

UNOFFICIAL TRANSLATION

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Assessment of goodwill related to the commercial business of the overseas insurance business	
Description of Key Audit Matter	Auditor's Response
Goodwill and intangible assets of ¥535,795 million recorded in the Group's consolidated statement of financial position as of March 31, 2025, includes ¥110,942 million of goodwill related to overseas insurance business. Such goodwill relates to the commercial business. The related note is the Notes to the Consolidated Financial Statements "14. Goodwill and intangible assets." Goodwill related to overseas insurance business is recognized at the cost less any accumulated impairment losses. The related notes are the Notes to the Consolidated Financial Statements "3. Summary of material accounting policies (8) Goodwill and (10) Impairment of non-financial assets." In testing goodwill related to overseas insurance business for impairment, the recoverable amount of the groups of cash-generating units to which goodwill has been allocated is estimated, and if the recoverable amount of the groups of cash-generating units is less than its carrying amount, the difference is recognized as a profit or loss. The recoverable amount of the groups of cash-generating units to which goodwill has been allocated is measured at its value in use. The value in use is determined by discounting the estimated cash flows to present value based on the business plan approved by the management. The business plan is set for a five-year period and is based on management's assessment of future trends in the industry, past performance, and information from within and outside the Group. The cash flows expected to occur beyond the business plan period used to calculate value in use are determined based on continuing value, taking into account the long-term average growth rate of the market for the group of cash-generating units (perpetual growth rate).	Our audit procedures performed to assess goodwill included the following, among others: ● We assessed the design and tested operating effectiveness of the Group's internal controls over assessments of goodwill. Our assessments included the Group's internal controls, including the Group's decisions regarding groups of cash-generating units, the consideration of developments in operating performance, the consideration of any changes that would significantly reduce the recoverable amount due to discontinuation or reorganization of business, and the consideration of any significant deterioration in market conditions. ● We made inquiries to the relevant division responsible for testing goodwill for impairment. Also, in order to assess the goodwill for the overseas insurance business, our audit procedures performed to assess the key assumptions used in estimating the future cash flows which serve as a basis of determining the recoverable amount (e.g., rate of increase in premiums, loss ratios) included the following, among others: ● We inspected the meeting minutes of the Group's decision-making bodies, including the Board of Directors and the Management Committee to consider the business plan, strategies, and performance of the commercial business of the overseas insurance business.

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The overseas insurance business consists of direct insurance and reinsurance businesses both in the commercial business covering specialty insurance, and the consumer business covering personal insurance, with Sompo International Holdings Ltd. ("SIH") being the core company. The overseas insurance business is operated both in developed markets such as Bermuda and North America, and in emerging markets such as Turkey, South America, and Southeast Asia. The Group has established the commercial and retail business as the groups of cash-generating units to which it allocates goodwill related to the overseas insurance business. The retail business is identified as groups of cash-generating units based on the companies in the overseas insurance business, because the consumer business, covering personal insurance business, is a performance measurement category related to underwriting of insurance. As a result of testing goodwill for impairment in connection with the Group's voluntary adoption of the IFRSs, no goodwill was allocated to the retail business as of March 31, 2025. The goodwill related to the commercial business of the overseas insurance business relates to the business of SIH, which consists primarily of the goodwill related to the acquisition of Endurance Specialty Holdings Ltd. (currently SIH).	● We considered the outlook of the direct insurance and reinsurance markets for the commercial business of the overseas insurance business, as well as the uncertainty over the geopolitical conflicts in Ukraine and Israel, by referring to the available external information. ● We made inquiries to the Group's officers in charge of the overseas insurance business and the management of SIH with respect to the results of operations and business plans of the commercial business of the overseas insurance business. ● We conducted ongoing communications with our network firms serving as the local auditors of SIH and inspected the audit workpapers of the local auditors to assess the outlook of the direct insurance and reinsurance markets, interest rate trends and changes in regulations. ● We involved the valuation experts of our network firms serving as the local auditors of SIH to assess the reasonableness of the perpetual growth rate used in the calculation of the recoverable amount by comparing it with the market forecast data published by external organizations. ● We involved the valuation experts of our network firms serving as the local auditors of SIH to assess the appropriateness of the method used by the management to derive the discount rate in the calculation of the recoverable amount and to assess its reasonableness by comparing it with the discount rate independently calculated by the said expert.
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The overseas insurance business is operated globally both in developed and emerging markets. In the commercial business, business performance has grown due to expansion of the business in the US, the global markets, agricultural sector, and reinsurance as well as the rate increase in premiums in recent years, which enhance the importance of the commercial business in Sompo Group. On the other hand, business performance has been ongoingly affected by trends such as a competitive environment, regulations in each country, inflation, foreign exchange, and interest rate. As described above, the execution of the business strategy for commercial business is challenged by the various risk factors, such as development of premiums reflected by the demand-supply in the insurance market, uncertainty over the geopolitical conflicts in Ukraine and Israel, natural catastrophic losses such as hurricanes, competitive environment in each country where the business is conducted, and trends in regulations and economic indicators. Therefore, testing goodwill for impairment requires careful consideration in an audit. The Group determined that no impairment of goodwill related to the commercial business was required for the current period. In our audit, it is crucial to assess the business performance of SIH’s commercial business and the progress of the business plans approved by the management. The various risk factors mentioned above affect the estimates of future cash flows which serve as the basis for recoverable amounts, as they cause fluctuations in premiums, claims, and insurance liabilities in the performance and business plan. Key assumptions in the estimation of future cash flows include the rate of increase in premiums and the loss ratios, related to the performance of underwriting business as well as perpetual growth rates used to estimate cash flows expected to occur beyond the five-year business plan period. In addition, the discount rate used is also important in the calculation of the recoverable amount. These key assumptions are highly dependent on management’s judgment.	
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Based on the above, the assessment of goodwill related to the commercial business of the overseas insurance business is highly dependent on management’s judgment related to the business of the relevant subsidiaries and is considered a key audit matter.	
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Other Information

The other information comprises the information included in the annual report (Yukashoken Hokokusho) that contains audited consolidated financial statements but does not include the consolidated financial statements and our auditor’s report thereon. Management is responsible for preparation and disclosure of the other information. The Audit Committee is responsible for overseeing the Group’s reporting process of the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern and disclosing, as required by IFRS Accounting Standards, matters related to going concern.

The Audit Committee is responsible for overseeing the Group’s financial reporting process.

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

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

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

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

We also provide the Audit Committee with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the consolidated financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied to reduce threats to an acceptable level.

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.

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Fee-related Information

The fees for the audits of the financial statements of Sompo Holdings, Inc. and its subsidiaries and other services provided by us and other EY member firms for the year ended March 31, 2025 are presented in paragraph (3) titled "Audit" in Section "Corporate Governance" included in Item "Information about Reporting Company" in Part 1 of the annual report for the year ended March 31, 2025 of the Group.

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

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

Notes to the Readers of Independent Auditor's Report

This is an English translation of the Independent Auditor's Report as required by the Financial Instruments and Exchange Act of Japan for the conveniences of the reader.

Ernst & Young ShinNihon LLC
Tokyo, Japan

June 30, 2025

Norio Hashiba
Designated Engagement Partner
Certified Public Accountant

Hiroyuki Kobayashi
Designated Engagement Partner
Certified Public Accountant

Yohei Kondo
Designated Engagement Partner
Certified Public Accountant

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Consolidated Financial Statements

1. Consolidated Financial Statements
- (1) Consolidated Financial Statements
- (i) Consolidated Statement of Financial Position

(Millions of yen)

	Notes	As of April 1, 2023 (Transition date)	As of March 31, 2024	As of March 31, 2025
Assets				
Cash and cash equivalents	6	1,278,088	1,216,739	1,027,628
Derivative assets	9	16,872	2,965	9,519
Investment securities	7	10,040,567	11,521,014	11,068,996
Loans and advances	8	516,863	495,339	508,363
Reinsurance contract assets	17	1,074,780	1,229,937	1,209,313
Insurance contract assets	17	21,199	19,521	16,294
Investments in associates	16	45,152	48,405	42,175
Property and equipment	13	639,218	618,011	619,769
Goodwill and intangible assets	14	539,787	552,469	535,795
Retirement benefit assets	19	223	418	687
Deferred tax assets	18	36,657	83,096	81,919
Other assets	12	651,257	672,020	769,576
Total assets		14,860,669	16,459,939	15,890,039
Liabilities				
Repo and similar securities borrowings	21	575,531	527,028	139,832
Derivative liabilities	9	26,099	14,861	5,410
Insurance contract liabilities	17	9,463,607	9,661,618	9,343,635
Reinsurance contract liabilities	17	912	—	1,235
Bonds issued and borrowings	21	614,424	691,738	691,201
Retirement benefit liabilities	19	59,272	21,735	28,338
Current tax liabilities	18	14,610	80,408	113,725
Deferred tax liabilities	18	338,856	572,051	544,491
Provisions	20	3,712	4,094	4,302
Other liabilities	12	779,022	759,203	791,711
Total liabilities		11,876,050	12,332,740	11,663,885
Equity				
Share capital	22	100,045	100,045	100,045
Capital surplus	22	135,882	33,156	32,733
Retained earnings	22	2,562,824	3,120,777	3,521,076
Treasury stocks	22	(82,145)	(4,125)	(188,418)
Other equity components		251,025	857,767	739,755
Total equity attributable to owners of parent		2,967,633	4,107,621	4,205,192
Non-controlling interests		16,985	19,576	20,961
Total equity		2,984,618	4,127,198	4,226,153
Total liabilities and equity		14,860,669	16,459,939	15,890,039

- (ii) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income
- Consolidated Statement of Income

(Millions of yen)

	Notes	Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)	Fiscal year ended March 31, 2025 (April 1, 2024 to March 31, 2025)
Insurance revenue	25	4,836,830	5,065,520
Insurance service expenses	26	4,287,494	4,401,125
Income or expenses from reinsurance contracts held	27	(197,750)	(360,232)
Insurance service result		351,585	304,162
Interest income	28	107,065	105,817
Other investment gains and losses	28	403,979	235,852
Expenses related to investment	29	11,422	14,501
Investment gains and losses		499,621	327,168
Insurance finance expenses, net	28	233,284	272,708
Reinsurance finance income, net	28	55,067	65,274
Insurance finance gains and losses		(178,217)	(207,434)
Finance result		321,404	119,734
Other revenue		214,074	220,689
Administrative expenses	29	99,047	91,390
Other finance expenses	30	16,183	18,026
Other income	31	39,632	17,464
Other expenses	31	198,944	197,605
Investment gains and losses on the equity method	16	2,008	(24,749)
Other income and expenses		(58,460)	(93,617)
Net income before tax		614,529	330,279
Income tax expenses	18	82,789	85,068
Net income		531,739	245,210
Net income attributable to:			
Owners of parent		529,655	243,132
Non-controlling interests		2,084	2,078
Earnings per share			
Earnings per share - Basic	33	534.46 yen	250.90 yen
Earnings per share - Diluted	33	534.28 yen	250.90 yen

Consolidated Statement of Comprehensive Income

(Millions of yen)

	Notes	Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)	Fiscal year ended March 31, 2025 (April 1, 2024 to March 31, 2025)
Net income		531,739	245,210
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Investments in equity instruments	28	496,149	27,141
Remeasurements of defined benefit plans	19	20,878	(8,155)
Share of other comprehensive income of associates accounted for by the equity method	16	(27)	217
Total of items that will not be reclassified to profit or loss		517,000	19,203
Items that may be reclassified subsequently to profit or loss:			
Investments in debt instruments	28	(178,438)	(228,833)
Translation difference related to foreign operations		171,962	(25,730)
Changes on insurance contracts due to changes in discount rates	28	212,962	375,113
Changes on reinsurance contracts due to changes in discount rates	28	(267)	(345)
Share of other comprehensive income of associates accounted for by the equity method	16	1,130	(542)
Total of items that may be reclassified subsequently to profit or loss		207,348	119,661
Other comprehensive income	32	724,349	138,864
Comprehensive income		1,256,089	384,075
Comprehensive income attributable to:			
Owners of parent		1,253,872	381,260
Non-controlling interests		2,216	2,815

(iii) Consolidated Statement of Changes in Equity
Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)

(Millions of yen)

	Notes	Equity attributable to owners of parent						
		Share capital	Capital surplus	Retained earnings	Treasury stocks	Other equity components		
						Investment in equity Instruments	Remeasure-ment of defined benefit plans	Investments in debt Instruments
Beginning balance		100,045	135,882	2,562,824	(82,145)	709,929	—	(20,759)
Effect due to hyperinflation				3,726				
Beginning balance (adjusted)		100,045	135,882	2,566,550	(82,145)	709,929	—	(20,759)
Comprehensive income								
Net income				529,655				
Other comprehensive income	32					496,122	20,915	(178,438)
Total comprehensive income		—	—	529,655	—	496,122	20,915	(178,438)
Transactions with owners, etc.								
Dividends	24			(92,903)				
Acquisition of treasury stocks	22				(25,043)			
Sale of treasury stocks			(32)		488			
Cancellation of treasury stocks			(102,573)		102,573			
Share-based payment transactions	23		(84)					
Changes in ownership interest in subsidiaries			(34)					
Reclassification to retained earnings				117,475		(96,559)	(20,915)	
Others								
Total transactions with owners, etc.		—	(102,725)	24,571	78,019	(96,559)	(20,915)	—
Ending balance		100,045	33,156	3,120,777	(4,125)	1,109,491	—	(199,198)

Fiscal year ended March 31, 2025 (April 1, 2024 to March 31, 2025)

(Millions of yen)

	Notes	Equity attributable to owners of parent					Non-controlling interests	Total equity
		Other equity components				Total		
		Translation difference related to foreign operations	Changes on insurance contracts due to changes in discount rates	Changes on reinsurance contracts due to changes in discount rates	Total			
Beginning balance		—	(437,924)	(219)	251,025	2,967,633	16,985	2,984,618
Effect due to hyperinflation					—	3,726		3,726
Beginning balance (adjusted)		—	(437,924)	(219)	251,025	2,971,359	16,985	2,988,345
Comprehensive income								
Net income					—	529,655	2,084	531,739
Other comprehensive income	32	172,923	212,962	(267)	724,217	724,217	131	724,349
Total comprehensive income		172,923	212,962	(267)	724,217	1,253,872	2,216	1,256,089
Transactions with owners, etc.								
Dividends	24				—	(92,903)	(494)	(93,398)
Acquisition of treasury stocks	22				—	(25,043)		(25,043)
Sale of treasury stocks					—	455		455
Cancellation of treasury stocks					—	—		—
Share-based payment transactions	23				—	(84)		(84)
Changes in ownership interest in subsidiaries					—	(34)	(8)	(43)
Reclassification to retained earnings					(117,475)	—		—
Others					—	—	877	877
Total transactions with owners, etc.		—	—	—	(117,475)	(117,610)	374	(117,236)
Ending balance		172,923	(224,962)	(486)	857,767	4,107,621	19,576	4,127,198

	Notes	Equity attributable to owners of parent						
		Share capital	Capital surplus	Retained earnings	Treasury stocks	Other equity components		
						Investment in equity Instruments	Remeasure-ment of defined benefit plans	Investments in debt instruments
Beginning balance		100,045	33,156	3,120,777	(4,125)	1,109,491	—	(199,198)
Effect due to hyperinflation				4,976				
Beginning balance (adjusted)		100,045	33,156	3,125,753	(4,125)	1,109,491	—	(199,198)
Comprehensive income								
Net income				243,132				
Other comprehensive income	32					27,358	(8,199)	(228,833)
Total comprehensive income		—	—	243,132	—	27,358	(8,199)	(228,833)
Transactions with owners, etc.								
Dividends	24			(103,915)				
Acquisition of treasury stocks	22		(48)		(186,125)			
Sale of treasury stocks			(411)		1,832			
Share-based payment transactions	23		36					
Reclassification to retained earnings				256,105		(264,305)	8,199	
Others						(33)		
Total transactions with owners, etc.		—	(423)	152,190	(184,292)	(264,339)	8,199	—
Ending balance		100,045	32,733	3,521,076	(188,418)	872,510	—	(428,032)

	Notes	Equity attributable to owners of parent					Non- controlling interests	Total equity
		Other equity components				Total		
		Translation difference related to foreign operations	Changes on insurance contracts due to changes in discount rates	Changes on reinsurance contracts due to changes in discount rates	Total			
Beginning balance		172,923	(224,962)	(486)	857,767	4,107,621	19,576	4,127,198
Effect due to hyperinflation					—	4,976		4,976
Beginning balance (adjusted)		172,923	(224,962)	(486)	857,767	4,112,597	19,576	4,132,174
Comprehensive income								
Net income					—	243,132	2,078	245,210
Other comprehensive income	32	(26,965)	375,113	(345)	138,127	138,127	737	138,864
Total comprehensive income		(26,965)	375,113	(345)	138,127	381,260	2,815	384,075
Transactions with owners, etc.								
Dividends	24				—	(103,915)	(1,588)	(105,504)
Acquisition of treasury stocks	22				—	(186,173)		(186,173)
Sale of treasury stocks					—	1,421		1,421
Share-based payment transactions	23				—	36		36
Reclassification to retained earnings					(256,105)	—		—
Others					(33)	(33)	157	123
Total transactions with owners, etc.		—	—	—	(256,139)	(288,665)	(1,431)	(290,096)
Ending balance		145,957	150,151	(831)	739,755	4,205,192	20,961	4,226,153

(iv) Consolidated Statement of Cash Flows

(Millions of yen)			
	Notes	Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)	Fiscal year ended March 31, 2025 (April 1, 2024 to March 31, 2025)
Cash flows from operating activities:			
Net income before tax		614,529	330,279
Depreciation and amortization		92,071	103,363
Impairment losses		19,186	3,329
Investment losses (gains)		(511,082)	(341,824)
Other finance expenses		16,183	17,987
Investment losses (gains) on the equity method		(2,008)	24,749
Increase (decrease) in insurance contract liabilities		197,860	253,556
Decrease (increase) in reinsurance contract assets		(26,460)	7,091
Increase (decrease) in retirement benefit liabilities		(7,695)	(5,514)
Increase (decrease) in provisions		41	66
Others		(35,273)	(26,829)
Subtotal		357,352	366,256
Interest received		255,477	327,883
Dividends received		49,434	54,107
Interest paid		(16,376)	(18,407)
Tax expenses paid		(11,595)	(156,832)
Net cash provided by (used in) operating activities		634,292	573,009
Cash flows from investing activities			
Purchase of investment securities		(3,015,147)	(2,088,689)
Proceeds from sales and redemption of investment securities		2,494,644	2,142,404
Net decrease (increase) in deposits		(3,292)	(34,358)
Payments for loans receivable		(121,084)	(111,095)
Collection of loans receivable		153,461	129,923
Net increase (decrease) in repo and similar securities borrowings		(25,722)	(232,117)
Purchase of property and equipment		(32,704)	(25,357)
Proceeds from sale of property and equipment		2,478	2,523
Purchase of intangible assets		(59,494)	(32,425)
Proceeds from sale of intangible assets		—	195
Payments for acquisition of subsidiaries		(81)	—
Proceeds from sale of subsidiaries		30,958	7,506
Payments for sale of subsidiaries		(69)	(2,226)
Others		(64,036)	(28,517)
Net cash provided by (used in) investing activities		(640,089)	(272,236)
Cash flows from financing activities			
Net increase (decrease) in repo and similar securities borrowings		(22,780)	(155,078)
Proceeds from borrowings		3,361	6,570
Repayments of borrowings		(4,786)	(5,583)
Issuance of corporate bonds		70,000	—
Redemption of corporate bonds		(1,703)	—
Proceeds from sale of treasury stocks		139	577
Acquisition of treasury stocks		(25,043)	(186,125)
Dividends paid		(92,797)	(103,794)
Dividends paid to non-controlling interests		(241)	(254)
Others		(38,765)	(37,972)
Net cash provided by (used in) financing activities		(112,617)	(481,660)
Translation difference on cash and cash equivalents		57,065	(8,224)
Net increase (decrease) in cash and cash equivalents		(61,348)	(189,111)
Beginning balance of cash and cash equivalents		1,278,088	1,216,739
Ending balance of cash and cash equivalents	6	1,216,739	1,027,628

Notes to the Consolidated Financial Statements

1. Reporting entity

SOMPO Holdings, Inc. (“SOMPOHD” or the “Company”) is a stock company domiciled in Japan and its registered headquarters is at 26-1, Nishi-Shinjuku 1-chome, Shinjuku-ku, Tokyo, Japan.

The consolidated financial statements of SOMPOHD and its group companies (“Group”) are comprised of SOMPOHD and its subsidiaries as well as its interest in associates. The content of the Group’s businesses is as stated in “5. Segment information.”

2. Basis of preparation of the consolidated financial statements

(1) Compliance with IFRS Accounting Standards (“IFRS”) and matters on first-time adoption

The consolidated financial statements of the Group have been prepared in accordance with IFRS issued by the International Accounting Standards Board (“IASB”). As the Group meets all the criteria for “Specified Companies Complying with Designated International Accounting Standards” pursuant to Article 1-2, Item 1 of the Regulation for Consolidated Financial Statements, the stipulations of Article 312 of the same are applied. The Group first applied IFRS for the consolidated fiscal year ended March 31, 2025, and the date of transition to IFRS was April 1, 2023.

In transitioning to IFRS, the Group has applied IFRS 1 *First-time Adoption of International Financial Reporting Standards* (“IFRS 1”). The effect of the transition to IFRS on the Group’s financial condition, results of operations, and cash flows is stated in “39. Transition to IFRS.”

These consolidated financial statements were approved by Mikio Okumura—Group CEO, Director, President and Representative Executive Officer—and Masahiro Hamada—Group CFO, Director, Deputy President and Representative Executive Officer—on June 30, 2025.

(2) Basis of measurement

As stated in “3. Summary of material accounting policies,” the consolidated financial statements were prepared based on historical cost, except for insurance contracts, financial instruments, and the application of hyperinflationary accounting in Turkey.

(3) Functional currency and presentation currency

The consolidated financial statements are presented in Japanese yen, which is SOMPOHD’s functional currency. All amounts have been rounded down to the nearest million yen.

(4) Early adoption of new standards and interpretations

No new accounting standards or interpretations have been early adopted in the preparation of the consolidated financial statements.

(5) Standards and interpretations issued but not yet adopted

The followings include the new standards, amendments to the existing standards and interpretations published on or before the approval date of the consolidated financial statements. The effect of applying these standards and interpretations to the Group is currently under assessment and cannot be estimated at this time.

IFRS		Mandatory effective date	Schedule of adoption by Group	Description
IFRS 18	<i>Presentation and Disclosure in Financial Statements</i>	January 1, 2027	To be determined	- Improved comparability of the statement of income - Enhanced transparency by introducing management-defined performance measures - Providing useful structured summaries in financial statements
IFRS 9 IFRS 7	<i>Amendments to the Classification and Measurement of Financial Instruments</i>	January 1, 2026	To be determined	- Clarified classification of financial assets and addition of related disclosure requirements - Revised disclosure requirements for equity instruments

3. Summary of material accounting policies

The material accounting policies adopted to prepare the consolidated financial statements are as follows.

(1) Basis of consolidation

(i) Subsidiaries

A subsidiary is an entity controlled by the Group. The Group is deemed to control an investee when the Group has exposures or rights to variable returns from its involvement with the investee and has the ability to affect those returns

through its power over the investee.

The Group’s consolidated financial statements contain all accounts of the structured entities that are controlled by the Company and its subsidiaries. A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. The Company and its subsidiaries consider all facts and circumstances including the percentage of voting or similar rights held by them and contractual arrangements with their investees to determine whether they control the structured entities and consolidate them.

The Company and its subsidiaries that are directly or indirectly controlled by the Company are consolidated from the date when the Company acquires control until the date when the Company loses it. All material intercompany receivables and payables and transactions are eliminated upon preparation of the consolidated financial statements.

(ii) Associates and joint arrangements

An associate is an entity over which the Group has significant influence on management decisions over the operating and financial policy, but does not have controlling interests. Generally, the Group is presumed to have significant influence over the other entity when the Group holds between 20% and 50% of voting rights of the other entity. Other factors considered in determining whether the Group has significant influence include participation in the board of directors of the other entity. If these factors exist, the Group may have significant influence even though it holds less than 20% of voting rights of the other entity.

