accounts	6,304	—	—
Operating expenses (Note 17)	478,930	507,797	3,353
Other ordinary expenses	179,901	184,025	1,215
Ordinary profit	¥ 39,358	¥ 117,791	\$ 777

Comprehensive Income

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2023	2024	2024
Extraordinary gains	¥124,317	¥107,212	\$ 708
Gains on disposals of fixed assets	1,920	1,528	10
Gains on step acquisitions	—	105,684	698
Reversal of reserve for price fluctuation	122,397	—	—
Extraordinary losses	3,946	59,796	394
Losses on disposals of fixed assets	775	575	3
Impairment losses (Note 18)	2,471	180	1
Provision for reserve for price fluctuation	—	58,328	385
Payments to social responsibility reserve	699	711	4
Surplus (loss) before income taxes	159,730	165,208	1,091
Income taxes (Notes 12 and 19)			
Current	8,404	(11,607)	(76)
Deferred	31,326	12,612	83
Total income taxes	39,730	1,004	6
Net surplus	119,999	164,203	1,084
Net surplus attributable to non-controlling interests	6	7	0
Net surplus attributable to the Parent Company	¥119,992	¥164,196	\$1,084

[Consolidated Statements of Comprehensive Income]

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2023	2024	2024
Net surplus	¥ 119,999	¥ 164,203	\$1,084
Other comprehensive income (loss) (Note 23)	(946,534)	898,104	5,931
Net unrealized gains (losses) on available-for-sale securities	(1,005,446)	855,230	5,648
Deferred gains (losses) on derivatives under hedge accounting	(10,061)	(23,297)	(153)
Foreign currency translation adjustments	57,026	14,404	95
Remeasurements of defined benefit plans	6,072	52,182	344
Share of other comprehensive income (loss) of associates under the equity method	5,873	(416)	(2)
Comprehensive income (loss)	(826,535)	1,062,308	7,016
Comprehensive income (loss) attributable to the Parent Company	(826,542)	1,062,300	7,016
Comprehensive income (loss) attributable to non-controlling interests	6	7	0

Consolidated Statements of Changes in Net Assets

Sumitomo Life Insurance Company and Consolidated Subsidiaries

Year ended March 31, 2023

Millions of Yen

	Funds, reserve and surplus					Accumulated other comprehensive income (loss)						Non-controlling interests	Total net assets
	Foundation funds (Note 13)	Reserve for redemption of foundation funds	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)		
Beginning 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
Cumulative effect due to IFRS17 used for Singapore affiliate under the equity method				(10,168)	(10,168)								(10,168)
Beginning balance after reflecting IFRS17 used for Singapore affiliate under the equity method	—	639,000	2	63,289	702,292	1,015,426	(3,001)	(59,581)	(39,098)	(1,067)	912,676	141	1,615,110
Changes in the fiscal year													
Additions to policyholders' dividend reserves (Note 10)				(58,310)	(58,310)								(58,310)
Net surplus attributable to the Parent Company				119,992	119,992								119,992
Reversal of land revaluation differences				63	63								63
Net changes, excluding funds, reserve and surplus						(1,009,861)	(10,061)	(63)	67,315	6,072	(946,598)	5	(946,593)
Net changes in the fiscal year	—	—	—	61,746	61,746	(1,009,861)	(10,061)	(63)	67,315	6,072	(946,598)	5	(884,846)
Ending balance	—	639,000	2	125,036	764,039	5,564	(13,063)	(59,645)	28,216	5,005	(33,921)	147	730,264

Year ended March 31, 2024

Millions of Yen

	Funds, reserve and surplus					Accumulated other comprehensive income (loss)							
	Foundation funds (Note 13)	Reserve for redemption of foundation funds	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	125,036	764,039	5,564	(13,063)	(59,645)	28,216	5,005	(33,921)	147	730,264
Changes in the fiscal year													
Issuance of foundation funds	50,000				50,000								50,000
Additions to policyholders' dividend reserves (Note 10)				(57,067)	(57,067)								(57,067)
Net surplus attributable to the Parent Company				164,196	164,196								164,196
Reversal of land revaluation differences				(3,045)	(3,045)								(3,045)
Net changes, excluding funds, reserve and surplus						858,695	(23,297)	3,045	10,523	52,182	901,149	(654)	900,495
Net changes in the fiscal year	50,000	—	—	104,083	154,083	858,695	(23,297)	3,045	10,523	52,182	901,149	(654)	1,054,578
Ending balance	50,000	639,000	2	229,119	918,122	864,260	(36,360)	(56,600)	38,740	57,188	867,227	(507)	1,784,843

Year ended March 31, 2024

Millions of U.S. Dollars

	Funds, reserve and surplus					Accumulated other comprehensive income (loss)							
	Foundation funds (Note 13)	Reserve for redemption of foundation funds	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	—	4,220	0	825	5,046	36	(86)	(393)	186	33	(224)	0	4,823
Changes in the fiscal year													
Issuance of foundation funds	330				330								330
Additions to policyholders' dividend reserves (Note 10)				(376)	(376)								(376)
Net surplus attributable to the Parent Company				1,084	1,084								1,084
Reversal of land revaluation differences				(20)	(20)								(20)
Net changes, excluding funds, reserve and surplus						5,671	(153)	20	69	344	5,951	(4)	5,947
Net changes in the fiscal year	330	—	—	687	1,017	5,671	(153)	20	69	344	5,951	(4)	6,965
Ending balance	330	4,220	0	1,513	6,063	5,708	(240)	(373)	255	377	5,727	(3)	11,788

Consolidated Statements of Cash Flows

Sumitomo Life Insurance Company and Consolidated Subsidiaries

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2023	2024	2024
I Cash flows from operating activities			
Surplus (loss) before income taxes	¥ 159,730	¥ 165,208	\$ 1,091
Depreciation of real estate for investments	8,954	9,758	64
Depreciation	38,442	36,220	239
Impairment losses	2,471	180	1
Amortization of goodwill	7,470	9,970	65
Increase (Decrease) in reserve for outstanding claims	7,789	20,169	133
Increase (Decrease) in policy reserves	755,023	849,702	5,611
Provision for interest on policyholders' dividend reserves	26	25	0
Increase (Decrease) in allowance for possible loan losses	(153)	(128)	(0)
Increase (Decrease) in net defined benefit liabilities	(4,486)	(1,701)	(11)
Increase (Decrease) in reserve for price fluctuation	(122,397)	58,328	385
Interest, dividends, and other income	(964,997)	(1,132,205)	(7,477)
Losses (Gains) on securities	98,407	(142,801)	(943)
Interest expenses	32,319	55,551	366
Foreign exchange losses (gains)	(81,491)	(185,482)	(1,225)
Losses (Gains) on tangible fixed assets	(1,136)	222	1
Investment losses (gains) under the equity method	16,586	7,039	46
Losses (Gains) on step acquisitions	—	(105,684)	(698)
Decrease (Increase) in due from agents	125	47	0
Decrease (Increase) in reinsurance receivables	(10,527)	(19,959)	(131)
Decrease (Increase) in other assets (excluding those related to investing and financing activities)	(1,524)	(30,056)	(198)
Increase (Decrease) in reinsurance payables	(6,287)	6,628	43
Increase (Decrease) in other liabilities (excluding those related to investing and financing activities)	(133,121)	106,342	702
Others, net	291,642	222,627	1,470
Subtotal	92,866	(69,998)	(462)
Interest, dividends, and other income received	1,004,892	1,120,312	7,399
Interest paid	(30,118)	(54,840)	(362)
Policyholders' dividends paid	(58,895)	(59,221)	(391)
Others, net	(699)	(711)	(4)
Income taxes refund (paid)	(52,964)	4,470	29
Net cash provided by operating activities	¥ 955,081	¥ 940,010	\$ 6,208

		Millions of Yen		Millions of U.S. Dollars
		2023	2024	2024
II	Cash flows from investing activities			
	Net decrease (increase) in deposits	¥ (209,419)	¥ 342,535	\$ 2,262
	Purchase of monetary claims bought	(1,552,482)	(2,992,521)	(19,764)
	Proceeds from sales and redemption of monetary claims bought	1,451,157	2,910,824	19,224
	Purchase of money held in trust	(9,768)	(6,498)	(42)
	Purchase of securities	(6,988,808)	(8,203,715)	(54,182)
	Proceeds from sales and redemption of securities	8,800,634	6,527,627	43,112
	Loans made	(913,355)	(855,267)	(5,648)
	Proceeds from collection of loans	873,810	785,846	5,190
	Others, net	(2,167,721)	739,615	4,884
	Total investment activities (IIa)	(715,954)	(751,553)	(4,963)
	[I+IIa]	[239,126]	[188,457]	[1,244]
	Purchase of tangible fixed assets	(54,824)	(78,622)	(519)
	Proceeds from sales of tangible fixed assets	3,895	5,134	33
	Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(339,342)	(2,241)
	Others, net	(16,738)	(23,689)	(156)
	Net cash used in investing activities	(783,621)	(1,188,073)	(7,846)
III	Cash flows from financing activities			
	Proceeds from issuance of debt	50,000	—	—
	Repayments of debt	—	(18)	(0)
	Proceeds from issuance of corporate bonds	—	151,665	1,001
	Redemption of corporate bonds	(84,000)	(99,480)	(657)
	Proceeds from issuance of foundation funds	—	50,000	330
	Others, net (Note 27)	89,920	11,130	73
	Net cash provided by (used in) financing activities	55,920	113,297	748
IV	Effect of foreign exchange rate changes on cash and cash equivalents	21,305	8,053	53
V	Net increase (decrease) in cash and cash equivalents	248,685	(126,711)	(836)
VI	Cash and cash equivalents at the beginning of the year	297,861	546,546	3,609
VII	Cash and cash equivalents at the end of the year (Note 3)	¥ 546,546	¥ 419,835	\$ 2,772

Notes to the Consolidated Financial Statements

Sumitomo Life Insurance Company and Consolidated Subsidiaries

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, 2024 which was ¥151.41 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 27 and 36 as of March 31, 2023 and 2024, respectively.

The major subsidiaries as of March 31, 2024 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)
- Sumisei Asset Management Company (Japan)
- PREVENT Inc. (Japan)
- Symetra Financial Corporation (U.S.A.)
- Singapore Life Holdings Pte. Ltd. (Singapore)

PREVENT Inc. was included in the scope of the consolidation as a result of its share acquisition in the fiscal year ended March 31, 2024.

Singapore Life Holdings Pte. Ltd. and its seven subsidiaries were included in the scope of the consolidation as a result of acquisition of its additional shares in the fiscal year ended March 31, 2024.

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 10 and 7 as of March 31, 2023, and 2024, respectively.

The major affiliates as of March 31, 2024 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)
Baoviet Holdings (Vietnam)
PT BNI Life Insurance (Indonesia)

One subsidiary of Singapore Life Holdings Pte. Ltd. was excluded from affiliates under the equity method due to completion of liquidation from the fiscal year ended March 31, 2024.

Singapore Life Holdings Pte. Ltd. and one subsidiary of Singapore Life Holdings Pte. Ltd. were excluded from affiliates under the equity method due to acquisition of its additional shares, resulted in being included in the scope of consolidation from the period ended March 31, 2024.

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. In addition, 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.

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.

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, 2023 and 2024 amounted to ¥29 million and ¥28 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 or International Financial Reporting Standards.

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 (except Reinsurance premiums) 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) IBNR claims

Regarding reserve for incurred but not reported (IBNR) claims for individual life insurance and individual annuity contracts, the Company recognized claims with which incidents prescribed in policy clauses already incurred but were not reported to the Company. After May 8, 2023, the Company ceased the special treatment of paying hospitalized benefits to those who were diagnosed with COVID-19 and recovering at designated hotels or home under medical observations (hereafter "deemed hospitalization"). As a result, the Company calculated the relevant reserve for IBNR claims at the end of the fiscal year using the proviso, instead of the main clause of Article 1, Paragraph 1 of Ministry of Finance Notification No. 234 in 1998 ("IBNR Notification"), because the reserve amount could not be calculated at an appropriate level based on the main clause of that article due to ending of the special treatment described above.

The Company excluded the amounts which were related to deemed hospitalization from the reserve for IBNR claims and benefit payments for all fiscal years stipulated by the main clause of Article 1, Paragraph 1 of the IBNR Notification, and then calculated the reserve for IBNR claims using the same calculation method as the main clause of Article 1, Paragraph 1 of the IBNR Notification.

As for the previous fiscal year-end, the Company excluded the amounts of reserve for IBNR claims and benefit payments which were related to deemed hospitalization, except for those with high risks of severity. However, due to cessation of the special treatment of hospitalized benefits for deemed hospitalization for the period ended March 31, 2024, the Company revised the calculation method to exclude the entire amounts related to deemed hospitalization.

15) Policy acquisition costs

The Company recognizes policy acquisition costs when incurred.

16) New Accounting Standards

Since the beginning of the period ended March 31, 2023, the Company has applied "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Application Guidance, No. 31 (17 June 2021, revised on)). In accordance with transitional treatment stipulated in Item 27-2 of "Implementation Guidance on Accounting Standard for Fair Value Measurement", the Company has applied new accounting policies prospectively.

Due to this application, the measurement of fair value of investment trusts was based on "Implementation Guidance on Accounting Standard for Fair Value Measurement" and matters concerning fair value of investment trusts and breakdown by input level were noted.

Also, the Company noted matters concerning the reconciliation between the beginning and ending balance of investment trusts on the Note 3, "Financial Instruments" as of March 31, 2023.

The Company has applied "Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27, October 28, 2022) at the beginning of the fiscal year ended March 31, 2024 in the consolidated financial statements, with the transition method stipulated in the proviso, Article 20-3 of "Accounting Standard for Current Income Taxes".

Regarding corporation tax/inhabitant tax etc. which are taxable on incomes, although the Company had recognized amounts calculated according to tax laws in net surplus, with the application of the standard, the Company has recognized such taxes in net surplus, funds/reserves etc., and accumulated other comprehensive income, depending on the transactions which are sources of the taxes. Especially, regarding taxes recognized in accumulated other comprehensive income, when the attributable transactions are recycled to net surplus, the Company will recycle the taxes to net surplus.

When transactions which are sources of taxes are related to funds/reserves etc. or accumulated other comprehensive income, in addition to net surplus, and the calculation of the taxes imposed on funds/reserve etc. or accumulated other comprehensive income is practically difficult, the Company has recognized the taxes in net surplus.

Consequently, for the fiscal year ended March, 31, 2024, "Income taxes" decreased by ¥25,985 million, "Net surplus attributable to the Parent Company" increased by the equal amount, and "Net unrealized gains on available-for-sale securities" in "Accumulated other comprehensive income" decreased by the equal amount.

17) Accounting Standards and guidance not yet applied

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

- Financial Services - Insurance (Topic 944) (ASU No. 2018-12, ASU No. 2022-05)

a) Overview

The amendments are mainly designed to make improvements of the measurement of liabilities related to long-duration insurance contracts.

b) Effective date

The standards and guidance will be effective in U.S. subsidiaries from the end of the fiscal year ended December 31, 2025.

c) Impact of applying the standards and guidance

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

18) 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

Goodwill recorded on the balance sheet at the end of fiscal year ended March 31, 2023 and 2024, includes a goodwill(¥40,085 million and ¥34,859 million (U.S.\$230 million)) accompanied by the acquisition of U.S. subsidiaries.

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 identification and qualitative assessment, the Company assesses macroeconomic conditions, trends in the U.S. life insurance industry, operating results and future profit plans of U.S. subsidiaries, 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 in the next fiscal year 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 event was identified and recorded no impairment losses for the fiscal year ended March 31, 2023 and 2024.

