FY2022 CONSOLIDATED BALANCE SHEET (As of March 31, 2023)

(Yen in millions)

Item	Amount	Item	Amount
(Assets)		(Liabilities)	
Cash, deposits and savings	**2,771,981**	**Policy liabilities:**	**18,869,599**
Monetary claims bought	**142,976**	Outstanding claims	2,682,482
Money trusts	**2,082,012**	Underwriting reserves	16,187,116
Securities	**16,149,338**	**Bonds issued**	**714,743**
Loans	**959,497**	**Other liabilities**	**1,852,392**
Tangible fixed assets:	**476,711**	**Liabilities for pension and retirement benefits**	**141,137**
Land	220,903	**Reserve for retirement benefits for officers**	**133**
Buildings	192,968	**Accrued bonuses for employees**	**28,444**
Lease assets	28,961	**Provision for share awards**	**1,009**
Construction in progress	1,707	**Reserves under the special laws:**	**277,998**
Other tangible fixed assets	32,169	Reserve for price fluctuation	277,998
Intangible fixed assets:	**496,124**	**Deferred tax liabilities**	**31,177**
Software	134,958	**Acceptances and guarantees**	**27,524**
Goodwill	143,247		
Lease assets	213	**Total liabilities**	**21,944,159**
Other intangible fixed assets	217,704	(Net Assets)	
Other assets	**1,743,777**	**Common stock**	**100,808**
Assets for retirement benefits	**36,372**	**Capital surplus**	**345,144**
Deferred tax assets	**122,822**	**Retained earnings**	**1,305,928**
Customers' liabilities under acceptances and guarantees	**27,524**	**Treasury stock**	**(6,662)**
Bad debt reserve	**(8,706)**	**Total shareholders' equity**	**1,745,220**
		Net unrealized gains/(losses) on securities	**1,216,563**
		Net deferred gains/(losses) on hedges	**(21,996)**
		Foreign currency translation adjustments	**79,704**
		Accumulated actuarial gains/(losses) on retirement benefits	**(9,448)**
		Total accumulated other comprehensive income/(loss)	**1,264,822**
		Stock acquisition rights	**558**
		Non-controlling interests	**45,671**
		Total net assets	**3,056,273**
Total assets	**25,000,433**	**Total liabilities and net assets**	**25,000,433**

FY2022 CONSOLIDATED STATEMENT OF INCOME

(from: April 1, 2022 to: March 31, 2023)

(Yen in millions)

Item	Amount
Ordinary income	**5,251,271**
Underwriting income:	**4,482,431**
Net premiums written	3,934,473
Deposit premiums from policyholders	41,359
Investment income on deposit premiums from policyholders	35,591
Life insurance premiums	453,578
Other underwriting income	17,428
Investment income:	**745,712**
Interest and dividends income	345,468
Investment gains on money trusts	191,350
Gains on sales of securities	195,948
Gains on redemption of securities	2,355
Income on financial derivatives	44,502
Other investment income	1,678
Transfer of investment income on deposit premiums from policyholders	(35,591)
Other ordinary income:	**23,127**
Gains on equity method investments	2,373
Other ordinary income	20,754
Ordinary expenses	**5,020,158**
Underwriting expenses:	**4,064,285**
Net claims paid	2,241,198
Loss adjustment expenses	207,021
Commissions and collection expenses	781,162
Maturity refunds to policyholders	165,278
Dividends to policyholders	51
Life insurance claims	531,253
Provision for outstanding claims	125,486
Provision for underwriting reserves	1,262
Other underwriting expenses	11,571
Investment expenses:	**195,669**
Investment losses on money trusts	28,438
Investment losses on trading securities	19,631
Losses on sales of securities	65,613
Impairment losses on securities	23,208
Losses on redemption of securities	360
Investment losses on separate accounts	32,700
Other investment expenses	25,716
Operating expenses and general and administrative expenses	**739,317**

Item	Amount
Extraordinary income:	**34,615**
Gains on sales of fixed assets	**34,615**
Extraordinary losses:	**30,271**
Losses on sales of fixed assets	**10,216**
Impairment losses on fixed assets	**1,801**
Provision for reserves under special laws:	**11,616**
Reserve for price fluctuation	11,616
Other extraordinary losses	**6,637**
Income before income taxes	**235,456**
Income taxes – current	**35,737**
Income taxes – deferred	**34,704**
Total income taxes	**70,441**
Net income	**165,014**
Net income attributable to non-controlling interests	**3,484**
Net income attributable to owners of the parent	**161,530**

Other ordinary expenses:	**20,886**		
Interest expense	10,383		
Provision for doubtful accounts	1,315		
Losses on bad debts	408		
Other ordinary expenses	8,778		
Ordinary profit	**231,113**		

FY2022 CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

(from: April 1, 2022 to: March 31, 2023)

(Yen in millions)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Beginning balance	100,534	553,680	1,251,280	(159,850)	1,745,644
Changes for the year:					
Issuance of new shares	274	274			548
Dividends paid			(106,881)		(106,881)
Net income attributable to owners of the parent			161,530		161,530
Repurchase of treasury stock				(54,946)	(54,946)
Disposal of treasury stock		(7)		213	205
Cancellation of treasury stock		(207,920)		207,920	-
Capital increase of consolidated subsidiaries		(30)			(30)
Change in ownership interest of parent due to transactions with non-controlling interests		(850)			(850)
Net changes of items other than shareholders' equity					
Total changes for the year	274	(208,535)	54,648	153,187	(424)
Ending balance	100,808	345,144	1,305,928	(6,662)	1,745,220

	Accumulated other comprehensive income/ (loss)					Stock acquisition rights	Non-controlling interests	Total net assets
	Net unrealized gains/(losses) on securities	Net deferred gains/ (losses) on hedges	Foreign currency translation adjustments	Accumulated actuarial gains/ (losses) on retirement benefits	Total accumulated other comprehensive income/ (loss)			
Beginning balance	1,565,167	(998)	(52,492)	1,566	1,513,242	762	43,099	3,302,749
Changes for the year:								
Issuance of new shares								548
Dividends paid								(106,881)
Net income attributable to owners of the parent								161,530
Repurchase of treasury stock								(54,946)
Disposal of treasury stock								205
Cancellation of treasury stock								-
Capital increase of consolidated subsidiaries								(30)
Change in ownership interest of parent due to transactions with non-controlling interests								(850)
Net changes of items other than shareholders' equity	(348,603)	(20,997)	132,196	(11,015)	(248,419)	(203)	2,572	(246,051)
Total changes for the year	(348,603)	(20,997)	132,196	(11,015)	(248,419)	(203)	2,572	(246,476)
Ending balance	1,216,563	(21,996)	79,704	(9,448)	1,264,822	558	45,671	3,056,273

CONSOLIDATED EXPLANATORY NOTES

(Significant Accounting Policies)

The Company's consolidated financial statements are prepared in conformity with the Corporate Accounting Regulations and the Ordinance for Enforcement of Insurance Business Act pursuant to the provisions of the Article 118 of the said Regulations. The definitions of subsidiaries and associates are based on Article 2 of the Corporate Accounting Regulations.