SOMPOHD owns 26.6% of the voting rights of Japan Earthquake Reinsurance Co., Ltd. through its consolidated domestic P&C insurance subsidiary. Considering the public nature of its business, the company is excluded from the scope of associates as it is judged that SOMPOHD cannot have a significant influence on the entity’s decisions over the financial and operating or business policy.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about activities that significantly affect variable returns of the arrangement require the unanimous consent of the parties sharing control. Investments in joint arrangements are classified as either joint operations or joint ventures based on the contractual rights and obligations of the respective investors. A joint operation is a joint arrangement whereby the parties having joint control of the arrangement have rights to the assets, and obligations for the liabilities relating to the arrangement. A joint venture is a joint arrangement whereby the parties having joint control of the arrangement have rights to the net assets of the arrangement.

Investments in associates and joint ventures are accounted for using the equity method, unless they are classified as assets held for sale, which are accounted for under IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* (“IFRS 5”). The Group’s interests in the financial results of associates and joint ventures are adjusted to be consistent with the Group’s accounting policies and recognized as investment gains and losses on the equity method in the consolidated statement of income. Unrealized gains or losses on intercompany transactions with associates and joint ventures are eliminated to the extent of the Group’s interests in the associates and joint ventures. Under the equity method, on initial recognition the Group’s investments in associates and joint ventures are recognized at cost, and the carrying amount of the investments is then increased or decreased to recognize the Group’s share of the profit or loss of the associates and joint ventures and the Group’s share of other changes directly reflected in equity (net assets) of the associates and joint ventures.

(2) Business combinations

Business combinations are accounted for using the acquisition method. The consideration for a business combination is measured as the sum of the assets transferred and liabilities assumed in exchange for control of acquirees and the fair value at the acquisition date of equity instruments issued by the Company.

At the acquisition date, the identifiable assets and liabilities are measured at their fair value, except that:

- deferred tax assets (or liabilities) and liabilities (or assets) related to employee benefits are recognized and measured in accordance with IAS 12 *Income Taxes* (“IAS 12”) and IAS 19 *Employee Benefits*, respectively;
- liabilities related to share-based payment are recognized and measured in accordance with IFRS 2 *Share-based Payment*;
- assets or disposal groups classified as held for sale are measured in accordance with IFRS 5; and
- groups of insurance contracts within the scope of IFRS 17 *Insurance Contracts* (“IFRS 17”) are measured in accordance with that standard.

Goodwill is measured as the excess of the total amount of the consideration for acquisition, the amount of any non-controlling interests in the acquiree measured as of the acquisition date, and the fair value of any previously held equity interest in the acquiree as of the date on which control is obtained, over the net identifiable assets and liabilities of the acquiree as of the acquisition date. If the difference is negative, it is immediately recognized in profit or loss. On the acquisition date and for each

business combination, the Group chooses whether to measure non-controlling interests at fair value or to measure them with the proportionate share in identifiable net assets of the acquiree.

Acquisition-related costs incurred to complete a business combination are recognized as expenses when incurred.

(3) Foreign currency translation

(i) Foreign currency transactions

Foreign currency transactions are translated to the functional currency using the spot exchange rates at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated using the rates prevailing at the end of the period. Non-monetary assets and liabilities measured at fair value that are denominated in foreign currencies are translated to the functional currency using the rates prevailing at the date when the fair value was measured.

Exchange differences arising from the translation and settlement of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss in the period in which they arise. However, for financial assets measured at fair value through other comprehensive income ('FVTOCI'), exchange differences arising from equity and cash flow hedges are recognized as other comprehensive income.

(ii) Foreign operations

The assets and liabilities of foreign operations (including goodwill arising from acquisitions and fair value adjustments) are translated into the presentation currency using the exchange rates prevailing at the end of the fiscal year. Revenues and expenses of the foreign operations are translated into the Group's presentation currency, using the average exchange rates during the period, unless the rates fluctuate significantly.

Exchange differences arising from translating the financial statements of the foreign operations are recognized in other comprehensive income. The exchange differences are reclassified to profit or loss on disposal of the Group's entire interest or partial disposal involving from the loss of control, significant influence or joint control over the foreign operations.

(4) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, demand deposits and short-term investments with maturities of three months or less from the date of acquisition that are readily convertible to a known amount of cash and subject to insignificant risk of change in value.

(5) Financial instruments

(i) Non-derivative financial assets

(a) Initial recognition and measurement

Non-derivative financial assets are initially recognized when the Group becomes party to the contractual provisions of the instruments. All financial assets excluding those classified as financial assets measured at fair value through profit or loss ('FVTPL') are initially measured at their fair value plus transaction costs.

Non-derivative financial assets are classified into financial assets measured at amortized cost, FVTOCI or FVTPL on initial recognition.

Financial assets measured at amortized cost

Financial assets are classified as measured at amortized cost if both the following conditions are met:

- the financial assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at FVTOCI

(i) Debt instruments measured at fair value through other comprehensive income ('Debt FVTOCI')

Financial assets are classified as Debt FVTOCI if both the following conditions are met:

- the financial assets are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(ii) Equity instruments measured at fair value through other comprehensive income ('Equity FVTOCI')

Equity instruments that are irrevocably elected at initial recognition to present subsequent changes in fair value in other comprehensive income are classified as Equity FVTOCI.

Financial assets measured at FVTPL

Financial assets other than those measured at amortized cost or FVTOCI are classified as FVTPL.

However, the Group may, at initial recognition, designate financial assets not measured at fair value through profit or loss as FVTPL, if doing so eliminates or significantly reduces an accounting mismatch.

(b) Subsequent measurement

After initial recognition, the Group measures financial assets in accordance with the following classifications.

Financial assets measured at amortized cost

Financial assets classified as measured at amortized cost are evaluated using the effective interest method. In addition, the amount of accrued interest on financial assets measured at amortized cost is included in 'Interest income' in the consolidated statement of income.

Financial assets measured at FVTOCI

(i) Debt FVTOCI

After initial recognition, Debt FVTOCI are measured at fair value, and changes except for impairment gains or losses or foreign exchange gains/losses are recognized in other comprehensive income until the financial assets are derecognized. When the financial assets are derecognized, the accumulated other comprehensive income previously recognized is reclassified to profit or loss.

(ii) Equity FVTOCI

After initial recognition, Equity FVTOCI are measured at fair value, and changes are recognized in other comprehensive income. When the financial assets are derecognized, the accumulated other comprehensive income previously recognized is directly reclassified to retained earnings. Dividends from these financial assets are recognized in profit or loss.

Financial assets measured at FVTPL

Financial assets measured at FVTPL are subsequently measured at fair value, with changes in fair value recognized in profit or loss.

(c) Derecognition

Financial assets are derecognized when the contractual rights to the cash flows arising from the financial assets expire, or when the Group transfers the contractual rights to receive the cash flows and substantially all risks and rewards of ownership of the financial assets are transferred.

(ii) Non-derivative financial liabilities

(a) Initial recognition and measurement

Non-derivative financial liabilities are initially recognized on the issuance date in the case of debt instruments issued by the Group and all other financial liabilities are initially recognized at the date of transaction when the Group becomes party to the contractual provisions of the financial liabilities. All financial liabilities are initially measured at their fair value minus transaction costs.

Non-derivative financial liabilities are classified into financial liabilities measured at amortized cost on initial recognition.

(b) Subsequent measurement

Financial liabilities classified as measured at amortized cost are evaluated using the effective interest method. In addition, the amount of accrued interest on financial liabilities measured at amortized cost is included in "Other finance expenses" in the consolidated statement of income.

(c) Derecognition

Financial liabilities are derecognized when they are extinguished, i.e. when the obligations specified in the contracts are discharged, cancelled or expired.

(iii) Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is presented in the consolidated statement of financial position, only when the Group currently has legally enforceable rights to offset the recognized amounts and intends either to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(iv) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses on financial assets measured at amortized cost or Debt FVTOCI. However, the loss allowances on Debt FVTOCI are recognized in other comprehensive income.

At each reporting date, the Group assesses whether the credit risk on the financial assets has increased significantly since initial recognition. To make that assessment, the Group compares the risk of defaults occurring on the financial assets as at the reporting date with the risk of defaults occurring on the financial assets as at the date of initial recognition and considers reasonable and supportable information, which is available without undue cost or effort, indicative of significant increases in credit risk since initial recognition.

The Group assumes that the credit risk on financial assets has not increased significantly since initial recognition if the financial assets are determined to have low credit risk at the reporting date.

If the credit risk on the financial assets has increased significantly since initial recognition, the Group measures the loss allowance for the financial assets at an amount equal to the lifetime expected credit losses. If the credit loss on the financial assets has not increased significantly since initial recognition, the Group measures the loss allowance for the financial assets at an amount equal to 12-month expected credit losses.

The Group measures the expected credit losses of the financial assets in a way that reflects:

- an unbiased and probability-weighted amount determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Expected credit losses are a probability-weighted estimate of credit losses over the expected life of the financial assets. Credit losses are the present value of the difference between the cash flows that are due to the Group in accordance with the contracts and the cash flows that the Group expects to receive.

Expected credit losses of the financial assets are recognized as impairment losses in profit or loss. In case of any event where the impairment losses are subsequently reduced, the reduced amount of the impairment losses is reversed in profit or loss.

If the Group does not have reasonable expectations of recovering the financial assets in their entirety or a portion thereof, the Group directly reduces the gross carrying amount of the financial assets.

(v) Derivatives and hedge accounting

The Group uses derivative instruments such as forward exchange contracts, currency swaps, currency options, interest rate swaps, and stock index futures to hedge foreign exchange risk, interest rate risk, etc. These derivatives, classified as FVTPL, are initially recognized at fair value at the date when the derivative contracts are entered into and are subsequently measured at their fair value.

Changes in the fair value of the derivatives are recognized in profit or loss, except for the effective portion of cash flow hedges, which are recognized in other comprehensive income.

(a) Qualifying criteria for hedge accounting

To assess whether hedging relationships qualify for hedge accounting, at the inception of the hedge transactions, the Group documents the relationships between hedging instruments and hedged items, and the Group's risk management objective and strategy for undertaking various hedge transactions. At the inception of the hedging relationships, the Group documents the method used to assess whether the relationships meet all of the hedge effectiveness requirements when the derivatives used in the hedge transactions offset changes in the fair value or cash flows of the relevant hedged items. The method is assessed on an ongoing basis. The Group performs the ongoing assessment of the hedge effectiveness at each reporting date or upon a significant change in the circumstances affecting the hedge effectiveness requirements, whichever comes first.

(b) Accounting for qualified hedging relationship

The Group accounts for hedging relationships that qualify for hedge accounting in accordance with the following classifications.

Fair value hedges

Changes in the fair value of hedging instruments are recognized in profit or loss. Of changes in the fair value of hedged items, gains or losses caused by hedged risk adjust the carrying amount of the hedged items and are recognized in profit or loss.

Cash flow hedges

The effective portion of changes in the fair value of hedging instruments is recognized in other comprehensive income. The ineffective portion is recognized immediately in profit or loss. Additionally, currency basis spread portions of currency swaps are excluded from hedging instruments and recognized in other comprehensive income as hedge costs with the accumulated amount included in other equity component.

If a hedged forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, or a hedged forecast transaction for a non-financial asset or a non-financial liability become a firm commitment to which fair value hedge accounting is applied, the Group directly reclassifies the cumulative gain or loss recognized in other comprehensive income to the initial cost or other carrying amount of the assets or liabilities.

For cash flow hedges other than those mentioned above, the cumulative gain or loss recognized in other comprehensive income is reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss.

The ineffective portion of changes in the fair value of hedging instruments is recognized immediately in profit or loss.

When the Group discontinues hedge accounting, the cumulative gain or loss recognized in other comprehensive income remains in other equity components until the hedged future cash flows occur, if they are still expected to occur, or is immediately reclassified to profit or loss if the hedged future cash flows are no longer expected to occur.

(6) Property and equipment (excluding right-of-use assets)

(i) Recognition and measurement

The cost model is used for property and equipment, which are recorded at their cost less any accumulated depreciation and any accumulated impairment losses. Cost includes expenses directly related to the acquisition of the asset and expenses incurred for demolition, removal, and restoration of the land to its original state. Gain or loss on the disposal of property and equipment (calculated as the difference between the net amount received from the disposal and the carrying amount of the property and equipment) is recognized as other income or other expenses in profit or loss.

(ii) Depreciation

The depreciable amount of property and equipment (calculated as their cost less residual value) is allocated on a systematic basis over their estimated useful lives. The Group mainly applies the straight line method as it reflects the pattern in which the assets' future economic benefits are expected to be consumed by the Group.

Depreciation of property and equipment begins when they are available for use and ceases at the earlier of the date when they are extinguished (disposed of or sold) or the date when they are classified as held-for-sale assets.

The estimated useful lives of major items of property and equipment are as follows. The estimated useful life, residual value and depreciation method are reviewed on each financial year-end, and the effects of changes to estimates are recognized through the period when the estimates were changed and future periods.

- Buildings: 3–75 years
- Others: 2–20 years

(7) Intangible assets

The cost model is used for intangible assets, which are recorded at their cost less any accumulated amortization and any accumulated impairment losses. Intangible assets acquired individually are measured at cost when initially recognized. Intangible assets acquired in business combinations are measured at fair value at the acquisition date.

Expenditure for development of software for internal use is recorded as internally generated intangible assets only when measurement is reliably possible, there is a high probability that there will be future economic benefits, the Group has the intent of completing the development of and using or selling the asset, and there are adequate resources available to complete such development.

Expenditure for software that has been recorded as an asset is measured at cost less accumulated amortization and accumulated impairment losses.

Intangible assets with indefinite useful lives and intangible assets that have yet to be brought into use are not amortized. For intangible assets with indefinite useful lives, whether or not any event or conditions still exist for such intangible assets to have an indefinite useful life is reviewed at the end of each fiscal year.

Intangible assets with definite useful lives are amortized using the straight line method over the useful lives. The amortization method, estimated useful life, and residual value are reviewed at the end of each fiscal year and revised as necessary.

The useful lives of major intangible assets are as follows:

- Software: 5–10 years
- Other intangible assets: 2–24 years

Impairment is as stated in (10) Impairment of non-financial assets.

(8) Goodwill

Measurement of goodwill at the initial recognition is as stated in (2) Business combinations. Goodwill after initial recognition is not amortized, and the Group records goodwill at its cost less any accumulated impairment losses. Impairment is as stated in (10) Impairment of non-financial assets.

(9) Leases

At the commencement date of a contract, the Group determines whether a contract is, or contains, a lease, and recognizes a right-of-use asset and a lease liability. The Group measures the right-of-use asset at cost on the commencement date of a contract. The cost comprises the amount of the initial measurement of the lease liability and initial direct costs incurred. The Group initially measures the lease liability at the present value of the lease payments that are not paid at the commencement date of a contract, discounted using the Group's incremental borrowing rate.

After the commencement date, the Group depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term using the straight line method. The useful life of the right-of-use asset is determined by applying the same basis as the useful life of property and equipment. The Group measures the lease liability using an effective interest method, and remeasures it to reflect any lease modifications or changes to the lease payments.

On the Group's consolidated statement of financial position, the right-of-use asset is included in “Property and equipment” and the lease liabilities in “Other liabilities.”

The Group has elected not to recognize the right-of-use asset and the lease liability for short-term leases (lease term of 12 months or less) and leases of low-value assets. The lease payments related to these leases are recognized as an expense using a straight line method over the lease term.

(10) Impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is any indication that its non-financial assets other than deferred tax assets may be impaired. If any such indication exists, the Group estimates the recoverable amounts of the assets. The Group also estimates the recoverable amounts of goodwill, intangible assets with indefinite useful lives or intangible assets not yet available for use at the same timing annually.

The recoverable amount is the higher of the asset's or CGU's value in use or its fair value less costs of disposal. The value in use is calculated by discounting the estimated future cash flows to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset or a CGU is estimated to be less than its carrying amount, the carrying amount of the asset or a CGU is reduced to its recoverable amount and an impairment loss is recognized in profit or loss. The impairment loss recognized in relation to the CGU is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the other assets of the CGU pro rata on the basis of the carrying amount of each asset in the CGU.

Impairment losses on goodwill are not reversed. For assets other than goodwill, the Group assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods may no longer exist or may have decreased. If any such indication exists and there have been changes in the estimates used to determine the asset's recoverable amounts, the impairment losses are reversed. The Group records a reversal of impairment losses not to exceed the carrying amount that would have been determined (net of depreciation and amortization required) had no impairment loss been recognized.

Goodwill which comprises a part of the carrying amounts of investment in associates accounted for using the equity method is not recognized individually and impairment tests are not individually implemented. However, they are subject to impairment

tests if, considering the total amount of investment in associates accounted for using the equity method as one asset, there is objective evidence that investment in associates accounted for using the equity method may be impaired.

(11) Insurance contracts and reinsurance contracts

- (i) Classification
- Contracts under which the Group accepts significant insurance risk from policyholders or other insurance companies are classified as insurance contracts. Contracts held by the Group under which it transfers significant insurance risk related to underlying insurance contracts are classified as reinsurance contracts. The Group is also exposed to financial risk by insurance and reinsurance contracts.
- The Group classifies insurance contracts that meet the following criteria as those with direct participation features at initial recognition:
- the contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items;
 - the Group expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items; and
 - the Group expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in the fair value of the underlying items.
- All other insurance contracts and all reinsurance contracts are classified as contracts without direct participation features. Some of these contracts are measured by applying the premium allocation approach (‘PAA’).
- (ii) Level of aggregation
- Insurance contracts are measured after aggregation by each group, and insurance contract groups are determined based on insurance contract portfolios. Each portfolio is comprised of several contracts that are subject to similar risks and managed together and are divided into a minimum of the following groups based on the contract inception and profitability:
- a group of contracts that are onerous on initial recognition;
 - a group of contracts that, at initial recognition, have no significant possibility of becoming onerous subsequently; and
 - a group of any remaining contracts in the portfolio.
- Additionally, any reinsurance contracts are also divided into, at least, the following groups:
- a group of contracts with a net gain on initial recognition;
 - a group of contracts that, at initial recognition, have no significant possibility of subsequently generating a net gain; and
 - a group of any remaining contracts in the portfolio.
- (iii) Initial recognition
- The Group recognizes a group of insurance contracts issued from the earlier of the following:
- the beginning of the coverage period of the group of contracts;
 - the date when the first payment from a policyholder in the group becomes due; and
 - the date when facts and circumstances indicate that the group to which an insurance contract will belong is onerous.
- If there is no contractual due date, it is considered to be the date when the first payment is received from the policyholder. Additionally, the Group recognizes a group of reinsurance contracts on the following date:
- reinsurance contracts initiated by the Group that provide proportionate coverage: The date on which any underlying insurance contract is initially recognized.
 - other reinsurance contracts initiated by the Group: The beginning of the coverage period of the group of reinsurance contracts.
- However, if the Group recognizes an onerous group of underlying insurance contracts on an earlier date and the related reinsurance contract was entered into on or before that date, then the group of reinsurance contracts is recognized on the initial recognition date of underlying group of insurance contracts.
- (iv) Boundary of contracts
- Measurement of contract groups includes all future cash flows within the contract boundaries.
- For insurance contract groups, cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Group can compel the policyholder to pay the premiums or has a substantive obligation to provide the policyholder with insurance contract services. Substantive obligations to provide services are judged to end in either of the following cases:
- the Group has the practical ability to reassess the risk for a particular policyholder and can set a price or benefit level that fully reflects those risks; or

- the Group has the practical ability to reassess the risks of portfolio of insurance contracts and can set a price or benefit level that fully reflects the risk of that portfolio, and the pricing of the premiums up to the date when the risks are reassessed does not take into account the risks that related to periods after the reassessment date.

Additionally, for reinsurance contract groups, cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Group is compelled by the reinsurer to pay the premiums or the Group has a substantive right to receive reinsurance contract services from the reinsurer. Substantive rights to receive services from the reinsurer are judged to end in either of the following cases:

- the reinsurer has the practical ability to reassess the risk transferred and it can set a price or benefit level that fully reflects those risks; or
- the reinsurer has the substantive right to terminate coverage.

(v) Measurement – Contracts measured without applying the PAA

Insurance contracts

(a) Initial measurement

On initial recognition, the Group measures a group of insurance contracts as the total of the fulfilment cash flows, which comprise estimates of future cash flows, adjusted to reflect the time value of money and the associated financial risks, and a risk adjustment for non-financial risk; and the contractual service margin ('CSM').

The CSM of a group of insurance contracts represents the unearned profit that the Group will recognize as it provides services under those contracts. At the initial recognition of a group of insurance contracts, if the sum of the fulfilment cash flows, the cash flows that occur on that day, the assets related to insurance acquisition cash flows ('acquisition expenses'), and the amounts arising from the derecognition of any asset or liability previously recognized for the cash flows related to that group of insurance contracts results in a net inflow, then the group of insurance contracts is considered not onerous. In this case, the CSM is measured at an amount equal to the net inflow but with the opposite sign, resulting in no profit or loss at initial recognition. If the sum results in a net outflow, the group of insurance contracts is considered onerous, and the net outflow is recognized as a loss in profit or loss at initial recognition.

(b) Subsequent measurement

The carrying amount of a group of insurance contracts at the end of each reporting period is the sum of the liability for the remaining coverage and the liability for incurred claims. The liability for the remaining coverage is comprised of the fulfilment cash flows related to services that will be provided under the contracts in future periods and CSM at that date. The liability for incurred claims is comprised of the fulfilment cash flows for incurred claims that have not yet been paid (including claims that have been incurred but not yet reported) and related expenses.

The fulfilment cash flows of groups of insurance contracts are measured at the reporting date using the current estimates of future cash flows, current discount rates and current estimates of the risk adjustment for non-financial risk. The CSM of each group of contracts subsequent to initial recognition is calculated on a reporting period basis and the Group has adopted the accounting policy not to subsequently change the treatment of accounting estimates made in previous reporting periods.

(i) Insurance contracts without direct participation features

The carrying amount of the CSM at the end of the period is the carrying amount at the beginning of the period, adjusted for:

- the CSM of any new contracts that are added to the group in the period;
- interest accreted on the carrying amount of the CSM during the period, measured at the discount rates determined on initial recognition;
- changes in fulfilment cash flows that relate to future services, except to the extent that:
 - any increases in the fulfilment cash flows exceed the carrying amount of the CSM and accordingly a loss component is created (the excess is recognized as a loss in profit or loss); or
 - any decreases in the fulfilment cash flows are allocated to the loss component (the losses previously recognized in profit or loss are reversed);
- the effect of any currency exchange differences on the CSM; and
- the amount recognized as insurance revenue because of the services provided in the period.

(ii) Insurance contracts with direct participation features

The carrying amount of the CSM at the end of the period is the carrying amount at the beginning of the period, adjusted for:

- the CSM of any new contracts that are added to the group in the period;
- changes in the Group's share of the fair value of the underlying items (excluding the following cases):
 - a decrease in the share exceeds the carrying amount of the CSM, resulting in the recognition of a loss component (the excess is recognized as a loss in profit or loss); or
 - an increase in the share is allocated to the loss component (the losses previously recognized in profit or loss are reversed);
- changes in fulfilment cash flows that relate to future services, except to the extent that:
 - any increases in the fulfilment cash flows exceed the carrying amount of the CSM and accordingly a loss component is created (the excess is recognized as a loss in profit or loss); or
 - any decreases in the fulfilment cash flows are allocated to the loss component (the losses previously recognized in profit or loss are reversed);
- the effect of any currency exchange differences on the CSM; and
- the amount recognized as insurance revenue because of the services provided in the period.

Reinsurance contracts

The Group applies the same accounting policies in principle to groups of insurance contracts as it does to groups of reinsurance contracts, while certain measurement approaches differ between the two.

The Group measures the estimates of the present value of future cash flows using assumptions that are consistent with those used for the underlying groups of insurance contracts. In addition, the Group allows for adjustment for any risk of non-performance by the issuer of reinsurance contracts differently from the measurement of groups of insurance contracts. The effect of the non-performance risk of the issuer of reinsurance contracts is assessed at each reporting date and the effect of changes in the non-performance risk is recognized in profit or loss. Reinsurance contract groups cannot be onerous.