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

Other intangible fixed assets recorded on the balance sheet at the end of fiscal year ended March 31, 2023 and 2024, includes Value of Business Acquired (VOBA) (¥33,767 and ¥22,816 million(U.S.\$150 million)) accompanied by the acquisition of U.S. subsidiaries and other assets includes Deferred Policy Acquisition Costs (DAC) (¥241,356 million and ¥285,518 million(U.S.\$1,885 million)) of U.S. subsidiaries.

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 in the next fiscal year due to change in uncertain economic condition.

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, 2023 and 2024 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2024	2024
Cash and deposits	¥ 1,565,736	¥1,102,612	\$ 7,282
Deposits bearing interest of the Company and domestic consolidated subsidiaries	(1,019,189)	(682,776)	(4,509)
Cash and cash equivalents	¥ 546,546	¥ 419,835	\$ 2,772

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. 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 sheet and the fair values and their differences of financial instruments as of March 31, 2023 and 2024

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		
	Balance sheet amount	Fair value	Difference
Cash and deposits (Negotiable certificates of deposit)	¥ 542,253	¥ 542,253	¥ —
[Available-for-sale securities]*1	[542,253]	[542,253]	—
Monetary claims bought	407,646	407,470	(175)
[Available-for-sale securities]*1	[296,712]	[296,712]	—
Money held in trust	14,990	14,990	—
Securities*2	33,101,172	33,725,052	623,880
Trading securities	1,041,054	1,041,054	—
Held-to-maturity debt securities	1,659,605	1,864,850	205,244
Policy-reserve-matching bonds	13,192,905	13,610,612	417,707
Investments in subsidiaries and affiliated companies	44,698	45,626	927
Available-for-sale securities	17,162,908	17,162,908	—
Loans	3,175,130		
Allowance for possible loan losses*3	(3,699)		
	3,171,430	3,056,199	(115,231)
Corporate bonds	428,417	415,788	(12,629)
Derivative transactions*4	(394,911)	(394,911)	—
Hedge accounting not applied	(155,644)	(155,644)	—
Hedge accounting applied	(239,266)	(239,266)	—

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)	¥ 254,952	¥ 254,952	¥ —	\$ 1,683	\$ 1,683	\$ —
[Available-for-sale securities]*1	[254,952]	[254,952]	—	[1,683]	[1,683]	—
Monetary claims bought	479,404	475,173	(4,231)	3,166	3,138	(27)
[Available-for-sale securities]*1	[377,300]	[377,300]	—	[2,491]	[2,491]	—
Money held in trust	24,345	24,345	—	160	160	—
Securities*2	38,269,218	38,162,559	(106,658)	252,752	252,047	(704)
Trading securities	2,392,119	2,392,119	—	15,798	15,798	—
Held-to-maturity debt securities	2,055,291	2,219,178	163,887	13,574	14,656	1,082
Policy-reserve-matching bonds	13,834,827	13,561,628	(273,198)	91,373	89,568	(1,804)
Investments in subsidiaries and affiliated companies	41,397	44,050	2,652	273	290	17
Available-for-sale securities	19,945,582	19,945,582	—	131,732	131,732	—
Loans	3,322,067			21,940		
Allowance for possible loan losses*3	(4,017)			(26)		
	3,318,049	3,174,378	(143,671)	21,914	20,965	(948)
Corporate bonds	539,766	530,644	(9,122)	3,564	3,504	(60)
Derivative transactions*4	(393,095)	(393,095)	—	(2,596)	(2,596)	—
Hedge accounting not applied	12,753	12,753	—	84	84	—
Hedge accounting applied	(405,848)	(405,848)	—	(2,680)	(2,680)	—

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

*2 The investment trusts for which net asset value is regarded as fair value in accordance with Item 24-3 and 24-9 of "Implementation Guidance on Accounting Standard for Fair Value Measurement" (Application Guidance of Corporate Accounting standards, No. 31) are included in the above table.

*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 ().

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, 2023 and 2024.

1) Held-to-maturity debt securities

As of March 31	Millions of Yen		
	2023		
Type	Balance sheet amount	Fair value	Difference
Fair value exceeds the balance sheet amount			
Bonds	¥ 337,343	¥ 358,273	¥ 20,930
Foreign securities (bonds)	1,292,200	1,478,302	186,102
Fair value does not exceed the balance sheet amount			
Bonds	30,061	28,273	(1,787)
Foreign securities (bonds)	—	—	—
Total	1,659,605	1,864,850	205,244

As of March 31	Millions of Yen			Millions of U.S. Dollars		
	2024			2024		
Type	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference
Fair value exceeds the balance sheet amount						
Bonds	¥ 213,533	¥ 225,974	¥ 12,440	\$ 1,410	\$ 1,492	\$ 82
Foreign securities (bonds)	1,315,800	1,492,302	176,502	8,690	9,856	1,165
Fair value does not exceed the balance sheet amount						
Bonds	135,958	128,668	(7,290)	897	849	(48)
Foreign securities (bonds)	390,000	372,233	(17,766)	2,575	2,458	(117)
Total	2,055,291	2,219,178	163,887	13,574	14,656	1,082

2) Policy-reserve-matching bonds

As of March 31	Millions of Yen		
	2023		
Type	Balance sheet amount	Fair value	Difference
Fair value exceeds the balance sheet amount			
Bonds	¥ 8,258,437	¥ 9,228,002	¥ 969,564
Foreign securities (bonds)	169,561	175,065	5,504
Fair value does not exceed the balance sheet amount			
Bonds	3,645,235	3,222,896	(422,338)
Foreign securities (bonds)	1,119,669	984,647	(135,021)
Total	13,192,905	13,610,612	417,707

As of March 31	Millions of Yen			Millions of U.S. Dollars		
	2024			2024		
Type	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference
Fair value exceeds the balance sheet amount						
Bonds	¥ 7,557,941	¥ 8,216,365	¥ 658,424	\$49,917	\$54,265	\$ 4,348
Foreign securities (bonds)	309,190	318,600	9,410	2,042	2,104	62
Fair value does not exceed the balance sheet amount						
Bonds	4,502,750	3,730,276	(772,473)	29,738	24,636	(5,101)
Foreign securities (bonds)	1,464,946	1,296,385	(168,560)	9,675	8,562	(1,113)
Total	13,834,827	13,561,628	(273,198)	91,373	89,568	(1,804)

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, 2023 and 2024.

3) Available-for-sale securities

As of March 31	Millions of Yen		
	2023		
Type	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	60,329	63,565	3,236
Bonds	509,485	547,168	37,682
Stocks	833,698	1,918,673	1,084,975
Foreign securities	2,283,833	2,448,829	164,995
Foreign bonds	1,982,979	2,083,506	100,527
Other foreign securities	300,854	365,322	64,468
Other securities	91,605	111,263	19,658
Balance sheet amount does not exceed acquisition costs or amortized costs			
Negotiable certificates of deposit	542,300	542,253	(46)
Monetary claims bought	236,181	233,146	(3,034)
Bonds	2,626,754	2,395,660	(231,094)
Stocks	231,482	199,909	(31,573)
Foreign securities	10,507,045	9,401,247	(1,105,797)
Foreign bonds	9,263,639	8,347,745	(915,893)
Other foreign securities	1,243,405	1,053,502	(189,903)
Other securities	156,552	140,156	(16,396)
Total	18,079,268	18,001,874	(77,393)

As of March 31	Millions of Yen			Millions of U.S. Dollars		
	2024			2024		
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	38,221	39,199	978	252	258	6
Bonds	454,960	484,884	29,924	3,004	3,202	197
Stocks	1,167,967	2,943,123	1,775,155	7,713	19,438	11,724
Foreign securities	5,835,302	6,273,331	438,028	38,539	41,432	2,892
Foreign bonds	4,731,027	4,975,002	243,975	31,246	32,857	1,611
Other foreign securities	1,104,275	1,298,329	194,053	7,293	8,574	1,281
Other securities	202,671	259,734	57,063	1,338	1,715	376
Balance sheet amount does not exceed acquisition costs or amortized costs						
Negotiable certificates of deposit	255,000	254,952	(47)	1,684	1,683	(0)
Monetary claims bought	348,822	338,101	(10,721)	2,303	2,233	(70)
Bonds	2,121,973	1,796,578	(325,394)	14,014	11,865	(2,149)
Stocks	155,360	129,502	(25,857)	1,026	855	(170)
Foreign securities	8,759,567	7,919,233	(840,333)	57,853	52,303	(5,550)
Foreign bonds	7,571,880	6,922,661	(649,219)	50,009	45,721	(4,287)
Other foreign securities	1,187,686	996,572	(191,113)	7,844	6,581	(1,262)
Other securities	153,005	139,194	(13,811)	1,010	919	(91)
Total	19,492,851	20,577,835	1,084,983	128,742	135,908	7,165

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	
	2023	2024	2023	2024
	Balance sheet amount	Balance sheet amount	Balance sheet amount	Balance sheet amount
Stocks with no market prices *1	¥155,561	¥128,402		\$ 848
Investments in partnership *2	341,270	454,645		3,002

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

*2 Investments in partnership includes those for Limited Partnerships. In accordance with Paragraph 24-16 of “Implementation Guidance on Accounting Standard for Fair Value Measurement (Application Guidance of Corporate Accounting standards, No. 31)”, 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			
	2023			
	Within 1 year	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years
Negotiable certificates of deposit	¥542,300	¥ —	¥ —	¥ —
Monetary claims bought	143,051	218	302	263,839
Securities	937,064	6,211,267	8,301,504	14,436,971
Held-to-maturity debt securities	43,298	596,733	218,609	807,623
Policy-reserve-matching bonds	84,411	1,309,990	4,668,529	7,093,128
Available-for-sale securities	809,354	4,304,544	3,414,365	6,536,219
Loans	333,445	659,476	611,500	1,325,069
Corporate bonds	—	31,726	—	396,510

As of March 31	Millions of Yen				Millions of U.S. Dollars			
	2024				2024			
	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	¥ 255,000	¥ —	¥ —	¥ —	\$1,684	\$ —	\$ —	\$ —
Monetary claims bought	236,052	223	309	252,543	1,559	1	2	1,667
Securities	1,095,430	5,013,577	9,261,006	15,534,252	7,234	33,112	61,165	102,597
Held-to-maturity debt securities	215,941	381,711	487,277	976,974	1,426	2,521	3,218	6,452
Policy-reserve-matching bonds	121,447	1,672,357	4,429,210	7,631,879	802	11,045	29,253	50,405
Available-for-sale securities	758,042	2,959,509	4,344,518	6,925,398	5,006	19,546	28,693	45,739
Loans	297,416	632,782	714,435	1,400,623	1,964	4,179	4,718	9,250
Corporate bonds	33,909	—	59,114	297,030	223	—	390	1,961

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			
				2023
	Fair value			
	Level 1	Level 2	Level 3	Total
Negotiable certificates of deposit	¥ —	¥ 542,253	¥ —	¥ 542,253
Monetary claims bought	—	142,995	153,716	296,712
Money held in trust	—	—	14,990	14,990
Securities	5,948,492	10,793,673	1,126,664	17,868,830
Trading securities	673,297	367,080	676	1,041,054
Available-for-sale securities	5,275,194	10,426,593	1,125,987	16,827,775
National government bonds	1,577,329	—	—	1,577,329
Local government bonds	—	42,638	—	42,638
Corporate bonds	—	1,322,510	350	1,322,860
Domestic stocks	2,118,488	94	—	2,118,583
Foreign securities	1,526,830	8,872,285	1,125,637	11,524,752
Foreign bonds	1,506,057	7,979,876	945,319	10,431,252
Other foreign securities	20,773	892,409	180,318	1,093,500
Other securities	52,546	189,064	—	241,610
Loans	—	—	123,140	123,140
Derivative transactions	2,060	207,972	7,114	217,147
Currency-related	—	150,380	1,632	152,012
Interest-rate related	—	22,602	—	22,602
Stock-related	1,280	32,083	5,482	38,846
Other	779	2,905	—	3,685
Total Assets	5,950,552	11,686,895	1,425,626	19,063,075
Derivative transactions	446	609,654	1,958	612,058
Currency-related	—	573,386	256	573,642
Interest-rate related	—	24,943	—	24,943
Stock-related	446	11,141	1,701	13,290
Other	—	182	—	182
Total Liabilities	446	609,654	1,958	612,058

As of March 31	Millions of Yen				Millions of U.S. Dollars			
	2024				2024			
	Fair value				Fair value			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Negotiable certificates of deposit	¥ —	¥ 254,952	¥ —	¥ 254,952	\$ —	\$ 1,683	\$ —	\$ 1,683
Monetary claims bought	—	235,977	141,323	377,300	—	1,558	933	2,491
Money held in trust	—	—	24,345	24,345	—	—	160	160
Securities	7,603,914	12,545,346	1,597,996	21,747,257	50,220	82,856	10,554	143,631
Trading securities	1,227,630	1,095,044	69,445	2,392,119	8,107	7,232	458	15,798
Available-for-sale securities	6,376,283	11,450,302	1,528,551	19,355,137	42,112	75,624	10,095	127,832
National government bonds	1,006,709	—	—	1,006,709	6,648	—	—	6,648
Local government bonds	—	39,667	—	39,667	—	261	—	261
Corporate bonds	—	1,235,085	—	1,235,085	—	8,157	—	8,157
Domestic stocks	3,068,076	4,548	—	3,072,625	20,263	30	—	20,293
Foreign securities	2,140,240	9,947,323	1,528,551	13,616,115	14,135	65,697	10,095	89,928
Foreign bonds	1,679,300	8,945,905	1,272,359	11,897,565	11,091	59,083	8,403	78,578
Other foreign securities	460,939	1,001,418	256,191	1,718,550	3,044	6,613	1,692	11,350
Other securities	161,256	223,676	—	384,933	1,065	1,477	—	2,542
Loans	—	—	122,421	122,421	—	—	808	808
Derivative transactions	2,080	188,333	10,370	200,784	13	1,243	68	1,326
Currency-related	—	53,152	171	53,323	—	351	1	352
Interest-rate related	—	28,245	—	28,245	—	186	—	186
Stock-related	1,814	95,573	10,199	107,587	11	631	67	710
Other	265	11,362	—	11,628	1	75	—	76
Total Assets	7,605,994	13,224,610	1,896,456	22,727,061	50,234	87,343	12,525	150,102
Derivative transactions	252	592,401	1,226	593,879	1	3,912	8	3,922
Currency-related	—	521,004	899	521,904	—	3,441	5	3,446
Interest-rate related	—	64,273	—	64,273	—	424	—	424
Stock-related	252	6,512	326	7,091	1	43	2	46
Other	—	610	—	610	—	4	—	4
Total Liabilities	252	592,401	1,226	593,879	1	3,912	8	3,922

The investment trusts for which net asset value is regarded as fair value in accordance with Item 24-3 and 24-9 of “Implementation Guidance on Accounting Standard for Fair Value Measurement” (Application Guidance of Corporate Accounting standards, No. 31) are not included in the above table.

The consolidated balance sheet amount of these investment trusts was ¥335,133 million and ¥590,444 million (U.S. \$3,899 million) as of March 31, 2023 and 2024.

The following table shows the reconciliation between the beginning and ending balance of these investment trusts:

For the fiscal year ended March 31	Millions of Yen		Millions of U.S. Dollars	
	2023	2024	2023	2024
Investment trusts for which net asset value is regarded as fair value				
Beginning balance	¥228,914	¥335,133	\$2,213	\$3,899
Gains (losses) for the period/ other comprehensive income	21,135	61,852	408	618
Recorded to gains (losses) for the period *1	1,495	4,431	29	443
Recorded to other comprehensive income *2	19,640	57,421	379	574
Net amount of purchase, sale, issuance and settlement, etc.	85,083	193,458	1,277	1,935
The amount of the investment trusts for which net asset value is regarded as fair value from this period	—	—	—	—
The amount of the investment trusts for which net asset value is not regarded as fair value from this period	—	—	—	—
Ending balance	335,133	590,444	3,899	5,904
Net unrealized gains (losses) on investment trusts held at consolidated balance sheet date among the amount recognized in the earnings of the period	—	—	—	—

*1 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.