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 101 companies

Major consolidated subsidiaries are as follows:
Mitsui Sumitomo Insurance Co., Ltd. ("MSI")
Aioi Nissay Dowa Insurance Co., Ltd. ("ADI")
Mitsui Sumitomo Aioi Life Insurance Co., Ltd. ("MSAL")
Mitsui Sumitomo Primary Life Insurance Co., Ltd. ("MSPL")
MSIG Holdings (U.S.A.), Inc.
MS Amlin Corporate Member Limited
MS Amlin Underwriting Limited
MS Amlin AG
MS Amlin Insurance SE
MS First Capital Insurance Limited
MSIG Mingtai Insurance Co., Ltd.
MSIG Insurance (Malaysia) Bhd.

Changes in scope of consolidation

Tansverse Insurance Group, LLC and 12 other companies have been included in the scope of consolidation since the fiscal year ended March 31, 2023 as they have become the Company's subsidiaries due to the acquisition of equity interests and other reasons.

As Phoenix Underwriters Limited is no longer a subsidiary due to completion of liquidation, this subsidiary has been excluded from the scope of consolidation since the fiscal year ended March 31, 2023.

(2) Unconsolidated subsidiaries

Major unconsolidated subsidiaries are as follows:
MS&AD GRAND ASSISTANCE Co., Ltd.
MS&AD Systems Co., Ltd.

The subsidiaries that have been excluded from consolidation are companies that are considered immaterial for the purpose of giving a true and fair view of the financial position and results of operations of the Group in view of the size of their total assets, ordinary income, net income or loss, and retained earnings attributable to the Company.

2. Application of the equity method

(1) Number of associates accounted for under the equity method:
12 companies

Major associates accounted for under the equity method are as follows:
Sumitomo Mitsui DS Asset Management Company, Limited
Challenger Limited

(2) Unconsolidated subsidiaries and associates to which the equity method is not applied (e.g. MS&AD GRAND ASSISTANCE Co., Ltd. and Zenkankyo Reiwa Insurance Company, Limited) have been excluded from the scope of application of the equity method as their effects on consolidated net income and retained earnings are not considered material, individually and in aggregate.

(3) The Company holds 29.9% of the voting rights of Japan Earthquake Reinsurance Co., Ltd. ("Japan Earthquake Re") through MSI and ADI. However, Japan Earthquake Re is not included as an associate since the Company does not make a significant impact on policy making of Japan Earthquake Re in view of its public nature.

3. Fiscal year of consolidated subsidiaries

The fiscal year end of 93 overseas consolidated subsidiaries is December 31, but since the difference with the end of the consolidated fiscal year does not exceed three months, the financial statements for the fiscal year of the relevant consolidated subsidiaries are used in preparing these consolidated financial statements.

Adjustments necessary for consolidation are made for significant transactions during the intervening period of the end of the consolidated fiscal year.

4. Accounting policies

(1) Valuation policies and methods of securities (including those categorized into "cash, deposits and savings" and "monetary claims bought" as set forth in the Enforcement Regulations of the Japanese Insurance Business Act)

(i) Trading securities are valued using the market value method. Cost of sales is calculated using the moving average method. For some overseas consolidated subsidiaries, cost of sales is calculated using the first-in first-out method.

(ii) Held-to-maturity securities are valued at amortized cost.

(iii) Valuation of stocks of unconsolidated subsidiaries and associates that are not accounted for under the equity method are valued at cost determined by the moving average method.

(iv) Debt securities and money trusts earmarked for underwriting reserves are valued at amortized cost determined by the moving average method in accordance with Industry Audit Committee Report No. 21 "Temporary Treatment of Accounting and Auditing Concerning Debt Securities Earmarked for Underwriting Reserve in the Insurance Industry" (issued by the Japanese Institute of Certified Public Accountants on November 16, 2000).

A summary of the risk management policy for debt securities and money trusts earmarked for underwriting reserves is as follows:

In order to manage risks of variability in interest rates related to assets and liabilities effectively, MSAL, our consolidated subsidiary establishes subgroups of "individual insurance" that meet certain criteria for each type of insurance and investment policy and applies the investment policy and cash allocation policy reflecting their characteristics. In addition, MSAL periodically assesses whether the durations of the debt securities earmarked for underwriting reserves fall within a certain range from those of the underwriting reserves in each subgroup.

In order to manage risks of variability in interest rates related to assets and liabilities effectively, MSPL, our consolidated subsidiary establishes subgroups of "individual insurance and individual annuities" that meet certain criteria for each currency and applies the investment policy and cash allocation policy reflecting their characteristics. In addition, MSPL periodically assesses whether the durations of the debt securities earmarked for underwriting reserves fall within a certain range from those of the underwriting reserves in each subgroup.

Effective from the fiscal year ended March 31, 2023, MSPL discontinued the subgroups of individual insurance and individual annuities (denominated in Australian dollars and New Zealand dollars), and debt securities earmarked for underwriting reserves held in these sub-categories were reclassified as available-for-sale securities. This was mainly due to the improvement in ALM (Asset and Liability Management) efficiency in line with the decrease in the balance earmarked for underwriting reserves for these subgroups. As a result of this change, marketable securities decreased by 19,686 million yen, net unrealized gains on available-for-sale securities decreased by 14,173 million yen, and deferred tax assets increased by 5,512 million yen as of the September 30, 2022 transfer.

(v) Available-for-sale securities (except for stocks and other securities without market prices) are valued using the market value method.

Net unrealized gains and losses are reported as a separate line item of net assets. For foreign currency bonds held by certain consolidated subsidiaries, changes in fair values due to fluctuations in foreign exchange rates are reported as net unrealized gains and losses in net assets, while remaining changes are reported as foreign exchange gains and losses.

Cost of sales is calculated by the moving average method.

(vi) Of available-for-sale securities, stocks and other securities without market prices are valued at cost using the moving average method.

(vii) Securities managed as trust assets held in independently-managed money trusts whose primary purpose is to manage securities are valued using the market value method.

Securities that are managed as trust assets held in independently-managed money trusts that are not classified as held for trading purposes, held-to-maturity, or earmarked for underwriting reserves are valued on the same basis as available-for-sale securities.

(2) Valuation policies and methods of derivative transactions

Derivative transactions are valued using the market value method.

(3) Depreciation methods of significant depreciable assets

(i) Tangible fixed assets

Depreciation of tangible fixed assets is computed using the straight-line method.

(ii) Intangible fixed assets

Amortization of intangible fixed assets is computed using the straight-line method. Capitalized software for internal use is amortized by the straight-line method over its estimated useful life.