The Group adjusts the CSM of the group to which a reinsurance contract belongs and as a result recognizes income when it recognizes a loss on initial recognition of onerous underlying contracts, if the reinsurance contract is entered into before or at the same time as the onerous underlying contracts are recognized.

Loss-recovery components reflect adjustments to CSM of reinsurance contract groups and are determined by multiplying the following items, subsequently being adjusted according to change:

- the loss recognized on the underlying group of insurance contracts; and
- the percentage of claims on the underlying groups of contracts that the Group expects to recover from the group of reinsurance contracts held.

(vi) Measurement – Contracts measured by applying the PAA

The Group generally uses the PAA to groups of insurance contracts that meet either of the following conditions:

- The groups of contracts in which the coverage period of each contract is one year or less; and
- The groups of contracts of which the resulting measurement is reasonably expected not to differ materially from the result of applying the measurement in (v) above.

Insurance contracts

On initial recognition of each group of insurance contracts, the carrying amount of the liability for the remaining coverage is measured at the premiums received on initial recognition. Acquisition expenses, assets related to acquisition expenses, and amounts resulting from the derecognition of any previously recognized assets or liabilities related to the cash flows of the group of insurance contracts are deducted from liability for the remaining coverage. Acquisition expenses are allocated to groups of insurance contracts on a systematic and rational basis.

The carrying amount of the liability for the remaining coverage is increased by any premiums received and any amortization of acquisition expenses recognized as expenses and decreased by the amount recognized as insurance revenue for coverage provided and any acquisition expenses on subsequent measurement. In cases where a significant financing component exists, the Group adjusts the liability for the remaining coverage to reflect the time value of money and the effect of financial risk.

If at any time during the coverage period, facts and circumstances indicate that a group of insurance contracts is onerous, then the Group recognizes a loss in profit or loss and increases the liability for the remaining coverage to the extent that the current estimates of the fulfilment cash flows that relate to the remaining coverage exceed the carrying

amount of the liability for the remaining coverage. These fulfilment cash flows reflect the time value of money and the effects of financial risk.

The liability for incurred claims of a group of insurance contracts is recognized at the amount of the fulfilment cash flows relating to incurred claims. The fulfilment cash flows are discounted at current rates unless the cash flows are expected to be paid in one year or less from the date the claims are incurred.

Reinsurance contracts

The Group applies the same accounting policies in principle to groups of insurance contracts as it does to groups of reinsurance contracts, adapted where necessary to reflect features that differ from those of insurance contracts. If a loss-recovery component is created for a group of reinsurance contracts measured by applying the PAA, then the Group adjusts the carrying amount of the asset for the remaining coverage instead of adjusting the CSM.

(vii) Derecognition and contract modification

The Group derecognizes a contract not only when it is extinguished —i.e. when the specified obligations in the contract expire or are discharged or cancelled —but also when the terms of the contract are modified in such a way that the resulting accounting treatment is significantly different.

(viii) Presentation

Portfolios of insurance contracts that are assets and those that are liabilities, and portfolios of reinsurance contracts that are assets and those that are liabilities, are presented separately in the statement of financial position.

The Group disaggregates amounts recognized in the consolidated statement of income and the consolidated statement of comprehensive income into ‘Insurance service result’ comprising insurance revenue and insurance service expenses, and ‘Insurance finance income or expenses.’

Income and expenses from reinsurance contracts are presented separately from income and expenses from insurance contracts. Income and expenses from reinsurance contracts, other than insurance finance income or expenses, are presented on a net basis as ‘Income or expenses from reinsurance contracts held’ in the insurance service result.

The Group disaggregates changes in the risk adjustment for non-financial risk between the insurance service result and insurance finance income or expenses.

(a) Insurance revenue

Insurance revenue excludes any investment components and is recognized as follows.

Contracts measured without applying the PAA

Insurance revenue is recognized as the Group provides services under groups of insurance contracts, and represents the total of the changes in the liability for the remaining coverage that relate to services for which the Group expects to receive consideration.

In addition, the Group allocates a portion of premiums that relate to recovering acquisition expenses to each period in a systematic way based on the passage of time. The Group recognizes the allocated amount as insurance revenue and an equal amount as insurance service expenses.

The CSM that is recognized as insurance revenue is determined by identifying the coverage units in the group, allocating the CSM remaining at the end of the period (before any allocation) equally to each coverage unit provided in the period and expected to be provided in future periods. The number of coverage units is the quantity of services provided by the contracts in the group, determined by considering for each contract the quantity of benefits provided and its expected coverage period. The coverage units are reviewed and updated at each reporting date.

A loss component is established for the liability for the remaining coverage of groups of onerous insurance contracts. In providing services based on the groups of onerous insurance contracts, the fulfilment cash flows are allocated between the loss component of the liability for the remaining coverage and the liability for the remaining coverage excluding loss component on a systematic basis. Fulfilment cash flows for loss components are then excluded from the recognition of insurance revenue.

In the group of onerous insurance contracts, changes in fulfilment cash flows relating to future services and changes in Group's share of the fair value of the underlying items for insurance contracts with direct participation features are allocated solely to the loss component. If the loss component is reduced to zero, then any excess over the amount allocated to the loss component creates a new CSM for the group of insurance contracts.

Contracts measured by applying the PAA

The insurance revenue for each period is the amount of expected premium receipts for providing services in the period. The Group allocates the expected premium receipts to each period based on the passage of time.

(b) Insurance service expenses

Insurance service expenses consist of the following items, excluding the repayment of investment components, and are generally recognized in profit or loss when incurred:

- incurred claims and other expenses;
- amortization of acquisition expenses;
- gains and losses on onerous contracts (changes related to future service); and
- changes in liabilities for incurred claims (changes related to past service)

(c) Income or expenses from reinsurance contracts held

Income or expenses from reinsurance contracts held is the amount resulting from subtracting the portion of allocated reinsurance premiums from the recoveries received from reinsurers.

The Group recognizes an allocation of premiums paid to the reinsurer in profit or loss as it receives services under groups of reinsurance contracts. For contracts measured without applying the PAA, the allocation of premiums paid to the reinsurer relating to services received for each period represent the total of the changes in the assets for the remaining coverage related to services for which the Group expects to pay consideration.

For contracts measured by applying the PAA, the allocation of premiums paid to the reinsurer for each period is the amount of expected premium payments for receiving services in the period.

Additionally, for a group of reinsurance contracts covering an underlying group of onerous insurance contracts, the Group establishes and adjusts a loss-recovery component of the asset for the remaining coverage to depict the recovery of losses recognized. The method for establishment and adjustment are as follows:

- the Group establishes a loss-recovery component for the group of reinsurance contracts at the time the underlying onerous insurance contracts are recognized, if the reinsurance contracts covering an underlying group of onerous insurance contracts were entered into at or before the recognition of the underlying contracts; and
- the Group establishes and adjusts the loss-recovery component when changes in the fulfilment cash flows of an underlying group of onerous insurance contracts result in the recognition or change of a loss component, in order to reflect changes in the fulfilment cash flows of the related group of reinsurance contracts attributable to future services.

In receiving services based on the group of reinsurance contracts, the asset for the remaining coverage is allocated between the loss-recovery component and the asset for the remaining coverage other than the loss-recovery component on a systematic and rational basis. Changes in the loss-recovery component are excluded from the allocation of reinsurance premiums paid.

(d) Insurance finance income or expenses (including reinsurance finance income and expenses)

Insurance finance income or expenses are comprised of changes in the carrying amounts of groups of insurance and reinsurance contracts arising from the effects of the time value of money, financial risk and changes therein.

The Group has chosen, as a general rule, to disaggregate insurance finance income and expenses between profit or loss and other comprehensive income. The amount included in profit or loss is determined by a systematic allocation of the expected total insurance finance income and expenses over the duration of the group of contracts. As changes in financial risk assumptions do not substantially impact the amount paid to policyholders for most of the groups of insurance contracts, the Group determines the systematic allocation for the assets or liabilities for the remaining coverage using the discount rate determined on initial recognition of the group of contracts. In addition, for the assets or liabilities for incurred claims, the Group uses the discount rates determined at the time the assets or liabilities for those claims are recognized.

(12) Employee benefits

(i) Defined benefit plans

The net defined benefit liability (asset) is the present value of the defined benefit obligation less the fair value of plan assets (adjusted, if necessary, for the effect of the asset ceiling), and is recognized as a retirement benefit asset or liability in the consolidated statement of financial position. The present value of the defined benefit obligation and the related current and past service costs for each plan are estimated based on the projected unit credit method. The discount rate is determined

- by establishing the discount period based on a period to the expected benefit payment date, and by reference to market yields at the end of the reporting period on high-quality corporate bonds.
- Remeasurements of the net defined benefit liability (asset) are recognized in other comprehensive income and are reclassified to retained earnings immediately in the periods in which they arise. Remeasurements are comprised of actuarial gains and losses, the return on plan assets (excluding amounts included in net interest expenses) and any change in the effect of the asset ceiling (excluding amounts included in net interest expenses). Current service cost and net interest expenses are recognized in profit or loss in the periods in which they arise. Past service cost is recognized in profit or loss in the earlier of the period in which the plan amendment or curtailment occurs, or the period in which related restructuring costs or termination benefits are recognized.
- (ii) Defined contribution plans
- The Company and certain subsidiaries have defined contribution plans for employee benefits. The defined contribution plans are post-employment benefit plans under which an entity regularly pays fixed contributions into employees’ accounts and will have no legal or constructive obligation to make further payments. As a result, contributions to defined contribution plans are expensed over the period during which employees render service.
- (iii) Short-term employee benefits
- The Group recognizes the undiscounted amount of short-term employee benefits as an expense of the period during which the related service is rendered.
- In relation to bonus payments, the Group recognizes liability for benefits expected to be paid under these plans when the Group has the present legal or constructive obligation to make such payments for services rendered by employees in the current and prior periods and a reliable estimate can be made of the amount of the obligation.
- (iv) Other long-term employee benefits
- As long-term employee benefits other than retirement benefits, the Group has extended leave systems and accumulated paid leave systems for employees with more than a certain number of service years.
- The liability for such long-term employee benefits is recognized based on the estimated future benefit amounts earned in exchange for services rendered by employees in prior and current periods. The amounts are not discounted unless the effect of the time value of money is material.

(13) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of past events and it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Where the effect of the time value of money is material, provisions are measured at the present value of the estimated payments required to settle the obligation. The present value is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. Increases in provisions due to the effect of changes over time are recognized in “Other finance expense.”

(14) Equity

- (i) Common stock
- Equity instruments issued by the Company are recognized at the issue price as share capital and capital surplus, and the direct issuance cost is deducted from capital surplus.
- (ii) Treasury stocks
- When the Group acquires its own Equity Share capital (Treasury stock), it is recognized at cost and deducted from equity. Direct costs related to the acquisition are deducted from capital surplus. When the Group sells treasury stocks, the difference between the carrying amount and the consideration on sale is recognized as capital surplus.

(15) Share-based payments

- (i) Stock options
- The Group has an equity-settled share-based compensation plan for directors and corporate officers. The equity-settled share-based compensation is measured at fair value at the grant date. The fair value of stock options is calculated using the Black-Scholes model and other models. The fair value determined at the grant date is expensed over the vesting period, based on the estimate of stock options that will eventually vest, with a corresponding increase in equity.
- (ii) Board Benefit Trust (BBT)
- The Group has a performance-linked share-based payment plan for directors (excluding non-executive inside directors and outside directors), executive officers and senior vice presidents under the Board Benefit Trust (“BBT”) in which the Group provides stocks and cash based on the services rendered. The compensation under BBT is classified into the following categories based on the method of settlement.
- (a) Equity-settled share-based payments
- For equity-settled share-based payments, services received are measured at fair value of the equity instruments at the grant date. The fair value determined at the grant date is expensed over the vesting period with a corresponding increase in equity.
- (b) Cash-settled share-based payments
- For cash-settled share-based compensation, services received and liabilities incurred are measured at fair value. The fair value of the compensation included in liability is expensed over the vesting period with a corresponding increase in liabilities. The Group also remeasures the fair value of the liabilities on each reporting date and the settlement date and recognizes the changes in fair values in profit or loss.
- (iii) Stock price-linked compensation (phantom stock plan)
- The Group has introduced a phantom stock plan for compensation granted to directors (excluding non-executive inside directors and outside directors), executive officers, and corporate officers. Under this plan, a cash amount is paid based on the share price of the Company's stock at the time of vesting. At the end of each reporting period, the Group recognizes a liability for the fair value of the expected payment amount based on the number of units expected to vest. The fair value of the liability is remeasured at each reporting date until settlement, and changes in the fair value are recognized in profit or loss.

(16) Revenue recognition

As for the nursing care business, revenue is recognized when performance obligations are satisfied via providing various nursing care services to nursing facility residents and others at nursing homes or providing services relating to the sale of welfare equipment to residents.

Additionally, regarding services for nursing facility residents and others, for transactions where the Group serves a role as an agent for providing products or rendering services to customers, the net amount of consideration received from customers less consideration paid to suppliers is recognized as revenue.

(17) Income taxes

- Income tax expenses are comprised of current tax expenses and deferred tax expenses. Income tax expenses are recognized in net profit or loss unless it is related to business combinations or the item is to be recognized directly in equity or in other comprehensive income.
- (i) Current tax expenses
- Current tax expenses are measured at amounts expected to be paid to tax authorities or refunded from tax authorities. Tax rates and taxation methods used in calculation of taxes are formulated or substantially formulated by the end of the fiscal year.
- (ii) Deferred tax expense
- Deferred tax expense is calculated based on temporary differences between the tax assessment value and carrying amounts of assets and liabilities as of the end of the fiscal year. Deferred tax assets are recognized to the extent that it is probable that taxable income will be available by which the deductible temporary differences, unused tax losses, and tax credits can be recovered. Deferred tax liabilities are generally recognized for taxable temporary differences.

Additionally, deferred tax assets and liabilities are not recognized for the following temporary differences.

- Temporary differences arising from initial recognition of goodwill;
- Among taxable temporary differences related to investments in subsidiaries, investments in associates, and interests in joint arrangement, those of which the Group is able to control the timing of reversal and for which it is probable that these differences will not reverse in the foreseeable future; and
- Among deductible temporary differences related to investments in subsidiaries, investments in associates, and interests in joint arrangement, those for which it is not probable that the temporary differences will reverse in the foreseeable future, or that sufficient taxable income will be available against which these temporary differences could be utilized.

Deferred tax assets and liabilities are calculated based on the tax rate expected to be applied in the period during which deferred tax assets are recovered or deferred tax liabilities are settled in accordance with the income tax law enacted or substantially enacted as of the end of the fiscal year.

Deferred tax assets and liabilities are offset and presented on the consolidated statement of financial position if the Group has the enforceable right to offset the current tax assets and liabilities, the income tax is imposed by the same tax authority for the same taxable entity, the income tax is imposed by a different tax authority that either intends to settle current tax assets and liabilities on a net basis, or the Group plans to realize tax assets and tax liabilities simultaneously.

(18) Earnings per share

Basic earnings per share are calculated on the basis that net income attributable to the ordinary shareholders of the parent is divided by the weighted average number of ordinary shares outstanding, adjusted by treasury stocks during the period. Diluted earnings per share is calculated by adjusting the impact of potential shares that have dilutive effects.

4. Use of material accounting estimates and judgments

The consolidated financial statements are prepared based on the accounting estimates and judgments of management that affect the determination of accounting policy and the reported amount of assets, liabilities, income and expenses. Actual results may differ from accounting estimates and the assumptions forming their basis. Estimates and the underlying assumptions are reviewed on an ongoing basis. The effects of changes in estimates are recognized in the period in which the estimates are revised and in future periods, if applicable.

The following items are estimates and judgments made by management that have material impact on the amounts in the consolidated financial statements.

(1) Fair value measurement of financial instruments

- (i) Amounts recorded in the consolidated financial statements of the current fiscal year
The details are stated in Note “11. Fair value of financial instruments.”
- (ii) Estimation methods
The details are stated under (ii) Unobservable input and (iii) Valuation process within (3) Level 3 fair value measurements in Note “11.1 Financial instruments measured at fair value.”
- (iii) Key assumptions used in the calculation of amounts
The details are stated under (ii) Unobservable input and (iii) Valuation process within (3) Level 3 fair value measurements in Note “11.1 Financial instruments measured at fair value.”
- (iv) Effect on the consolidated financial statements for the subsequent fiscal year
Changes in the conditions underlying the above assumptions may materially affect the fair value of financial instruments. The effect of material unobservable inputs on fair value measurement is stated under (iv) Effect of unobservable inputs on fair value measurement within (3) Level 3 fair value measurements in Note “11.1 Financial instruments measured at fair value.”

(2) Impairment of goodwill

- (i) Amounts recorded in the consolidated financial statements for the current fiscal year
The details are stated in Note “14. Goodwill and intangible assets.”
- (ii) Estimation methods
The details are stated in Note “14. Goodwill and intangible assets.”
- (iii) Key assumptions used in the calculation of amounts
The details are stated in Note “14. Goodwill and intangible assets.”
- (iv) Effect on the consolidated financial statements for the subsequent fiscal year
Changes in the conditions underlying the above assumptions may materially affect the recoverable amount related to the impairment of goodwill. The effect of changes in the recoverable amount on the impairment of goodwill is stated in Note ‘14. Goodwill and intangible assets.’

(3) Estimation of fulfilment cash flows relating to insurance contracts and reinsurance contracts

- (i) Amounts recorded in the consolidated financial statements for the current fiscal year
The details are stated in Note “17. Insurance contracts and reinsurance contracts.”
- (ii) Estimation methods
The details are stated in Note “17.1 Inputs, assumptions, and estimation techniques used in the measurement of insurance contracts and reinsurance contracts.”
- (iii) Key assumptions used in the calculation of amounts
The details are stated in Note “17.1 Inputs, assumptions, and estimation techniques used in the measurement of insurance contracts and reinsurance contracts.”
- (iv) Effect on the consolidated financial statements for the subsequent fiscal year
Changes in the conditions underlying the above assumptions may materially affect the estimated amounts of fulfilment cash flows. The effects of such changes in assumptions on net income before tax and other comprehensive income before tax are stated in Note “37.2 Insurance risk.”

5. Segment information

(1) Overview of reportable segments

The business segments of the Group are the components of the Group for which discrete financial statements are available and operating results are periodically reviewed by the board of directors to make decisions about resources to be allocated to the segment and to assess its performance.

The Group companies develop comprehensive strategies for their operations individually as an independent management unit and roll out their businesses under the group-wide management policy.

Therefore, the Group is composed of business segments, which are comprised of each group company as a minimum unit, and there are four reportable segments, namely “Domestic P&C insurance business,” “Overseas insurance business,” “Domestic life insurance business,” and “Nursing care business.” The Company, extended warranty business, digital-related business, asset management business and other businesses that are not covered by the reportable segments are included in “Others.”

“Domestic P&C insurance business” mainly engages in underwriting of property and casualty insurance, investment, and related activities in Japan; “Overseas insurance business” mainly engages in underwriting of property and casualty insurance and investment activities overseas; “Domestic life insurance business” mainly engages in underwriting of life insurance and investment activities in Japan, and “Nursing care business” mainly engages in providing nursing care and nursing care-related services.

(2) Measurement basis of revenue, income or loss and other items for each reporting segment

The accounting methods applied to reported business segments is consistent with that described in Note “3. Summary of material accounting policies.” Income or loss of reportable segments is based on net income attributable to owners of parent.

Internal revenues between segments are based on the price of transactions between third parties and others.

(3) Information on the amounts of revenue, income or loss and other items by reportable segment

Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)

(Millions of yen)									
	Reportable segments					Others (Note 2)	Total	Adjustments (Note 4)	Amounts on consolidated financial statements
	Domestic P&C insurance business	Overseas insurance business	Domestic life insurance business	Nursing care business	Total				
Revenue (Note 1)									
Revenue from external customers	2,543,520	2,044,815	248,493	175,866	5,012,696	38,180	5,050,877	27	5,050,905
Internal revenue or transfers between segments	42,157	7,371	—	3	49,532	27,329	76,861	(76,861)	—
Total	2,585,678	2,052,186	248,493	175,870	5,062,229	65,509	5,127,739	(76,834)	5,050,905
Segment income (loss)	192,477	260,392	75,714	6,414	534,999	(5,514)	529,485	170	529,655
Other items									
Interest income	26,504	24,735	55,733	81	107,054	11	107,065	—	107,065
Interest expense	6,916	4,967	65	3,895	15,844	339	16,183	—	16,183
Depreciation and amortization (Note 3)	42,474	18,101	3,148	26,392	90,117	1,953	92,071	—	92,071
Investment gains and losses on the equity method	124	1,515	—	—	1,640	368	2,008	—	2,008
Impairment losses	169	16,679	—	2,177	19,026	160	19,186	—	19,186
Income tax expenses	67,714	(14,694)	29,675	1,741	84,437	(1,647)	82,789	—	82,789
Investments in associates accounted for by the equity method	2,592	21,596	—	—	24,188	24,216	48,405	—	48,405
Capital expenditures (Note 3)	73,880	15,194	2,466	16,969	108,510	3,419	111,930	—	111,930
Segment assets	6,825,413	4,871,683	3,858,943	430,758	15,986,799	473,140	16,459,939	—	16,459,939

(Notes) 1. Revenue represents “Insurance revenue” for the insurance business, “Other revenue” for the other businesses, and the total amount of “Insurance revenue” and “Other revenue” for the consolidated financial statements.
2. The category “Others” is a business segment not included in the reportable segments. It includes the Company (insurance holding company), extended warranty business, digital-related business, asset management business and other businesses.
3. Depreciation and amortization as well as capital expenditures include amount related to right-of-use assets.
4. Adjustments of revenue are mainly adjustments of other revenue related to domestic P&C insurance business, overseas insurance business and domestic life insurance business amounting to 27 million yen, and the elimination of intercompany transactions between segments amounting to (76,861) million yen. Adjustments of segment income (loss) are entirely due to the elimination of intercompany transactions between segments.

Fiscal year ended March 31, 2025 (April 1, 2024 to March 31, 2025)

(Millions of yen)									
	Reportable segments					Others (Note 2)	Total	Adjustments (Note 4)	Amounts on consolidated financial statements
	Domestic P&C insurance business	Overseas insurance business	Domestic life insurance business	Nursing care business	Total				
Revenue (Note 1)									
Revenue from external customers	2,590,896	2,219,907	254,716	181,364	5,246,885	39,184	5,286,069	140	5,286,210
Internal revenue or transfers between segments	43,581	7,796	—	3	51,382	26,830	78,212	(78,212)	—
Total	2,634,478	2,227,704	254,716	181,368	5,298,267	66,015	5,364,282	(78,072)	5,286,210
Segment income (loss)	58,338	177,771	29,876	5,303	271,289	(27,551)	243,737	(605)	243,132
Other items									
Interest income	31,132	18,102	56,470	81	105,787	30	105,817	—	105,817
Interest expense	6,911	6,444	476	3,790	17,622	365	17,987	—	17,987
Depreciation and amortization (Note 3)	53,125	18,284	3,684	26,316	101,411	1,952	103,363	—	103,363
Investment gains and losses on the equity method	147	(111)	—	—	36	(24,786)	(24,749)	—	(24,749)
Impairment losses	861	—	—	2,420	3,282	47	3,329	—	3,329
Income tax expenses	15,049	36,624	28,649	2,918	83,240	1,828	85,068	—	85,068
Investments in associates accounted for by the equity method	2,667	14,505	—	—	17,172	25,002	42,175	—	42,175
Capital expenditures (Note 3)	40,138	25,692	3,174	23,447	92,453	1,524	93,978	—	93,978
Segment assets	6,311,943	5,243,189	3,392,431	429,136	15,376,700	513,338	15,890,039	—	15,890,039

(Notes) 1. Revenue represents “Insurance revenue” for the insurance business, “Other revenue” for the other businesses, and the total amount of “Insurance revenue” and “Other revenue” for the consolidated financial statements.
2. The category “Others” is a business segment not included in the reportable segments. It includes the Company (insurance holding company), extended warranty business, digital-related business, asset management business and other businesses.
3. Depreciation and amortization as well as capital expenditures include amount related to right-of-use assets.
4. Adjustments of revenue are mainly adjustments of other revenue related to domestic P&C insurance business, overseas insurance business and domestic life insurance business amounting to 140 million yen, and the elimination of intercompany transactions between segments amounting to (78,212) million yen. Adjustments of segment income (loss) are entirely due to the elimination of intercompany transactions between segments.