These investment trusts with the restrictions of redemption mainly consisted of the investment trusts with the restriction that voluntary cancellation is not permitted, and the consolidated balance sheet amount of these investment trusts was ¥251,835 million and ¥408,797 million (U.S. \$2,699 million) as of March 31, 2023 and 2024.

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			
	2023			
	Fair value			
	Level 1	Level 2	Level 3	Total
Monetary claims bought	¥ —	¥ —	¥ 110,758	¥ 110,758
Securities	10,636,013	4,883,060	2,015	15,521,089
Held-to-maturity debt securities	162,168	1,702,682	—	1,864,850
National government bonds	162,168	—	—	162,168
Local government bonds	—	17,693	—	17,693
Corporate bonds	—	206,685	—	206,685
Foreign securities	—	1,478,302	—	1,478,302
Foreign bonds	—	1,478,302	—	1,478,302
Policy-reserve-matching bonds	10,473,291	3,135,305	2,015	13,610,612
National government bonds	10,473,291	—	—	10,473,291
Local government bonds	—	131,436	—	131,436
Corporate bonds	—	1,846,171	—	1,846,171
Foreign securities	—	1,157,697	2,015	1,159,713
Foreign bonds	—	1,157,697	2,015	1,159,713
Investment in unconsolidated subsidiaries and affiliated companies	553	45,072	—	45,626
Loans	—	17,690	2,915,367	2,933,058
Total Assets	10,636,013	4,900,751	3,028,141	18,564,906
Corporate Bonds	—	415,788	—	415,788
Total Liabilities	—	415,788	—	415,788

As of March 31	Millions of Yen				Millions of U.S. Dollars			
	2024				2024			
	Fair value				Fair value			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Monetary claims bought	¥ —	¥ —	¥ 97,872	¥ 97,872	\$ —	\$ —	\$ 646	\$ 646
Securities	10,286,617	5,536,234	2,006	15,824,857	67,938	36,564	13	104,516
Held-to-maturity debt securities	156,558	2,062,620	—	2,219,178	1,034	13,622	—	14,656
National government bonds	156,558	—	—	156,558	1,034	—	—	1,034
Local government bonds	—	16,097	—	16,097	—	106	—	106
Corporate bonds	—	181,986	—	181,986	—	1,201	—	1,201
Foreign securities	—	1,864,536	—	1,864,536	—	12,314	—	12,314
Foreign bonds	—	1,864,536	—	1,864,536	—	12,314	—	12,314
Policy-reserve-matching bonds	10,128,793	3,430,828	2,006	13,561,628	66,896	22,659	13	89,568
National government bonds	10,128,793	—	—	10,128,793	66,896	—	—	66,896
Local government bonds	—	128,290	—	128,290	—	847	—	847
Corporate bonds	—	1,689,557	—	1,689,557	—	11,158	—	11,158
Foreign securities	—	1,612,980	2,006	1,614,986	—	10,653	13	10,666
Foreign bonds	—	1,612,980	2,006	1,614,986	—	10,653	13	10,666
Investment in unconsolidated subsidiaries and affiliated companies	1,264	42,785	—	44,050	8	282	—	290
Loans	—	15,965	3,035,991	3,051,956	—	105	20,051	20,156
Total Assets	10,286,617	5,552,200	3,135,869	18,974,687	67,938	36,669	20,711	125,319
Corporate Bonds	—	530,644	—	530,644	—	3,504	—	3,504
Total Liabilities	—	530,644	—	530,644	—	3,504	—	3,504

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.

For investment trusts which do not have market price, the company applied net asset value of these investment trusts as fair value if there are no material restrictions on cancellation for which the market participants would require compensation.

The fair value is categorized as Level 2 or Level 3 based on the level of the major components of these investment trusts.

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	
			2023	2024
Loans	Discounted cash flow	Discounted rate	5.8% - 7.18%	6.15% - 7.45%

*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, 2023 and 2024

As of March 31	Millions of Yen					
						2023
	Monetary claims bought	Money held in trust	Securities	Loans	Derivative transactions ⁵	Total
Beginning balance	¥157,630	¥4,914	¥ 695,614	¥114,039	¥ 9,080	¥ 981,278
Gains (losses) for the period/ other comprehensive income	(3,816)	316	21,795	(19,472)	(25,859)	(27,036)
Recorded to gains (losses) for the period ^{*1}	4	316	46,747	(19,472)	(25,859)	1,736
Recorded to other comprehensive income ^{*2}	(3,820)	—	(24,952)	—	—	(28,772)
Net amount of purchase, sale, issuance and settlement, etc.	(97)	9,760	439,928	28,573	21,934	500,100
Transfer to Level 3 ^{*3}	—	—	3,558	—	—	3,558
Transfer from Level 3 ^{*4}	—	—	(34,232)	—	—	(34,232)
Ending balance	153,716	14,990	1,126,664	123,140	5,156	1,423,668
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	—	—	(1)	(12,085)	(14,665)	(26,752)

As of March 31	Millions of Yen						Millions of U.S. Dollars					
	2024						2024					
	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	¥153,716	¥14,990	¥1,126,664	¥123,140	¥ 5,156	¥1,423,668	\$1,015	\$ 99	\$ 7,441	\$813	\$ 34	\$ 9,402
Gains (losses) for the period/ other comprehensive income	(9,933)	2,868	142,079	814	(14,523)	121,305	(65)	18	938	5	(95)	801
Recorded to gains (losses) for the period ^{*1}	2	2,868	124,208	814	(14,523)	113,371	0	18	820	5	(95)	748
Recorded to other comprehensive income ^{*2}	(9,935)	—	17,870	—	—	7,934	(65)	—	118	—	—	52
Net amount of purchase, sale, issuance and settlement, etc.	(2,460)	6,485	323,341	(1,534)	18,511	344,344	(16)	42	2,135	(10)	122	2,274
Transfer to Level 3 ^{*3}	—	—	5,911	—	—	5,911	—	—	39	—	—	39
Transfer from Level 3	—	—	—	—	—	—	—	—	—	—	—	—
Ending balance	141,323	24,345	1,597,996	122,421	9,143	1,895,230	933	160	10,554	808	60	12,517
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	—	—	(0)	(12,102)	(10,252)	(22,355)	—	—	(0)	(79)	(67)	(147)

*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

As of March 31

Type	Millions of Yen			
	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)
2023				
Interest rate swaps				
Receipts fixed, payments floating	¥ 40,462	¥ 35,286	¥ 1,349	¥ 1,349
Receipts floating, payments fixed	100,147	100,147	17,173	17,173
Interest rate swaptions				
Bought	437,910 [488]	—	8	(480)
Others	157,789	157,789	(4,105)	(4,105)
Total				13,936

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)
2024					2024			
Interest rate swaps								
Receipts fixed, payments floating	¥213,841	¥211,005	¥(8,780)	¥(8,780)	\$1,412	\$1,393	\$ (57)	\$ (57)
Receipts floating, payments fixed	152,895	152,895	18,835	18,835	1,009	1,009	124	124
Others	168,645	162,972	(3,298)	(3,298)	1,113	1,076	(21)	(21)
Total				6,757				44

*1 Option fees are shown in [].

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

b) Hedge accounting applied

As of March 31

As of March 31			Millions of Yen			
			2023			
Hedge accounting model	Type	Main hedged items	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	
Exceptional method	Interest rate swaps					
	Receipts fixed, payments floating	Loans	¥ 735	¥ 710	¥	0
	Interest rate swaps					
	Receipts fixed, payments floating	Loans	297,418	225,641	(23,103)	
Deferred hedge method	Receipts fixed, payments floating	Insurance Liabilities	217,500	217,500	(13,146)	
Total					(36,249)	

As of March 31

As of March 31			Millions of Yen			Millions of U.S. Dollars		
			2024			2024		
			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
Hedge accounting model	Type	Main hedged items						
Exceptional method	Interest rate swaps							
	Receipts fixed, payments floating	Loans	¥ 710	¥ 700	¥ (4)	\$ 4	\$ 4	\$ (0)
	Interest rate swaps							
	Receipts fixed, payments floating	Loans	347,831	347,831	(16,063)	2,297	2,297	(106)
Deferred hedge method	Receipts fixed, payments floating	Insurance Liabilities	342,500	342,500	(33,908)	2,262	2,262	(223)
Total					(49,977)			(330)

*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			
	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)
Foreign currency forward contracts				
Sold	¥3,623,464	¥ —	¥(252,498)	¥(252,498)
(U.S. dollar)	1,829,812	—	(123,913)	(123,913)
(Euro)	1,280,422	—	(124,993)	(124,993)
(Australian dollar)	401,852	—	(4,138)	(4,138)
Bought	3,524,394	—	54,022	54,022
(U.S. dollar)	1,697,932	—	10,414	10,414
(Euro)	1,337,349	—	47,940	47,940
(Australian dollar)	396,207	—	(5,848)	(5,848)
Currency options				
Sold				
Call	83,200	—	256	422
(U.S. dollar)	[678]	—	256	422
Bought				
Put	914,650	—	1,632	(2,301)
(U.S. dollar)	[3,933]	—	1,632	(2,301)
Currency swaps	40,965	40,965	1,497	1,497
(U.S. dollar)	40,965	40,965	1,497	1,497
Total				(198,858)

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)
Foreign currency forward contracts								
Sold	¥1,554,771	¥ 1,616	¥(139,586)	¥(139,586)	\$10,268	\$ 10	\$(921)	\$(921)
(U.S. dollar)	1,130,673	1,616	(94,938)	(94,938)	7,467	10	(627)	(627)
(Euro)	239,423	—	(28,022)	(28,022)	1,581	—	(185)	(185)
(Australian dollar)	125,955	—	(12,520)	(12,520)	831	—	(82)	(82)
Bought	2,085,033	36,383	43,950	43,950	13,770	240	290	290
(U.S. dollar)	1,672,777	36,383	35,833	35,833	11,047	240	236	236
(Euro)	242,235	—	7,219	7,219	1,599	—	47	47
(Australian dollar)	115,215	—	1,265	1,265	760	—	8	8
Currency options								
Sold								
Call	407,720	—	895	49	2,692	—	5	0
(U.S. dollar)	[944]	—	895	49	[6]	—	5	0
Put	130,000	—	4	387	858	—	0	2
(U.S. dollar)	[392]	—	4	387	[2]	—	0	2
Bought								
Put	699,040	—	171	(3,697)	4,616	—	1	(24)
(U.S. dollar)	[3,869]	—	171	(3,697)	[25]	—	1	(24)
Currency swaps	46,121	46,121	(6,706)	(6,706)	304	304	(44)	(44)
(U.S. dollar)	46,121	46,121	(6,706)	(6,706)	304	304	(44)	(44)
Total				(105,603)				(697)

*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		
			2023		
Hedge accounting model	Type	Main hedged items	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		¥4,762,898	¥702,883	¥(229,955)
	(U.S. dollar)		3,181,135	663,063	(168,052)
	(Euro)		872,598	—	(51,356)
	(Australian dollar)		524,937	27,290	(10,483)
Allocation method	Currency swaps	Foreign-currency-denominated assets	196,787	190,583	(30,723)
	(U.S. dollar)		196,787	190,583	(30,723)
Allocation method	Currency swaps	Foreign-currency-denominated liabilities	345,510	246,030	65,546
	(U.S. dollar)		345,510	246,030	65,546
Cash flow hedge	Currency swaps	Foreign-currency-denominated assets	129,204	122,676	3,928
	(Great Britain pound)		40,614	37,917	6,234
	(U.S. dollar)		35,351	35,351	(6,634)
	(Euro)		39,354	35,523	4,145
Total					(191,204)

As of March 31

			Millions of Yen			Millions of U.S. Dollars		
			2024			2024		
Hedge accounting model	Type	Main hedged items	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		¥4,457,128	¥447,631	¥(357,149)	\$29,437	\$2,956	\$(2,358)
	(U.S. dollar)		3,559,006	435,667	(287,124)	23,505	2,877	(1,896)
	(Euro)		560,699	—	(27,932)	3,703	—	(184)
	(Australian dollar)		313,784	—	(39,024)	2,072	—	(257)
Allocation method	Currency swaps	Foreign-currency-denominated assets	191,902	158,381	(61,106)	1,267	1,046	(403)
	(U.S. dollar)		191,902	158,381	(61,106)	1,267	1,046	(403)
Allocation method	Currency swaps	Foreign-currency-denominated liabilities	397,695	397,695	79,562	2,626	2,626	525
	(U.S. dollar)		397,695	397,695	79,562	2,626	2,626	525
Cash flow hedge	Currency swaps	Foreign-currency-denominated assets	174,396	136,323	(8,359)	1,151	900	(55)
	(Canadian dollar)		46,807	10,006	(1,034)	309	66	(6)
	(Great Britain pound)		42,521	41,983	2,770	280	277	18
	(Euro)		40,480	39,745	1,992	267	262	13
Total					(347,053)			(2,292)

*1 The fair values of 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			
		2023			
Classification	Type	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)
Exchange-traded transactions	Stock index futures				
	Sold	¥ 7,896	¥ —	¥ (77)	¥ (77)
	Bought	75,510	—	911	911
Over-the-counter transactions	Stock index options				
	Sold				
	Call	40,000 [1,046]	—	390	656
	Put	211,314 [12,719]	50,399	12,453	266
	Bought				
	Call	1,712,764 [63,555]	129,103	37,119	(26,436)
	Put	547,130 [4,936]	—	446	(4,489)
Total					(29,169)

As of March 31

		Millions of Yen				Millions of U.S. Dollars			
		2024				2024			
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	¥ 10,561	¥ —	¥ (240)	¥ (240)	\$ 69	\$ —	\$ (1)	\$ (1)
	Bought	83,497	—	1,802	1,802	551	—	11	11
Over-the-counter transactions	Stock index options								
	Sold								
	Put	286,156 [13,719]	83,488	6,839	6,879	1,889 [90]	551	45	45
	Bought								
	Call	1,884,874 [84,716]	156,915	105,772	21,056	12,448 [559]	1,036	698	139
	Put	550,000 [2,342]	—	0	(2,342)	3,632 [15]	—	0	(15)
Total					27,157				179

* 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, 2023 and 2024.

4) Bond-related

a) Hedge accounting not applied

As of March 31

		Millions of Yen			
		2023			
Classification	Type	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)
Exchange-traded transactions	Bond futures				
	Bought	¥33,788	¥—	¥776	¥776
Total					776

As of March 31

		Millions of Yen				Millions of U.S. Dollars			
		2024				2024			
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								
	Bought	¥43,797	¥ —	¥264	¥264	\$289	\$ —	\$1	\$1
Total					264				1

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

b) Hedge accounting applied

No ending balances as of March 31, 2023.

As of March 31

			Millions of Yen			Millions of U.S. Dollars		
			2024			2024		
Hedge accounting model	Type	Main hedged items	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
Cash flow hedge	Treasury bond forwards	Bonds						
	Bought		¥62,919	¥52,626	¥(1,011)	\$415	\$347	\$(6)
	Treasury locks							
	Bought		19,998	13,714	(323)	132	90	(2)
Total					(1,334)			(8)

5) Other

a) Hedge accounting not applied

As of March 31

		Millions of Yen			
		2023			
Classification	Type	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)
Exchange-traded transactions	Commodity index futures				
	Bought	¥ 57	¥ —	¥ 3	¥ 3
Over-the-counter transactions	Multi-Asset index options				
	Sold	97,881 [291]	—	182	108
	Bought	186,144 [4,144]	—	2,905	(1,238)
Total					(1,125)

As of March 31

		Millions of Yen				Millions of U.S. Dollars			
		2024				2024			
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	Commodity index futures								
	Bought	¥ 55	¥ —	¥ 0	¥ 0	\$ 0	\$ —	\$ 0	\$ 0
Over-the-counter transactions	Multi-Asset index options								
	Sold	90,352 [219]	—	610	(391)	596 [1]	—	4	(2)
	Bought	264,444 [5,520]	—	11,362	5,842	1,746 [36]	—	75	38
Total					5,451				36

*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, 2023 and 2024.