(4) Accounting policies for significant reserves

(i) Bad debt reserve

For domestic consolidated insurance subsidiaries, bad debt reserve is recognized as follows under the internal standards for self-assessment of assets and the policy for write-off and provision.

Bad debt reserve for loans to debtors who are legally or formally deemed to be insolvent due to bankruptcy or special liquidation, or whose notes are under suspension at clearing houses, and for loans to debtors who are deemed to be substantially insolvent, is provided based on the outstanding balance remaining after deducting the resale value of collateral and the amount collectible through guarantees.

Bad debt reserve for loans to debtors who are likely to become insolvent in the future is provided based on the outstanding balance remaining after deducting the resale value of collateral, the amount collectible through guarantees and the amount expected to be repaid by the debtors considering their overall ability to pay.

For loans other than those described above, bad debt reserve is calculated by multiplying the outstanding loan balances by the historical bad debt ratio, which is calculated based on actual write-offs during a certain period in the past.

All loans and receivables are assessed by departments which are responsible for the respective assets and the results are audited by the independent internal audit departments under the internal standards for self-assessment of assets, and are provided based on the audit result.

For other domestic consolidated subsidiaries, necessary amount is established under their internal standards for self-assessment of assets similar to those of the domestic consolidated insurance subsidiaries and based on their audit result.

For overseas consolidated subsidiaries, bad debt reserve is recognized based on the assessment of collectability of individual receivables and payables.

(ii) Reserve for retirement benefits for officers

MSI and MSAL, our consolidated subsidiaries, provide a reserve for the payment of retirement benefits (including pensions) to its officers and executive officers in an amount equal to the compensation for the performance of their duties during their tenure of office up to the year ended March 31, 2005, when the said retirement benefits plan for officers was terminated.

(iii) Accrued bonuses for employees

Accrued bonuses for employees are recognized based on the estimated amounts to be paid at the end of the fiscal year ended March 31, 2023 to provide for bonuses for employees and executive officers.

(iv) Provision for share awards

To provide for the delivery of the Company’s shares in accordance with the share delivery standards under the stock-based remuneration system for employees, the Company records a reserve based on the estimated amount of share award obligations as of the end of the fiscal year ended March 31, 2023.

(v) Reserve for price fluctuation

For the domestic consolidated insurance subsidiaries, the reserve for price fluctuation is recognized under the provision of Article 115 of the Insurance Business Act to provide for possible losses arising from price fluctuation of stocks and other securities.

(5) Accounting for retirement benefits

(i) Attribution method of retirement benefits over the service period

In computing retirement benefit obligations, the estimated retirement benefits are attributed to the periods up to the end of the fiscal year ended March 31, 2023 using the plan’s benefit formula.

(ii) Accounting for actuarial gains and losses

Actuarial gains and losses are amortized, commencing from the following fiscal year, using the straight-line method over a certain number of years (primarily 10 to 11 years) that do not exceed the expected average remaining service period of employees at the time of occurrence.

(6) Translation of foreign currency assets and liabilities

Foreign currency monetary assets and liabilities of the Company are translated into Japanese yen using the spot exchange rate prevailing at the fiscal year end. The foreign exchange gains and losses resulting from the translation are recognized as losses. Assets and liabilities of overseas consolidated subsidiaries are translated into Japanese yen using the spot exchange rate prevailing at their respective year ends, income and expenses of overseas consolidated subsidiaries are translated into Japanese yen using the average exchange rate for the year, and differences arising from such translations are included in Foreign currency translation adjustments and Non-controlling interests in Net Assets.

(7) Hedge accounting

Certain domestic consolidated insurance subsidiaries apply the fair value hedge method to equity forward contracts entered into for the purpose of hedging stock price fluctuation risk. Among transactions entered into for the purpose of hedging foreign exchange fluctuation risks associated with assets denominated in foreign currencies, the deferred hedge method is applied to currency swap contracts, the fair value hedge method is applied to certain currency option contracts, and the deferred hedge method, fair value hedge method, or allocation method is applied to certain foreign exchange forward contracts. Currency swap contracts used for hedging currency fluctuation risks on foreign currency bonds issued by MSI are accounted for under the allocation method.

Interest rate swap contracts used for hedging risks of variability in interest rates of loans, bonds and borrowings are accounted for under the deferred hedge method or the exceptional method of interest rate swap contracts.

Interest rate and currency swap contracts used for hedging risks of variability in foreign exchange rates and interest rates on foreign currency borrowings are accounted for under the integrated method (exceptional method and allocation method).

Hedge effectiveness is assured quarterly by comparing cumulative fluctuations in fair value or cash flows of the hedged items and hedging instruments for the periods from the respective start dates of the hedges to the assessment dates, and judged based on their fluctuations and other factors. When the hedged items and hedging instruments are highly and clearly interrelated, when the interest rate swap contracts meet the criteria for application of the exceptional method, or when the interest rate and currency swap contracts meet the criteria for application of the integrated method, hedge effectiveness is not assessed.

(Hedging relationships to which "Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR" is applied)

Among the above hedging relationships, the exceptional treatment prescribed in the PITF is applied to all hedge relationships included in the scope of application of "Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR" (PITF No. 40, March 17, 2022). The details of the hedging relationships to which the PITF is applied are as follows.

Hedge accounting method:	Deferred hedge accounting
Hedging instruments:	Interest rate swaps
Hedged items:	Floating rate bonds
Type of hedging transaction:	Fixed cash flows

(8) Other important matters for the preparation of consolidated financial statements

(i) Accounting for insurance contracts

At our domestic consolidated insurance subsidiaries, insurance contracts including premiums, outstanding claims, and underwriting reserves are accounted for in compliance with the provisions of the Insurance Business Act and other applicable laws and regulations. At our overseas consolidated insurance subsidiaries, they are accounted for in compliance with either International Financial Reporting Standards (IFRS) or US generally accepted principles based on PITF No. 18 “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries, etc. for Consolidated Financial Statements” (Accounting Standards Board of Japan, June 28, 2019).

(ii) Accounting for consumption taxes

Consumption taxes received or paid by the Company and its major domestic consolidated subsidiaries are not included in income or expenses, except for those relating to loss adjustment expenses, operating expenses and general and administrative expenses, and other expenses incurred by the domestic consolidated non-life insurance subsidiaries, which are recorded at amounts inclusive of consumption taxes. Non-deductible consumption taxes on assets are recorded in other assets and amortized over a period of five (5) years on a straight-line basis.

(iii) Application of the group totalization system

The Company and some of its domestic consolidated subsidiaries apply the group totalization system.

5. Amortization of goodwill

Goodwill is amortized over an effective period from 7 to 20 years on a straight-line basis. Insignificant amounts of goodwill are expensed as incurred.

6. Accounting estimates

(1) Impairment losses on goodwill

(i) Amount recorded in the consolidated financial statements for the fiscal year ended March 31, 2023

Goodwill of 143,247 million yen was recognized in the consolidated balance sheet for the fiscal year ended March 31, 2023. In addition, goodwill related to equity method investments of 35,384 million yen was included in investments in securities in the consolidated balance sheet for the fiscal year ended March 31, 2023.