(4) Information by products and services

(Millions of yen)

Insurance revenue	Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)	Fiscal year ended March 31, 2025 (April 1, 2024 to March 31, 2025)
P&C insurance business		
Fire	982,633	1,057,846
Marine	171,330	191,381
Personal accident	161,272	161,523
Automobile	1,271,538	1,328,861
Compulsory automobile liability	229,087	225,955
Others (Note)	1,772,474	1,845,236
Life insurance business		
Individual insurance	236,958	243,420
Individual annuities	1,405	1,245
Group insurance	10,129	10,050
Group annuities	—	—
Total	4,836,830	5,065,520

(Note) Others are mainly insurance revenue from the overseas insurance business including agricultural insurance, liability insurance and others.

(5) Information by geographic area**(i) Revenue**

(Millions of yen)

	Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)	Fiscal year ended March 31, 2025 (April 1, 2024 to March 31, 2025)
Japan	2,983,028	3,034,937
Overseas	2,067,876	2,251,273
Total	5,050,905	5,286,210

(Notes) 1. Geographic area is classified in line with the categories used for management purposes which are mainly based on the locations of customers.
2. The total amount of insurance revenue and other revenue in the consolidated statement of income is presented. Other revenue primarily consists of revenue from the nursing care business, which is generated domestically.

(ii) Non-current assets

(Millions of yen)

	As of April 1, 2023 (Transition date)	As of March 31, 2024	As of March 31, 2025
Japan	970,300	958,029	938,772
Overseas	208,705	212,451	216,793
Total	1,179,006	1,170,480	1,155,565

(Note) Geographic area is classified in line with the categories used for management purposes which are mainly based on the locations of subsidiaries.

(6) Information by major customer

None.

6. Cash and cash equivalents

The details of cash and cash equivalents are as follows:

(Millions of yen)

	As of April 1, 2023 (Transition date)	As of March 31, 2024	As of March 31, 2025
Cash and deposits	1,184,213	1,170,914	754,280
Short-term investments	93,874	45,825	273,347
Total cash and cash equivalents	1,278,088	1,216,739	1,027,628

Definition of cash and cash equivalents

The Group considers cash and cash equivalents in the consolidated statement of cash flows as cash on hand, deposits that can be withdrawn at any time and short-term investments such as time deposits that are readily convertible into cash and are subject to insignificant risk of changes in value and have a short maturity of three months or less than three months from the acquisition date. The components of cash and cash equivalents reported in the consolidated statement of cash flows are consistent with the balance of “Cash and cash equivalents” in the consolidated statement of financial position.

Non-cash transactions

The acquisitions of right-of-use assets under leases as major non-cash transactions are disclosed in Note “15. Leases.” The Group did not enter into any other material non-cash transactions in the previous and current fiscal years.

Restrictions on use

Insurance subsidiaries within the Group are subject to laws and regulations in the jurisdiction of their domicile and due to the restriction on dividend (profit) repatriation there are some cases where transfer of funds is restricted. However, there is no material impact on liquidity for the Group.

7. Investment securities

The details of investment securities are as follows:

As of April 1, 2023 (Transition date)

(Millions of yen)

	Financial assets measured at FVTPL	Equity instruments measured at FVTOCI (Note 1)	Debt instruments measured at FVTOCI	Total
Investment securities				
Japanese government bonds	4,688	—	3,223,471	3,228,160
Municipal bonds	401	—	78,260	78,662
Corporate bonds	132,019	—	767,005	899,025
Foreign bonds	1,889,942	—	902,339	2,792,282
Stocks	139,844	1,513,528	—	1,653,372
Others (Note 2)	1,340,431	2,266	46,365	1,389,063
Allowance for credit losses (Note 3)	—	—	—	—
Total investment securities (Note 4)	3,507,328	1,515,794	5,017,444	10,040,567

As of March 31, 2024

(Millions of yen)

	Financial assets measured at FVTPL	Equity instruments measured at FVTOCI (Note 1)	Debt instruments measured at FVTOCI	Total
Investment securities				
Japanese government bonds	4,475	—	3,222,139	3,226,614
Municipal bonds	398	—	72,540	72,939
Corporate bonds	124,846	—	743,710	868,556
Foreign bonds	2,650,761	—	853,055	3,503,816
Stocks	185,351	2,018,642	—	2,203,994
Others (Note 2)	1,605,906	2,319	36,866	1,645,092
Allowance for credit losses (Note 3)	—	—	—	—
Total investment securities (Note 4)	4,571,739	2,020,962	4,928,312	11,521,014

As of March 31, 2025

(Millions of yen)

	Financial assets measured at FVTPL	Equity instruments measured at FVTOCI (Note 1)	Debt instruments measured at FVTOCI	Total
Investment securities				
Japanese government bonds	4,291	—	2,928,451	2,932,743
Municipal bonds	189	—	68,195	68,384
Corporate bonds	126,964	—	589,401	716,365
Foreign bonds	3,022,676	—	763,962	3,786,639
Stocks	175,502	1,620,545	—	1,796,047
Others (Note 2)	1,730,787	2,020	36,008	1,768,815
Allowance for credit losses (Note 3)	—	—	—	—
Total investment securities (Note 4)	5,060,411	1,622,566	4,386,019	11,068,996

(Notes) 1. Equity instruments measured at FVTOCI
Equity instruments held for the purposes mainly of maintaining insurance transactions and relationships in insurance sales channels, and strengthening alliances for accomplishing the Group's strategies are classified as equity instruments measured at FVTOCI; and the major issues of such instruments and their fair values are as follows:

(Millions of yen)

Issue	As of April 1, 2023 (Transition date)
Shin-Etsu Chemical Co., Ltd.	108,793
Palantir Technologies Inc.	92,101
ITOCHU Corporation	68,942
HONDA MOTOR CO., LTD.	50,284
Marubeni Corporation	47,131
Hulic Co., Ltd.	45,924
TOYOTA MOTOR CORPORATION	44,786
CANON INC.	38,658
SUZUKI MOTOR CORPORATION	37,286
Ajinomoto Co., Inc.	28,939
NIPPON EXPRESS HOLDINGS, INC.	28,434
AEON CO., LTD.	20,292
SUBARU CORPORATION	17,480
The Chiba Bank, Ltd.	13,926
Kawasaki Kisen Kaisha, Ltd.	13,326
Others	859,484
Total	1,515,794

(Millions of yen)

Issue	As of March 31, 2024
Shin-Etsu Chemical Co., Ltd.	158,738
Palantir Technologies Inc.	142,238
ITOCHU Corporation	95,886
TOYOTA MOTOR CORPORATION	90,335
HONDA MOTOR CO., LTD.	81,272
Hulic Co., Ltd.	66,393
Marubeni Corporation	59,152
CANON INC.	58,873
SUZUKI MOTOR CORPORATION	53,973
SUBARU CORPORATION	28,505
Ajinomoto Co., Inc.	28,449
AEON CO., LTD.	28,429
Kawasaki Kisen Kaisha, Ltd.	26,737
NIPPON EXPRESS HOLDINGS, INC.	22,068
WEINS ASSET CO., LTD.	21,068
Others	1,058,838
Total	2,020,962

(Millions of yen)	
Issue	As of March 31, 2025
Palantir Technologies Inc.	262,824
ITOCHU Corporation	94,056
Shin-Etsu Chemical Co., Ltd.	63,086
TOYOTA MOTOR CORPORATION	62,319
CANON INC.	60,757
SUZUKI MOTOR CORPORATION	56,193
Marubeni Corporation	53,538
AEON CO., LTD.	29,655
Kawasaki Kisen Kaisha, Ltd.	25,318
The Chiba Bank, Ltd.	19,639
NIPPON EXPRESS HOLDINGS, INC.	18,129
LPI CAPITAL BERHAD MYR1	16,521
KOMATSU LTD.	15,768
The Toa Reinsurance Company, Limited	14,843
Hitachi, Ltd.	14,589
Others	815,324
Total	1,622,566

The following are the fair values and accumulated unrealized gains and losses on securities classified as equity instruments measured at FVTOCI that were derecognized.

(Millions of yen)		
	Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)	Fiscal year ended March 31, 2025 (April 1, 2024 to March 31, 2025)
Fair value at derecognition	187,849	466,023
Accumulated gains/(losses) at derecognition	135,868	362,894

Additionally, the after tax amount reclassified (net) to retained earnings in accumulated other comprehensive income due to derecognition in the previous fiscal year and the current fiscal year are a gain of 96,559 million yen and a gain of 264,305 million yen, respectively. These were mainly to reduce strategic shareholdings that could potentially impede fair competition as well as maintaining and enhancing financial strength and improving capital efficiency.

Additionally, of dividends received from equity instruments measured at FVTOCI, those related to securities derecognized in the previous fiscal year and the current fiscal year are 1,155 million yen and 1,668 million yen, respectively.

2. Primarily include investments in investment trusts.

3. Expected credit loss on debt instruments measured at FVTOCI
The amount of allowance for expected credit loss does not include those on debt instruments measured at FVTOCI as they are measured at fair value. The amounts of allowance for expected credit losses on debt instruments measured at FVTOCI at the transition date, for the previous fiscal year and the current fiscal year are 746 million yen, 757 million yen, and 713 million yen, respectively.

4. Classification by expected recovery period
Of the amounts outstanding at the transition date, the end of the previous fiscal year and the current fiscal year, the amounts due within one year are 250,202 million yen, 368,473 million yen, and 354,160 million yen, respectively.

8. Loans and advances

The details of loans and advances are as follows:

(Millions of yen)			
	As of April 1, 2023 (Transition date)	As of March 31, 2024	As of March 31, 2025
Amortized cost	516,951	495,394	508,407
Allowance for credit losses	(87)	(55)	(43)
Total loans and advances (Note)	516,863	495,339	508,363

(Note) Of the amounts outstanding at the transition date, at the end of the previous fiscal year and at the end of the current fiscal year, the amounts due within one year are 198,428 million yen, 186,044 million yen and 205,502 million yen, respectively.

9. Derivatives

The Group conducts various derivative transactions such as forward exchange contracts, currency swaps, currency options, interest rate swaps, and stock index futures.

The Group utilizes derivatives for (a) interest risk management, (b) currency risk management and (c) other purposes. Although these derivatives economically hedge the Group's risk, some of them do not meet the criteria for hedge accounting under IFRS 9 *Financial Instruments* (hereinafter "IFRS 9"). All derivatives are measured at fair value and recognized as "Derivative assets" or "Derivatives liabilities" in the consolidated statement of financial position and changes in fair value are recognized as "Other investment gains and losses" in the consolidated statement of income, except for those to which hedge accounting is applied.

The details of derivative assets and derivative liabilities are as follows.

Additionally, derivative assets concerning derivatives to which hedge accounting is not applied are classified as FVTPL financial assets, and derivative liabilities as FVTPL financial liabilities.

(Millions of yen)						
	As of April 1, 2023 (Transition date)		As of March 31, 2024		As of March 31, 2025	
	Fair value (Assets)	Fair value (Liabilities)	Fair value (Assets)	Fair value (Liabilities)	Fair value (Assets)	Fair value (Liabilities)
Currency	2,074	13,992	359	13,552	7,987	4,662
Interest rate	3,346	—	2,352	—	1,294	—
Stocks	—	1	—	440	—	—
Bonds	11,126	11,131	—	—	—	—
Credit	—	—	—	—	—	—
Others	325	974	253	868	237	747
Total	16,872	26,099	2,965	14,861	9,519	5,410

10. Hedge accounting

Not applicable.

11. Fair value of financial instruments

11.1 Financial instruments measured at fair value

Fair values of financial assets and liabilities that are traded in active markets are based on quoted market prices. For all other financial instruments, the Group uses other valuation techniques to determine the fair value.

For financial instruments that are traded infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

(1) Fair value hierarchy

Fair values are categorized within the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements. Transfers between the levels are assumed to happen at the end of each reporting period.

Level 1: Inputs that are quoted at market prices (unadjusted) in active markets for identical instruments

Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3: Inputs that are unobservable

(2) Fair value by hierarchy

The following table shows the fair values of financial instruments by the level in the fair value hierarchy.

As of April 1, 2023 (Transition date)

(Millions of yen)				
	Level 1	Level 2	Level 3	Total
Investment securities				
Debt instruments measured at FVTOCI				
Japanese government bonds	3,223,471	—	—	3,223,471
Municipal bonds	—	78,260	—	78,260
Corporate bonds	—	767,005	—	767,005
Foreign bonds	350,906	551,433	—	902,339
Others	7,942	22,721	15,701	46,365
Equity instruments measured at FVTOCI				
Stocks	1,349,611	—	163,916	1,513,528
Others	1,443	—	822	2,266
FVTPL				
Japanese government bonds	4,688	—	—	4,688
Municipal bonds	—	401	—	401
Corporate bonds	—	132,019	—	132,019
Foreign bonds	2,757	1,789,623	97,561	1,889,942
Stocks	131,568	8,275	—	139,844
Others (Note 2)	340,706	37,577	962,147	1,340,431
Total investment securities	5,413,097	3,387,319	1,240,150	10,040,567
Derivative assets				
Currency	—	2,074	—	2,074
Interest rate	—	3,346	—	3,346
Stocks	—	—	—	—
Bonds	—	11,126	—	11,126
Credit	—	—	—	—
Others	—	23	302	325
Total financial assets	5,413,097	3,403,889	1,240,452	10,057,440
Derivative liabilities				
Currency	—	13,992	—	13,992
Interest rate	—	—	—	—
Stocks	1	—	—	1
Bonds	—	11,131	—	11,131
Credit	—	—	—	—
Others	—	38	935	974
Total financial liabilities	1	25,162	935	26,099

As of March 31, 2024

(Millions of yen)				
	Level 1	Level 2	Level 3	Total
Investment securities				
Debt instruments measured at FVTOCI				
Japanese government bonds	3,222,139	—	—	3,222,139
Municipal bonds	—	72,540	—	72,540
Corporate bonds	—	743,710	—	743,710
Foreign bonds	411,073	441,982	—	853,055
Others	4,863	21,306	10,697	36,866
Equity instruments measured at FVTOCI				
Stocks	1,821,635	—	197,007	2,018,642
Others	1,397	—	922	2,319
FVTPL				
Japanese government bonds	4,475	—	—	4,475
Municipal bonds	—	398	—	398
Corporate bonds	—	124,846	—	124,846
Foreign bonds (Note 1)	9,782	2,508,144	132,834	2,650,761
Stocks	175,435	9,915	—	185,351
Others (Note 2)	415,317	21,302	1,169,286	1,605,906
Total investment securities	6,066,120	3,944,146	1,510,747	11,521,014
Derivative assets				
Currency	—	359	—	359
Interest rate	—	2,352	—	2,352
Stocks	—	—	—	—
Bonds	—	—	—	—
Credit	—	—	—	—
Others	—	—	253	253
Total financial assets	6,066,120	3,946,858	1,511,000	11,523,979
Derivative liabilities				
Currency	—	13,552	—	13,552
Interest rate	—	—	—	—
Stocks	—	440	—	440
Bonds	—	—	—	—
Credit	—	—	—	—
Others	—	30	838	868
Total financial liabilities	—	14,022	838	14,861

As of March 31, 2025

(Millions of yen)				
	Level 1	Level 2	Level 3	Total
Investment securities				
Debt instruments measured at FVTOCI				
Japanese government bonds	2,928,451	—	—	2,928,451
Municipal bonds	—	68,195	—	68,195
Corporate bonds	—	589,401	—	589,401
Foreign bonds	402,859	361,102	—	763,962
Others	6,716	18,577	10,713	36,008
Equity instruments measured at FVTOCI				
Stocks	1,436,462	—	184,083	1,620,545
Others	1,098	—	921	2,020
FVTPL				
Japanese government bonds	4,291	—	—	4,291
Municipal bonds	—	189	—	189
Corporate bonds	—	126,964	—	126,964
Foreign bonds (Note 1)	10,470	2,881,301	130,905	3,022,676
Stocks	163,314	12,187	—	175,502
Others (Note 2)	401,915	25,666	1,303,204	1,730,787
Total investment securities	5,355,581	4,083,586	1,629,828	11,068,996
Derivative assets				
Currency	—	7,987	—	7,987
Interest rate	—	1,294	—	1,294
Stocks	—	—	—	—
Bonds	—	—	—	—
Credit	—	—	—	—
Others	—	—	237	237
Total financial assets	5,355,581	4,092,868	1,630,065	11,078,515
Derivative liabilities				
Currency	—	4,662	—	4,662
Interest rate	—	—	—	—
Stocks	—	—	—	—
Bonds	—	—	—	—
Credit	—	—	—	—
Others	—	34	712	747
Total financial liabilities	—	4,697	712	5,410

(Notes) 1. In the previous fiscal year, foreign bonds amounting to 19,119 million yen was transferred from Level 1 to Level 2 due to the cessation of active trading in the market. In the current fiscal year, due to the cessation of active trading in the market, foreign bonds amounting to 24,440 million yen was transferred from Level 1 to Level 2.
2. Primarily include investments in investment trusts.

The major valuation techniques and inputs used in determining fair value are as follows:

Investment securities
Assets and liabilities are classified as Level 1 when fair values can be determined using unadjusted market prices in active markets. This mainly includes listed securities, Japanese government bonds, and listed investment trusts. Even if published market prices are used, if the market is not active, such securities are classified as Level 2. This primarily includes municipal bonds and corporate bonds. For non-listed investment trusts, etc., valuations are based on net asset values provided by the management company, and these are mainly classified as Level 2 or Level 3 based on the level of the underlying assets of the trust. Private placement bonds are valued at fair value based on prices obtained from third parties: they are classified as Level 2 if the inputs used in the obtained prices are observable or if the effect of unobservable inputs is not significant; they are classified as Level 3 fair value if significant unobservable inputs are used. Monetary receivables bought is valued at fair value based on prices obtained from third parties, and are classified as Level 2 based on the inputs used in the price obtained. The fair value of non-listed stocks and other assets, for which market prices of identical assets are not available in active markets or inactive markets, is measured using appropriate valuation techniques such as the multiple method. These assets are classified as Level 3 since significant unobservable inputs, such as the price book-value ratio and price earnings ratio of comparable companies, are used in the technique.

Derivatives
For exchange-traded transactions, the fair value is determined using the most recent price at the exchange. For over-the-counter transactions, fair value is based on the valuation derived from discounted future cash flows or option pricing models, using inputs such as interest rates and foreign exchange rates. Exchange-traded transactions are primarily classified as Level 1. For over-the-counter transactions, those using observable inputs or where the impact of unobservable inputs is not significant are classified as Level 2, whereas those using significant unobservable inputs are classified as Level 3.

(3) Level 3 fair value measurements

(i) Reconciliation

The reconciliation from the beginning to the ending balances of financial instruments categorized under Level 3 is as follows:

Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)

	Investment securities			Derivative assets/ liabilities (Note 6)
	Foreign bonds	Stocks	Others (Note 4)	
Beginning balance	97,561	163,916	978,672	(632)
Gains or losses recognized (Note 1)				
In profit or loss	1,628	(35)	93,344	1,072
In other comprehensive income	13,695	33,961	14,769	—
Purchases	57,961	227	278,793	(1,024)
Sales and redemptions	(38,012)	(1,192)	(184,674)	—
Settlements	—	—	—	—
Transfers to Level 3 (Note 2)	—	247	—	—
Transfers out of Level 3 (Note 3)	—	(117)	—	—
Others	—	—	—	—
Ending balance	132,834	197,007	1,180,905	(584)
Changes in unrealized gains and losses recognized in profit or loss for assets held as of the period end (Note 5)	818	—	89,821	439

Fiscal year ended March 31, 2025 (April 1, 2024 to March 31, 2025)

	Investment securities			Derivative assets/ liabilities (Note 6)
	Foreign bonds	Stocks	Others (Note 4)	
Beginning balance	132,834	197,007	1,180,905	(584)
Gains or losses recognized (Note 1)				
In profit or loss	(1,863)	0	9,558	943
In other comprehensive income	(1,616)	(9,672)	(1,778)	—
Purchases	62,656	195	279,666	(834)
Sales and redemptions	(61,062)	(1,903)	(153,675)	—
Settlements	—	—	—	—
Transfers out of Level 3 (Note 3)	—	(1,543)	—	—
Others	(42)	(0)	164	—
Ending balance	130,905	184,083	1,314,840	(475)
Changes in unrealized gains and losses recognized in profit or loss for assets held as of the period end (Note 5)	2,592	—	(5,574)	359

(Notes) 1. Gains or losses recognized in profit or loss are included in “Interest income” and “Other investment gains and losses” in the consolidated statement of income. Gains or losses recognized in other comprehensive income are included in “Investments in equity instruments” and “Investments in debt instruments” in the consolidated statement of comprehensive income.
2. Transfers to Level 3 arise due to the delisting of the investee from the stock exchange.
3. Transfers out of Level 3 arise due to the listing of the investee on the stock exchange and other factors.
4. Primarily include investments in investment trusts.
5. Included in “Interest income” and “Other investment gains and losses” in the consolidated statement of income.
6. Assets and liabilities arising from derivative instruments are presented on a net basis.

(ii) Unobservable input

The table below sets out information about significant unobservable inputs used in measuring financial instruments categorized as Level 3 in the fair value hierarchy.

Class of financial instrument	Fair value (Millions of yen)			Main valuation technique	Significant unobservable inputs	Range of estimates		
	Transition date	Previous fiscal year end	Current fiscal year end			Transition date	Previous fiscal year end	Current fiscal year end
Unlisted stocks	163,916	197,007	184,083	Multiple method or book value method	Price book-value ratio	30%–120%	50%–200%	50%–150%
					Price earnings ratio	810%–1,080%	250%–2,590%	740%–1,320%
					Illiquidity discount	30%	30%	30%

(iii) Valuation process

Each department in charge calculates and verifies the fair value of financial instruments in accordance with basic policies set by each group company. The calculated results are then verified by the appropriate person in charge within each department.

In determining the fair value, steps are taken to ensure that the nature, characteristics, and risks of each asset are most appropriately reflected. Additionally, even when using market prices obtained from third parties, the price verification is conducted through appropriate methods, including confirmation of the valuation techniques and inputs used.

(iv) Effect of unobservable inputs on fair value measurement

The effect of significant unobservable inputs to measure financial assets classified as Level 3 is as follows.

Unlisted stocks

The fair value of unlisted stocks valued by the multiple method will increase (or decrease) due to a rise (or decline) in the price book-value ratio and price earnings ratio which are unobservable inputs. It will also decrease (or increase) due to a rise (or decline) in illiquidity discount.

11.2 Financial instruments not measured at fair value

The table below analyses the fair value of financial instruments measured at amortized cost by level in the fair value hierarchy. Furthermore, items for which the carrying amount is a reasonable approximation of the fair value are not included in these tables.

As of April 1, 2023 (Transition date)

	Fair value				Carrying amount
	Level 1	Level 2	Level 3	Total	
Loans and advances	—	77,875	447,073	524,948	516,863
Total financial assets	—	77,875	447,073	524,948	516,863
Corporate bonds	—	608,004	—	608,004	607,470
Borrowings	—	6,960	—	6,960	6,954
Total financial liabilities	—	614,965	—	614,965	614,424

As of March 31, 2024

(Millions of yen)

	Fair value				Carrying amount
	Level 1	Level 2	Level 3	Total	
Loans and advances	—	88,813	412,764	501,577	495,339
Total financial assets	—	88,813	412,764	501,577	495,339
Corporate bonds	—	687,800	—	687,800	686,209
Borrowings	—	5,528	—	5,528	5,528
Total financial liabilities	—	693,329	—	693,329	691,738

As of March 31, 2025

(Millions of yen)

	Fair value				Carrying amount
	Level 1	Level 2	Level 3	Total	
Loans and advances	—	120,874	388,941	509,816	508,363
Total financial assets	—	120,874	388,941	509,816	508,363
Corporate bonds	—	681,986	—	681,986	684,686
Borrowings	—	6,485	—	6,485	6,515
Total financial liabilities	—	688,471	—	688,471	691,201

The major valuation techniques and inputs used in determining fair value are as follows:

Loans and advances

Unless the carrying amount is a reasonable approximation of fair value, the fair value of loans and advances is determined by discounting future cash flows for each using a discount rate adding credit risk and liquidity premiums based on internal ratings to risk-free interest rates for the applicable period, and classified as Level 3.