Note 5

Fair Value of Investment and Rental Property

The carrying amounts for investment and rental properties were ¥404,931 million and ¥469,084 million (U.S. \$3,098 million), and their fair values were ¥555,699 million and ¥622,640 million (U.S. \$4,112 million) as of March 31, 2023 and 2024, 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 ¥1,319 million and ¥1,436 million (U.S. \$9 million) as of March 31, 2023 and 2024, respectively.

Note 6

Securities Lending

Securities loaned under security lending agreements amounted to ¥3,991,231 million and ¥5,188,107 million (U.S. \$34,265 million) as of March 31, 2023 and 2024, respectively.

Note 7

Accumulated Depreciation

Accumulated depreciation of tangible fixed assets amounted to ¥447,479 million and ¥423,931 million (U.S. \$2,799 million) as of March 31, 2023 and 2024, 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 ¥16,601 million and nil for the fiscal years ended March 31, 2023 and 2024, respectively.

Note 9

Separate Accounts

The total amounts of assets held in separate accounts defined in Article 118 of the Insurance Business Act were ¥790,519 million and ¥881,798 million (U.S. \$5,823 million) as of March 31, 2023 and 2024, 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, 2023 and 2024 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2024	2024
At the beginning of the fiscal year	¥216,226	¥215,667	\$1,424
Transfer from surplus in the previous fiscal year	58,310	57,067	376
Dividend payments to policyholders during the fiscal year	(58,895)	(59,221)	(391)
Interest accrued during the fiscal year	26	25	0
At the end of the fiscal year	¥215,667	¥213,538	\$1,410

Note 11

Net Defined Benefit Liabilities

Assumptions used in accounting for the defined benefit plans for the fiscal years ended March 31, 2023 and 2024 were as follows:

	2023	2024
	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
Amortization period for past service costs	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, 2023 and 2024 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2024	2024
At the beginning of the fiscal year	¥306,541	¥308,660	\$2,038
Service costs	13,601	13,270	87
Interest costs on projected benefit obligations	1,740	1,752	11
Actuarial losses (gains)	2,702	(291)	(1)
Benefits paid	(16,045)	(14,478)	(95)
Others	119	91	0
At the end of the fiscal year	¥308,660	¥309,005	\$2,040

b) Changes in the plan assets for the fiscal years ended March 31, 2023 and 2024 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2024	2024
At the beginning of the fiscal year	¥325,333	¥340,364	\$2,247
Expected return on plan assets	3,286	2,282	15
Actuarial gains (losses)	13,084	72,523	478
Contribution by employer	5,528	5,655	37
Benefits paid	(6,870)	(6,002)	(39)
Others	1	51	0
At the end of the fiscal year	¥340,364	¥414,875	\$2,740

c) The amounts of the defined benefit liabilities and the defined benefit assets in the consolidated balance sheets as of March 31, 2023 and 2024 were determined as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2024	2024
Present value of funded obligations	¥ 306,097	¥ 306,564	\$ 2,024
Plan assets at fair value	(340,364)	(414,875)	(2,740)
Net present value of funded obligations	(34,266)	(108,311)	(715)
Present value of unfunded obligations	2,562	2,440	16
Net value on the balance sheet	(31,704)	(105,870)	(699)
Net defined benefit liabilities	4,133	2,440	16
Net defined benefit assets	(35,837)	(108,311)	(715)
Net value on the balance sheet	¥(31,704)	¥(105,870)	\$ (699)

d) The amounts recognized in retirement benefit expenses in the consolidated statements of income for the fiscal years ended March 31, 2023 and 2024 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2024	2024
Service costs	¥13,601	¥13,270	\$ 87
Interest costs on projected benefit obligations	1,740	1,752	11
Expected return on plan assets	(3,286)	(2,282)	(15)
Amortization of net actuarial losses (gains)	(1,710)	(322)	(2)
Amortization of net past service costs	(245)	—	—
Others	136	12	0
Retirement benefit expenses	¥10,235	¥12,430	\$ 82

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, 2023 and 2024 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2024	2024
Actuarial gains (losses)	¥8,671	¥72,492	\$478
Past service costs	(245)	—	—
Total	¥8,425	¥72,492	\$478

Major components of accumulated other comprehensive income (before income tax effect adjustments) as of March 31, 2023 and 2024 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2024	2024
Unrecognized actuarial gains (losses)	¥6,942	¥79,434	\$524
Total	¥6,942	¥79,434	\$524

f) The plan assets

The plan assets as of March 31, 2023 and 2024 were comprised as follows:

	% of total fair value of plan assets	
	2023	2024
Equity securities	41	50
General accounts of life insurance companies	34	28
Debt securities	5	5
Investment trusts	6	4
Others	14	13
Total	100	100

49% and 55% of the plan assets were the retirement benefit trusts as of March 31, 2023 and 2024, 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, 2023 and 2024 were as follows:

	2023	2024
Discount rate	0.575%	0.575%
Expected long-term rates of return on the plan assets		
Defined benefit pension plans	1.9%	1.3%
Retirement benefit trusts	0.0%	0.0%

3) Defined contribution plans

The amounts recognized as expenses for the defined contribution plans were ¥3,064 million and ¥3,498 million (U.S. \$23 million) for the fiscal years ended March 31, 2023 and 2024, 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 offered foundation funds in the amount of ¥50,000 million pursuant to Article 60 of the Insurance Business Act in the period ended March 31, 2024.

Note 14

Pledged Assets

Assets pledged as collateral were securities in the amounts of ¥3,783,409 million and ¥5,429,574 million (U.S. \$35,860 million), loans in the amounts of ¥617,078 million and ¥773,250 million (U.S. \$5,106 million) and cash and deposits in the amounts of ¥1,313 million and ¥10,837 million (U.S. \$71 million) as of March 31, 2023 and 2024, respectively.

Note 15

Investments in Affiliates

Total amounts of investments in affiliates were ¥180,840 million and ¥187,476 million (U.S. \$1,238 million) as of March 31, 2023 and 2024, 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 ¥783 million and ¥585 million (U.S. \$3 million) as of March 31, 2023 and 2024, respectively. The details are as follows:

The amounts of claims against bankrupt or de facto bankrupt borrowers were nil and nil, and doubtful claims were ¥783 million and ¥585 million (U.S. \$3 million) as of March 31, 2023 and 2024, respectively.

The amounts of claims deemed uncollectible and directly deducted from the claims in the consolidated balance sheet were ¥16 million and ¥15 million (U.S. \$0 million) as of March 31, 2023 and 2024, 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 consolidated balance sheet were nil and nil as of March 31, 2023 and 2024, 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 or 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 and nil as of March 31, 2023 and 2024, 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 and nil as of March 31, 2023 and 2024, 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 ¥27,615 million and ¥22,331 million (U.S. \$147 million) as of March 31, 2023 and 2024, respectively.

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, 2023 and 2024, 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, 2023 and 2024

Asset Group	Asset Category	Millions of Yen		Millions of U.S. Dollars
		2023	2024	2024
Real estates for investment, etc.	Land and buildings, etc.	¥ 751	¥122	\$0
Idle assets, etc.	Land and buildings, etc.	1,569	41	0
Total		¥2,320	¥163	\$1

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 19

Deferred Taxes

The Company and certain domestic consolidated subsidiaries, which adopted the Group Tax Sharing System, have accounted for and made disclosure of their corporate tax and local corporate tax, and tax effect accounting, based on "the Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (Practical Issues Task Force No.42, August 12, 2021) from the fiscal year ended March 31, 2024.

1) Deferred tax assets/liabilities as of March 31, 2023 and 2024 were recognized as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2024	2024
Deferred tax assets	¥ 849,394	¥ 852,325	\$ 5,629
Valuation allowance for deferred tax assets	(23,264)	(17,412)	(115)
Subtotal	826,130	834,912	5,514
Deferred tax liabilities	(238,021)	(553,322)	(3,654)
Net deferred tax assets (liabilities)	588,109	281,590	1,859

Major components of deferred tax assets/liabilities as of March 31, 2023 and 2024 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2024	2024
Deferred tax assets:			
Policy reserves and other reserves	¥ 412,727	¥ 442,138	\$ 2,920
Reserve for price fluctuation	237,590	253,898	1,676
Net defined benefit liabilities	23,756	3,015	19
Deferred tax liabilities:			
Net unrealized gains on available-for-sale securities	(116,594)	(380,593)	(2,513)
Other intangible fixed assets	(28,070)	(27,249)	(179)

2) The statutory effective income tax rates were 27.96% and 27.96% for the fiscal year ended March 31, 2023 and 2024, respectively. The actual effective income tax rates were 24.8% and 0.6% for the fiscal years ended March 31, 2023 and 2024 respectively. Major components in the differences with the statutory effective income tax rates were as follows:

	2023	2024
Gains on step acquisitions	—	(17.9)%
Policyholders' dividend reserves	(9.9)%	(9.9)%
Change in valuation allowance	3.6%	(2.9)%

Note 20

Subordinated Bonds

The amounts of corporate bonds in liabilities included ¥396,510 million and ¥506,019 million (U.S. \$3,342 million) of subordinated bonds and foreign currency-denominated subordinated bonds, the repayments of which are subordinated to other obligations, as of March 31, 2023 and 2024, respectively.

Note 21

Subordinated Loans

Other liabilities included subordinated loans of ¥170,000 million and ¥170,000 million (U.S. \$1,122 million), the repayments of which are subordinated to other obligations, as of March 31, 2023 and 2024, respectively.

Note 22

Other Comprehensive Income

The components of other comprehensive income for the fiscal years ended March 31, 2023 and 2024 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
	2023	2024	2024
Net unrealized gains (losses) on available-for-sale securities:			
Amount arising during the fiscal year	¥(1,411,681)	¥1,181,218	\$ 7,801
Reclassification adjustments	67,340	(8,442)	(55)
Before income tax effect adjustments	(1,344,340)	1,172,776	7,745
Income taxes and Income tax effects	338,894	(317,545)	(2,097)
Net unrealized gains (losses) on available-for-sale securities	(1,005,446)	855,230	5,648
Deferred gains (losses) on derivatives under hedge accounting:			
Amount arising during the fiscal year	¥ (8,454)	¥ (35,141)	\$ (232)
Reclassification adjustments	(4,935)	3,172	20
Before income tax effect adjustments	(13,390)	(31,968)	(211)
Income taxes and Income tax effects	3,328	8,671	57
Deferred gains (losses) on derivatives under hedge accounting	(10,061)	(23,297)	(153)
Foreign currency translation adjustments:			
Amount arising during the fiscal year	¥ 57,026	¥ 14,404	\$ 95
Reclassification adjustments	—	—	—
Before income tax effect adjustments	57,026	14,404	95
Income taxes and Income tax effects	—	—	—
Foreign currency translation adjustments	57,026	14,404	95
Remeasurements of defined benefit plans:			
Amount arising during the fiscal year	¥ 10,381	¥ 72,815	\$ 480
Reclassification adjustments	(1,956)	(322)	(2)
Before income tax effect adjustments	8,425	72,492	478
Income tax effects	(2,352)	(20,310)	(134)
Remeasurements of defined benefit plans	6,072	52,182	344
Share of other comprehensive income of associates under the equity method:			
Amount arising during the fiscal year	¥ 5,053	¥ 8,280	\$ 54
Reclassification adjustments	820	(8,696)	(57)
Share of other comprehensive income of associates under the equity method	5,873	(416)	(2)
Total other comprehensive income (loss)	¥ (946,534)	¥ 898,104	\$ 5,931

Note 23**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 ¥8,792 million and ¥37 million (U.S. \$0 million), and none of the securities was pledged as collateral as of March 31, 2023 and 2024, respectively.

Note 24**Other assets and other liabilities**

Other assets and other liabilities included assets and liabilities related to the modified coinsurance in U.S. subsidiary of ¥651,076 million and ¥580,731 million as of March 31, 2023, respectively. Other assets and other liabilities included assets and liabilities related to the modified coinsurance in U.S. subsidiary of ¥667,754 million (U.S. \$4,410 million) and ¥609,211 million (U.S. \$4,023 million) as of March 31, 2024, respectively.

Note 25**Modified coinsurance by consolidated domestic subsidiary**

For certain transactions of modified coinsurance entered into by a domestic consolidated subsidiary that do not involve cash settlements, amounts to be received under the reinsurance contracts as part of amounts equivalent to policy acquisition costs related to direct insurance contracts are recorded as reinsurance revenue while the same amounts are recorded as unamortized ceded premium commissions in reinsurance receivable account and are amortized over the period of the reinsurance contracts.

Note 26**Others, net in Cash flows from investing activities**

Others, net in Cash flows from investing activities are mainly comprised of net cash flows from short-term investing activities and settlements of derivative financial instruments.

Note 27**Others, net in Cash flows from financing activities**

Others, net in Cash flows from financing activities are mainly comprised of issuances and repayments of funding agreements from financing activities by the subsidiary in U.S.

Note 28**Subsequent Events**

On June 21, 2024, the Company made a prepayment of the subordinated loans of ¥50,000 million with special provisions that subordinate the fulfillment of obligation on the debt to all other debt obligations.

On June 28, 2024, the Company borrowed the subordinated loans of ¥100,000 million with special provisions that subordinate the fulfillment of obligation on the debt to all other debt obligations .

Note 29**Business Combination****1) Overview of business combination****a) Name and business of the acquired company**

Company name: Singapore Life Holdings Pte. Ltd. ("Singlife")

Business: insurance and insurance related business *1

*1 Singlife is a holding company and its subsidiaries operate the business.

b) Purpose of the acquisition

The Company has prioritized Singapore as one of the most prospective markets in its business strategies in Asia, and supported Singlife's business expansion, as a strategic investor which has been involved in management in a long term since the Company's initial investment in 2019.

Singlife has had strength in its business model utilizing digital technologies since its establishment, successfully expanded its business as exemplified in its acquisition of Aviva's business in Singapore, and has grown into one of the major insurance companies in Singapore which currently offers variety of products with broad range of sales channels.

Singlife has also been developing business in Philippines as its business expansion in Asia. Based on both aspects of successful achievements and potential further growth and friendly relationships the Company and Singlife have built up, the Company has eventually decided to make Singlife a subsidiary.

c) Date of business combination

December 31, 2023 (Deemed acquisition date)

d) Legal form of business combination

Share purchases with cash contribution

e) Name of the acquired company after combination

Singapore Life Holdings Pte. Ltd.

f) The Company's ownership percentage after completion of the transaction

Ownership right before the combination	26.47%
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Additional ownership acquired on the date of business combination	73.53%
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Ownership after the acquisition	100.00%
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g) Controlling company

The Company holds more than a 50% stake in Singlife and, therefore, controls the decision making body of Singlife.

2) Accounting period for which earnings of the acquired company are included in the consolidated statement of income

As the Company used the acquiree's consolidated balance sheet as of the date of business combination, the earnings of the acquired company are not included in the consolidated statement of income.

3) Acquisition cost and breakdown

Fair values of stocks owned right before business combination	¥126,937 million
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Consideration paid in cash for additional acquisition	¥378,489 million
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Total	¥505,426 million
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4) Difference between acquisition cost and book value under equity method

Gains on step acquisitions ¥105,684 million

5) Cost related to acquisition

Fees to outside advisors, etc. ¥3,494 million

6) Allocation of acquisition cost

a) The amounts of assets acquired and liabilities assumed at the date of business combination

Total assets	¥1,335,651 million
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Securities included in the above "Total assets"	¥1,213,740 million
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Total liabilities	¥1,286,431 million
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Policy reserves and others

included in the above "Total liabilities"	¥1,176,396 million
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b) Amount of recognized goodwill, reason to recognize goodwill, and amortization methods and amortization period

1. Amount of recognized goodwill

¥455,546 million

2. Reason to recognize goodwill

The acquisition cost calculated based on the acquiree's projected future profit as of the date of business acquisition exceeded the net amounts of assets acquired and liabilities assumed.