(ii) Information to facilitate the understanding of accounting estimates

a. Measurement approach

For asset groups including goodwill whose invested amount is not recoverable due to decline of profitability, an impairment loss should be recognized by reflecting its recoverability under certain conditions. More specifically, in accordance with the “Accounting Standard for Impairment of Fixed Assets” (ASBJ Statement, August 9, 2002), the Company monitors any indication of impairment, such as consecutive net losses in the business in which asset groups including goodwill are used and/or a significant deterioration of the business environment, and if there is an indication of impairment, the Company determines whether an impairment loss should be recognized by comparing the total amount of undiscounted future cash flows obtained from the asset groups concerned with the carrying amount. For asset groups on which an impairment loss needs to be recognized, the carrying amount is reduced to the recoverable amount and an impairment loss is recognized for the amount of reduction.

We have estimated the total undiscounted future cash flows based on the business plans of the relevant businesses. The recoverable amount represents present value of future cash flows expected to be derived from continuing use of the asset groups and from their disposal thereafter and the amount of an impairment loss relies on estimated future cash flows based on reasonable assumptions and projections.

For the fiscal year ended March 31, 2023, as net income before tax was negative for two consecutive years in MS Amlin AG, an overseas consolidated subsidiary running the reinsurance business, which was an indication of impairment, the Company assessed whether an impairment loss should be recognized for the asset group including goodwill of MS Amlin AG (including tangible fixed assets of 985 million yen, goodwill of 3,607 million yen, and intangible fixed assets excluding goodwill of 38,144 million yen). As a result, the total amount of undiscounted future cash flows was higher than the carrying amount of the asset group concerned and therefore, an impairment loss was not recognized.

b. Effects on the consolidated financial statements for the fiscal year ending March 31, 2024

An impairment loss may be incurred if the profitability of a business declines as a result of changes in business environment, and estimated future cash flows are significantly decreased.

(2) Outstanding claims

(i) Amount recorded in the consolidated financial statements for the fiscal year ended March 31, 2023

Outstanding claims of 2,682,482 million yen were recognized in the consolidated balance sheet for the fiscal year ended March 31, 2023. Of this amount, outstanding claims of non-life insurance business accounted for a substantial portion.

(ii) Information to facilitate the understanding of accounting estimates

In accordance with the provisions set forth in Article 117 of the Japanese Insurance Business Act as well as Articles 72 and 73 of the said Act, domestic consolidated insurance subsidiaries recognize outstanding claims which represent the estimated amount of unpaid claims for the losses that have incurred or deemed to have incurred under insurance contracts. Overseas consolidated insurance subsidiaries apply similar methods for estimating the amount and recording outstanding claims.

a. Measurement approach

For insurance policies for which loss events have been reported, the Group individually recognized expected claims payments for reported claims based on the details of reported loss events, insurance contract terms, and claim investigations. For claims for which a loss event stipulated in the insurance contract has already occurred but the occurrence of a loss event has not yet been reported, the Group recognized expected claims payments based on the estimated ultimate losses determined in consideration of the past experience of claims payments in the previous years.

b. Effects on the consolidated financial statements for the fiscal year ending March 31, 2024

The amounts of insurance claim payments and outstanding claims may differ from their initial estimates due to the factors such as development of claim investigations, outcome of litigations and changes in foreign exchange rates.

In particular, the estimation of outstanding claims is subject to increasing uncertainties in recent years due to, for example, an increase in the magnitude and frequency of natural disasters in Japan and overseas, Russia’s invasion of Ukraine, and rising prices.

7. Additional information

(Stock-based remuneration system for employees)

Effective from the fiscal year ended March 31, 2023, the Company has entered into a stock-based remuneration system for employees (the “system”) of its consolidated subsidiaries Mitsui Sumitomo Insurance Co., Ltd., Aioi Nissay Dowa Insurance Co., Ltd., Mitsui Direct General Insurance Co., Ltd., Mitsui Sumitomo Aioi Life Insurance Co., Ltd., and Mitsui Sumitomo Primary Life Insurance Co., Ltd. (the “Participating Companies”).

(1) Overview of the transaction

This system is one under which shares of the Company are delivered to employees of the Participating Companies (“employees”) who satisfy certain requirements through a share delivery trust established by the Company. The number of Company shares to be granted to employees is determined by the number of points awarded based on employee classification, the Group's performance, and other factors. The trust acquires a substantial number of Company shares expected to be delivered from the stock market in a lump sum, based on funds contributed by the Participating Companies through the Company.

(2) Company shares outstanding in the trusts

The Company's shares outstanding in the trusts are recorded at the carrying amount (excluding the amount for incidental expenses) as treasury stock in the net assets. The carrying amount of this treasury stock at the end of the fiscal year ended March 31, 2023 is 4,034 million yen, and the number of shares is 990 thousand.

(Performance-linked and stock-based remuneration system for overseas consolidated subsidiaries)

Some of the overseas consolidated subsidiaries introduced a performance-linked and stock-based remuneration system (the "system") for employees and officers who satisfy certain requirements.

(1) Overview of the transaction

Under this system, the number of shares to be granted is determined based on the average performance during a certain period of time, and eligible staff receive the Company's shares or the cash equivalent to the Company's shares converted at fair value.

In preparing for future benefits, the Company acquires its own shares from the stock market by the trusts that have been set up using the cash contributed by subsidiaries that implemented the system.

(2) Company shares outstanding in the trusts

The Company's shares outstanding in the trusts are recorded at the carrying amount (excluding the amount for incidental expenses) as treasury stock in the net assets. The carrying amount of this treasury stock at the end of the fiscal year ended March 31, 2023 is 1,660 million yen, and the number of shares is 440 thousand.

(Application of the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System")

Effective from the fiscal year ended March 31, 2023, the Company and some of its domestic consolidated subsidiaries have shifted from a consolidated tax return filling system to a group totalization system. In accordance with this change, the accounting treatment and disclosure of corporate and local income taxes and tax-effect accounting are subject to "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (Accounting Standards Board of Japan, Practical Issues Task Force (PITF) No. 42, August 12, 2021; "PITF No. 42"). In accordance with Paragraph 32 (1) of PITF No. 42, the Company has assumed that there is no impact from the change in accounting policy resulting from the application of PITF No. 42.