Corporate bonds

The fair values of corporate bonds are based on the values calculated using prices from exchanges and prices published by industry associations and similar organizations, and are classified as Level 2.

Borrowings

Unless the carrying amount is a reasonable approximation of fair value, the fair value is calculated using the discounted cash flow method, based on the total amount and interest, remaining term to maturity of the debt and a rate that reflects credit risk, and classified as Level 2.

12. Other assets and liabilities

The details of other assets are as follows:

(Millions of yen)

	As of April 1, 2023 (Transition date)	As of March 31, 2024	As of March 31, 2025
Insurance receivables (Note 1)	302,257	306,291	296,432
Accounts receivable	167,970	128,097	157,163
Accrued revenue	34,723	48,401	57,392
Suspense payment	84,935	113,375	142,746
Others	61,369	75,853	115,842
Total other assets	651,257	672,020	769,576

The details of other liabilities are as follows:

(Millions of yen)

	As of April 1, 2023 (Transition date)	As of March 31, 2024	As of March 31, 2025
Insurance payable (Note 2)	64,712	56,026	55,563
Accounts payable	153,602	180,341	197,097
Employee benefits obligations	69,698	75,777	80,587
Deferred income	11,045	11,348	11,749
Suspense receipt	38,534	34,813	41,550
Lease liabilities	361,325	331,571	334,622
Others	80,103	69,323	70,539
Total other liabilities	779,022	759,203	791,711

(Notes) 1. Insurance receivables include receivables from agencies and from other insurers in co-insurance contracts.

2. Insurance payables include payables to other insurers in co-insurance contracts.

13. Property and equipment

The details of property and equipment are as follows:

(Millions of yen)

	As of April 1, 2023 (Transition date)	As of March 31, 2024	As of March 31, 2025
Land and buildings	251,459	272,710	276,084
Construction in progress	15,887	5,658	5,290
Others	30,816	31,515	31,287
Right-of-use assets (Note)	341,055	308,127	307,107
Total property and equipment	639,218	618,011	619,769

(Note) Quantitative disclosures related to right-of-use assets are stated in Note “15. Leases.”

The changes in the carrying amounts, acquisition costs, accumulated depreciation and accumulated impairment losses of property and equipment excluding right-of-use assets are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)				Fiscal year ended March 31, 2025 (April 1, 2024 to March 31, 2025)			
	Land and buildings	Construction in progress	Others	Total	Land and buildings	Construction in progress	Others	Total
At beginning of period								
Acquisition cost	598,173	15,887	93,646	707,706	632,512	5,658	96,372	734,542
Accumulated depreciation	(300,814)	—	(62,623)	(363,438)	(313,797)	—	(64,615)	(378,412)
Accumulated impairment losses	(45,899)	—	(205)	(46,104)	(46,004)	—	(241)	(46,246)
Carrying amount at beginning of period	251,459	15,887	30,816	298,163	272,710	5,658	31,515	309,884
Changes in carrying amounts								
Acquisition	6,641	20,786	5,338	32,766	6,095	14,997	4,361	25,455
Acquisition through business combinations	254	—	2	256	—	—	—	—
Disposal	(915)	—	(1,616)	(2,531)	(1,849)	—	(1,430)	(3,280)
Transfer	26,664	(31,064)	1,669	(2,730)	13,380	(15,318)	1,782	(154)
Impairment losses (Note 1)	(228)	—	(52)	(280)	(802)	—	(37)	(839)
Depreciation (Note 2)	(13,246)	—	(4,840)	(18,087)	(13,502)	—	(4,849)	(18,352)
Translation differences	(152)	49	134	31	(748)	(28)	(108)	(885)
Others	2,232	—	63	2,296	800	(18)	53	835
Changes in net carrying amount	21,250	(10,228)	698	11,720	3,373	(367)	(228)	2,777
At end of period								
Acquisition cost	632,512	5,658	96,372	734,542	642,660	5,290	94,486	742,437
Accumulated depreciation	(313,797)	—	(64,615)	(378,412)	(320,790)	—	(62,931)	(383,721)
Accumulated impairment losses	(46,004)	—	(241)	(46,246)	(45,786)	—	(268)	(46,054)
Carrying amount at end of period	272,710	5,658	31,515	309,884	276,084	5,290	31,287	312,662

(Notes) 1. Impairment losses are recorded in “Other expenses” on the consolidated statement of income.
2. Depreciation is recorded in “Insurance service expenses,” “Expenses related to investment,” “Administrative expenses,” and “Other expenses” on the consolidated statement of income.

No material impairment losses were recognized in the previous fiscal year and the current fiscal year.

14. Goodwill and intangible assets
- The changes in carrying amounts, acquisition costs, accumulated amortization and accumulated impairment losses of goodwill and intangible assets are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)				Fiscal year ended March 31, 2025 (April 1, 2024 to March 31, 2025)			
	Goodwill	Software	Others	Total	Goodwill	Software	Others	Total
At beginning of period								
Acquisition cost	192,194	329,028	177,317	698,540	206,703	375,633	192,866	775,203
Accumulated amortization and accumulated impairment losses	—	(72,534)	(86,219)	(158,753)	(15,375)	(101,580)	(105,778)	(222,734)
Carrying amount at beginning of period	192,194	256,494	91,098	539,787	191,327	274,052	87,088	552,469
Changes in carrying amounts								
Acquisition	—	58,448	221	58,670	—	33,023	327	33,351
Acquisition through business combination	—	6	0	6	—	—	—	—
Disposal	—	(257)	(0)	(257)	—	(1,114)	(20)	(1,134)
Impairment losses (Note 1)	(15,375)	(1,413)	(58)	(16,847)	—	(59)	(13)	(73)
Depreciation (Note 2)	—	(26,273)	(9,616)	(35,890)	—	(37,143)	(9,117)	(46,260)
Translation differences	14,509	1,474	5,577	21,560	(1,402)	(371)	(232)	(2,006)
Others	—	(14,425)	(134)	(14,559)	—	(555)	5	(549)
Changes in net carrying amount	(866)	17,558	(4,010)	12,681	(1,402)	(6,221)	(9,050)	(16,673)
At end of period								
Acquisition cost	206,703	375,633	192,866	775,203	205,301	399,642	191,497	796,441
Accumulated amortization and accumulated impairment losses	(15,375)	(101,580)	(105,778)	(222,734)	(15,375)	(131,811)	(113,459)	(260,645)
Carrying amount at end of period	191,327	274,052	87,088	552,469	189,925	267,831	78,037	535,795

(Notes) 1. Impairment losses are recorded in “Other expenses” on the consolidated statement of income.
2. Depreciation is recorded in “Insurance service expenses,” “Administrative expenses,” and “Other expenses” on the consolidated statement of income.

During the previous fiscal year, an impairment loss of 15,375 million yen was recognized for the entire goodwill of the retail business within the overseas insurance business. For details, please refer to (ii) Retail business under (1) Overseas insurance business.
No impairment losses were recognized for goodwill in the current fiscal year.

The amount of goodwill allocated to CGUs or groups of CGUs is as follows:

(Millions of yen)

Reportable segment	CGU or group of CGUs	As of April 1, 2023 (Transition date)	As of March 31, 2024	As of March 31, 2025
Overseas insurance business	Commercial business	99,081	112,344	110,942
	Retail business	14,129	—	—
Nursing care business	Nursing business	30,428	30,428	30,428
	Software business related to nursing care	48,555	48,555	48,555

Goodwill is tested for impairment by comparing the carrying amount and the recoverable amount for each CGU or each group of CGUs, and the recoverable amount is determined as the higher of the value in use or the fair value. The value in use is calculated by discounting the estimated cash flows based on the business plan approved by management to the present value. The business plan used to calculate the value in use is for up to five years, and it is prepared on the basis of the evaluation by management related to the future trend of the industry, past results, and information from within and outside the Group. For the cash flows expected to arise beyond the period of the business plan used to calculate the value in use, the continuing value is used, taking into account the long-term average growth rate of the market for the group of CGUs. The pre-tax discount rate is calculated based on the weighted average capital cost of the group of CGUs.

(1) Overseas insurance business

(i) Commercial business

The recoverable amount is calculated based on the value in use.

The key assumptions in the cash flow estimates include the rate of increase in premiums, loss ratios, expense ratios, investment income and expenses, and taxes.

	As of April 1, 2023 (Transition date)	As of March 31, 2024	As of March 31, 2025
Perpetual growth rate (%)	3.50	3.72	3.74
Pre-tax discount rate (%)	12.77	14.18	13.12

Even when the perpetual growth rate or pre-tax discount rate used to calculate the recoverable amount fluctuates within a reasonable range, the Group considers a significant impairment loss as remote, as the recoverable amount well exceeds the carrying amount of the group of CGUs.

(ii) Retail business

The recoverable amount is calculated based on the value in use.

The key assumptions in the cash flow estimates include the rate of increase in premiums, loss ratios, expense ratios, investment income and expenses, and taxes.

	As of April 1, 2023 (Transition date)	As of March 31, 2024
Perpetual growth rate (%)	6.42	6.64
Pre-tax discount rate (%)	16.80	19.15

As a result of the impairment test for goodwill conducted in the previous fiscal year, based on the latest business plan reflecting recent performance, the recoverable amount was below the carrying amount of the CGU group. Consequently, the Group recognized an impairment loss of 15,375 million yen for the entire amount of goodwill.

(2) Nursing care business

(i) Nursing care business

The recoverable amount is calculated based on the value in use.

The key assumptions in the cash flow estimates include occupancy rates of facilities.

	As of April 1, 2023 (Transition date)	As of March 31, 2024	As of March 31, 2025
Perpetual growth rate (%)	1.90	2.00	2.50
Pre-tax discount rate (%)	3.72	4.47	5.06

Even when the perpetual growth rate or pre-tax discount rate used to calculate the recoverable amount fluctuates within a reasonable range, the Group considers a significant impairment loss as remote, as the recoverable amount well exceeds the carrying amount of the group of CGUs.

(ii) Software business related to nursing care

The recoverable amount is calculated based on the fair value after deducting disposal costs.

The amount is calculated by discounting the estimated cash flows based on a six-year business plan (eight years for the transition date, and seven years for the previous fiscal year) approved by management, to their present value.

The business plan used to calculate the fair value is prepared based on management's assessment of future industry trends, past performance, and information gathered within and outside the Group.

Such fair value is classified as Level 3 based on the significant inputs used in the valuation techniques.

The key assumptions in the cash flow estimates include revenue growth rates.

	As of April 1, 2023 (Transition date)	As of March 31, 2024	As of March 31, 2025
Perpetual growth rate (%)	0.50	0.50	0.50
Pre-tax discount rate (%)	6.81	8.05	8.17

As of the transition date, the recoverable amount exceeds the carrying amount by 9,027 million yen. However, an impairment loss may be recognized if the pre-tax discount rate used to calculate the recoverable amount increases by 78 basis points.

Regarding the previous fiscal year, even when the perpetual growth rate or pre-tax discount rate used to calculate the recoverable amount fluctuates within a reasonable range, the Group considers a significant impairment loss as remote, as the recoverable amount well exceeds the carrying amount of the group of CGUs.

As of March 31, 2025, although the recoverable amount exceeds the carrying amount by 9,652 million yen, an impairment loss may be recognized if the pre-tax discount rate used to calculate the recoverable amount increases by 90 basis points.

15. Leases

Expenses, cash flows, and the carrying amounts of right-of-use assets related to the Group's leasing activities are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)	Fiscal year ended March 31, 2025 (April 1, 2024 to March 31, 2025)
Depreciation of right-of-use assets		
With underlying assets of land and buildings	35,044	34,676
With underlying assets of others	2,966	3,996
Total	38,010	38,673
Impairment losses of right-of-use assets		
With underlying assets of land and buildings	1,671	2,090
With underlying assets of others	16	—
Total	1,688	2,090
Interest expense on lease liabilities	4,930	5,308
Lease expense from short-term leases	12,761	12,100
Lease expense from low-value leases (excluding short-term leases)	7,807	9,705
Total cash outflows on lease	61,753	63,518
Additions to right-of-use assets	20,493	35,171

(Millions of yen)

	As of April 1, 2023 (Transition date)	As of March 31, 2024	As of March 31, 2025
Breakdown of right-of-use assets			
With underlying assets of land and buildings	333,531	298,540	296,006
With underlying assets of others	7,524	9,586	11,101
Total	341,055	308,127	307,107

The Group leases operating property for the nursing care business with extension options exercisable at the end of non-cancellable lease period and the extended periods are included in the expected lease term at lease commencement date if it is reasonably certain to exercise these options.

The details of maturity analysis on lease liabilities are stated under “37.5 Liquidity risk” in Note “37. Risk and capital management.”

16. Investments accounted for using the equity method

(1) Associates and joint ventures that are individually material

There were no associates nor joint ventures that are individually material during the previous fiscal year and the current fiscal year.

(2) Associates and joint ventures that are individually immaterial

The carrying amounts of investment in associates and joint ventures that are individually immaterial are as follows.

(Millions of yen)

	As of April 1, 2023 (Transition date)	As of March 31, 2024	As of March 31, 2025
Carrying amount			
Associates	43,172	46,739	40,752
Joint ventures	1,980	1,666	1,422
Total	45,152	48,405	42,175

Share of net income, other comprehensive income and total comprehensive income for associates and joint ventures that are individually immaterial are as follows.

(Millions of yen)

	Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)	Fiscal year ended March 31, 2025 (April 1, 2024 to March 31, 2025)
Associates		
Net income	2,322	(24,506)
Other comprehensive income	1,103	(324)
Total comprehensive income	3,425	(24,831)
Joint ventures		
Net income	(314)	(243)
Other comprehensive income	—	—
Total comprehensive income	(314)	(243)

For the fiscal year ended March 31, 2025, an impairment loss of 21,065 million yen on “Investments in associates” is recognized and included in “Investment gains and losses on the equity method.”

(3) Significant restrictions on fund transfer

Of the associates, insurance companies are subject to laws and regulations in the country of domicile, and are usually supervised by regulatory authorities in the relevant country. Therefore, due to the restriction on dividend (profit) repatriation, there are some cases where transfer of funds is restricted.

17. Insurance contracts and reinsurance contracts

The breakdown of assets and liabilities, separately presented on insurance contracts and reinsurance contracts, is as follows. Additionally, amounts of assets and liabilities recognized on the consolidated statement of financial position are classified by portfolio.

As of April 1, 2023 (Transition date)

(Millions of yen)

	Insurance contracts		Reinsurance contracts	
	Amount recorded in assets	Amount recorded in liabilities	Amount recorded in assets	Amount recorded in liabilities
P&C insurance business				
Assets or liabilities for remaining coverage	—	3,523,050	205,048	1,787
Assets or liabilities for incurred claims	—	3,209,150	867,352	(875)
Total of P&C insurance business	—	6,732,200	1,072,401	912
Of which, insurance contracts and reinsurance contracts measured by not applying the PAA				
Assets or liabilities for remaining coverage	—	2,783,522	25,504	—
Assets or liabilities for incurred claims	—	533,796	71,560	—
Subtotal	—	3,317,318	97,065	—
Of which, insurance contracts and reinsurance contracts measured by applying the PAA				
Assets or liabilities for remaining coverage	—	739,528	179,544	1,787
Assets or liabilities for incurred claims	—	2,675,353	795,791	(875)
Subtotal	—	3,414,882	975,335	912
Life insurance business				
Assets or liabilities for remaining coverage	54,597	2,674,299	518	—
Assets or liabilities for incurred claims	(33,397)	57,107	1,860	—
Total of life insurance business	21,199	2,731,407	2,378	—
Of which, insurance contracts and reinsurance contracts measured by not applying the PAA				
Assets or liabilities for remaining coverage	54,597	2,674,191	—	—
Assets or liabilities for incurred claims	(33,397)	52,106	—	—
Subtotal	21,199	2,726,297	—	—
Of which, insurance contracts and reinsurance contracts measured by applying the PAA				
Assets or liabilities for remaining coverage	—	108	518	—
Assets or liabilities for incurred claims	—	5,001	1,860	—
Subtotal	—	5,109	2,378	—
Amounts recognized in the consolidated statement of financial position	21,199	9,463,607	1,074,780	912

As of March 31, 2024

(Millions of yen)

	Insurance contracts		Reinsurance contracts	
	Amount recorded in assets	Amount recorded in liabilities	Amount recorded in assets	Amount recorded in liabilities
P&C insurance business				
Assets or liabilities for remaining coverage	—	3,314,510	233,909	—
Assets or liabilities for incurred claims	—	3,790,626	993,708	—
Total of P&C insurance business	—	7,105,137	1,227,617	—
Of which, insurance contracts and reinsurance contracts measured by not applying the PAA				
Assets or liabilities for remaining coverage	—	2,529,652	26,278	—
Assets or liabilities for incurred claims	—	537,818	80,811	—
Subtotal	—	3,067,471	107,089	—
Of which, insurance contracts and reinsurance contracts measured by applying the PAA				
Assets or liabilities for remaining coverage	—	784,857	207,631	—
Assets or liabilities for incurred claims	—	3,252,808	912,896	—
Subtotal	—	4,037,666	1,120,527	—
Life insurance business				
Assets or liabilities for remaining coverage	53,347	2,500,615	310	—
Assets or liabilities for incurred claims	(33,826)	55,866	2,010	—
Total of life insurance business	19,521	2,556,481	2,320	—
Of which, insurance contracts and reinsurance contracts measured by not applying the PAA				
Assets or liabilities for remaining coverage	53,347	2,500,503	—	—
Assets or liabilities for incurred claims	(33,826)	50,781	—	—
Subtotal	19,521	2,551,285	—	—
Of which, insurance contracts and reinsurance contracts measured by applying the PAA				
Assets or liabilities for remaining coverage	—	111	310	—
Assets or liabilities for incurred claims	—	5,084	2,010	—
Subtotal	—	5,195	2,320	—
Amounts recognized in the consolidated statement of financial position	19,521	9,661,618	1,229,937	—

As of March 31, 2025

(Millions of yen)

	Insurance contracts		Reinsurance contracts	
	Amount recorded in assets	Amount recorded in liabilities	Amount recorded in assets	Amount recorded in liabilities
P&C insurance business				
Assets or liabilities for remaining coverage	13,008	3,101,534	230,181	18,071
Assets or liabilities for incurred claims	(12,063)	4,043,856	977,260	(16,835)
Total of P&C insurance business	945	7,145,390	1,207,441	1,235
Of which, insurance contracts and reinsurance contracts measured by not applying the PAA				
Assets or liabilities for remaining coverage	—	2,258,681	25,801	—
Assets or liabilities for incurred claims	—	520,340	77,940	—
Subtotal	—	2,779,021	103,742	—
Of which, insurance contracts and reinsurance contracts measured by applying the PAA				
Assets or liabilities for remaining coverage	13,008	842,853	204,379	18,071
Assets or liabilities for incurred claims	(12,063)	3,523,516	899,319	(16,835)
Subtotal	945	4,366,369	1,103,698	1,235
Life insurance business				
Assets or liabilities for remaining coverage	48,615	2,144,396	352	—
Assets or liabilities for incurred claims	(33,266)	53,848	1,518	—
Total of life insurance business	15,349	2,198,244	1,871	—
Of which, insurance contracts and reinsurance contracts measured by not applying the PAA				
Assets or liabilities for remaining coverage	48,615	2,144,248	—	—
Assets or liabilities for incurred claims	(33,266)	48,818	—	—
Subtotal	15,349	2,193,067	—	—
Of which, insurance contracts and reinsurance contracts measured by applying the PAA				
Assets or liabilities for remaining coverage	—	147	352	—
Assets or liabilities for incurred claims	—	5,029	1,518	—
Subtotal	—	5,177	1,871	—
Amounts recognized in the consolidated statement of financial position	16,294	9,343,635	1,209,313	1,235

17.1 Inputs, assumptions, and estimation techniques used in the measurement of insurance contracts and reinsurance contracts

Fulfilment cash flows are comprised of:

- estimates of future cash flows;
- an adjustment to reflect the time value of money and the financial risk related to future cash flows, to the extent that the financial risks are not included in the estimates of future cash flows; and
- a risk adjustment for non-financial risk.

(1) Estimates of future cash flows

The objective in estimating future cash flows is to determine the expected value of a range of scenarios that reflects the full range of possible outcomes. The cash flows from each scenario are discounted after weighted by the estimated probability of the respective outcome to derive an expected present value. If there are significant interdependencies between cash flows that vary according to changes in market variables and other cash flows, then stochastic modelling techniques are used to estimate the expected present value. Stochastic modelling involves projecting future cash flows under a large number of possible economic scenarios for market variables such as interest rates and equity returns.

Furthermore, future cash flows are nominal cash flows, including the effects of inflation.

The Group calculates the assumptions about inflation based on the break-even inflation rate reflected in the most recently issued inflation-indexed government bonds and the latest consumer price index. Additionally, to maintain consistency with the interest rate extrapolation method, the inflation rate beyond the 31st year is linearly interpolated over 40 years to converge to the expected inflation rate within the ultimate forward rate.

P&C insurance business

Future cash flows are estimated by dividing into unexpired and expired periods, as described below.

<Unexpired periods>

The assumptions used in estimating future cash flows, such as loss ratios and maintenance expense ratios, take into account the type of products held by each company, contract contents, and the characteristics of future cash flows, and reflect information on recent actual results and performance in prior fiscal years.

The assumptions on loss ratios are calculated primarily using the past performance of each company; for some products, adjustments are made considering the impact of catastrophic loss events and seasonal characteristics.

The assumptions for maintenance expense ratios are calculated primarily using the past performance of each company, reflecting the characteristics of each expense.

Additionally, the Group also reflects assumptions regarding policyholder behavior, such as surrender rates, in future cash flows.

<Expired periods>

The Group estimates the ultimate cost of settling claims incurred but not yet paid at the reporting date, the loss adjustment expenses, and the value of salvage and other expected recoveries by reviewing individual claims reported and making allowance for claims incurred but not yet reported. The ultimate cost of settling claims is estimated using a range of loss reserving techniques (e.g. the chain-ladder method and the Bornhuetter-Ferguson methods). These techniques assume that each company's own claims experience is indicative of future claims development patterns and therefore the ultimate claims cost. The ultimate cost of settling claims is estimated separately for each line of business, except for large claims, which are assessed separately.

The assumptions used, including loss ratios and future claims inflation, are implicitly derived from the historical claims development data on which the projections are based, although judgement is applied to assess the extent to which past trends might not be applied in the future as new trends are expected to emerge.

The assumptions for loss adjustment expense ratios are calculated primarily using the past performance of each company, reflecting the characteristics of each expense.

Life insurance business

Assumptions about mortality, morbidity, maintenance expense ratios and policyholder behavior used in estimating future cash flows are developed by product type, reflecting recent experience and the profiles of policyholders within a group of insurance contracts.

Mortality and morbidity assumptions are generally developed using a blend of mortality data, industry trends and the local entity's recent experience. Experience is monitored through regular studies, the results of which are reflected both in the pricing of new products and in the measurement of existing contracts.

The assumptions for maintenance expense ratios are primarily based on a combination of the Group's latest actual results and past performance, reflecting the characteristics of each expense.

The assumptions for policyholder behavior are calculated based on the Group's contract management information, using statistical methods to reflect past experience and recent data trends.

(2) Determination of discount rates

All cash flows are discounted using risk-free yield curves adjusted to reflect the characteristics of the cash flows and the liquidity characteristics of the insurance contracts. The risk-free yield curve is interpolated between the last data point available in the market and an ultimate forward rate, based on observable market data such as government bonds and taking into account long-term real interest rate and inflation expectations. The ultimate forward rates (JPY) for the transition date, the previous fiscal year and the current fiscal year were 3.50%, 3.35%, and 3.20%, respectively.