At the end of the fiscal year ended March 31, 2024, identification and fair value valuation of recognizable assets and liabilities on the date of business combination are still in progress, and allocation of the acquisition cost is not yet finalized, the Company has applied tentative accounting treatments with reasonable information currently obtainable.

Therefore, the Company has not recognized intangible assets etc., and tentatively recognized the difference between the acquisition cost and the net amount of assets acquired and liabilities assumed as goodwill.

Accordingly, amortization methods and amortization period are currently under consideration.

7) The pro forma effect on consolidated financial results on the assumption that the business combination had been completed at the beginning of the fiscal year ended March 31, 2024.

Ordinary income	¥417,594 million
Ordinary loss	¥2,918 million
Net loss attributable to the Parent Company	¥4,501 million

The ordinary income, ordinary loss and net loss attributable to the Parent Company above are calculated based on the amounts on the Singlife's financial statements for the fiscal year ended December 31, 2023.

The calculation does not include amortization of goodwill and intangible assets, because allocation of the acquisition is not yet finalized.

These amounts do not represent the actual figures, which would have been calculated if the business combination had been completed at the beginning of the fiscal year ended March 31, 2024.

This pro forma financial information is unaudited.

Note 30

Adoption of IFRS17 for Singapore Life Holdings Pte. Ltd.

Singapore Life Holdings Pte. Ltd. applied International Financial Reporting Standards "Insurance Contracts" (IFRS 17) at the beginning of the fiscal year ended March 31, 2024 in the consolidated financial statements. The standards stipulate recognition, measurement, presentation etc., of the insurance contracts.

As the effects of adoption of IFRS 17 were retrospectively applied, the consolidated financial statements for the year ended March 31, 2023 were restated.

Consequently, in comparison with the original before restatements, on the consolidated income statement for the year ended March 31, 2023, each of ordinary profit and surplus before income taxes decreased by ¥19,794 million.

Also, on the consolidated statement of cash flows for the year ended March 31, 2023, surplus before income taxes decreased by ¥19,794 million, and investment losses (gains) under the equity method which included in subtotal of cash flows from operating activities, increased by the same amount.

Further, as the accumulated effects were reflected to the net assets as of April 1, 2022, the beginning balance of surplus for the year ended March 31, 2023, decreased by ¥10,168 million.



Independent auditor's report

To the Board of Directors of Sumitomo Life Insurance Company:

Report on the Audit of the Consolidated Financial Statements

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, 2023 and 2024, 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, 2023 and 2024, 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.

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 ("the Company"), policy reserves of ¥37,281,381 million were recognized. Of this amount, the policy	In order to assess whether the amount of policy reserves of the Company was appropriate, we primarily performed the following audit procedures with the assistance of actuarial specialists and IT

<p>reserves of the Company (the parent company) amounted to ¥28,761,989 million, which accounted for a significant portion (approximately 62%) 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 is required 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 scenarios. Future cash flows need to be estimated using actuarial expertise in accordance with</p>	<p>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 examines whether 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 examine 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 year in accordance with the statement of calculation procedures and examined whether
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<p>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>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; confirmed that the appointed actuary was given the appropriate authority by the board of directors to execute his/her duties as well as that 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 confirmed that 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 reserves 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.

Fee-related Information

Fees paid or payable to our firm and to other firms within the same network as our firm for audit and non-audit services provided to the Company and its subsidiaries for the current year are 691 million yen and 71 million yen, respectively.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2024 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.

Noriaki Habuto
Designated Engagement Partner
Certified Public Accountant

Yukihisa Tatsumi
Designated Engagement Partner
Certified Public Accountant

Takuya Nakayama
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Tokyo Office, Japan
June 28, 2024

Non-Consolidated Balance Sheets

Sumitomo Life Insurance Company

As of March 31	Millions of Yen		Millions of U.S. Dollars
	2023	2024	2024
ASSETS:			
Cash and deposits (Note 3)	¥ 1,329,461	¥ 740,775	\$ 4,892
Cash	10	10	0
Deposits	1,329,451	740,765	4,892
Call loans	847,388	834,182	5,509
Monetary claims bought (Note 3)	407,646	479,404	3,166
Money held in trust (Note 3)	14,990	24,345	160
Securities (Notes 3, 5, 14 and 15)	28,829,411	32,471,386	214,459
National government bonds	11,686,665	11,314,158	74,725
Local government bonds	192,009	188,844	1,247
Corporate bonds	3,309,271	3,116,211	20,581
Domestic stocks	2,456,106	3,449,389	22,781
Foreign securities	10,831,959	13,858,843	91,531
Other securities	353,398	543,939	3,592
Loans (Notes 3, 16 and 17)	2,198,274	2,164,509	14,295
Policy loans	234,873	226,775	1,497
Industrial and consumer loans	1,963,401	1,937,734	12,797
Tangible fixed assets (Notes 4, 6, 7 and 22)	594,472	648,051	4,280
Land	385,086	432,329	2,855
Buildings	197,769	204,907	1,353
Lease assets	1,727	575	3
Construction in progress	5,169	6,331	41
Other tangible fixed assets	4,720	3,907	25
Intangible fixed assets	37,366	44,315	292
Software	30,677	30,469	201
Other intangible fixed assets	6,689	13,846	91
Due from agents	0	—	—
Reinsurance receivables	120	412	2
Other assets	520,127	557,635	3,682
Accounts receivable	51,984	33,862	223
Prepaid expenses	7,368	7,697	50
Accrued income	144,341	177,245	1,170
Money on deposit	4,988	5,031	33
Deposits for futures transactions	48,331	45,003	297
Derivative financial instruments (Note 3)	148,928	46,873	309
Cash collateral paid for financial instruments	91,238	183,905	1,214
Suspense	9,037	10,012	66
Other assets	13,908	48,003	317
Prepaid pension cost (Note 12)	26,764	28,479	188
Deferred tax assets (Notes 12 and 23)	493,008	208,307	1,375
Allowance for possible loan losses	(867)	(804)	(5)
Total assets	¥35,298,166	¥38,201,001	\$252,301

As of March 31	Millions of Yen		Millions of U.S. Dollars
	2023	2024	2024
LIABILITIES:			
Policy reserves and other reserves	¥28,641,672	¥29,101,622	\$192,204
Reserve for outstanding claims (Note 18)	120,531	126,094	832
Policy reserves (Note 18)	28,305,473	28,761,989	189,960
Policyholders' dividend reserves (Note 10)	215,667	213,538	1,410
Reinsurance payables	120	3,230	21
Corporate bonds (Notes 3 and 25)	396,510	448,695	2,963
Other liabilities	4,209,470	5,745,603	37,947
Payables under repurchase agreements	3,110,297	4,760,283	31,439
Payables under securities borrowing transactions	67,438	—	—
Loans payable (Notes 3 and 26)	170,000	170,000	1,122
Income taxes payable	—	1,115	7
Accounts payable	73,741	31,091	205
Accrued expenses	43,804	45,335	299
Deferred income	845	863	5
Deposits received	71,007	70,202	463
Guarantee deposits received	29,668	32,815	216
Derivative financial instruments (Note 3)	590,475	550,699	3,637
Cash collateral received for financial instruments	34,091	68,808	454
Lease obligations	1,808	594	3
Asset retirement obligations	1,769	1,777	11
Suspense receipts	10,911	10,017	66
Rest of other liabilities	3,612	1,999	13
Reserve for price fluctuation	849,526	907,826	5,995
Deferred tax liabilities for land revaluation	12,466	12,430	82
Total liabilities	34,109,767	36,219,409	239,214
NET ASSETS:			
Foundation funds (Note 13)	—	50,000	330
Reserve for redemption of foundation funds	639,000	639,000	4,220
Reserve for revaluation	2	2	0
Surplus	320,951	332,785	2,197
Reserve for future losses	6,404	6,604	43
Other surplus	314,546	326,180	2,154
Fund for price fluctuation allowance	165,000	255,000	1,684
Reserve for assisting social responsibility	1,355	1,344	8
Other reserves	223	223	1
Unappropriated surplus	147,967	69,612	459
Total funds, reserve and surplus	959,953	1,021,787	6,748
Net unrealized gains on available-for-sale securities	300,314	1,048,898	6,927
Deferred gains (losses) on derivatives under hedge accounting	(12,224)	(32,494)	(214)
Land revaluation differences	(59,645)	(56,600)	(373)
Total unrealized gains, revaluation reserve and adjustments	228,444	959,803	6,339
Total net assets	1,188,398	1,981,591	13,087
Total liabilities and net assets	¥35,298,166	¥38,201,001	\$252,301

Non-Consolidated Statements of Income

Sumitomo Life Insurance Company

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2023	2024	2024
Ordinary income	¥3,495,347	¥3,564,941	\$23,544
Insurance premiums and other	2,216,429	2,182,842	14,416
Insurance premiums	2,213,957	2,178,902	14,390
Reinsurance revenue	491	1,627	10
Other income to policy reserves	1,980	2,311	15
Investment income (Note 20)	1,203,013	1,316,580	8,695
Interest, dividends and other income	761,129	859,455	5,676
Interest on deposits	9,883	18,623	123
Interest and dividends on securities	673,754	753,948	4,979
Interest on loans	27,127	32,512	214
Rent revenue from real estate	32,485	34,941	230
Other interest and dividend	17,878	19,429	128
Gains on money held in trust	287	2,861	18
Gains on sales of securities	358,718	144,673	955
Gains on redemption of securities	1,120	3,398	22
Foreign exchange gains	80,608	187,958	1,241
Reversal of allowance for possible loan losses	48	51	0
Other investment income	1,100	728	4
Investment gains on separate accounts	—	117,452	775
Other ordinary income	75,904	65,518	432
Annuity supplementary contract premiums	5,198	4,418	29
Proceeds from deferred insurance	33,529	26,152	172
Reversal of accrued retirement benefits	4,614	1,714	11
Other ordinary income	32,562	33,233	219
Ordinary expenses	3,433,494	3,417,665	22,572
Benefits and other payments	1,963,119	2,031,101	13,414
Claims paid	547,393	541,534	3,576
Annuity payments	424,557	432,258	2,854
Benefits payments	388,804	322,738	2,131
Surrender benefits	551,624	554,615	3,663
Other refunds	49,718	53,411	352
Reinsurance premiums	1,021	126,542	835

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2023	2024	2024
Provision for policy reserves and other reserves	¥424,098	¥462,103	\$3,052
Provision for reserve for outstanding claims (Note 21)	2,853	5,562	36
Provision for policy reserves (Note 21)	421,218	456,515	3,015
Provision for interest on policyholders' dividend reserves (Note 10)	26	25	0
Investment expenses (Note 20)	594,954	469,848	3,103
Interest expenses	21,778	28,965	191
Losses on trading securities	-	22	0
Losses on sales of securities	344,998	115,774	764
Losses on valuation of securities	2,690	3,992	26
Losses on redemption of securities	75	5	0
Losses on derivative financial instruments	161,882	289,919	1,914
Depreciation of real estate for investments	8,950	9,758	64
Other investment expenses	48,275	21,408	141
Investment losses on separate accounts	6,304	—	—
Operating expenses (Note 19)	336,414	332,573	2,196
Other ordinary expenses	114,906	122,038	806
Payments of benefits left to accumulate at interest	45,528	50,214	331
Taxes	28,253	28,111	185
Depreciation	18,932	18,498	122
Other ordinary expenses	22,192	25,213	166
Ordinary profit	61,852	147,276	972
Extraordinary gains	123,866	1,528	10
Gains on disposals of fixed assets	1,445	1,528	10
Reversal of reserve for price fluctuation	122,420	—	—
Extraordinary losses	3,723	69,652	460
Losses on disposals of fixed assets	703	521	3
Impairment losses (Note 22)	2,320	163	1
Losses on valuation of shares of subsidiaries and affiliates	—	9,956	65
Provision for reserve for price fluctuation	—	58,300	385
Payments to social responsibility reserve	699	711	4
Surplus before income taxes	181,995	79,151	522
Income taxes (Notes 13 and 23)			
Current	6,312	(20,773)	(137)
Deferred	28,477	27,978	184
Total income taxes	34,790	7,204	47
Net surplus	¥147,204	¥ 71,946	\$ 475

Non-Consolidated Statements of Changes in Net Assets

Sumitomo Life Insurance Company

Year ended March 31, 2023

Millions of Yen

	Funds, reserve and surplus									
					Surplus					
						Other surplus				
	Foundation funds (Note 14)	Reserve for redemption of foundation funds	Reserve for revaluation	Reserve for future losses	Fund for price fluctuation allowance	Reserve for assisting social responsibility	Other reserves	Unappropriated surplus	Total surplus	Total funds, reserve and surplus
Beginning balance	—	639,000	2	6,204	165,000	1,355	223	59,210	231,993	870,995
Changes in the fiscal year										
Additions to policyholders' dividend reserves (Note 10)								(58,310)	(58,310)	(58,310)
Additions to reserve for future losses				200				(200)	—	—
Net surplus								147,204	147,204	147,204
Additions to reserve for assisting social responsibility						700		(700)	—	—
Reversal of reserve for assisting social responsibility						(699)		699	—	—
Reversal of land revaluation differences								63	63	63
Net changes, excluding funds, reserve and surplus										
Net changes in the fiscal year	—	—	—	200	—	0	—	88,757	88,958	88,958
Ending balance	—	639,000	2	6,404	165,000	1,355	223	147,967	320,951	959,953

	Unrealized gains (losses), revaluation reserve					Total net assets
	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		
Beginning balance	895,346	(6,879)	(59,581)	828,885	1,699,880	
Changes in the fiscal year						
Additions to policyholders' dividend reserves (Note 10)				(58,310)		
Additions to reserve for future losses				—		
Net surplus				147,204		
Additions to reserve for assisting social responsibility				—		
Reversal of reserve for assisting social responsibility				—		
Reversal of land revaluation differences				63		
Net changes, excluding funds, reserve and surplus	(595,032)	(5,344)	(63)	(600,440)	(600,440)	
Net changes in the fiscal year	(595,032)	(5,344)	(63)	(600,440)	(511,482)	
Ending balance	300,314	(12,224)	(59,645)	228,444	1,188,398	

Year ended March 31, 2024

Millions of Yen

	Funds, reserve and surplus									
	Surplus									
	Other surplus									
	Foundation funds (Note 14)	Reserve for redemption of foundation funds	Reserve for revaluation	Reserve for future losses	Fund for price fluctuation allowance	Reserve for assisting social responsibility	Other reserves	Unappropriated surplus	Total surplus	Total funds, reserve and surplus
Beginning balance	—	639,000	2	6,404	165,000	1,355	223	147,967	320,951	959,953
Changes in the fiscal year										
Issuance of foundation funds	50,000									50,000
Additions to policyholders’ dividend reserves (Note 10)								(57,067)	(57,067)	(57,067)
Additions to reserve for future losses				200				(200)	—	—
Net surplus								71,946	71,946	71,946
Additions to reserve for price fluctuation					90,000			(90,000)	—	—
Additions to reserve for assisting social responsibility						700		(700)	—	—
Reversal of reserve for assisting social responsibility						(711)		711	—	—
Reversal of land revaluation differences								(3,045)	(3,045)	(3,045)
Net changes, excluding funds, reserve and surplus										
Net changes in the fiscal year	50,000	—	—	200	90,000	(11)	—	(78,354)	11,833	61,833
Ending balance	50,000	639,000	2	6,604	255,000	1,344	223	69,612	332,785	1,021,787