(Notes to Consolidated Balance Sheet)

1. The amounts of accumulated depreciation and accelerated depreciation of tangible fixed assets are as follows:

(Yen in millions)

	Mar. 31, 2023
Accumulated depreciation	430,206
Accelerated depreciation	11,629

2. The carrying amounts of equity investments in unconsolidated subsidiaries and associates are as follows:

(Yen in millions)

	Mar. 31, 2023
Investments in securities (Domestic stocks)	30,255
Investments in securities (Foreign securities)	287,723
Investments in securities (Other securities)	28,113

3. Among the loans in accordance with Insurance Business Act, the amounts of bankrupt and quasi-bankrupt loans, doubtful loans, loans overdue for three months or more, and restructured loans, and sum of those amounts are as follows:

(Yen in millions)

	Mar. 31, 2023
Bankrupt and quasi-bankrupt loans	5
Doubtful loans	722
Loans overdue for three months or more	99
Restructured loans	301
Total	1,128

(Notes)

(1) Bankrupt and quasi-bankrupt loans are claims to debtors that went bankrupt due to reasons including the initiation of bankruptcy proceedings, the start of reorganization proceedings, and the submission of an application to start rehabilitation proceedings.

(2) Doubtful loans are claims with a strong possibility that the loan principal cannot be recovered and/or the interest cannot be received according to the contract due to difficulties in the financial condition and business performance of the debtor, even though the debtor is not yet bankrupt. These loans are excluded from bankrupt and quasi-bankrupt loans.

(3) Loans overdue for three months or more represent those of which the principal or interest has been past due for three months or more after the contractual due date for repayments of the principal or interest. Bankrupt and quasi-bankrupt loans and doubtful loans are excluded from this category.

(4) Restructured loans represent those which have been granted favorable terms for the benefit of the debtors, such as interest exemption or reduction, a grace period for interest payments, a grace period for principal repayments or forgiveness of debts for the purpose of the restructuring of, or support to the debtors in financial difficulty. Bankrupt and quasi-bankrupt loans, doubtful loans, and loans overdue for three months or more are excluded from this category.

4. The amounts of pledged assets and corresponding debt obligations are as follows:

(Yen in millions)

	Mar. 31, 2023
Pledged assets as collateral:	
Securities	775,768
Cash, deposits and savings	30,360
Money trusts	2,750

(Note) The amounts shown above primarily consist of collateral assets required for payables under repurchase agreements of 204,822 million yen included in Other liabilities, for international operations and for Real Time Gross Settlement of the current account with the Bank of Japan.

5. The amount of investments in securities loaned under securities lending agreements is as follows:

(Yen in millions)

Mar. 31, 2023
699,408

6. The amount of assets and liabilities in separate accounts under Article 118 of the Insurance Business Act is as follows:

(Yen in millions)

Mar. 31, 2023
1,569,434

7. Guarantees on transactions conducted by a limited partnership entity are as follows:
MSI provides guarantees on transactions conducted by a limited partnership entity. Aggregate net present value of these transactions was 29,682 million yen in a negative liability position as of March 31, 2023. This amount was not included in Customers' liabilities under acceptances and guarantees since there was no substantial exposure.

8. The unutilized balance of commitment lines to third parties is as follows:

(Yen in millions)

Mar. 31, 2023
12,100

9. The information on financial instruments is as follows:

(1) Qualitative information on financial instruments

(i) Policy on financial instruments

The Group applies Asset and Liability Management (ALM) policies to maintain stability of investment income, safety of assets and sufficient liquidity under an appropriate risk management framework to attain the sustainable growth of the net asset value. In addition, the Group acquires investment risks such as market risk and credit risk based on the management decision, and manages those risks in accordance with the risk management policies of the Group and each group company.

The Group's cash inflows, which mainly arise from earnings from insurance operations and investment activities, are affected by changes in external environment such as occurrences of natural disasters and changes in financial market conditions. In order to enhance capital efficiency and strengthen our financial base for better dealing with various environments, the Group will raise funds by issuing corporate bonds or short-term corporate bonds or by using other financing methods as the need arises.

(ii) Details of financial instruments and associated risks

The Group's financial assets mainly consist of securities including domestic bonds, domestic stocks and foreign securities, as well as loans and other financial instruments. These include market risk from fluctuations in interest rates, stock prices, and foreign exchange rates, credit risk of issuers of securities and counterparties to loans, and market liquidity risk of incurring losses when forced to trade at significantly low prices due to market turmoil or other adverse conditions.

The Group utilizes derivative transactions represented by interest rate swaps, interest rate options, bond future contracts, equity index future contracts, equity forward contracts, foreign exchange forward contracts, currency swaps, currency options, and interest rate and interest rate and currency swaps for the purpose of hedging risks such as fluctuations in interest rates, stock prices and foreign exchange rates. In addition to the above derivative transactions, the Group utilizes credit derivatives, weather derivatives, and natural catastrophe derivatives in order to generate investment returns with consideration given to the associated risks.

For details of derivative transactions to which hedge accounting is applied, please refer to "Significant Accounting Policies, 4. Accounting policies, (7) Hedge accounting."

Derivative transactions involve risks associated with fluctuations in fair value of derivative financial instruments (market risk), risks of nonperformance resulting from insolvency of counterparties (credit risk), and market liquidity risk. Derivative transactions utilized by the Group are also exposed to these risks. However, the market risk is mitigated for hedging purposes because the price fluctuations are opposite to those of the cash assets. In order to mitigate the credit risk associated with nonperformance of contracts, the majority of derivative transaction counterparties are limited to financial institutions with high credit ratings and transactions are diversified among them, and collateral is obtained based on Credit Support Annex (CSA).

(iii) Risk management structure relating to financial instruments

The Group has established the basic policy for risk management and internal policies for asset management risks, which stipulate the definition of risks and management method at the Board of Directors' meeting and other meetings, and the Group manages risks in accordance with this basic policy and internal policies. At major domestic consolidated insurance subsidiaries, the risk management department is independent from the trading execution departments and the back-office departments and maintains a structure which enables it to exercise organizational checks and balances of management on a daily basis. The risk management department maintains a system to assess, analyze and manage risks by quantifying market and credit risks using the VaR (Value-at-Risk) and managing risk limit based on asset and liability position, and regularly reports the results to the Board of Directors.

(a) Market risk management

The Group maintains and operates a risk management structure taking into account the characteristics of each financial instrument in accordance with its internal policies for market risk management. In addition to monitoring of risk amount by quantifying risks using the VaR method as described above, major domestic consolidated insurance subsidiaries assess potential risks that cannot be identified using the VaR method, analyze sensitivity of changes in interest rates, stock prices and foreign exchange rates and assess concentration and weakness of portfolios.

(b) Credit risk management

The Group maintains and operates a risk management structure in accordance with its internal policies for credit risk management. Major domestic consolidated insurance subsidiaries manage credit risk of issuers of securities and derivative counterparties at the trading and risk management departments by regularly monitoring the credit information and fair values. For loans at MSI, ADI and MSPL, the trading and risk management departments maintain a credit risk management structure through credit screening, setting internal credit ratings and credit limits, managing credit information, requiring collaterals and guarantees where necessary, and resolving delinquent loans on an individual loan basis.