The tables below set out the yield curves used to discount cash flows of insurance contracts for major currencies.

Spot rate (JPY)	1 year	3 years	5 years	10 years	20 years	30 years
As of April 1, 2023 (Transition date)	(0.10%)	(0.06%)	0.10%	0.36%	1.11%	1.39%
As of March 31, 2024	0.05%	0.20%	0.36%	0.73%	1.56%	1.93%
As of March 31, 2025	0.74%	1.00%	1.23%	1.62%	2.45%	2.81%

Spot rate (USD)	1 year	3 years	5 years	10 years	20 years	30 years
As of April 1, 2023 (Transition date)	5.21%	4.38%	4.15%	4.05%	4.19%	4.31%
As of March 31, 2024	5.43%	4.79%	4.58%	4.58%	4.74%	4.77%
As of March 31, 2025	4.53%	4.38%	4.46%	4.76%	5.14%	5.21%

Spot rate (EUR)	1 year	3 years	5 years	10 years	20 years	30 years
As of April 1, 2023 (Transition date)	3.23%	2.66%	2.51%	2.50%	2.66%	2.57%
As of March 31, 2024	3.54%	2.68%	2.49%	2.48%	2.70%	2.64%
As of March 31, 2025	2.24%	2.36%	2.58%	3.02%	3.37%	3.40%

(3) Determination of investment components

In all instances, the Group identifies the investment component of a contract by determining the amount required to be repaid to the policyholder even if an insured event does not occur in the policy administration processes. Investment components are excluded from insurance revenue and insurance service expenses.

(4) Risk adjustment for non-financial risk

The Group determines the risk adjustment for non-financial risks by taking into account the compensation for bearing non-financial risk, allocating the amount of adjustment to groups of contracts using methods that are systematic and rational. In addition, the risk adjustment for non-financial risks reflects the diversification benefit using a method that is consistent with the compensation required by the Group and reflects the degree of risk aversion.

The Group fundamentally determines the risk adjustment for non-financial risk using the cost of capital method, whereby the Group calculates the amount of such risk adjustment by multiplying the required capital amount on each future reporting date by the cost of capital rate and then discounting the amount with a risk-free rate adjusted for illiquidity. The required capital amount is calculated by first estimating the probability distribution of the present values of future cash flows arising from insurance contracts as of each future reporting date, and then determining the capital needed to fulfil contractual obligations for insurance claims and expense payments over the duration of the insurance contracts at a 99.5% confidence level. The cost of capital rate is determined as the additional return that investors would demand for exposure to non-financial risks. The cost of capital rate for the transition date, the previous fiscal year, and the current fiscal year are all set at 6%.

The risk adjustments for non-financial risk of the major insurance subsidiaries applying the cost of capital method correspond to the following confidence levels.

	As of April 1, 2023 (Transition date)	As of March 31, 2024	As of March 31, 2025
P&C insurance business	80.0%	79.5%	76.1%
Life insurance business	95.7%	92.4%	88.3%

(5) Determination of the relative weighting of the benefit provided by insurance coverage and investment-return services or investment-related services

In determining the benefits provided by insurance coverage and investment-return services (investment-related services for insurance contracts with direct participation features), for the P&C insurance business, the Group uses earned premiums as the insurance coverage and the surrender value, which corresponds to the investment components, as the investment return services. For the Life insurance business, the Group reflects the ratio of the principal coverage amount during the coverage period in the level and whole life converted premiums, and uses the risk premium portion and additional premium portion as the insurance coverage, and the savings premium portion as the investment-return services or investment-related services, to perform a relative weighting of the benefits.

17.2 P&C insurance business

(1) Insurance contracts and reinsurance contracts measured by not applying the PAA

(i) Reconciliation from the beginning to the ending balances of insurance contracts and reinsurance contracts measured by not applying the PAA

Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)

(Millions of yen)

	Insurance contracts			
	Assets or liabilities for remaining coverage		Assets or liabilities for incurred claims	Total
	Other than loss component	Loss component		
Beginning balance in assets	—	—	—	—
Beginning balance in liabilities	2,408,662	374,859	533,796	3,317,318
Beginning balance, net (assets)/liabilities	2,408,662	374,859	533,796	3,317,318
Insurance revenue	(1,201,293)	—	—	(1,201,293)
Insurance service expenses				
Incurred claims and other expenses	—	(55,812)	861,226	805,413
Amortization of acquisition expenses	175,392	—	—	175,392
Gains and losses on onerous contracts	—	22,689	—	22,689
Changes in assets or liabilities for incurred claims	—	—	19,367	19,367
Investment components and premium refunds	(207,517)	—	207,517	—
Insurance finance expenses, net	(28,887)	(1,589)	(1,223)	(31,700)
Translation differences	—	—	—	—
Others	1,135	(251)	(0)	883
Amount of cash flows				
Premiums received	1,236,557	—	—	1,236,557
Acquisition expenses paid	(194,291)	—	—	(194,291)
Claims paid and other expenses	—	—	(1,082,866)	(1,082,866)
Ending balance, net (assets)/liabilities	2,189,757	339,895	537,818	3,067,471
Ending balance in assets	—	—	—	—
Ending balance in liabilities	2,189,757	339,895	537,818	3,067,471

(Millions of yen)

	Reinsurance contracts			
	Assets or liabilities for remaining coverage		Assets or liabilities for incurred claims	Total
	Other than loss-recovery component	Loss-recovery component		
Beginning balance in assets	(24,595)	(908)	(71,560)	(97,065)
Beginning balance in liabilities	—	—	—	—
Beginning balance, net (assets)/liabilities	(24,595)	(908)	(71,560)	(97,065)
Income or expenses from reinsurance contracts held	101,493	426	(54,942)	46,977
Investment components and premium refunds	1,187	—	(1,187)	—
Reinsurance finance income, net	99	2	196	298
Changes in reinsurer's default risk	87	—	(9)	78
Translation differences	—	—	—	—
Others	2,372	(0)	1,634	4,006
Amount of cash flows				
Reinsurance premiums paid	(106,441)	—	—	(106,441)
Acquisition expenses paid	—	—	—	—
Reinsurance claims received and others	—	—	45,057	45,057
Ending balance, net (assets)/liabilities	(25,797)	(480)	(80,811)	(107,089)
Ending balance in assets	(25,797)	(480)	(80,811)	(107,089)
Ending balance in liabilities	—	—	—	—

Fiscal year ended March 31, 2025 (April 1, 2024 to March 31, 2025)

(Millions of yen)

	Insurance contracts			
	Assets or liabilities for remaining coverage		Assets or liabilities for incurred claims	Total
	Other than loss component	Loss component		
Beginning balance in assets	—	—	—	—
Beginning balance in liabilities	2,189,757	339,895	537,818	3,067,471
Beginning balance, net (assets)/liabilities	2,189,757	339,895	537,818	3,067,471
Insurance revenue	(1,237,562)	—	—	(1,237,562)
Insurance service expenses				
Incurred claims and other expenses	—	(46,660)	829,518	782,858
Amortization of acquisition expenses	189,205	—	—	189,205
Gains and losses on onerous contracts	—	(225)	—	(225)
Changes in assets or liabilities for incurred claims	—	—	18,687	18,687
Investment components and premium refunds	(193,322)	—	193,322	—
Insurance finance expenses, net	(69,364)	(731)	(3,187)	(73,283)
Translation differences	—	—	—	—
Others	555	(103)	(0)	451
Amount of cash flows				
Premiums received	1,288,292	—	—	1,288,292
Acquisition expenses paid	(201,053)	—	—	(201,053)
Claims paid and other expenses	—	—	(1,055,818)	(1,055,818)
Ending balance, net (assets)/liabilities	1,966,507	292,174	520,340	2,779,021
Ending balance in assets	—	—	—	—
Ending balance in liabilities	1,966,507	292,174	520,340	2,779,021

(Millions of yen)

	Reinsurance contracts			
	Assets or liabilities for remaining coverage		Assets or liabilities for incurred claims	Total
	Other than loss-recovery component	Loss-recovery component		
Beginning balance in assets	(25,797)	(480)	(80,811)	(107,089)
Beginning balance in liabilities	—	—	—	—
Beginning balance, net (assets)/liabilities	(25,797)	(480)	(80,811)	(107,089)
Income or expenses from reinsurance contracts held	113,205	263	(46,596)	66,872
Investment components and premium refunds	635	—	(635)	—
Reinsurance finance income, net	114	1	314	429
Changes in reinsurer's default risk	200	—	(24)	175
Translation differences	—	—	—	—
Others	321	(0)	(5,483)	(5,162)
Amount of cash flows				
Reinsurance premiums paid	(114,265)	—	—	(114,265)
Acquisition expenses paid	—	—	—	—
Reinsurance claims received and others	—	—	55,296	55,296
Ending balance, net (assets)/liabilities	(25,586)	(215)	(77,940)	(103,742)
Ending balance in assets	(25,586)	(215)	(77,940)	(103,742)
Ending balance in liabilities	—	—	—	—

(ii) Reconciliation from the beginning to the ending balances by component for the insurance contracts and reinsurance contracts in (i) above

Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)

(Millions of yen)

	Insurance contracts			
	Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total
Beginning balance in assets	—	—	—	—
Beginning balance in liabilities	3,082,936	174,608	59,773	3,317,318
Beginning balance, net (assets)/liabilities	3,082,936	174,608	59,773	3,317,318
Changes related to future services				
Contracts initially recognized	(103,523)	39,406	79,702	15,584
CSM adjustment	(34,309)	5,376	28,932	—
Changes in estimates related to losses and reversal of losses on onerous contracts	3,130	3,974	—	7,104
Changes related to current services				
CSM amortization	—	—	(106,867)	(106,867)
Changes in risk adjustment for non-financial risk	—	(45,897)	—	(45,897)
Experience adjustments	(67,722)	—	—	(67,722)
Changes related to past services				
Changes in assets or liabilities for incurred claims	21,275	(1,907)	—	19,367
Insurance finance expenses, net	(22,053)	(9,590)	(56)	(31,700)
Translation differences	—	—	—	—
Others	883	—	—	883
Amount of cash flows	(40,600)	—	—	(40,600)
Ending balance, net (assets)/liabilities	2,840,015	165,970	61,484	3,067,471
Ending balance in assets	—	—	—	—
Ending balance in liabilities	2,840,015	165,970	61,484	3,067,471

(Millions of yen)

	Reinsurance contracts			
	Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total
Beginning balance in assets	(68,892)	(3,805)	(24,367)	(97,065)
Beginning balance in liabilities	—	—	—	—
Beginning balance, net (assets)/liabilities	(68,892)	(3,805)	(24,367)	(97,065)
Changes related to future services				
Contracts initially recognized	38,805	(6,049)	(32,885)	(130)
CSM adjustment	4,404	(134)	(4,269)	—
Changes in estimates related to losses and reversal of losses on underlying onerous contracts	25	2	—	28
Changes related to current services				
CSM amortization	—	—	36,527	36,527
Changes in risk adjustment for non-financial risk	—	5,897	—	5,897
Experience adjustments	23,518	—	—	23,518
Changes related to past services				
Changes in assets or liabilities for incurred claims	(18,897)	33	—	(18,864)
Reinsurance finance income, net	267	8	21	298
Changes in reinsurer's default risk	78	—	—	78
Translation differences	—	—	—	—
Others	4,006	—	—	4,006
Amount of cash flows	(61,384)	—	—	(61,384)
Ending balance, net (assets)/liabilities	(78,068)	(4,047)	(24,973)	(107,089)
Ending balance in assets	(78,068)	(4,047)	(24,973)	(107,089)
Ending balance in liabilities	—	—	—	—

Fiscal year ended March 31, 2025 (April 1, 2024 to March 31, 2025)

	Insurance contracts			
	Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total
Beginning balance in assets	—	—	—	—
Beginning balance in liabilities	2,840,015	165,970	61,484	3,067,471
Beginning balance, net (assets)/liabilities	2,840,015	165,970	61,484	3,067,471
Changes related to future services				
Contracts initially recognized	(125,787)	43,213	93,041	10,467
CSM adjustment	(37,544)	1,206	36,338	—
Changes in estimates related to losses and reversal of losses on onerous contracts	(11,979)	1,286	—	(10,693)
Changes related to current services				
CSM amortization	—	—	(109,279)	(109,279)
Changes in risk adjustment for non-financial risk	—	(46,460)	—	(46,460)
Experience adjustments	(109,759)	—	—	(109,759)
Changes related to past services				
Changes in assets or liabilities for incurred claims	21,610	(2,922)	—	18,687
Insurance finance expenses, net	(57,341)	(16,063)	121	(73,283)
Translation differences	—	—	—	—
Others	451	—	—	451
Amount of cash flows	31,419	—	—	31,419
Ending balance, net (assets)/liabilities	2,551,085	146,230	81,705	2,779,021
Ending balance in assets	—	—	—	—
Ending balance in liabilities	2,551,085	146,230	81,705	2,779,021

(Millions of yen)

	Reinsurance contracts			
	Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total
Beginning balance in assets	(78,068)	(4,047)	(24,973)	(107,089)
Beginning balance in liabilities	—	—	—	—
Beginning balance, net (assets)/liabilities	(78,068)	(4,047)	(24,973)	(107,089)
Changes related to future services				
Contracts initially recognized	41,999	(6,098)	(35,943)	(41)
CSM adjustment	4,807	(29)	(4,777)	—
Changes in estimates related to losses and reversal of losses on underlying onerous contracts	23	2	—	26
Changes related to current services				
CSM amortization	—	—	38,553	38,553
Changes in risk adjustment for non-financial risk	—	6,071	—	6,071
Experience adjustments	33,024	—	—	33,024
Changes related to past services				
Changes in assets or liabilities for incurred claims	(11,185)	424	—	(10,760)
Reinsurance finance income, net	471	5	(46)	429
Changes in reinsurer's default risk	175	—	—	175
Translation differences	—	—	—	—
Others	(5,162)	—	—	(5,162)
Amount of cash flows	(58,968)	—	—	(58,968)
Ending balance, net (assets)/liabilities	(72,884)	(3,670)	(27,187)	(103,742)
Ending balance in assets	(72,884)	(3,670)	(27,187)	(103,742)
Ending balance in liabilities	—	—	—	—

- (iii) Effects of contracts initially recognized
- Effects of insurance contracts issued and reinsurance contracts held that are initially recognized in the period for the Group are as follows. No contracts are acquired from other entities in business combinations or transfers of contracts.

Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)

	Insurance contracts		Reinsurance contracts	
	Other than onerous contracts	Onerous contracts	Contracts without loss-recovery component on initial recognition	Contracts with loss-recovery component on initial recognition
Expected claims paid and received and other expenses	605,126	236,765	(59,446)	(2,061)
Acquisition expenses	112,598	68,711	—	—
Expected premiums received and paid	(819,270)	(307,456)	97,775	2,537
Risk adjustment for non-financial risk	21,842	17,563	(5,829)	(219)
CSM	79,702	—	(32,499)	(386)
Amount of losses (gains) recognized on initial recognition	—	15,584	—	(130)

(Millions of yen)

Fiscal year ended March 31, 2025 (April 1, 2024 to March 31, 2025)

(Millions of yen)

	Insurance contracts		Reinsurance contracts	
	Other than onerous contracts	Onerous contracts	Contracts without loss-recovery component on initial recognition	Contracts with loss-recovery component on initial recognition
Expected claims paid and received and other expenses	720,150	175,351	(64,021)	(1,180)
Acquisition expenses	145,249	50,360	—	—
Expected premiums received and paid	(991,207)	(225,692)	105,888	1,311
Risk adjustment for non-financial risk	32,765	10,448	(6,003)	(94)
CSM	93,041	—	(35,864)	(78)
Amount of losses (gains) recognized on initial recognition	—	10,467	—	(41)

(iv) Timing of CSM amortization

The timing of when CSM is expected to be recognized in profit or loss is as follows:

(Millions of yen)

	As of April 1, 2023 (Transition date)	
	Insurance contracts	Reinsurance contracts
Within 1 year	41,851	(16,636)
1–2 years	6,379	(3,156)
2–3 years	3,899	(2,019)
3–4 years	2,510	(1,206)
4–5 years	1,623	(614)
Over 5 years	3,509	(732)
Total CSM	59,773	(24,367)

(Millions of yen)

	As of March 31, 2024		As of March 31, 2025	
	Insurance contracts	Reinsurance contracts	Insurance contracts	Reinsurance contracts
Within 1 year	42,836	(16,870)	55,227	(19,003)
1–2 years	6,733	(3,252)	9,565	(3,321)
2–3 years	3,954	(2,051)	6,388	(2,073)
3–4 years	2,645	(1,233)	4,490	(1,243)
4–5 years	1,743	(652)	2,600	(665)
Over 5 years	3,571	(913)	3,433	(879)
Total CSM	61,484	(24,973)	81,705	(27,187)

(2) Insurance contracts and reinsurance contracts measured by applying the PAA

Reconciliation from the beginning to the ending balances for insurance contracts and reinsurance contracts measured by applying the PAA

Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)

(Millions of yen)

	Insurance contracts				
	Assets or liabilities for remaining coverage		Assets or liabilities for incurred claims		Total
	Other than loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	
Beginning balance in assets	—	—	—	—	—
Beginning balance in liabilities	727,689	11,839	2,554,290	121,063	3,414,882
Beginning balance, net (assets)/liabilities	727,689	11,839	2,554,290	121,063	3,414,882
Insurance revenue	(3,387,043)	—	—	—	(3,387,043)
Insurance service expenses					
Incurred claims and other expenses	—	—	2,395,003	37,051	2,432,055
Amortization of acquisition expenses	566,327	—	—	—	566,327
Gains and losses on onerous contracts	—	10,409	—	—	10,409
Changes in assets or liabilities for incurred claims	—	—	135,435	(41,152)	94,283
Investment components and premium refunds	(64,053)	—	64,053	—	—
Insurance finance expenses, net	2,120	(2,728)	153,070	7,470	159,933
Translation differences	34,149	(2,261)	248,192	13,714	293,795
Others	17,844	(823)	(28,206)	(604)	(11,789)
Amount of cash flows					
Premiums received	3,492,274	—	—	—	3,492,274
Acquisition expenses paid	(620,886)	—	—	—	(620,886)
Claims paid and other expenses	—	—	(2,406,575)	—	(2,406,575)
Ending balance, net (assets)/liabilities	768,422	16,434	3,115,264	137,543	4,037,666
Ending balance in assets	—	—	—	—	—
Ending balance in liabilities	768,422	16,434	3,115,264	137,543	4,037,666

(Millions of yen)

	Reinsurance contracts				
	Assets or liabilities for remaining coverage		Assets or liabilities for incurred claims		Total
	Other than loss-recovery component	Loss-recovery component	Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	
Beginning balance in assets	(174,685)	(4,858)	(746,243)	(49,547)	(975,335)
Beginning balance in liabilities	1,787	—	(806)	(68)	912
Beginning balance, net (assets)/liabilities	(172,897)	(4,858)	(747,050)	(49,616)	(974,423)
Income or expenses from reinsurance contracts held	753,292	(1,870)	(611,472)	10,367	150,317
Investment components and premium refunds	15,927	—	(15,927)	—	—
Reinsurance finance income, net	323	419	(51,080)	(2,936)	(53,273)
Changes in reinsurer's default risk	—	—	(1,799)	—	(1,799)
Translation differences	(20,346)	1,656	(85,989)	(5,344)	(110,023)
Others	(1,364)	(4)	14,401	614	13,646
Amount of cash flows					
Reinsurance premiums paid	(777,910)	—	—	—	(777,910)
Acquisition expenses paid	—	—	—	—	—
Reinsurance claims received and others	—	—	632,938	—	632,938
Ending balance, net (assets)/liabilities	(202,974)	(4,656)	(865,980)	(46,915)	(1,120,527)
Ending balance in assets	(202,974)	(4,656)	(865,980)	(46,915)	(1,120,527)
Ending balance in liabilities	—	—	—	—	—

Fiscal year ended March 31, 2025 (April 1, 2024 to March 31, 2025)

(Millions of yen)

	Insurance contracts				
	Assets or liabilities for remaining coverage		Assets or liabilities for incurred claims		Total
	Other than loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	
Beginning balance in assets	—	—	—	—	—
Beginning balance in liabilities	768,422	16,434	3,115,264	137,543	4,037,666
Beginning balance, net (assets)/liabilities	768,422	16,434	3,115,264	137,543	4,037,666
Insurance revenue	(3,573,241)	—	—	—	(3,573,241)
Insurance service expenses					
Incurred claims and other expenses	—	—	2,590,853	46,680	2,637,533
Amortization of acquisition expenses	640,633	—	—	—	640,633
Gains and losses on onerous contracts	—	(2,214)	—	—	(2,214)
Changes in assets or liabilities for incurred claims	—	—	869	(40,588)	(39,718)
Investment components and premium refunds	(63,555)	—	63,555	—	—
Insurance finance expenses, net	3,987	2,026	181,377	8,713	196,104
Translation differences	(32,683)	(1,556)	(18,580)	(2,368)	(55,189)
Others	(1,652)	(235)	(3,598)	(50)	(5,537)
Amount of cash flows					
Premiums received	3,739,888	—	—	—	3,739,888
Acquisition expenses paid	(666,410)	—	—	—	(666,410)
Claims paid and other expenses	—	—	(2,544,090)	—	(2,544,090)
Ending balance, net (assets)/liabilities	815,389	14,454	3,385,650	149,929	4,365,424
Ending balance in assets	(13,008)	0	11,537	526	(945)
Ending balance in liabilities	828,398	14,454	3,374,112	149,403	4,366,369

(Millions of yen)

	Reinsurance contracts				
	Assets or liabilities for remaining coverage		Assets or liabilities for incurred claims		Total
	Other than loss-recovery component	Loss-recovery component	Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	
Beginning balance in assets	(202,974)	(4,656)	(865,980)	(46,915)	(1,120,527)
Beginning balance in liabilities	—	—	—	—	—
Beginning balance, net (assets)/liabilities	(202,974)	(4,656)	(865,980)	(46,915)	(1,120,527)
Income or expenses from reinsurance contracts held	779,380	1,183	(489,275)	1,697	292,986
Investment components and premium refunds	9,393	—	(9,393)	—	—
Reinsurance finance income, net	162	(550)	(61,951)	(3,012)	(65,352)
Changes in reinsurer's default risk	—	—	(31)	—	(31)
Translation differences	14,094	533	2,568	861	18,058
Others	(857)	(225)	1,155	(213)	(141)
Amount of cash flows					
Reinsurance premiums paid	(781,793)	—	—	—	(781,793)
Acquisition expenses paid	—	—	—	—	—
Reinsurance claims received and others	—	—	554,337	—	554,337
Ending balance, net (assets)/liabilities	(182,593)	(3,714)	(868,571)	(47,583)	(1,102,463)
Ending balance in assets	(200,664)	(3,714)	(852,595)	(46,723)	(1,103,698)
Ending balance in liabilities	18,071	—	(15,976)	(859)	1,235

(3) Comparison of actual claims and previous estimates of the undiscounted amount of the claims (i.e. claims development)

Claims development (before reinsurance contracts) is as follows. Due to the transition treatment, the Company has not disclosed claims development for accident year 2019 or before.