	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	300,314	(12,224)	(59,645)	228,444	1,188,398
Changes in the fiscal year					
Issuance of foundation funds					50,000
Additions to policyholders' dividend reserves (Note 10)					(57,067)
Additions to reserve for future losses					—
Net surplus					71,946
Additions to reserve for price fluctuation					—
Additions to reserve for assisting social responsibility					—
Reversal of reserve for assisting social responsibility					—
Reversal of land revaluation differences					(3,045)
Net changes, excluding funds, reserve and surplus					
Net changes in the fiscal year	748,583	(20,269)	3,045	731,359	731,359
Ending balance	1,048,898	(32,494)	(56,600)	959,803	1,981,591

Year ended March 31, 2024

Millions of U.S. Dollars

	Funds, reserve and surplus									
	Surplus									
	Other surplus									
	Foundation funds (Note 14)	Reserve for redemption of foundation funds	Reserve for revaluation	Reserve for future losses	Fund for price fluctuation allowance	Reserve for assisting social responsibility	Other reserves	Unappropriated surplus	Total surplus	Total funds, reserve and surplus
Beginning balance	—	4,220	0	42	1,089	8	1	977	2,119	6,340
Changes in the fiscal year										
Issuance of foundation funds	330									330
Additions to policyholders' dividend reserves (Note 10)								(376)	(376)	(376)
Additions to reserve for future losses				1				(1)	—	—
Net surplus								475	475	475
Additions to reserve for price fluctuation					594			(594)	—	—
Additions to reserve for assisting social responsibility						4		(4)	—	—
Reversal of reserve for assisting social responsibility						(4)		4	—	—
Reversal of land revaluation differences								(20)	(20)	(20)
Net changes, excluding funds, reserve and surplus										
Net changes in the fiscal year	330	—	—	1	594	0	—	(517)	78	408
Ending balance	330	4,220	0	43	1,684	8	1	459	2,197	6,748

	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	1,983	(80)	(393)	1,508	7,848
Changes in the fiscal year					
Issuance of foundation funds					330
Additions to policyholders' dividend reserves (Note 10)					(376)
Additions to reserve for future losses					—
Net surplus					475
Additions to reserve for price fluctuation					—
Additions to reserve for assisting social responsibility					—
Reversal of reserve for assisting social responsibility					—
Reversal of land revaluation differences					(20)
Net changes, excluding funds, reserve and surplus					
Net changes in the fiscal year	4,944	(133)	20	4,830	4,830
Ending balance	6,927	(214)	(373)	6,339	13,087

Non-Consolidated Proposed Appropriation of Surplus

Sumitomo Life Insurance Company

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2023	2024	2024
Unappropriated surplus	¥147,967	¥69,612	\$459
Appropriation of surplus	147,967	69,612	459
Policyholders' dividend reserves	57,067	58,355	385
Net surplus	90,900	11,257	74
Reserve for future losses	200	200	1
Interest on foundation funds	—	357	2
Voluntary surplus reserves	90,700	10,700	70
Reserve for fund redemption	—	10,000	66
Fund for price fluctuation allowance	90,000	—	—
Reserve for assisting social responsibility	700	700	4

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, 2024 which was ¥151.41 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. In addition, 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.

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.

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, 2023 and 2024 amounted to ¥29 million and ¥28 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 (except Reinsurance premiums) 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) IBNR claims

Regarding reserve for incurred but not reported (IBNR) claims for individual life insurance and individual annuity contracts, the Company recognized claims with which incidents prescribed in policy clauses already incurred but were not reported to the Company. After May 8, 2023, the Company ceased the special treatment of paying hospitalized benefits to those who were diagnosed with COVID-19 and recovering at designated hotels or home under medical observations (hereafter "deemed hospitalization"). As a result, the Company calculated the relevant reserve for IBNR claims at the end of the fiscal year using the proviso, instead of the main clause of Article 1, Paragraph 1 of Ministry of Finance Notification No. 234 in 1998 ("IBNR Notification"), because the reserve amount could not be calculated at an appropriate level based on the main clause of that article due to ending of the special treatment described above.

The Company excluded the amounts which were related to deemed hospitalization from the reserve for IBNR claims and benefit payments for all fiscal years stipulated by the main clause of Article 1, Paragraph 1 of the IBNR Notification, and then calculated the reserve for IBNR claims using the same calculation method as the main clause of Article 1, Paragraph 1 of the IBNR Notification.

As for the previous fiscal year-end, the Company excluded the amounts of reserve for IBNR claims and benefit payments which were related to deemed hospitalization, except for those with high risks of severity. However, due to cessation of the special treatment of hospitalized benefits for deemed hospitalization for the period ended March 31, 2024, the Company revised the calculation method to exclude the amounts related to deemed hospitalization.

13) Policy acquisition costs

The Company recognizes policy acquisition costs when incurred.

14) New Accounting Standards

Since the beginning of the period ended March 31, 2023, the Company has applied "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Application Guidance, No. 31 (17 June 2021, revised on)). In accordance with transitional treatment stipulated in Item 27-2 of "Implementation Guidance on Accounting Standard for Fair Value Measurement", the Company has applied new accounting policies prospectively.

Due to this application, the measurement of fair value of investment trusts was based on "Implementation Guidance on Accounting Standard for Fair Value Measurement" and matters concerning fair value of investment trusts and breakdown by input level were noted.

Also, the Company noted matters concerning the reconciliation between the beginning and ending balance of investment trusts on the Note 3, "Financial Instruments" as of March 31, 2023.

The Company has applied "Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27, October 28, 2022) at the beginning of the fiscal year ended March 31, 2024, with the transition method stipulated in the proviso, Article 20-3 of "Accounting Standard for Current Income Taxes".

Regarding corporation tax/inhabitant tax etc. which are taxable on incomes, although the Company had recognized amounts calculated according to tax laws in net surplus, with the application of the standard, the Company has recognized such taxes in net surplus, funds/reserves etc., and accumulated other comprehensive income, depending on the transactions which are sources of the taxes. Especially, regarding taxes recognized in accumulated other comprehensive income, when the attributable transactions are recycled to net surplus, the Company will recycle the taxes to net surplus.

When transactions which are sources of taxes are related to funds/reserves etc. or accumulated other comprehensive income, in addition to net surplus, and the calculation of the taxes imposed on funds/reserve etc. or accumulated other comprehensive income is practically difficult, the Company has recognized the taxes in net surplus.

Consequently, for the fiscal year ended March 31, 2024, "Income taxes" decreased by ¥25,985 million, "Net surplus attributable to the Parent Company" increased by the equal amount, and "Net unrealized gains on available-for-sale securities" in "Accumulated other comprehensive income" decreased by the equal amount.

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. 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 sheet and the fair values and their differences of financial instruments as of March 31, 2023 and 2024.

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		
	Balance sheet amount	Fair value	Difference
Cash and deposits (Negotiable certificates of deposit)	¥ 542,253	¥ 542,253	¥ —
[Available-for-sale securities]* ¹	[542,253]	[542,253]	—
Monetary claims bought	407,646	407,470	(175)
[Available-for-sale securities]* ¹	[296,712]	[296,712]	—
Money held in trust	14,990	14,990	—
Securities * ²	27,792,495	28,401,165	608,669
Trading securities	604,171	604,171	—
Held-to-maturity debt securities	1,531,156	1,729,570	198,413
Policy-reserve-matching bonds	13,192,905	13,610,612	417,707
Investments in subsidiaries and affiliated companies	53,077	45,626	(7,451)
Available-for-sale securities	12,411,184	12,411,184	—
Loans	2,198,274		
Allowance for possible loan losses * ³	(621)		
	2,197,653	2,151,462	(46,190)
Corporate bonds	396,510	384,730	(11,780)
Loans payable	170,000	165,240	(4,760)
Derivative transactions * ⁴	(441,546)	(441,546)	—
Hedge accounting not applied	(194,778)	(194,778)	—
Hedge accounting applied	(246,768)	(246,768)	—

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)	¥ 254,952	¥ 254,952	¥ —	\$ 1,683	\$ 1,683	\$ —
[Available-for-sale securities]* ¹	[254,952]	[254,952]	—	[1,683]	[1,683]	—
Monetary claims bought	479,404	475,173	(4,231)	3,166	3,138	(27)
[Available-for-sale securities]* ¹	[377,300]	[377,300]	—	[2,491]	[2,491]	—
Money held in trust	24,345	24,345	—	160	160	—
Securities * ²	30,933,203	30,827,726	(105,476)	204,300	203,604	(696)
Trading securities	682,316	682,316	—	4,506	4,506	—
Held-to-maturity debt securities	1,926,606	2,092,804	166,198	12,724	13,822	1,097
Policy-reserve-matching bonds	13,799,326	13,527,225	(272,100)	91,138	89,341	(1,797)
Investments in subsidiaries and affiliated companies	43,624	44,050	425	288	290	2
Available-for-sale securities	14,481,329	14,481,329	—	95,643	95,643	—
Loans	2,164,509			14,295		
Allowance for possible loan losses * ³	(542)			(3)		
	2,163,967	2,105,204	(58,762)	14,292	13,903	(388)
Corporate bonds	448,695	439,871	(8,824)	2,963	2,905	(58)
Loans payable	170,000	167,646	(2,354)	1,122	1,107	(15)
Derivative transactions * ⁴	(503,825)	(503,825)	—	(3,327)	(3,327)	—
Hedge accounting not applied	(102,320)	(102,320)	—	(675)	(675)	—
Hedge accounting applied	(401,505)	(401,505)	—	(2,651)	(2,651)	—

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

*2 The investment trusts for which net asset value is regarded as fair value in accordance with Item 24-3 and 24-9 of "Implementation Guidance on Accounting Standard for Fair Value Measurement" (Application Guidance of Corporate Accounting standards, No. 31) are included in the above table.

*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 ().

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, 2023 and 2024.

1) Held-to-maturity debt securities

As of March 31	Millions of Yen		
	2023		
Type	Balance sheet amount	Fair value	Difference
Fair value exceeds the balance sheet amount			
Bonds	¥ 223,225	¥ 235,660	¥ 12,434
Foreign securities (bonds)	1,292,200	1,478,302	186,102
Fair value does not exceed the balance sheet amount			
Bonds	15,731	15,607	(124)
Foreign securities (bonds)	—	—	—
Total	1,531,156	1,729,570	198,413

As of March 31	Millions of Yen			Millions of U.S. Dollars		
	2024			2024		
Type	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference
Fair value exceeds the balance sheet amount						
Bonds	¥ 162,180	¥ 170,468	¥ 8,288	\$ 1,071	\$ 1,125	\$ 54
Foreign securities (bonds)	1,315,800	1,492,302	176,502	8,690	9,856	1,165
Fair value does not exceed the balance sheet amount						
Bonds	58,625	57,799	(826)	387	381	(5)
Foreign securities (bonds)	390,000	372,233	(17,766)	2,575	2,458	(117)
Total	1,926,606	2,092,804	166,198	12,724	13,822	1,097

2) Policy-reserve-matching bonds

As of March 31	Millions of Yen		
	2023		
Type	Balance sheet amount	Fair value	Difference
Fair value exceeds the balance sheet amount			
Bonds	¥ 8,258,437	¥ 9,228,002	¥ 969,564
Foreign securities (bonds)	169,561	175,065	5,504
Fair value does not exceed the balance sheet amount			
Bonds	3,645,235	3,222,896	(422,338)
Foreign securities (bonds)	1,119,669	984,647	(135,021)
Total	13,192,905	13,610,612	417,707

As of March 31	Millions of Yen			Millions of U.S. Dollars		
	2024			2024		
Type	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference
Fair value exceeds the balance sheet amount						
Bonds	¥ 7,553,241	¥ 8,211,639	¥ 658,397	\$49,886	\$54,234	\$ 4,348
Foreign securities (bonds)	309,190	318,600	9,410	2,042	2,104	62
Fair value does not exceed the balance sheet amount						
Bonds	4,471,948	3,700,599	(771,348)	29,535	24,440	(5,094)
Foreign securities (bonds)	1,464,946	1,296,385	(168,560)	9,675	8,562	(1,113)
Total	13,799,326	13,527,225	(272,100)	91,138	89,341	(1,797)

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, 2023 and 2024.

3) Available-for-sale securities

As of March 31	Millions of Yen		
	2023		
Type	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	60,329	63,565	3,236
Bonds	461,287	496,190	34,902
Stocks	833,642	1,918,495	1,084,853
Foreign securities	2,058,172	2,218,554	160,382
Foreign bonds	1,757,317	1,853,231	95,914
Other foreign securities	300,854	365,322	64,468
Other securities	91,605	111,263	19,658
Balance sheet amount does not exceed acquisition costs or amortized costs			
Negotiable certificates of deposit	542,300	542,253	(46)
Monetary claims bought	236,181	233,146	(3,034)
Bonds	2,564,593	2,337,680	(226,913)
Stocks	231,482	199,909	(31,573)
Foreign securities	5,645,575	4,988,934	(656,640)
Foreign bonds	4,402,169	3,935,432	(466,736)
Other foreign securities	1,243,405	1,053,502	(189,903)
Other securities	156,552	140,156	(16,396)
Total	12,881,722	13,250,150	368,428

As of March 31	Millions of Yen			Millions of U.S. Dollars		
	2024			2024		
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	38,221	39,199	978	252	258	6
Bonds	399,842	427,415	27,573	2,640	2,822	182
Stocks	1,167,911	2,942,875	1,774,963	7,713	19,436	11,722
Foreign securities	4,407,634	4,816,363	408,729	29,110	31,810	2,699
Foreign bonds	3,303,358	3,518,034	214,675	21,817	23,235	1,417
Other foreign securities	1,104,275	1,298,329	194,053	7,293	8,574	1,281
Other securities	202,671	259,734	57,063	1,338	1,715	376
Balance sheet amount does not exceed acquisition costs or amortized costs						
Negotiable certificates of deposit	255,000	254,952	(47)	1,684	1,683	(0)
Monetary claims bought	348,822	338,101	(10,721)	2,303	2,233	(70)
Bonds	2,068,919	1,746,765	(322,154)	13,664	11,536	(2,127)
Stocks	155,360	129,502	(25,857)	1,026	855	(170)
Foreign securities	4,542,111	4,019,479	(522,632)	29,998	26,546	(3,451)
Foreign bonds	3,354,425	3,022,906	(331,518)	22,154	19,965	(2,189)
Other foreign securities	1,187,686	996,572	(191,113)	7,844	6,581	(1,262)
Other securities	153,005	139,194	(13,811)	1,010	919	(91)
Total	13,739,500	15,113,583	1,374,083	90,743	99,818	9,075

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	
	2023	2024	2023	2024
	Balance sheet amount	Balance sheet amount	Balance sheet amount	Balance sheet amount
Stocks with no market prices* ¹	¥777,195	¥1,176,653		\$7,771
Investments in partnership* ²	259,720	361,529		2,387

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

*2 Investments in partnership includes those for Limited Partnerships. In accordance with Paragraph 24-16 of “Implementation Guidance on Accounting Standard for Fair Value Measurement (Application Guidance of Corporate Accounting standards, No. 31)”, 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			
	2023			
	Within 1 year	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years
Negotiable certificates of deposit	¥542,300	¥ —	¥ —	¥ —
Monetary claims bought	143,051	218	302	263,839
Securities	641,396	3,825,396	7,079,374	12,234,988
Held-to-maturity debt securities	43,098	595,915	174,800	716,812
Policy-reserve-matching bonds	84,411	1,309,990	4,668,529	7,093,128
Available-for-sale securities	513,887	1,919,491	2,236,044	4,425,046
Loans	324,694	545,179	491,765	595,761
Corporate bonds	—	—	—	396,510
Loans payable	—	—	—	170,000