(c) Liquidity risk management

The Group maintains and operates a funding and market liquidity risk management structure in accordance with internal policies for liquidity risk management. The Group classifies its funding management situation into normal times and crisis times according to the tightness of funding availability, and manages and operates its funds with the utmost consideration given to liquidity according to the situation. The Group is also working to diversify its funding sources in order to secure and maintain sufficient liquidity in a variety of environments. The Group manages funding liquidity risks by holding a sufficient amount of cash, savings and deposits, and highly liquid securities such as government bonds, and regularly monitoring their aggregate amounts in case of unexpected events like catastrophes and the deterioration of funding liquidity arising from turmoil in the financial markets.

(iv) Supplementary explanation of matters relating to the fair value of financial instruments and other information

In determining fair value of financial instruments, certain assumptions and methods are used, thus the fair value may differ if alternative assumptions are applied.

(2) Fair value of financial instruments and breakdown by level of fair value

The carrying amounts on the consolidated balance sheets and the fair values, and each level of fair values of financial instruments as of March 31, 2023 are as follows.

Stocks and other securities without market prices and investments in partnerships, etc. are not included in the following table (see Note 3).

The fair value of financial instruments is categorized into the following three levels based on the observability and significance of the inputs used to measure fair value.

Level 1: Fair value measured using (unadjusted) quoted prices in active markets for identical assets or liabilities

Level 2: Fair value measured using directly or indirectly observable inputs other than Level 1 inputs

Level 3: Fair value measured using significant unobservable inputs

When multiple inputs have significant effects on the fair value measurement, that fair value is categorized within the lowest priority level of fair value measurement among the levels where those inputs belong.

(i) Financial assets and financial liabilities measured at fair value on the consolidated balance sheet

(Yen in millions)

	Carrying amount			
	Level 1	Level 2	Level 3	Total
Monetary claims bought	-	116,562	3,091	119,654
Money trusts	-	1,495,842	586,170	2,082,012
Investments in securities				
Trading securities				
Domestic bonds	42,755	2,522	-	45,278
Domestic stocks	5,802	-	-	5,802
Foreign securities	446,094	380,295	122,621	949,012
Others	10,855	1,547,458	-	1,558,314
Available-for-sale securities				
Domestic bonds	1,388,026	1,270,494	-	2,658,520
Domestic stocks	2,577,273	-	-	2,577,273
Foreign securities	848,651	3,020,259	279,567	4,148,478
Others	26,277	150,435	27,014	203,727
Derivative transactions (*1)				
Currency	-	26,395	-	26,395
Interest rate	519	27,423	-	27,942
Stock	3,457	124	-	3,581
Bond	6,471	-	-	6,471
Credit	-	866	-	866
Others	-	-	803	803
Total assets	5,356,185	8,038,682	1,019,269	14,414,137
Derivative transactions (*1)				
Currency	-	30,107	-	30,107
Interest rate	507	23,037	-	23,544
Stock	1,198	463	-	1,661
Bond	8,690	-	-	8,690
Credit	-	756	-	756
Others	-	-	691	691
Total liabilities	10,395	54,364	691	65,451

(*1) The carrying amounts of derivative transactions applying hedge accounting are 3,886 million yen as an asset and 9,716 million yen as a liability.

(ii) Financial assets and financial liabilities that are not measured at fair value on the consolidated balance sheet

Cash, deposits and savings are not included in the notes as they are mostly short-term (within one year), and their fair value approximate their carrying amounts.

(Yen in millions)

	Fair value				Carrying amount	Difference
	Level 1	Level 2	Level 3	Total		
Monetary claims bought	-	23,321	-	23,321	23,321	-
Investments in securities						
Held-to-maturity securities						
Domestic bonds	1,170,767	122,804	-	1,293,571	1,221,808	71,763
Foreign securities	-	4,375	-	4,375	4,262	113
Debt securities earmarked for underwriting reserves						
Domestic bonds	1,535,481	120,688	-	1,656,169	1,947,747	(291,577)
Foreign securities	15,174	286,071	-	301,246	313,075	(11,828)
Shares of associates	136,984	4,128	-	141,113	86,630	54,482
Loans					959,497	
Bad debt reserve (*1)					(769)	
	-	258,587	696,555	955,142	958,728	(3,585)
Total assets	2,858,408	819,977	696,555	4,374,941	4,555,574	(180,633)
Bonds issued	-	605,478	96,280	701,759	714,743	(12,983)
Total liabilities	-	605,478	96,280	701,759	714,743	(12,983)

(*1) Bad debt reserve for loans is deducted from the carrying amount.

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

Assets

Monetary claims bought

With regard to commercial papers (CP), the price quoted by financial institutions is deemed the fair value. In part, the fair value approximates the carrying amount and is therefore stated at that carrying amount. With regard to Monetary claims bought other than CP, the price quoted by financial institutions is deemed the fair value.
These are mainly categorized within Level 2.

Money trusts

With regard to Money trusts, the price quoted by trustees is deemed the fair value.
These are categorized within Level 2 or Level 3 based on the level of components of trust assets.

Investments in securities

Those with unadjusted quoted prices available in active markets, mainly including listed stocks, government bonds, and listed investment trusts are categorized within Level 1.
Those with published quoted prices but are in inactive markets, mainly including municipal bonds and corporate bonds, are categorized within Level 2.
Unlisted investment trusts are based on the net asset value or similar value provided by the trust management company, and are classified as Level 2 or Level 3 mainly based on the level of components in the trust assets.

Loans

For floating rate loans, the carrying amount is used as fair value since the carrying amounts approximate the fair value contingent on no significant changes in the credit conditions of the debtor and because the floating rates on the loans reflect market interest rates over short periods of time. For fixed rate loans, the present value is calculated by discounting the future cash flows by the interest rate obtained by adding a credit spread to an appropriate index, such as yields on government bonds, for each loan type, term, and credit rating. The fair value of certain personal loans is determined at the net present value of the estimated future cash flows discounted at interest rates applicable to the same type of new loans. For some loans, the price provided by counterparty financial institutions is deemed the fair value.

The carrying amount is used as the fair value of policy loans, which do not have contractual maturities, as the loan amount is limited to the surrender value, and the carrying amount approximates the fair value, considering their estimated repayment periods and interest rates.

For loans to bankrupt debtors, substantially bankrupt debtors, and potentially bankrupt debtors, the estimated bad debts are calculated based on the present value of estimated future cash flows or the amount expected to be collected through collateral and guarantees. Consequently, the fair value approximates the consolidated balance sheet amount on the consolidated settlement date less the current estimated bad debts, and this amount is used as the fair value.

These are mainly categorized within Level 3. Some loans on which the effect of unobservable inputs is insignificant are categorized within Level 2.

Liabilities

Bonds issued

With regard to Bonds issued, the fair value is determined based on “Reference Statistical Prices for OTC Bond Transactions” published by the Japan Securities Dealers Association (JSDA) or prices quoted by counterparty financial institutions.