(Millions of yen)

Number of years passed	Accident year					
	Total	FY2020	FY2021	FY2022	FY2023	FY2024
At the end of accident year	—	2,042,730	2,321,304	2,899,941	2,799,343	2,835,291
1 year later	—	2,077,549	2,349,876	2,964,990	2,762,865	—
2 years later	—	2,106,184	2,346,906	2,948,153	—	—
3 years later	—	2,117,541	2,368,617	—	—	—
4 years later	—	2,167,049	—	—	—	—
Estimate of undiscounted cumulative claims	13,081,976	2,167,049	2,368,617	2,948,153	2,762,865	2,835,291
Cumulative payments to date	9,340,286	1,949,428	1,994,950	2,314,269	1,897,673	1,183,965
Undiscounted future cash outflows	3,741,690	217,621	373,667	633,883	865,192	1,651,325
Cumulative claims before 2019	534,401					
Effect of discounting	(405,423)					
Others	185,252					
Assets or liabilities for incurred claims	4,055,920					

17.3 Life insurance business

(1) Insurance contracts measured by not applying the PAA

- (i) Reconciliation from the beginning to the ending balances for insurance contracts measured by not applying the PAA

Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)

(Millions of yen)

	Insurance contracts			
	Assets or liabilities for remaining coverage		Assets or liabilities for incurred claims	Total
	Other than loss component	Loss component		
Beginning balance in assets	(54,597)	—	33,397	(21,199)
Beginning balance in liabilities	2,669,517	4,673	52,106	2,726,297
Beginning balance, net (assets)/liabilities	2,614,920	4,673	85,504	2,705,098
Insurance revenue	(238,364)	—	—	(238,364)
Insurance service expenses				
Incurred claims and other expenses	—	(475)	105,876	105,401
Amortization of acquisition expenses	46,890	—	—	46,890
Gain and loss on onerous contracts	—	(71)	—	(71)
Changes in assets or liabilities for incurred claims	—	—	(278)	(278)
Investment component and premium refunds	(137,530)	—	137,530	—
Insurance finance expenses, net	(190,431)	94	(306)	(190,643)
Translation differences	—	—	—	—
Others	479	—	(0)	479
Amount of cash flows				
Premiums received	418,720	—	—	418,720
Acquisition expenses paid	(71,750)	—	—	(71,750)
Claims paid and other expenses	—	—	(243,717)	(243,717)
Ending balance, net (assets)/liabilities	2,442,934	4,221	84,608	2,531,764
Ending balance in assets	(53,347)	—	33,826	(19,521)
Ending balance in liabilities	2,496,282	4,221	50,781	2,551,285

Fiscal year ended March 31, 2025 (April 1, 2024 to March 31, 2025)

(Millions of yen)

	Insurance contracts			
	Assets or liabilities for remaining coverage		Assets or liabilities for incurred claims	Total
	Other than loss component	Loss component		
Beginning balance in assets	(53,347)	—	33,826	(19,521)
Beginning balance in liabilities	2,496,282	4,221	50,781	2,551,285
Beginning balance, net (assets)/liabilities	2,442,934	4,221	84,608	2,531,764
Insurance revenue	(244,665)	—	—	(244,665)
Insurance service expenses				
Incurred claims and other expenses	—	(531)	114,062	113,530
Amortization of acquisition expenses	49,324	—	—	49,324
Gain and loss on onerous contracts	—	2,120	—	2,120
Changes in assets or liabilities for incurred claims	—	—	47	47
Investment component and premium refunds	(129,873)	—	129,873	—
Insurance finance expenses, net	(372,114)	64	(1,695)	(373,745)
Translation differences	—	—	—	—
Others	399	—	(5)	394
Amount of cash flows				
Premiums received	420,082	—	—	420,082
Acquisition expenses paid	(76,329)	—	—	(76,329)
Claims paid and other expenses	—	—	(244,805)	(244,805)
Ending balance, net (assets)/liabilities	2,089,757	5,874	82,085	2,177,718
Ending balance in assets	(48,615)	0	33,266	(15,349)
Ending balance in liabilities	2,138,373	5,874	48,818	2,193,067

(ii) Reconciliation from the beginning to the ending balances by component for the insurance contracts in (i) above

Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)

(Millions of yen)

	Insurance contracts			
	Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total
Beginning balance in assets	(122,009)	23,058	77,752	(21,199)
Beginning balance in liabilities	1,744,479	380,341	601,476	2,726,297
Beginning balance, net (assets)/liabilities	1,622,469	403,400	679,228	2,705,098
Changes related to future services				
Contracts initially recognized	(97,066)	28,954	68,112	—
CSM adjustment	20,239	(73,015)	52,775	—
Changes in estimates related to losses and reversal of losses on onerous contracts	5	(76)	—	(71)
Changes related to current services				
CSM amortization	—	—	(56,965)	(56,965)
Changes in risk adjustment for non-financial risk	—	(27,294)	—	(27,294)
Experience adjustments	(1,812)	—	—	(1,812)
Changes related to past services				
Changes in assets or liabilities for incurred claims	(278)	—	—	(278)
Insurance finance expenses, net	(210,323)	972	18,707	(190,643)
Translation differences	—	—	—	—
Others	479	—	—	479
Amount of cash flows	103,252	—	—	103,252
Ending balance, net (assets)/liabilities	1,436,965	332,940	761,858	2,531,764
Ending balance in assets	(110,085)	17,042	73,521	(19,521)
Ending balance in liabilities	1,547,050	315,898	688,336	2,551,285

Fiscal year ended March 31, 2025 (April 1, 2024 to March 31, 2025)

(Millions of yen)

	Insurance contracts			
	Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total
Beginning balance in assets	(110,085)	17,042	73,521	(19,521)
Beginning balance in liabilities	1,547,050	315,898	688,336	2,551,285
Beginning balance, net (assets)/liabilities	1,436,965	332,940	761,858	2,531,764
Changes related to future services				
Contracts initially recognized	(89,630)	19,755	69,874	—
CSM adjustment	46,957	(1,239)	(45,717)	—
Changes in estimates related to losses and reversal of losses on onerous contracts	2,064	56	—	2,120
Changes related to current services				
CSM amortization	—	—	(61,205)	(61,205)
Changes in risk adjustment for non-financial risk	—	(22,079)	—	(22,079)
Experience adjustments	1,474	—	—	1,474
Changes related to past services				
Changes in assets or liabilities for incurred claims	47	—	—	47
Insurance finance expenses, net	(363,341)	(22,343)	11,939	(373,745)
Translation differences	—	—	—	—
Others	394	—	—	394
Amount of cash flows	98,946	—	—	98,946
Ending balance, net (assets)/liabilities	1,133,878	307,090	736,749	2,177,718
Ending balance in assets	(102,733)	15,535	71,848	(15,349)
Ending balance in liabilities	1,236,611	291,554	664,900	2,193,067

(iii) Effects of contracts initially recognized

Effects of insurance contracts issued that are initially recognized in the period for the Group are as follows. No contracts are acquired from other entities in business combinations or transfers of contracts.

Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)

(Millions of yen)

	Insurance contracts	
	Other than onerous contracts	Onerous contracts
Expected claims paid and other expenses	326,038	—
Acquisition expenses	61,240	—
Expected premiums received	(484,345)	—
Risk adjustment for non-financial risk	28,954	—
CSM	68,112	—
Amount of loss (gain) recognized on initial recognition	—	—

Fiscal year ended March 31, 2025 (April 1, 2024 to March 31, 2025)

(Millions of yen)

	Insurance contracts	
	Other than onerous contracts	Onerous contracts
Expected claims paid and other expenses	277,615	—
Acquisition expenses	59,120	—
Expected premiums received	(426,366)	—
Risk adjustment for non-financial risk	19,755	—
CSM	69,874	—
Amount of loss (gain) recognized on initial recognition	—	—

(iv) Timing of CSM amortization

The timing of when CSM is expected to be recognized in profit or loss is as follows:

(Millions of yen)

	As of April 1, 2023 (Transition date)	As of March 31, 2024	As of March 31, 2025
Within 1 year	43,416	48,300	47,517
1–2 years	39,846	44,381	43,659
2–3 years	36,569	40,761	40,088
3–4 years	33,560	37,405	36,838
4–5 years	30,866	34,490	34,064
5–10 years	125,259	141,637	140,149
Over 10 years	369,709	414,881	394,432
Total CSM	679,228	761,858	736,749

(2) Insurance contracts and reinsurance contracts measured by applying the PAA

Reconciliation from the beginning to the ending balances for insurance contracts and reinsurance contracts measured by applying the PAA

Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)

(Millions of yen)

	Insurance contracts				
	Assets or liabilities for remaining coverage		Assets or liabilities for incurred claims		Total
	Other than loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	
Beginning balance in assets	—	—	—	—	—
Beginning balance in liabilities	108	—	5,001	—	5,109
Beginning balance, net (assets)/liabilities	108	—	5,001	—	5,109
Insurance revenue	(10,129)	—	—	—	(10,129)
Insurance service expenses					
Incurred claims and other expenses	—	—	9,454	—	9,454
Amortization of acquisition expenses	158	—	—	—	158
Gain or loss on onerous contracts	—	—	—	—	—
Changes in assets or liabilities for incurred claims	—	—	—	—	—
Investment component and premium refunds	—	—	—	—	—
Insurance finance expenses, net	—	—	—	—	—
Translation differences	—	—	—	—	—
Others	—	—	—	—	—
Amount of cash flows					
Premiums received	10,132	—	—	—	10,132
Acquisition expenses paid	(158)	—	—	—	(158)
Claims paid and other expenses	—	—	(9,371)	—	(9,371)
Ending balance, net (assets)/liabilities	111	—	5,084	—	5,195
Ending balance in assets	—	—	—	—	—
Ending balance in liabilities	111	—	5,084	—	5,195

Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)

(Millions of yen)

	Reinsurance contracts				
	Assets or liabilities for remaining coverage		Assets or liabilities for incurred claims		Total
	Other than loss-recovery component	Loss-recovery component	Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	
Beginning balance in assets	(331)	(187)	(1,860)	—	(2,378)
Beginning balance in liabilities	—	—	—	—	—
Beginning balance, net (assets)/liabilities	(331)	(187)	(1,860)	—	(2,378)
Income or expenses from reinsurance contracts held	4,045	5	(3,595)	—	455
Investment component and premium refunds	—	—	—	—	—
Reinsurance finance revenue, net	—	—	—	—	—
Changes in reinsurer's default risk	—	—	—	—	—
Translation differences	—	—	—	—	—
Others	53	—	(164)	—	(110)
Amount of cash flows					
Reinsurance premiums paid	(3,895)	—	—	—	(3,895)
Acquisition expenses paid	—	—	—	—	—
Reinsurance claims received and others	—	—	3,609	—	3,609
Ending balance, net (assets)/liabilities	(128)	(181)	(2,010)	—	(2,320)
Ending balance in assets	(128)	(181)	(2,010)	—	(2,320)
Ending balance in liabilities	—	—	—	—	—

Fiscal year ended March 31, 2025 (April 1, 2024 to March 31, 2025)

	Insurance contracts				
	Assets or liabilities for remaining coverage		Assets or liabilities for incurred claims		Total
	Other than loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	
Beginning balance in assets	—	—	—	—	—
Beginning balance in liabilities	111	—	5,084	—	5,195
Beginning balance, net (assets)/liabilities	111	—	5,084	—	5,195
Insurance revenue	(10,050)	—	—	—	(10,050)
Insurance service expenses					
Incurred claims and other expenses	—	—	9,178	—	9,178
Amortization of acquisition expenses	164	—	—	—	164
Gain or loss on onerous contracts	—	—	—	—	—
Changes in assets or liabilities for incurred claims	—	—	—	—	—
Investment component and premium refunds	—	—	—	—	—
Insurance finance expenses, net	—	—	—	—	—
Translation differences	—	—	—	—	—
Others	—	—	—	—	—
Amount of cash flows					
Premiums received	10,087	—	—	—	10,087
Acquisition expenses paid	(164)	—	—	—	(164)
Claims paid and other expenses	—	—	(9,233)	—	(9,233)
Ending balance, net (assets)/liabilities	147	—	5,029	—	5,177
Ending balance in assets	—	—	—	—	—
Ending balance in liabilities	147	—	5,029	—	5,177

(Millions of yen)

Fiscal year ended March 31, 2025 (April 1, 2024 to March 31, 2025)

	Reinsurance contracts				
	Assets or liabilities for remaining coverage		Assets or liabilities for incurred claims		Total
	Other than loss-recovery component	Loss-recovery component	Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	
Beginning balance in assets	(128)	(181)	(2,010)	—	(2,320)
Beginning balance in liabilities	—	—	—	—	—
Beginning balance, net (assets)/liabilities	(128)	(181)	(2,010)	—	(2,320)
Income or expenses from reinsurance contracts held	4,026	(65)	(3,587)	—	373
Investment component and premium refunds	—	—	—	—	—
Reinsurance finance revenue, net	—	—	—	—	—
Changes in reinsurer's default risk	—	—	—	—	—
Translation differences	—	—	—	—	—
Others	(37)	—	557	—	519
Amount of cash flows					
Reinsurance premiums paid	(3,966)	—	—	—	(3,966)
Acquisition expenses paid	—	—	—	—	—
Reinsurance claims received and others	—	—	3,521	—	3,521
Ending balance, net (assets)/liabilities	(105)	(247)	(1,518)	—	(1,871)
Ending balance in assets	(105)	(247)	(1,518)	—	(1,871)
Ending balance in liabilities	—	—	—	—	—

(Millions of yen)

(3) Comparison of actual claims and previous estimates of the undiscounted amount of the claims (i.e. claims development)

In the life insurance business, the Group has not disclosed claims development table as the uncertainty about the amount and timing of the claims payments is typically resolved within one year.

17.4 Transition to IFRS 17

On transition to IFRS 17, the Group applies the full retrospective approach to the extent practicable. However, in identifying and measuring certain groups of contracts, the Group applied the modified retrospective approach or the fair value approach as the Group did not have reasonable and supportable information to apply IFRS 17 retrospectively.

For the P&C insurance business, domestic insurance companies apply the full retrospective approach to groups of insurance contracts and reinsurance contracts related to new contracts on or after January 1, 2022. For other groups of insurance and reinsurance contracts, the fair value approach is applied. Additionally, overseas insurance companies apply the full retrospective approach to groups of insurance and reinsurance contracts related to new contracts on or after January 1, 2020. For other groups of insurance and reinsurance contracts, the modified retrospective approach is applied.

For the life insurance business, the full retrospective approach is applied to groups of insurance contracts related to new contracts on or after April 1, 2022. For other groups of insurance contracts, the fair value approach is applied to variable insurance contracts, and the modified retrospective approach is applied to non-variable insurance contracts.

For the contracts to which the modified retrospective approach is applied, the Group determined the CSM or the loss component of the liability for remaining coverage at the date of transition based on assumptions and estimates of cash flows with reasonable and supportable information available at the date of transition. In addition, for the insurance contracts acquired through a business combination that falls within the scope of IFRS 3 *Business Combinations* (hereinafter "IFRS 3"), insurance liabilities for loss incurred prior to the business combination are categorized to insurance liabilities for incurred claims.

For the contracts to which the fair value approach is applied, the Group determined the CSM or the loss component of the liability for remaining coverage at the date of transition as the difference between the fair value of the group of contracts and the fulfilment cash flows based on reasonable and supportable information available at the date of transition. In addition, for all groups of contracts measured under the fair value approach, the amount of insurance finance income and expenses accumulated in OCI at the date of transition was determined to be zero.

For the groups of contracts to which the modified retrospective approach or the fair value approach is applied at the transition date, the effects on CSM and insurance revenue are as follows:

(1) Effects on CSM

(i) P&C insurance business

Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)

(Millions of yen)

	Insurance contracts				Reinsurance contracts			
	Modified retrospective approach	Fair value approach	Others	Total	Modified retrospective approach	Fair value approach	Others	Total
Beginning balance (assets)/liabilities	—	20,054	39,718	59,773	—	(9,090)	(15,276)	(24,367)
Changes related to future services								
Contracts initially recognized	—	—	79,702	79,702	—	—	(32,885)	(32,885)
CSM adjustment	—	820	28,112	28,932	—	(500)	(3,768)	(4,269)
Changes related to current services								
CSM amortization	—	(7,515)	(99,351)	(106,867)	—	4,116	32,411	36,527
Insurance finance expenses, net and reinsurance finance revenue, net	—	(17)	(38)	(56)	—	7	14	21
Translation differences	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—
Ending balance (assets)/liabilities	—	13,342	48,142	61,484	—	(5,466)	(19,506)	(24,973)

Fiscal year ended March 31, 2025 (April 1, 2024 to March 31, 2025)

(Millions of yen)

	Insurance contracts				Reinsurance contracts			
	Modified retrospective approach	Fair value approach	Others	Total	Modified retrospective approach	Fair value approach	Others	Total
Beginning balance (assets)/liabilities	—	13,342	48,142	61,484	—	(5,466)	(19,506)	(24,973)
Changes related to future services								
Contracts initially recognized	—	—	93,041	93,041	—	—	(35,943)	(35,943)
CSM adjustment	—	1,339	34,998	36,338	—	(271)	(4,506)	(4,777)
Changes related to current services								
CSM amortization	—	(4,706)	(104,573)	(109,279)	—	2,567	35,986	38,553
Insurance finance expenses, net and reinsurance finance revenue, net	—	(2)	123	121	—	0	(47)	(46)
Translation differences	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—
Ending balance (assets)/liabilities	—	9,973	71,732	81,705	—	(3,169)	(24,017)	(27,187)

(ii) Life insurance business
Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)

	Insurance contracts				Reinsurance contracts			
	Modified retrospective approach	Fair value approach	Others	Total	Modified retrospective approach	Fair value approach	Others	Total
Beginning balance (assets)/liabilities	625,363	551	53,313	679,228	—	—	—	—
Changes related to future services								
Contracts initially recognized	—	—	68,112	68,112	—	—	—	—
CSM adjustment	63,473	(3,112)	(7,585)	52,775	—	—	—	—
Changes related to current services								
CSM amortization	(50,598)	(217)	(6,150)	(56,965)	—	—	—	—
Insurance finance expenses, net and reinsurance finance revenue, net	10,639	7,814	253	18,707	—	—	—	—
Translation differences	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—
Ending balance (assets)/liabilities	648,878	5,036	107,943	761,858	—	—	—	—

Fiscal year ended March 31, 2025 (April 1, 2024 to March 31, 2025)

	Insurance contracts				Reinsurance contracts			
	Modified retrospective approach	Fair value approach	Others	Total	Modified retrospective approach	Fair value approach	Others	Total
Beginning balance (assets)/liabilities	648,878	5,036	107,943	761,858	—	—	—	—
Changes related to future services								
Contracts initially recognized	—	—	69,874	69,874	—	—	—	—
CSM adjustment	(19,850)	(106)	(25,760)	(45,717)	—	—	—	—
Changes related to current services								
CSM amortization	(50,752)	(405)	(10,047)	(61,205)	—	—	—	—
Insurance finance expenses, net and reinsurance finance revenue, net	11,742	1,666	(1,469)	11,939	—	—	—	—
Translation differences	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—
Ending balance (assets)/liabilities	590,018	6,190	140,541	736,749	—	—	—	—

(2) Effects on insurance revenue

	Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)			Fiscal year ended March 31, 2025 (April 1, 2024 to March 31, 2025)		
	P&C insurance business	Life insurance business	Total	P&C insurance business	Life insurance business	Total
Modified retrospective approach	31,031	211,909	242,940	7,570	200,937	208,508
Fair value approach	196,765	492	197,258	147,193	686	147,879
Others	4,360,539	36,091	4,396,631	4,656,040	53,092	4,709,133
Total	4,588,336	248,493	4,836,830	4,810,804	254,716	5,065,520

(3) Reconciliation of other comprehensive income on financial assets

For financial assets related to insurance contracts to which transitional provisions on other comprehensive income are applied, reconciliation of the cumulative amount included in other comprehensive income is as follows:

	Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)	Fiscal year ended March 31, 2025 (April 1, 2024 to March 31, 2025)
Beginning balance	141	(8,554)
Amount recognized during the period	(21,565)	(28,831)
Reclassification adjustment	9,504	33,227
Tax effect	3,364	(1,107)
Ending balance	(8,554)	(5,265)

18. Income taxes

(1) Details of deferred tax assets and deferred tax liabilities

The reconciliation of deferred tax assets and deferred tax liabilities by class of temporary differences is as follows.

Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)

	Balance as of April 1, 2023	Recognized in profit or loss	Recognized in OCI	Others	Balance as of March 31, 2024
Deferred tax assets					
Insurance or reinsurance contracts	271,151	(4,663)	(69,084)	—	197,402
Investment securities	49,240	(6,728)	64,524	—	107,036
Fixed assets	42,195	59,408	2,827	185	104,617
Employee benefits	42,933	(986)	919	8	42,875
Lease liabilities	84,099	(10,849)	0	—	73,250
Others	34,591	(8,078)	1,291	379	28,183
Subtotal	524,211	28,101	478	573	553,365
Deferred tax liabilities					
Insurance or reinsurance contracts	340,156	15,854	12,555	—	368,566
Investment securities	371,440	40,187	150,766	(1)	562,392
Employee benefits	7,998	(85)	8,440	—	16,353
Right-of-use assets	85,006	(10,817)	—	—	74,189
Others	21,807	(4,592)	516	3,086	20,818
Subtotal	826,410	40,545	172,279	3,085	1,042,321
Net amount of deferred tax assets (liabilities)	(302,199)	(12,443)	(171,800)	(2,511)	(488,955)

Fiscal year ended March 31, 2025 (April 1, 2024 to March 31, 2025)

(Millions of yen)					
	Balance as of April 1, 2024	Recognized in profit or loss	Recognized in OCI	Others	Balance as of March 31, 2025
Deferred tax assets					
Insurance or reinsurance contracts	197,402	1,275	(100,166)	—	98,510
Investment securities	107,036	(12,415)	98,144	—	192,766
Fixed assets	104,617	2,051	(777)	24	105,915
Employee benefits	42,875	1,316	3,367	—	47,559
Lease liabilities	73,250	(468)	(0)	—	72,782
Others	28,183	21,246	(53)	—	49,376
Subtotal	553,365	13,006	514	24	566,910
Deferred tax liabilities					
Insurance or reinsurance contracts	368,566	27,015	48,304	—	443,886
Investment securities	562,392	(23,194)	(66,296)	—	472,901
Employee benefits	16,353	(51)	183	—	16,486
Right-of-use assets	74,189	(347)	—	—	73,842
Others	20,818	1,863	(111)	(203)	22,366
Subtotal	1,042,321	5,285	(17,919)	(203)	1,029,482
Net amount of deferred tax assets (liabilities)	(488,955)	7,721	18,434	227	(462,572)

In recognizing deferred tax assets, the Group considers the probability that some or all future deductible temporary differences, unused tax losses and unused tax credits will be available for future taxable income. For the assessment of the recoverability of deferred tax assets, consideration is given to reversal of deferred tax liabilities, projected future taxable income and tax planning. On the basis of the past taxable income level and the prospects on future taxable income for the period during which deferred tax assets can be deducted, the Group believes it is highly probable that the deferred tax assets recognized at the end of the fiscal year will be recovered.

Additionally, deferred tax assets are recognized to the extent that it is probable that taxable income will be available against which the deductible temporary differences can be utilized. However, the assessment of recoverability is based on estimates of taxable income for each future fiscal year determined by the Group's business plan. These estimates of future taxable income are subject to potential impacts of uncertain economic conditions in the future, which pose a risk of significant adjustments to the carrying amount of deferred tax assets over time.

(2) Unrecognized deferred tax assets and deferred tax liabilities

Deductible temporary differences for which deferred tax assets have not been recognized, unused tax losses and expiration dates are as follows. Additionally, amounts are stated as the tax amounts.

(Millions of yen)			
	As of April 1, 2023 (Transition date)	As of March 31, 2024	As of March 31, 2025
Deductible temporary differences	33,109	28,710	29,659
Unused tax losses			
Within 1 year	2,055	1,475	1,629
1–2 years	1,614	1,629	1,494
2–3 years	1,629	1,446	—
3–4 years	1,651	—	1,333
4–5 years	576	2,611	3,539
Over 5 years (Note)	20,175	19,986	20,067

(Note) Unused tax losses over 5 years are mainly those without an expiration date arising primarily from the overseas insurance business.

Total taxable temporary differences related to investments in subsidiaries and others for which deferred tax liabilities have not been recognized are 1,661,442 million yen, 2,119,894 million yen and 2,276,251 million yen as of April 1, 2023 (transition date), March 31, 2024 and March 31, 2025, respectively. Deferred tax liabilities have not been recognized as the Group is able to control the timing to reverse the temporary differences and the likelihood is high that the temporary differences will not be reversed within a predictable period.