As of March 31	Millions of Yen				Millions of U.S. Dollars			
	2024				2024			
	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	¥255,000	¥ —	¥ —	¥ —	\$1,684	\$ —	\$ —	\$ —
Monetary claims bought	236,052	223	309	252,543	1,559	1	2	1,667
Securities	560,613	3,326,020	7,820,294	13,295,073	3,702	21,966	51,649	87,808
Held-to-maturity debt securities	215,741	380,300	440,700	889,524	1,424	2,511	2,910	5,874
Policy-reserve-matching bonds	121,447	1,672,357	4,429,210	7,592,579	802	11,045	29,253	50,145
Available-for-sale securities	223,424	1,273,362	2,950,384	4,812,969	1,475	8,410	19,486	31,787
Loans	276,792	513,047	525,931	581,962	1,828	3,388	3,473	3,843
Corporate bonds	—	—	—	297,030	—	—	—	1,961
Loans payable	—	—	—	170,000	—	—	—	1,122

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			
				2023
	Fair value			
	Level 1	Level 2	Level 3	Total
Negotiable certificates of deposit	¥ —	¥ 542,253	¥ —	¥ 542,253
Monetary claims bought	—	142,995	153,716	296,712
Money held in trust	—	—	14,990	14,990
Securities	5,741,537	5,882,967	1,055,717	12,680,223
Trading securities	504,111	100,060	—	604,171
Available-for-sale securities	5,237,426	5,782,907	1,055,717	12,076,051
National government bonds	1,539,739	—	—	1,539,739
Local government bonds	—	42,428	—	42,428
Corporate bonds	—	1,251,351	350	1,251,702
Domestic stocks	2,118,310	94	—	2,118,405
Foreign securities	1,526,830	4,299,967	1,055,367	6,882,164
Foreign bonds	1,506,057	3,407,558	875,049	5,788,664
Foreign stocks	20,773	892,409	180,318	1,093,500
Other securities	52,546	189,064	—	241,610
Derivative transactions	2,053	144,796	2,078	148,928
Currency-related	—	137,790	1,632	139,422
Interest-related	—	4,100	—	4,100
Stock-related	1,276	—	446	1,723
Other	776	2,905	—	3,682
Total Assets	5,743,591	6,713,013	1,226,503	13,683,108
Derivative transactions	249	589,578	646	590,475
Currency-related	—	573,261	256	573,517
Interest-related	—	16,135	—	16,135
Stock-related	249	—	390	639
Other	—	182	—	182
Total Liabilities	249	589,578	646	590,475

As of March 31	Millions of Yen				Millions of U.S. Dollars			
	2024				2024			
	Fair value				Fair value			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Negotiable certificates of deposit	¥ —	¥ 254,952	¥ —	¥ 254,952	\$ —	\$ 1,683	\$ —	\$ 1,683
Monetary claims bought	—	235,977	141,323	377,300	—	1,558	933	2,491
Money held in trust	—	—	24,345	24,345	—	—	160	160
Securities	6,909,309	6,245,604	1,418,287	14,573,202	45,633	41,249	9,367	96,249
Trading securities	566,436	115,879	—	682,316	3,741	765	—	4,506
Available-for-sale securities	6,342,873	6,129,724	1,418,287	13,890,885	41,892	40,484	9,367	91,743
National government bonds	973,547	—	—	973,547	6,429	—	—	6,429
Local government bonds	—	39,461	—	39,461	—	260	—	260
Corporate bonds	—	1,161,172	—	1,161,172	—	7,669	—	7,669
Domestic stocks	3,067,828	4,548	—	3,072,377	20,261	30	—	20,291
Foreign securities	2,140,240	4,700,865	1,418,287	8,259,393	14,135	31,047	9,367	54,549
Foreign bonds	1,679,300	3,699,544	1,162,096	6,540,941	11,091	24,433	7,675	43,200
Foreign stocks	460,939	1,001,320	256,191	1,718,452	3,044	6,613	1,692	11,349
Other securities	161,256	223,676	—	384,933	1,065	1,477	—	2,542
Derivative transactions	1,840	44,861	171	46,873	12	296	1	309
Currency-related	—	31,093	171	31,265	—	205	1	206
Interest-related	—	2,405	—	2,405	—	15	—	15
Stock-related	1,639	—	0	1,639	10	—	0	10
Other	201	11,362	—	11,563	1	75	—	76
Total Assets	6,911,150	6,781,396	1,584,127	15,276,674	45,645	44,788	10,462	100,896
Derivative transactions	231	549,568	899	550,699	1	3,629	5	3,637
Currency-related	—	512,592	899	513,492	—	3,385	5	3,391
Interest-related	—	36,365	—	36,365	—	240	—	240
Stock-related	231	—	—	231	1	—	—	1
Other	—	610	—	610	—	4	—	4
Total Liabilities	231	549,568	899	550,699	1	3,629	5	3,637

The investment trusts for which net asset value is regarded as fair value in accordance with Item 24-3 and 24-9 of “Implementation Guidance on Accounting Standard for Fair Value Measurement” (Application Guidance of Corporate Accounting standards, No. 31) are not included in the above table. The non-consolidated balance sheet amount of these investment trusts was ¥335,133 million and ¥590,444 million (U.S. \$3,899 million) as of March 31, 2023 and 2024.

The following table shows the reconciliation between the beginning and ending balance of these investment trusts:

For the fiscal year ended March 31	Millions of Yen		Millions of U.S. Dollars	
	2023	2024	2023	2024
Investment trusts for which net asset value is regarded as fair value				
Beginning balance	¥228,914	¥335,133	\$2,213	
Gains (losses) for the period/ other comprehensive income	21,135	61,852	408	
Recorded to gains (losses) for the period *1	1,495	4,431	29	
Recorded to other comprehensive income	19,640	57,421	379	
Net amount of purchase, sale, issuance and settlement, etc.	85,083	193,458	1,277	
The amount of the investment trusts for which net asset value is regarded as fair value from this period	—	—	—	
The amount of the investment trusts for which net asset value is not regarded as fair value from this period	—	—	—	
Ending balance	335,133	590,444	3,899	
Net unrealized gains (losses) on investment trusts held at consolidated balance sheet date among the amount recognized in the earnings of the period	—	—	—	

*1 Included in “Investment income” and “Investment expenses” of the non-consolidated statements of income.

These investment trusts with the restrictions of redemption mainly consisted of the investment trusts with the restriction that voluntary cancellation is not permitted, and the non-consolidated balance sheet amount of these investment trusts was ¥251,835 million and ¥408,797 million (U.S. \$2,699 million) as of March 31, 2023 and 2024.

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			
	2023			
	Fair value			
	Level 1	Level 2	Level 3	Total
Monetary claims bought	¥ —	¥ —	¥ 110,758	¥ 110,758
Securities	10,578,727	4,805,066	2,015	15,385,809
Held-to-maturity debt securities	104,882	1,624,687	—	1,729,570
National government bonds	104,882	—	—	104,882
Corporate bonds	—	146,385	—	146,385
Foreign securities	—	1,478,302	—	1,478,302
Foreign bonds	—	1,478,302	—	1,478,302
Policy-reserve-matching bonds	10,473,291	3,135,305	2,015	13,610,612
National government bonds	10,473,291	—	—	10,473,291
Local government bonds	—	131,436	—	131,436
Corporate bonds	—	1,846,171	—	1,846,171
Foreign securities	—	1,157,697	2,015	1,159,713
Foreign bonds	—	1,157,697	2,015	1,159,713
Investment in unconsolidated subsidiaries and affiliated companies	553	45,072	—	45,626
Loans	—	17,690	2,133,772	2,151,462
Total Assets	10,578,727	4,822,756	2,246,546	17,648,030
Corporate Bonds	—	384,730	—	384,730
Loans payables	—	165,240	—	165,240
Total Liabilities	—	549,970	—	549,970

As of March 31	Millions of Yen				Millions of U.S. Dollars			
	2024				2024			
	Fair value				Fair value			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Monetary claims bought	¥ —	¥ —	¥ 97,872	¥ 97,872	\$ —	\$ —	\$ 646	\$ 646
Securities	10,230,934	5,431,139	2,006	15,664,079	67,571	35,870	13	103,454
Held-to-maturity debt securities	100,875	1,991,928	—	2,092,804	666	13,155	—	13,822
National government bonds	100,875	—	—	100,875	666	—	—	666
Corporate bonds	—	127,392	—	127,392	—	841	—	841
Foreign securities	—	1,864,536	—	1,864,536	—	12,314	—	12,314
Foreign bonds	—	1,864,536	—	1,864,536	—	12,314	—	12,314
Policy-reserve-matching bonds	10,128,793	3,396,425	2,006	13,527,225	66,896	22,431	13	89,341
National government bonds	10,128,793	—	—	10,128,793	66,896	—	—	66,896
Local government bonds	—	127,064	—	127,064	—	839	—	839
Corporate bonds	—	1,656,381	—	1,656,381	—	10,939	—	10,939
Foreign securities	—	1,612,980	2,006	1,614,986	—	10,653	13	10,666
Foreign bonds	—	1,612,980	2,006	1,614,986	—	10,653	13	10,666
Investment in unconsolidated subsidiaries and affiliated companies	1,264	42,785	—	44,050	8	282	—	290
Loans	—	15,965	2,089,238	2,105,204	—	105	13,798	13,903
Total Assets	10,230,934	5,447,105	2,189,117	17,867,156	67,571	35,975	14,458	118,005
Corporate Bonds	—	439,871	—	439,871	—	2,905	—	2,905
Loans payables	—	167,646	—	167,646	—	1,107	—	1,107
Total Liabilities	—	607,517	—	607,517	—	4,012	—	4,012

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.

For investment trusts which do not have market price, the company applied net asset value of these investment trusts as fair value if there are no material restrictions on cancellation for which the market participants would require compensation.

The fair value is categorized as Level 2 or Level 3 based on the level of the major components of these investment trusts.

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, 2023 and 2024

As of March 31	Millions of Yen				
	Monetary claims bought	Money held in trust	Securities	Derivative transactions ²	Total
Beginning balance	¥157,630	¥ 4,914	¥ 615,092	¥(2,169)	¥ 775,467
Gains (losses) for the period/ other comprehensive income	(3,816)	316	29,075	(5,362)	20,213
Recorded to gains (losses) for the period ¹	4	316	46,580	(5,362)	41,538
Recorded to other comprehensive income	(3,820)	—	(17,504)	—	(21,325)
Net amount of purchase, sale, issuance and settlement, etc.	(97)	9,760	411,548	8,963	430,175
Transfer to Level 3	—	—	—	—	—
Transfer from Level 3	—	—	—	—	—
Ending balance	153,716	14,990	1,055,717	1,431	1,225,856
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	—	—	—	(5,713)	(5,713)

As of March 31	Millions of Yen					Millions of U.S. Dollars				
	2024					2024				
	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	¥153,716	¥14,990	¥1,055,717	¥ 1,431	¥1,225,856	\$1,015	\$ 99	\$6,972	\$ 9	\$ 8,096
Gains (losses) for the period/ other comprehensive income	(9,933)	2,868	139,375	(9,962)	122,349	(65)	18	920	(65)	808
Recorded to gains (losses) for the period *1	2	2,868	124,094	(9,962)	117,003	0	18	819	(65)	772
Recorded to other comprehensive income	(9,935)	—	15,281	—	5,345	(65)	—	100	—	35
Net amount of purchase, sale, issuance and settlement, etc.	(2,460)	6,485	223,193	7,801	235,021	(16)	42	1,474	51	1,552
Transfer to Level 3	—	—	—	—	—	—	—	—	—	—
Transfer from Level 3	—	—	—	—	—	—	—	—	—	—
Ending balance	141,323	24,345	1,418,287	(728)	1,583,227	933	160	9,367	(4)	10,456
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	—	—	—	(5,602)	(5,602)	—	—	—	(37)	(37)

*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

As of March 31

Type	Millions of Yen			
	2023			
	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)
Interest rate swaps				
Receipts fixed, payments floating	¥32,500	¥32,500	¥1,147	¥1,147
Total				1,147

As of March 31

Type	Millions of Yen				Millions of U.S. Dollars			
	2024				2024			
	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	¥32,500	¥32,500	¥56	¥56	\$214	\$214	\$0	\$0
Total				56				0

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

b) Hedge accounting applied

As of March 31

Hedge accounting model	Type	Main hedged items	Millions of Yen			
			2023			
			Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	
Exceptional method	Interest rate swaps					
	Receipts fixed, payments floating	Loans	¥ 735	¥ 710	¥ 0	
	Receipts floating, payments fixed	Loans	100,147	100,147	17,173	
Deferred hedge method	Interest rate swaps					
	Receipts fixed, payments floating	Loans	13,500	2,500	(11)	
	Receipts fixed, payments floating	Insurance Liabilities	217,500	217,500	(13,146)	
Total					4,015	

As of March 31

Hedge accounting model	Type	Main hedged items	Millions of Yen				Millions of U.S. Dollars			
			2024				2024			
			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	¥ 710	¥ 700	¥ (4)		\$ 4	\$ 4	\$ (0)	
	Receipts floating, payments fixed	Loans	113,557	113,557	20,124		750	750	132	
Deferred hedge method	Interest rate swaps									
	Receipts fixed, payments floating	Loans	2,500	2,500	(16)		16	16	(0)	
	Receipts fixed, payments floating	Insurance Liabilities	342,500	342,500	(33,908)		2,262	2,262	(223)	
Total					(13,805)				(91)	

*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			
	2023			
Type	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)
Foreign currency forward contracts				
Sold	¥3,623,464	¥ —	¥(252,498)	¥(252,498)
(U.S. dollar)	1,829,812	—	(123,913)	(123,913)
(Euro)	1,280,422	—	(124,993)	(124,993)
(Australian dollar)	401,852	—	(4,138)	(4,138)
Bought	3,524,394	—	54,022	54,022
(U.S. dollar)	1,697,932	—	10,414	10,414
(Euro)	1,337,349	—	47,940	47,940
(Australian dollar)	396,207	—	(5,848)	(5,848)
Currency options				
Sold				
Call	83,200	—		
	[678]		256	422
(U.S. dollar)	83,200	—		
	[678]		256	422
Bought				
Put	914,650	—		
	[3,933]		1,632	(2,301)
(U.S. dollar)	914,650	—		
	[3,933]		1,632	(2,301)
Total				(200,355)

As of March 31	Millions of Yen				Millions of U.S. Dollars			
	2024				2024			
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	¥1,554,771	¥1,616	¥(139,586)	¥(139,586)	\$10,268	\$10	\$(921)	\$(921)
(U.S. dollar)	1,130,673	1,616	(94,938)	(94,938)	7,467	10	(627)	(627)
(Euro)	239,423	—	(28,022)	(28,022)	1,581	—	(185)	(185)
(Australian dollar)	125,955	—	(12,520)	(12,520)	831	—	(82)	(82)
Bought	1,384,308	1,614	30,257	30,257	9,142	10	199	199
(U.S. dollar)	982,764	1,614	22,018	22,018	6,490	10	145	145
(Euro)	235,016	—	7,269	7,269	1,552	—	48	48
(Australian dollar)	114,029	—	1,298	1,298	753	—	8	8
Currency options								
Sold								
Call	407,720	—			2,692	—		
	[944]		895	49	[6]		5	0
(U.S. dollar)	407,720	—			2,692	—		
	[944]		895	49	[6]		5	0
Put	130,000	—			858	—		
	[392]		4	387	[2]		0	2
(U.S. dollar)	130,000	—			858	—		
	[392]		4	387	[2]		0	2
Bought								
Put	699,040	—			4,616	—		
	[3,869]		171	(3,697)	[25]		1	(24)
(U.S. dollar)	699,040	—			4,616	—		
	[3,869]		171	(3,697)	[25]		1	(24)
Currency swaps	5,156	5,156	(2,339)	(2,339)	34	34	(15)	(15)
(U.S. dollar)	5,156	5,156	(2,339)	(2,339)	34	34	(15)	(15)
Total				(114,929)				(759)