Those based on “Reference Statistical Prices for OTC Bond Transactions” published by JSDA are categorized within Level 2, and those based on prices quoted by counterparty financial institutions are categorized within Level 3.

Derivative transactions

With regard to market transactions, the fair value is determined based on the closing prices at exchanges. With regard to transactions other than market transactions, the fair value is determined based on prices quoted by counterparty financial institutions or prices calculated by the valuation model using inputs such as interest, exchange rates, volatility, etc.

The market transactions are mainly categorized within Level 1. The transactions other than market transactions using significant unobservable inputs are categorized within Level 3, and the other transactions are categorized within Level 2.

(Note 2) Financial assets and financial liabilities measured at fair value on the consolidated balance sheet and categorized within Level 3

The Level 3 fair value mostly comprises instruments with prices obtained from third parties and used unadjusted. Accordingly, notes such as quantitative information on significant unobservable inputs used to measure fair value are omitted.

(1) Reconciliation from beginning balance to ending balance, and net evaluation gains/losses recognized in profit or loss for the current fiscal year

(Yen in millions)

	Beginning balance	Recorded in profit or loss for the current fiscal year (*1)	Recorded in other comprehensive income	Changes due to purchases, issues and sales, and settlements	Others (*2)	Ending balance	Net evaluation gains/losses recorded in profit or loss on financial assets and financial liabilities held at the consolidated balance sheet date (*1)
Monetary claims bought	4,368	0	(72)	(1,204)	-	3,091	-
Money trusts	386,862	38,063	4,887	156,356	-	586,170	16,566
Investments in securities							
Trading securities	100,330	16,568	10,194	(4,471)	-	122,621	13,195
Available-for-sale securities	249,966	9,900	22,258	23,736	720	306,582	-
Total assets	741,527	64,532	37,268	174,416	720	1,018,465	29,761
Derivative transactions (*3)	(316)	1,009	-	(580)	-	112	752

(*1) Included in "Investment income" and "Investment expenses" of the consolidated statement of income.

(*2) Includes increase due to business combination.

(*3) Derivative transactions included in Other assets and Other liabilities are presented together. Receivables and payables as well as gains and losses arising from derivative transactions are presented on a net basis, and items that result in a net payable or a net loss are shown in parentheses.

(2) Descriptions of the valuation process of fair value

The Group stipulates policies and procedures on the fair value measurement and measures fair value, at departments that are independent from those who carry out transactions of financial instruments. With regard to the measured fair value, the appropriateness of the inputs and valuation techniques used to measure fair value are verified. When using quoted prices obtained from third parties as fair value, the appropriateness is verified by suitable methods such as checking the inputs and valuation techniques used and comparison with the fair value of similar financial instruments.

(Note 3) The carrying amounts of stocks and other securities without market prices and investments in partnerships, etc. are as follows, and are not included in “Investments in securities” in “Fair value of financial instruments and breakdown by level of fair value” above.

(Yen in millions)

	Mar. 31, 2023
Stocks and other securities without market prices (*1)	358,089
Investments in partnerships, etc. (*2)	71,315
Total	429,405

(*1) Stocks and other securities without market prices include unlisted stocks, etc., and are not subject to fair value disclosure in accordance with the Paragraph 5 of ASBJ Guidance No. 19 “Guidance on Disclosures about Fair Value of Financial Instruments.”

(*2) Investments in partnerships, etc. are not subject to fair value disclosure, in accordance with the Paragraph 24-16 of ASBJ Guidance No. 31 “Revised Implementation Guidance on Accounting Standard for Fair Value Measurement.”

10. Certain consolidated subsidiaries own investment properties in Tokyo and other areas. The carrying amount and fair value of the investment properties are as follows:

(Yen in millions)

	Mar. 31, 2023
Carrying amount	76,893
Fair value	132,640

(Notes)

(1) The carrying amount represents the acquisition cost less accumulated depreciation.

(2) Fair value is primarily determined based on the appraisal values provided by qualified external appraisers. With respect to the properties with no substantial changes in their appraisal values or indices that were considered to appropriately reflect market prices since most recent appraisal dates, the fair value is determined based on these appraisal values or the values adjusted by the relevant indices.

11. The information on business combination is as follows:

(Business combination through acquisition)

Our consolidated subsidiary, Mitsui Sumitomo Insurance Co., Ltd. (“MSI”), through its foreign consolidated subsidiary, MSIG Holdings (U.S.A.), Inc. (“US Holdings”), acquired an equity interest in Transverse Insurance Group, LLC (“Transverse”) on January 3, 2023, making Transverse a consolidated subsidiary.

Transverse is a non-life insurance group in the U.S., and is engaged in the business of brokering most of the risks associated with insurance policies underwritten via Managing General Agents (“MGA”) (see note below) to reinsurers, while retaining some risks as a primary insurer.

(Note) MGA

An agent authorized by an insurance company to underwrite insurance and to certify and assess damage amount, in addition to insurance solicitation.

(1) Overview of business combination

i) Name and business of acquired company

Name of acquired company: Transverse Insurance Group, LLC

Description of business: Holding company with non-life insurance companies and other businesses under its umbrella

ii) Main reasons for business combination

The acquisition of Transverse is expected to increase earnings by capturing growth in the U.S. MGA market and expand business opportunities by enhancing

Transverse's creditworthiness against the backdrop of MSI's strong financial base, and other group synergies.

iii) Date of business combination
January 3, 2023 (deemed acquisition date: January 1, 2023)

iv) Legal form of business combination
Acquisition of equity interest

v) Name of company after combination
Transverse Insurance Group, LLC

vi) Percentage of voting rights acquired
100%

vii) Main basis for determining the acquired company
Our consolidated subsidiary, MSI, acquired all of the voting rights of Transverse through US Holdings.

(2) Period of the acquired company's results included in the consolidated financial statements

The fiscal year end of the acquired company is December 31, but since the difference with the end of the consolidated fiscal year does not exceed three months, the financial statements of the acquired company as of December 31 are used in preparing the consolidated financial statements. The deemed acquisition date of this business combination is January 1, 2023, and since the balance sheet only is consolidated, the consolidated statement of income does not include the results of the acquired company.

(3) Acquisition cost of the acquired company and breakdown by type of consideration

Consideration for acquisition	(Cash)	US$399 million
Acquisition cost		US$399 million

(4) Description and amount of major acquisition-related expenses

Advisory fees, etc.	683 million yen

(5) Amount of goodwill incurred, reason for incurrence, amortization method, and amortization period

i) Amount of goodwill incurred
US$138 million

ii) Reason for incurrence
The amount invested exceeded the net amount of assets received and liabilities assumed.

iii) Amortization method and period
Amortized on a straight-line basis over a period of ten (10) years

(6) Amounts of assets received and liabilities assumed on the date of business combination and their breakdown

(Units: US$ in millions)

	Mar. 31, 2023
Total assets	974
(of which, policy liabilities	473)
(of which, intangible fixed assets	240)
Total liabilities	710
(of which, policy liabilities	490)

(7) Amount of acquisition cost allocated to intangible fixed assets other than goodwill and its breakdown by type and weighted average amortization period for the total and by type
Customer relationships: US$240 million, Amortization period: 10 years

(8) Details of the conditional acquisition consideration stipulated in the business combination agreement and the accounting policy after the consolidated accounting period in which the business combination is completed
   i) Details of conditional acquisition consideration
   The Company has adopted a performance-based additional payment clause that pays a certain additional amount based on the level of performance of the acquired company after the acquisition.
   ii) Accounting policies after the consolidated accounting period in which the business combination is completed
   In the event of additional payment of the acquisition consideration, the acquisition price is deemed to have been paid at the time of acquisition, and the amount of goodwill and amortization of goodwill are adjusted accordingly.