*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

			Millions of Yen		
As of March 31			2023		
Hedge accounting model	Type	Main hedged items	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		¥4,762,898	¥702,883	¥(229,955)
	(U.S. dollar)		3,181,135	663,063	(168,052)
	(Euro)		872,598	—	(51,356)
	(Australian dollar)		524,937	27,290	(10,483)
Allocation method	Currency swaps	Foreign-currency-denominated assets	236,846	230,642	(29,226)
	(U.S. dollar)		236,846	230,642	(29,226)
Allocation method	Currency swaps	Foreign-currency-denominated liabilities	345,510	246,030	65,546
	(U.S. dollar)		345,510	246,030	65,546
Deferred hedge method	Currency swaps	Foreign-currency-denominated assets	37,806	35,351	(7,039)
	(U.S. dollar)		35,351	35,351	(6,634)
	(Euro)		2,454	—	(405)
Total					(200,674)

			Millions of Yen			Millions of U.S. Dollars		
As of March 31			2024			2024		
Hedge accounting model	Type	Main hedged items	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		¥4,457,128	¥447,631	¥(357,149)	\$29,437	\$2,956	\$(2,358)
	(U.S. dollar)		3,559,006	435,667	(287,124)	23,505	2,877	(1,896)
	(Euro)		560,699	—	(27,932)	3,703	—	(184)
	(Australian dollar)		313,784	—	(39,024)	2,072	—	(257)
Allocation method	Currency swaps	Foreign-currency-denominated assets	232,867	199,346	(65,472)	1,537	1,316	(432)
	(U.S. dollar)		232,867	199,346	(65,472)	1,537	1,316	(432)
Allocation method	Currency swaps	Foreign-currency-denominated liabilities	397,695	397,695	79,562	2,626	2,626	525
	(U.S. dollar)		397,695	397,695	79,562	2,626	2,626	525
Deferred hedge method	Currency swaps	Foreign-currency-denominated assets	35,351	35,351	(12,680)	233	233	(83)
	(U.S. dollar)		35,351	35,351	(12,680)	233	233	(83)
	(Euro)		—	—	—	—	—	—
Total					(355,739)			(2,349)

*1 The fair values of 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			
		2023			
Classification	Type	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)
Exchange-traded transactions	Stock index futures				
	Sold	¥ 7,576	¥ —	¥ (77)	¥ (77)
	Bought	68,783	—	1,104	1,104
Over-the counter transactions	Stock index options				
	Sold				
	Call	40,000 [1,046]	—	390	656
	Bought				
	Put	547,130 [4,936]	—	446	(4,489)
Total					(2,806)

As of March 31

		Millions of Yen				Millions of U.S. Dollars			
		2024				2024			
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	¥ 8,940	¥ —	¥ (220)	¥ (220)	\$ 59	\$ —	\$(1)	\$ (1)
	Bought	76,971	—	1,628	1,628	508	—	10	10
Over-the counter transactions	Stock index options								
	Bought								
	Put	550,000 [2,342]	—	0	(2,342)	3,632 [15]	—	0	(15)
Total					(934)				(6)

*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, 2023 and 2024.

4) Bond-related

a) Hedge accounting not applied

		Millions of Yen			
		2023			
Classification	Type	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)
Exchange-traded transactions	Bond futures Sold	¥ —	¥ —	¥ —	¥ —
	Bought	33,788	—	776	776
Total					776

		Millions of Yen				Millions of U.S. Dollars			
		2024				2024			
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	42,179	—	201	201	278	—	1	1
Total					201				1

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

b) Hedge accounting applied

No ending balances as of March 31, 2023 and 2024.

5) Other

a) Hedge accounting not applied

		Millions of Yen			
		2023			
Classification	Type	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	¥ 97,881	¥ —		
		[291]		¥ 182	¥ 108
	Bought				
	Call	186,144	—		
		[4,144]		2,905	(1,238)
Total					(1,129)

		Millions of Yen				Millions of U.S. Dollars			
		2024				2024			
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	¥ 90,352	¥ —			\$ 596	\$ —		
		[219]		¥ 610	¥ (391)	[1]		\$ 4	\$ (2)
	Bought								
	Call	264,444	—			1,746	—		
		[5,520]		11,362	5,842	[36]		75	38
Total					5,450				35

*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, 2023 and 2024.

Note 4

Fair Value of Investment and Rental Property

The carrying amounts for investment and rental properties were ¥404,931 million and ¥469,084 million (U.S. \$3,098 million), and their fair values were ¥555,699 million and ¥622,640 million (U.S. \$4,112 million) as of March 31, 2023 and 2024, 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 ¥1,319 million, and ¥1,436 million (U.S. \$9 million) as of March 31, 2023 and 2024, respectively.

Note 5

Securities Lending

Securities loaned under security lending agreements amounted to ¥3,991,231 million and ¥5,188,107 million (U.S. \$34,265 million) as of March 31, 2023 and 2024, respectively.

Note 6

Accumulated Depreciation

Accumulated depreciation of tangible fixed assets amounted to ¥440,324 million and ¥413,933 million (U.S. \$2,733 million) as of March 31, 2023 and 2024, 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 ¥16,601 million and nil for the fiscal years ended March 31, 2023 and 2024, respectively.

Note 8

Separate Accounts

The total amounts of assets held in separate accounts defined in Article 118 of the Insurance Business Act were ¥790,519 million and ¥881,798 million (U.S. \$5,823 million) as of March 31, 2023 and 2024, 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, 2023 and 2024 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2024	2024
Monetary receivable	¥142,554	¥185,272	\$1,223
Monetary payable	11,216	12,049	79

Note 10

Policyholders' Dividend Reserves

Changes in policyholders' dividend reserves for the fiscal years ended March 31, 2023 and 2024 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2024	2024
At the beginning of the fiscal year	¥216,226	¥215,667	\$1,424
Transfer from surplus in the previous fiscal year	58,310	57,067	376
Dividend payments to policyholders during the fiscal year	(58,895)	(59,221)	(391)
Interest accrued during the fiscal year	26	25	0
At the end of the fiscal year	¥215,667	¥213,538	\$1,410

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 ¥288,092 million and ¥1,016,406 million (U.S. \$6,712 million) as of March 31, 2023 and 2024, respectively.

Note 12

Accrued Retirement Benefits

Assumptions used in accounting for the defined benefit plans for the fiscal years ended March 31, 2023 and 2024 were as follows:

	2023	2024
Method of attributing benefits to period of service	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
Amortization period for past service costs	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, 2023 and 2024 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2024	2024
At the beginning of the fiscal year	¥297,663	¥299,457	\$1,977
Service costs	13,148	12,802	84
Interest costs on projected benefit obligations	1,711	1,721	11
Actuarial losses (gains)	2,746	899	5
Benefits paid	(15,812)	(14,211)	(93)
At the end of the fiscal year	¥299,457	¥300,669	\$1,985

b) Changes in the plan assets for the fiscal years ended March 31, 2023 and 2024 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2024	2024
At the beginning of the fiscal year	¥318,380	¥333,368	\$2,201
Expected return on plan assets	3,158	2,153	14
Actuarial gains (losses)	13,300	72,035	475
Contribution by employer	5,280	5,410	35
Benefits paid	(6,751)	(5,889)	(38)
At the end of the fiscal year	¥333,368	¥407,078	\$2,688

c) The amounts of the defined benefit liabilities and the defined benefit assets in the non-consolidated balance sheets as of March 31, 2023 and 2024 were determined as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2024	2024
Present value of funded obligations	¥ 299,457	¥ 300,669	\$ 1,985
Plan assets at fair value	(333,368)	(407,078)	(2,688)
Net present value of funded obligations	(33,910)	(106,408)	(702)
Unrecognized actuarial gains (losses)	7,145	77,929	514
Net value on the balance sheet	(26,764)	(28,479)	(188)
Prepaid pension cost	(26,764)	(28,479)	(188)
Net value on the balance sheet	¥ (26,764)	¥ (28,479)	\$ (188)

d) The amounts recognized in retirement benefit expenses in the non-consolidated statements of income for the fiscal years ended March 31, 2023 and 2024 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2024	2024
Service costs	¥13,148	¥12,802	\$ 84
Interest costs on projected benefit obligations	1,711	1,721	11
Expected return on plan assets	(3,158)	(2,153)	(14)
Amortization of net actuarial losses (gains)	(1,727)	(352)	(2)
Amortization of net past service costs	(245)	—	—
Retirement benefit expenses	¥ 9,727	¥12,018	\$ 79

e) The plan assets

The plan assets as of March 31, 2023 and 2024 were comprised as follows:

	% of total fair value of plan assets	
	2023	2024
Equity securities	42	50
General accounts of life insurance companies	34	28
Debt securities	5	5
Investment trusts	5	4
Others	14	13
Total	100	100

50% and 56% of the plan assets were the retirement benefit trusts as of March 31, 2023 and 2024, 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, 2023 and 2024 were as follows:

	2023	2024
Discount rate	0.575%	0.575%
Expected long-term rates of return on the plan assets		
Defined benefit pension plans	1.9%	1.3%
Retirement benefit trusts	0.0%	0.0%

3) Defined contribution plans

The amounts recognized as expenses for the defined contribution plans were ¥1,271 million, and ¥1,328 million (U.S. \$8 million) for the fiscal years ended March 31, 2023 and 2024, 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 offered foundation funds in the amount of ¥50,000 million pursuant to Article 60 of the Insurance Business Act in the period ended March 31, 2024.

Note 15**Pledged Assets**

Assets pledged as collateral were securities in the amounts of ¥3,726,745 million and ¥5,387,434 million (U.S. \$35,581 million) as of March 31, 2023 and 2024, respectively.

Note 16**Equity Investments in Subsidiaries**

Total amounts of equity investments in subsidiaries were ¥858,010 million and ¥1,256,296 million (U.S. \$8,297 million) as of March 31, 2023 and 2024, 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 ¥783 million and ¥585 million (U.S. \$3 million) as of March 31, 2023 and 2024, respectively. The details are as follows:

The amounts of claims against bankrupt or de facto bankrupt borrowers were nil and nil, and doubtful claims were ¥783 million and ¥585 million (U.S. \$3 million) as of March 31, 2023 and 2024, respectively.

The amounts of claims deemed uncollectible and directly deducted from the claims in the non-consolidated balance sheet were ¥16 million and ¥15 million (U.S. \$0 million) as of March 31, 2023 and 2024, 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 and nil as of March 31, 2023 and 2024, 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 or 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 and nil as of March 31, 2023 and 2024, 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 and nil as of March 31, 2023 and 2024, 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 ¥16,561 million and ¥7,789 million (U.S. \$51 million) as of March 31, 2023 and 2024, 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 ¥24 million and ¥21 million (U.S. \$0 million) as of March 31, 2023 and 2024, 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 ¥2,127 million and ¥134,319 million (U.S. \$887 million) as of March 31, 2023 and 2024, respectively.

Note 20

Investment Income and Expenses

Major components of gains on sales of securities for the fiscal years ended March 31, 2023 and 2024 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2024	2024
Domestic bonds including national government bonds	¥ 9,971	¥20,322	\$134
Domestic stocks	142,723	35,820	236
Foreign securities	206,023	88,531	584

Major components of losses on sales of securities for the fiscal years ended March 31, 2023 and 2024 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2024	2024
Domestic bonds including national government bonds	¥ 15,206	¥ 6,430	\$ 42
Domestic stocks	5,896	10,857	71
Foreign securities	323,894	98,486	650

Major components of losses on valuation of securities for the fiscal years ended March 31, 2023 and 2024 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2024	2024
Domestic stocks	¥2,625	¥3,992	\$26
Foreign securities	65	—	—

Gains or losses on derivative financial instruments, net, included net valuation losses of ¥194,915 million and gains of ¥17,240 million (U.S. \$113 million) for the fiscal years ended March 31, 2023 and 2024, 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, 2023 and 2024, respectively.

Note 21

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, 2023 and 2024 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2024	2024
Provision for (reversal of) reinsurance recoverable on outstanding claims	¥ 9	¥ (3)	\$ (0)
Provision for (reversal of) reinsurance recoverable on policy reserves	799	132,191	873

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, 2023 and 2024, 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, 2023 and 2024

Asset Group	Asset Category	Millions of Yen		Millions of U.S. Dollars
		2023	2024	2024
Real estates for investment, etc.	Land and buildings, etc.	¥ 751	¥122	\$0
Idle assets, etc.	Land and buildings, etc.	1,569	41	0
Total		¥2,320	¥163	\$1

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 23

Deferred Taxes

The Company and certain domestic consolidated subsidiaries, which adopted the Group Tax Sharing System, have accounted for and made disclosure of their corporate tax and local corporate tax, and tax effect accounting, based on "the Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (Practical Issues Task Force No.42, August 12, 2021) from the fiscal year ended March 31, 2024.

1) Deferred tax assets/liabilities as of March 31, 2023 and 2024 were recognized as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2024	2024
Deferred tax assets	¥ 679,739	¥ 710,268	\$ 4,691
Valuation allowance for deferred tax assets	(19,012)	(21,941)	(144)
Subtotal	660,726	688,326	4,546
Deferred tax liabilities	(167,717)	(480,018)	(3,170)
Net deferred tax assets (liabilities)	493,008	208,307	1,375

Major components of deferred tax assets/liabilities as of March 31, 2023 and 2024 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2024	2024
Deferred tax assets:			
Policy reserves and other reserves	¥336,763	¥343,668	\$2,269
Reserve for price fluctuation	237,527	253,828	1,676
Accrued retirement benefits	25,039	24,560	162
Deferred tax liabilities:			
Net unrealized gains on available-for-sale securities	116,557	381,110	2,517

2) The statutory effective income tax rates were 27.96% and 27.96% for the fiscal year ended March 31, 2023 and 2024, respectively. The actual effective income tax rates were 19.1% and 9.1% for the fiscal years ended March 31, 2023 and 2024, respectively. Major components in the differences with the statutory effective income tax rates were as follows:

	2023	2024
Policyholders' dividend reserves	(8.7)%	(20.6)%

Note 24

Transactions with Subsidiaries

The total amounts of income and expenses resulting from transactions with subsidiaries for the fiscal years ended March 31, 2023 and 2024 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2024	2024
Total income	¥ 9,753	¥12,265	\$ 81
Total expenses	21,076	21,518	142

Note 25**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 26**Subordinated Loans**

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

Note 27**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 ¥8,792 million and ¥37 million (U.S. \$0 million), and none of the securities was pledged as collateral as of March 31, 2023 and 2024, respectively.

Note 28**Subsequent Events**

On June 21, 2024, the Company made a prepayment of the subordinated loans of ¥50,000 million with special provisions that subordinate the fulfilment of obligation on the debt to all other debt obligations.

On June 28, 2024, the Company borrowed the subordinated loans of ¥100,000 million with special provisions that subordinate the fulfilment of obligation on the debt to all other debt obligations.



Independent auditor's report

To the Board of Directors of Sumitomo Life Insurance Company:

Report on the Audit of the Financial Statements

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, 2023 and 2024, 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, 2023 and 2024, 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 non-consolidated 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 non-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 Company to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the non-consolidated 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.

Fee-related Information

Fee-related information is described in the auditor's report on the consolidated financial statements.

Convenience Translation

The U.S. dollar amounts in the accompanying non-consolidated financial statements with respect to the year ended March 31, 2024 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.

Noriaki Habuto
Designated Engagement Partner
Certified Public Accountant

Yukihisa Tatsumi
Designated Engagement Partner
Certified Public Accountant

Takuya Nakayama
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Tokyo Office, Japan
June 28, 2024

SUMITOMO LIFE INSURANCE COMPANY

Head Office

1-4-35, Shiromi, Chuo-ku, Osaka 540-8512, Japan

Tokyo Head Office

2-2-1, Yaesu, Chuo-ku, Tokyo 104-8430, Japan

<https://www.sumitomolife.co.jp>