12. The amount of net assets per share is as follows:

	Mar. 31, 2023
Net assets per share (in Yen)	5,633.94
Stock acquisition rights deducted from net assets (Yen in millions)	558
Non-controlling interests deducted from net assets (Yen in millions)	45,671
Outstanding common shares (in thousands)	534,268

13. Any amounts less than the stated unit are rounded down.

(Notes to Consolidated Statement of Income)

1. Life insurance premiums are presented at an amount of insurance premiums revenue less cash surrender value or withdrawals ("surrender benefits") and reinsurance premiums paid. Major components of life insurance are as follows:

(Yen in millions)

	For the year ended March 31, 2023
Insurance premiums revenue	1,743,707
Surrender benefits and reinsurance premiums paid	(1,290,128)
Life insurance premiums	453,578

2. The amount of income on derivatives other than for trading or hedging to reduce the currency risks of foreign currency reinsurance transactions, included in other underwriting income, is as follows:

(Yen in millions)

For the year ended March 31, 2023
6,210

3. The amount of foreign exchange losses included in other investment expenses is as follows:

(Yen in millions)

For the year ended March 31, 2023
13,676

4. Major components of business expenses are as follows:

(Yen in millions)

	For the year ended March 31, 2023
Commission expenses	772,616
Salaries	306,745

(Note) Business expenses are the sum of loss adjustment expenses, operating, general and administrative expenses, and commissions and collection expenses in the consolidated statements of income.

5. In the fiscal year ended March 31, 2023, impairment losses recognized on fixed assets are as follows:

(Yen in millions)

Use	Category	Description	Impairment losses on fixed assets		
				Breakdown	
Investment properties	Buildings	Building for rent in Tokyo	0	Buildings	0
Idle real estate and real estate for sale	Land and buildings	15 properties, including a training center in Kanagawa	1,800	Land Buildings Others	1,132 668 0

Fixed assets used for the insurance business operations are grouped by each company. Other assets such as investment properties, idle assets and assets for sale are grouped on an individual basis.

The carrying amount of the above assets was reduced to the recoverable amount due to a decline in real estate prices and the fact that the assets were scheduled to be sold, and the amount of the reduction was recorded as an impairment loss on fixed assets under extraordinary losses. The recoverable amount of the assets concerned is measured at their net sales value. The net sales value is calculated based on the appraisal value provided by qualified appraisers.

6. Other extraordinary losses include special funding in relation to the outside career change support program in MSI.

7. The amounts of net income attributable to owners of the parent per share are as follows:

	For the year ended March 31, 2023
Basic net income attributable to owners of the parent per share (in Yen)	299.80
Diluted net income attributable to owners of the parent per share (in Yen)	299.70

(Notes) The basis of calculation is as follows:

	For the year ended March 31, 2023
Net income attributable to owners of the parent (Yen in millions)	161,530
Average outstanding common stock during the year (in thousands of shares)	538,791
Increase in number of common stock used for calculation of diluted net income attributable to owners of the parent per share (in thousands of shares)	173

8. Any amounts less than the stated unit are rounded down.

(Notes to Consolidated Statement of Changes in Net Assets)

1. Type and number of issued stock and treasury stock

(In thousands of shares)

	Beginning balance	Increase	Decrease	Ending balance
Shares issued				
Common stock	593,632	134	57,800	535,967
Total	593,632	134	57,800	535,967
Treasury stock				
Common stock	46,400	13,159	57,862	1,698
Total	46,400	13,159	57,862	1,698

(Notes)

1. The increase of 134 thousand shares in the total number of common stock shares issued is attributable to the issuance of restricted stock.
2. The decrease of 57,800 thousand shares in the total number of common stock shares issued is attributable to the cancellation of treasury stock.
3. The number of treasury stock at the beginning and the end of the fiscal year ended March 31, 2023 includes 213 thousand and 1,430 thousand shares, respectively, of the Company shares held in the trust established under the stock-based remuneration system.
4. The increase in the number of treasury stock during the year was 13,159 thousand shares, as a result of an increase of 11,930 thousand shares from market purchases, an increase of 1,216 thousand shares from purchases by the trust established under the stock-based remuneration system, and an increase of 12 thousand shares from repurchases of fractional stock.
5. The decrease in the number of treasury stock was 57,862 thousand shares, as a result of a decrease of 57,800 thousand shares due to cancellation of treasury stock, a decrease of 61 thousand shares due to exercise of stock acquisition rights, and a decrease of 0 thousand shares due to sales of fractional stock.

2. Stock acquisition rights

(Yen in millions)

Category	Breakdown	Ending balance
The Company	Stock acquisition rights as stock options	558
Total		558

3. Dividends

(1) Dividends paid

Resolution	Type of shares	Aggregate amount of dividends (Yen in millions)	Dividends per share (in Yen)	Date of record	Effective date
June 27, 2022 Annual Shareholders Meeting	Common stock	53,375	97.5	March 31, 2022	June 28, 2022
November 18, 2022 Board of Directors meeting	Common stock	53,570	100	September 30, 2022	December 5, 2022

(Notes)

1. The total amount of dividends in accordance with a resolution passed at the June 27, 2022 Annual Shareholders Meeting includes dividends of 20 million yen for the Company shares held by the trust established under the stock-based remuneration system.

2. The total amount of dividends in accordance with a resolution passed at the November 18, 2022 Board of Directors meeting includes dividends of 143 million yen for the Company shares held by the trust established under the stock-based remuneration system.

(2) Dividends declared effective after March 31, 2023 for which the date of record is in the fiscal year ended March 31, 2023

Resolution	Type of shares	Aggregate amount of dividends (Yen in millions)	Source of dividends	Dividends per share (in Yen)	Date of record	Effective date
June 26, 2023 Annual Shareholders Meeting	Common stock	53,569	Retained earnings	100	March 31, 2023	June 27, 2023

(Note) The total amount of dividends in accordance with a resolution passed at the June 26, 2023 Annual Shareholders Meeting includes dividends of 143 million yen for the Company shares held by the trust established under the stock-based remuneration system.

4. Any amounts less than the stated unit are rounded down.