(3) Income tax expenses

The breakdown of income tax expenses in the consolidated statement of income are as follows:

(Millions of yen)		
	Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)	Fiscal year ended March 31, 2025 (April 1, 2024 to March 31, 2025)
Current tax expenses	70,345	92,790
Deferred tax expenses		
Origination and reversal of temporary differences	8,628	(24,496)
Effects from changes in tax rate	(938)	9,454
Changes in unused tax losses	9,452	2,374
Changes in unrecognized deferred tax assets	(4,698)	4,946
Subtotal	12,443	(7,721)
Income tax expenses recognized in the consolidated statement of income	82,789	85,068

(Note) Current tax expenses for the current fiscal year includes 4,527 million yen of tax expense due to Global minimum tax.

(4) Effective tax rate

The reconciliation from the statutory effective tax rate to the actual average effective tax rate is as follows:

(%)		
	Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)	Fiscal year ended March 31, 2025 (April 1, 2024 to March 31, 2025)
Statutory effective tax rate in Japan	30.6	30.6
Difference in tax rates of subsidiaries	(6.4)	(13.0)
Effects from changes in tax rate	(0.1)	3.1
Investment gains (losses) on the equity method	(0.1)	2.3
Dividend income deducted from taxable profit	(0.9)	(1.9)
Entertainment expenses deducted from deductible expenses	0.2	1.6
Global minimum tax	—	1.4
Changes in unrecognized deferred tax assets	(0.9)	0.7
Others	(8.8)	1.1
Actual average effective tax rate	13.5	25.8

The Company is subject to corporate tax, inhabitant tax and enterprise tax, and the statutory effective tax rate based on these taxes is 30.6% for the current and previous fiscal years. For overseas subsidiaries, local corporate income taxes are imposed.

(Effects from changes in corporate tax rate)

“Act for Partial Revision of the Income Tax Act, etc.” (Act No. 13 of 2025) was enacted by the Diet on March 31, 2025, whereby a special defense corporation tax will be imposed from a fiscal year beginning on or after April 1, 2026.

In line with this, the effective statutory income tax rate for the calculation of deferred tax assets and deferred tax liabilities relating to temporary differences expected to be eliminated in and after a fiscal year beginning on or after April 1, 2026, was primarily changed from 27.9% to 28.9%.

As a result of this change, deferred tax liabilities (after deducting deferred tax assets) increased by 18,796 million yen, insurance contract liabilities increased by 2,967 million yen, income tax expenses increased by 9,662 million yen, and net income attributable to owners of parent decreased by 12,624 million yen, for the fiscal year ended March 31, 2025.

(5) Global Minimum Tax

To comply with the Global Minimum Tax system agreed by the Organization for Economic Co-operation and Development (OECD) in October 2021, Japan introduced corporate taxes and other related taxes on the international minimum taxable amount, effective from April 1, 2024. The Group has applied the revised IAS 12, published in May 2023. In accordance with this revision, the Group has not recognized or disclosed deferred tax assets and liabilities related to corporate income taxes arising from the Global Minimum Tax system.

In connection with the Global Minimum Tax imposed on the Group, it recognized 4,527 million yen in current tax expenses. As noted above, the revised tax law in Japan related to this matter was applied from the fiscal year beginning on or after April 1, 2024. Therefore, there is no impact on tax expenses for the previous fiscal year.

19. Employee benefits

(1) Overview of retirement benefit plans

The Company has introduced defined benefit pension plans, such as a retirement lump sum payment plan, in addition to defined contribution pension plans.

Sompo Japan Insurance Inc., a subsidiary, has introduced a retirement lump-sum payment plan, a contract-type pension plan covering pensioners and waiting beneficiaries, and a retirement pension plan managed by the subsidiary itself as part of its defined benefit pension plans, in addition to defined contribution pension plans. Corporate pension systems in Japan have uniform rules for funding standards, fiduciary responsibility, information disclosure, etc. Based on the basic policy for the management of pension assets, relevant departments conduct meetings to discuss investment policies and results as required. A financial reassessment is conducted at least every five years based on the company’s financial status and asset management outlook, and if funding standards are not met, contributions are increased.

Plan assets are legally separated from the Group. Asset management trustees are responsible for plan assets, obligated to fulfil fiduciary duties to the pension system participants, responsibilities such as obligations for diversified investment, and are prohibited from engaging in actions that pose a conflict of interest. Additionally, a retirement benefit trust has also been established.

Other domestic subsidiaries have unfunded-type retirement lump-sum payment plans as defined benefit plans as well as defined contribution pension plans. Certain overseas subsidiaries have defined contribution-type and defined benefit-type retirement benefit plans.

(2) Defined benefit plans

(i) Reconciliation from the beginning to the ending balances of defined benefit obligation

(Millions of yen)

	Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)	Fiscal year ended March 31, 2025 (April 1, 2024 to March 31, 2025)
Beginning balance	166,730	156,215
Current service cost	10,427	9,902
Interest expenses	1,999	2,178
Remeasurement of defined benefit obligation		
Changes in demographic assumptions	(2,636)	(705)
Changes in financial assumptions	(3,155)	(6,693)
Experience adjustments	2,769	2,305
Amount of benefits paid	(20,077)	(19,526)
Past service cost	1	4,085
Translation differences	271	(299)
Others	(117)	(6)
Ending balance	156,215	147,455

Retirement benefit costs on defined benefit plans are recognized in “Insurance service expenses,” “Expenses related to investment,” “Administrative expenses,” and “Other expenses” on the consolidated statement of income.

Following the revision of part of the retirement lump-sum payment plans, past service cost of 4,085 million yen was incurred and recognized in profit or loss.

Weighted average durations of the defined benefit obligation in Sompo Japan Insurance, Inc., a major subsidiary, are mainly 7.1 years, 6.9 years and 6.6 years at the transition date, at the end of the previous fiscal year, and at the end of the current fiscal year, respectively. Significant actuarial assumptions used in the measurement of the present value of the defined benefit obligation are as follows.

	As of April 1, 2023 (Transition date)	As of March 31, 2024	As of March 31, 2025
Discount rate			
Subsidiaries in Japan	0.40%–1.30%	0.40%–1.50%	1.60%–2.20%
Subsidiaries outside of Japan	2.90%–6.75%	3.00%–6.55%	2.30%–7.74%

The effect of changes in the discount rate on the present value of the defined benefit obligation for Sompo Japan Insurance, Inc., a major subsidiary, is as follows. This sensitivity analysis is based on the assumption that all other variables are held constant. Changes in other actuarial assumptions, however, may in fact affect the analysis.

(Millions of yen)

	As of April 1, 2023 (Transition date)	As of March 31, 2024	As of March 31, 2025
0.5% rise in discount rate	(5,325)	(4,755)	(4,183)
0.5% fall in discount rate	5,646	5,031	4,416

(ii) Reconciliation from the beginning to the ending balances of plan assets

(Millions of yen)

	Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)	Fiscal year ended March 31, 2025 (April 1, 2024 to March 31, 2025)
Beginning balance	108,172	135,563
Interest revenue	1,332	1,904
Remeasurement of plan assets		
Income from plan assets	25,823	(16,371)
Amount of benefits paid	(2,140)	(2,055)
Contribution from employer	1,971	2,131
Translation differences	404	(390)
Others	0	28
Ending balance	135,563	120,810

The fair value of plan assets by type is as follows:

(Millions of yen)

	As of April 1, 2023 (Transition date)		
	With quoted market price in active market	Without quoted market price in active market	Total
Stocks	71,469	—	71,469
Bonds	9,191	16,926	26,117
Cash and cash equivalents	405	—	405
Others	—	10,178	10,178
Total	81,066	27,105	108,172

(Millions of yen)

	As of March 31, 2024			As of March 31, 2025		
	With quoted market price in active market	Without quoted market price in active market	Total	With quoted market price in active market	Without quoted market price in active market	Total
Stocks	92,250	—	92,250	22,933	—	22,933
Bonds	8,828	21,966	30,794	19,402	21,730	41,132
Cash and cash equivalents	2,013	—	2,013	45,769	—	45,769
Others	—	10,505	10,505	—	10,974	10,974
Total	103,092	32,471	135,563	88,105	32,705	120,810

The asset management policy for the Group's principal plan assets aims to secure stable earnings over the medium to long term in order to ensure payments of future defined benefit obligation. For that reason, the Group thoroughly verifies the acceptable degree of risk, determines the optimal asset mix within the risk range, and makes diversified investments mainly in domestic stocks and bonds. The investment performance of the plan assets is monitored periodically and the asset allocation is reviewed as necessary, taking into account the financial condition and operational environment of the defined benefit pension plans. The amount of contribution expected in the next fiscal year is 2,422 million yen.

(iii) Amounts recognized in the consolidated statement of financial position

Amounts recognized in the consolidated statement of financial position related to the defined benefit plans are as follows:

(Millions of yen)

	As of April 1, 2023 (Transition date)	As of March 31, 2024	As of March 31, 2025
Present value of defined benefit plans obligation	157,102	146,172	137,263
Fair value of plan assets	(108,172)	(135,563)	(120,810)
Subtotal	48,930	10,608	16,453
Present value of defined benefit obligation on unfunded-type plans	9,628	10,042	10,192
Effect of asset ceiling	339	528	616
Others	150	137	389
Net of defined benefit liabilities (assets) recognized in the consolidated statement of financial position	59,048	21,316	27,651
Retirement benefit liabilities	59,272	21,735	28,338
Retirement benefit assets	(223)	(418)	(687)

(iv) Effect of asset ceiling

The changes in the effect of asset ceiling are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)	Fiscal year ended March 31, 2025 (April 1, 2024 to March 31, 2025)
Beginning balance effect	339	528
Interest expenses	33	49
Changes in effect of asset ceiling (excluding interest expenses)	86	117
Others	69	(79)
Ending balance effect	528	616

(Note) When the defined benefit plans are overfunded, the defined benefit assets in the consolidated statement of financial position are set to be up to the present value of future benefits that are available in the form of a reduction in future contributions to the defined benefit plans.

(3) Defined contribution plans

The amount recognized as expenses concerning the defined contribution plans is as follows:

(Millions of yen)

	Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)	Fiscal year ended March 31, 2025 (April 1, 2024 to March 31, 2025)
Retirement benefit costs on defined contribution plans	36,626	38,064

Retirement benefit costs on defined contribution plans are recognized in "Insurance service expenses," "Expenses related to investment," "Administrative expenses," and "Other expenses" on the consolidated statement of income.

20. Provisions

The details of and changes in provisions for the current fiscal year are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2025 (April 1, 2024 to March 31, 2025)		
	Asset retirement obligation	Others	Total
Beginning balance	4,094	—	4,094
Increase during the period	135	—	135
Decrease during the period (intended use)	(5)	—	(5)
Decrease during the period (reversal)	—	—	—
Interest accretion	78	—	78
Ending balance (Note)	4,302	—	4,302

(Note) Of the amounts outstanding at the end of the current fiscal year, the amounts due within one year are 2 million yen.

Asset retirement obligation

Asset retirement obligations relate to the removal of hazardous substances required at the time of removal or demolition of property and equipment. The expected timing of the outflow of economic benefits in the future is expected to be one year after the end of the fiscal year. However, they may be affected by future business plans and other factors.

21. Bonds issued and borrowings

(1) Bonds issued and borrowings

The details of bonds issued and borrowings are as follows:

(Millions of yen)

Type	As of April 1, 2023 (Transition date)	As of March 31, 2024	As of March 31, 2025	Average interest rate (Note 1)	Due date
Bonds issued (Note 2)	607,470	686,209	684,686	—	—
Short-term borrowings (Note 2)	658	615	280	1.00%	—
Long-term borrowings (Note 2)	6,296	4,913	6,235	0.75%	April 26, 2025 to May 26, 2032
Total	614,424	691,738	691,201	—	—

(Notes) 1. Average interest rate is weighted average for the balance of the bonds issued and borrowings as of the end of the current fiscal year.
2. Categorized as finance liabilities measured at amortized cost.

The details of bonds issued are as follows:

(Millions of yen)

Entity	Name	As of April 1, 2023 (Transition date)	As of March 31, 2024	As of March 31, 2025	Issue date	Interest rate	Collateral	Maturity date
The Company	The first series of unsecured straight bond with inter-bond pari passu clause (Social bond)	—	69,878	69,908	Apr. 27, 2023	0.48%	None	Apr. 27, 2028
Sompo Japan Insurance Inc.	The first series of unsecured subordinated bonds with interest deferrable clause and early redeemable option	99,735	99,813	99,891	Aug. 8, 2016	0.84% (Note 2)	None	Aug. 8, 2046
Sompo Japan Insurance Inc.	The second series of unse-cured subordinated bonds with interest deferrable clause and early redeemable option	99,762	99,832	99,903	Aug. 8, 2016	0.84% (Note 2)	None	Aug. 8, 2076
Sompo Japan Insurance Inc.	The third series of unsecured subordinated bonds with interest deferrable clause and early redeemable option	99,710	99,780	99,851	Apr. 26, 2017	1.06% (Note 3)	None	Apr. 26, 2077
Sompo Japan Insurance Inc.	The first series of unsecured straight bonds with inter-bond pari passu clause	49,888	49,912	49,937	Oct. 14, 2022	0.43%	None	Oct. 14, 2027
Sompo Japan Insurance Inc.	The second series of unse-cured straight bonds with inter-bond pari passu clause	49,840	49,857	49,873	Oct. 14, 2022	0.75%	None	Oct. 14, 2032
Sompo Japan Insurance Inc.	The fourth series of unse-cured subordinated bonds with interest deferrable clause and early redeemable option	126,129	126,208	126,288	Feb. 13, 2023	2.50% (Note 4)	None	Feb. 13, 2083
Sompo International Holdings Ltd.	U.S. dollar-denominated straight notes (Note 1)	31,915 [239 million USD]	34,400 [227 million USD]	33,670 [225 million USD]	Jul. 15, 2004	7.00%	None	Jul. 15, 2034
Sompo International Holdings Ltd.	U.S. dollar-denominated straight notes (Note 1)	12,882 [96 million USD]	14,232 [94 million USD]	13,951 [93 million USD]	Mar. 23, 2010	7.00%	None	Jul. 15, 2034
Sompo International Holdings Ltd.	U.S. dollar-denominated straight notes (Note 1)	37,605 [281 million USD]	42,293 [279 million USD]	41,410 [276 million USD]	Dec. 28, 2020	4.50%	None	Dec. 31, 2027
Total	—	607,470	686,209	684,686	—	—	—	—

(Notes) 1. As these bonds were issued overseas, foreign currency amounts are presented in brackets [].
2. The interest rate will be variable (with a step-up feature) from the day after August 8, 2026.
3. The interest rate will be variable (with a step-up feature) from the day after April 26, 2027.
4. The interest rate will be the 1-year government bond yield plus 3.00% from the day after February 13, 2033.

(2) Collateral

Assets pledged as collateral are as follows:

(Millions of yen)

	As of April 1, 2023 (Transition date)	As of March 31, 2024	As of March 31, 2025
Cash and cash equivalents as well as loans and advances	33,554	35,032	33,324
Investment securities (Note)	830,562	895,308	596,875
Property and equipment	919	871	826
Other assets	3,111	166	64
Total	868,148	931,379	631,091

(Note) Of the investment securities that are pledged as collateral, the amounts of the investment securities that can be repledged as collateral or resold by counterparties under repurchase transactions and securities lending transactions at the transition date, at the end of the previous fiscal year, and at the end of the current fiscal year are 559,639 million yen, 512,134 million yen and 139,657 million yen, respectively.

(3) Reconciliation of liabilities from financing activities

The reconciliation of liabilities from financing activities is as follows:

(Millions of yen)

	Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)			Fiscal year ended March 31, 2025 (April 1, 2024 to March 31, 2025)		
	Repo and similar securities borrowings (Note 1)	Bonds issued and borrowings	Other liabilities (Lease liabilities)	Repo and similar securities borrowings (Note 1)	Bonds issued and borrowings	Other liabilities (Lease liabilities)
Beginning balance	177,859	614,424	361,325	155,078	691,738	331,571
Changes in cash flows from financing activities (Note 2)	(22,780)	66,722	(38,787)	(155,078)	986	(37,986)
Translation differences	—	10,932	3,578	—	(1,119)	(364)
Lease	—	—	21,700	—	—	36,880
Others	—	(342)	(16,244)	—	(403)	4,521
Ending balance	155,078	691,738	331,571	—	691,201	334,622

(Notes) 1. The difference of figures between this table and ‘Repo and similar securities borrowings’ in Consolidated Statement of Financial Position is the repo and similar securities borrowings related to investment activities.
2. Changes in cash flows from financing activities related to Other liabilities (Lease liabilities) are included in ‘Others’ of Cash flows from financing activities in Consolidated Statement of Cash Flows.

22. Equity and other components of equity

(1) Common stock

(Thousand shares)

	As of April 1, 2023 (Transition date)	As of March 31, 2024	As of March 31, 2025
Number of shares authorized (Note 3)	1,200,000	1,200,000	3,600,000
Number of shares outstanding (Notes 1, 2 & 3)	347,698	330,160	990,482

(Notes) 1. The stock issued by the Company is no-par common stock and fully paid. The shares outstanding mentioned above include treasury stocks held by the Group.
2. The decrease in the total number of shares outstanding in the previous fiscal year was due to the cancellation of 17,538 thousand treasury stocks based on a resolution of the Board of Directors
3. The Group amended the Articles of Incorporation and conducted a 3-for-1 stock split effective April 1, 2024. As a result, the total number of shares authorized increased by 2,400,000 thousand shares, and the total number of shares outstanding increased by 660,321 thousand shares.

(2) Treasury stocks

The changes in the number of treasury stocks are as follows:

(Thousand shares)		
	Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)	Fiscal year ended March 31, 2025 (April 1, 2024 to March 31, 2025)
Beginning balance	14,615	959
Increase during the period	4,004	51,022
Decrease during the period	(17,659)	(1,254)
Ending balance	959	50,727

The increase of 4,004 thousand shares in the previous fiscal year was due to an acquisition of 3,997 thousand treasury stocks based on a resolution of the Board of Directors and a repurchase of 6 thousand shares of fractional shares. Additionally, the decrease of 17,659 thousand shares was due to a cancellation of 17,538 thousand treasury stocks based on a resolution of the Board of Directors, a disposal of 109 thousand treasury stocks resulting from the exercise of rights under the Board Benefit Trust (BBT), a disposal of 11 thousand treasury stocks resulting from the exercise of stock acquisition rights, and a sale of 0 thousand shares for fractional shares.

The increase of 51,022 thousand shares in the current fiscal year was due to an increase of 1,919 thousand shares resulting from the 3-for-1 stock split conducted effective April 1, 2024, an increase of 48,779 thousand shares resulting from the purchase of treasury stocks based on a resolution of the Board of Directors, an increase of 316 thousand shares from an acquisition by the Board Benefit Trust (BBT), and an increase of 7 thousand shares from a repurchase of fractional shares. The decrease of 1,254 thousand shares was due to a disposal of 925 thousand treasury stocks resulting from the exercise of rights under the BBT, a disposal of 328 thousand treasury stocks resulting from the exercise of stock acquisition rights, and a sale of 0 thousand shares for fractional shares.

The numbers of shares of the Group held by subsidiaries and associates as of March 31, 2025, and March 31, 2024 were 5,500 and 1,800, respectively.

(3) Surplus

- (i) Capital surplus

The Companies Act of Japan stipulates that more than one-half of the payment or contribution to the issuance of stock is incorporated into share capital and the remainder is incorporated into legal capital surplus that is included in capital surplus. In addition, legal capital surplus can be incorporated into share capital by resolution of a general meeting of shareholders.
- (ii) Retained earnings

Under the Companies Act of Japan, one-tenth of the amount of surplus decreasing as a result of the distribution of surplus is transferred to legal capital surplus or legal retained earnings, until the total amount of legal capital surplus and legal retained earnings reaches one-quarter of share capital. The reserved legal retained earnings can be used to compensate for deficits, and can be released by resolution of a general meeting of shareholders.

23. Share-based payment

(1) Stock option plans

- (i) Overview of stock option plans

Stock options are granted to directors and executive officers of the Company and its subsidiaries for their retirement benefits. The exercise price of the granted options is 1 yen per share and there is no vesting period under the option plan. Therefore, all options are immediately vested when granted. Options are exercisable after a certain period of time. For a portion of the stock options granted by the Company that were carried over from the former NIPPONKOA Insurance Co., Ltd., the grantees are allowed to exercise the rights only during the period commencing on the date one year after the day on which the grantees have lost their positions as Director or Executive Officer of Sompo Japan Insurance Inc. (the “Commencement Date of Exercise”) and ending on the earlier of (i) the date seven years from the Commencement Date of Exercise or (ii) the expiration date of the exercise period. For other stock options, the grantees can exercise these rights only within a period from the day following the date when they lost all of their positions up to the day when 10 days have elapsed. The Group has no legal or constructive obligation to repurchase or settle the options in cash. Moreover, the Company resolved to introduce a performance-linked share-based payment plan called Board Benefit Trust (BBT), at the 6th Annual General Meeting of Shareholders held on 27 June 2016, and has decided not to grant new stock options.

(ii) Changes during the period

Changes in the number of unexercised stock options and weighted average exercise prices are as follows:

	Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)		Fiscal year ended March 31, 2025 (April 1, 2024 to March 31, 2025)	
	Number of stock options	Weighted average exercise price (Yen)	Number of stock options	Weighted average exercise price (Yen)
Unexercised at the beginning of period	366,300	1	331,575	1
Granted	—	—	—	—
Lapsed	—	—	—	—
Exercised	34,725	1	328,875	1
Expired	—	—	—	—
Unexercised at the end of period	331,575	1	2,700	1
Exercisable at the end of period	331,575	1	2,700	1

The weighted average stock prices at the time of exercise in the current fiscal year and the previous fiscal year are 3,017 yen and 1,933 yen per share, respectively. The unexercised options at the end of the current fiscal year and the previous fiscal year and at the transition date have an exercise price of 1 yen each and a weighted average remaining contractual life of 15.4 years, 13.1 years, and 13.6 years, respectively.

(Note) The Group conducted a 3-for-1 stock split effective April 1, 2024. Consequently, the number of options and the weighted average stock price at the time of exercise during the period are stated after conversion to the post-split figures.

(iii) Measurement of fair value

There were no options granted for the current fiscal year and the previous fiscal year.

(2) Board Benefit Trust (BBT)

- (i) Overview of Board Benefit Trust (BBT)

The Group employs a performance-linked share-based payment plan called Board Benefit Trust (“BBT” or “the Plan”). This is a performance-linked share-based payment plan whereby the Company’s own shares are acquired through the trust using the cash contribution made by the Company, and shares in the Company and the cash amount equivalent to market price of such shares are awarded to the directors pursuant to “The Rules of the Stock Benefit for Directors” established by the board of directors.

Each director of the Group who meets the beneficiary requirements (such as retaining the director status on the point grant date during the applicable period) is granted points (1 point = 3 shares) in respect to the Company’s mid-to-long term share value and performance of the Group against the market. Each director, upon his/her resignation, completes designated resignation procedures in order to receive the Company’s shares equivalent to the number of points granted or cash in the amount equivalent to the market price of such shares, as per the requirements of “The Rules of the Stock Benefit for Directors.” For accounting of the Plan, the stock portion of the compensation is treated as equity-settled share-based payment while the cash part is accounted for as cash-settled share-based payment.

The amounts of costs attributable to equity-settled share-based payment transactions for the previous and current fiscal years are 210 million yen and 828 million yen; the costs related to cash-settled share-based payment transactions in the above periods are 1,926 million yen and 885 million yen, respectively. The amounts of equity related to equity-settled share-based payment that are recorded on the transition date, for the previous fiscal year and the current fiscal year are 1,201 million yen, 1,149 million yen and 1,418 million yen, respectively; the amounts of liabilities related to cash-settled share-based payment that are recorded for/on the above periods and date are 2,518 million yen, 4,173 million yen and 4,503 million yen, respectively.

(Note) The Group conducted a 3-for-1 stock split effective April 1, 2024. Consequently, the number of shares granted based on points is stated after conversion to the post-split figures.

(ii) Changes during the period

Changes in the number of points are as follows:

There are no exercise prices under the Plan where shares and cash are awarded to the directors.

(Unit: Points)

	Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)	Fiscal year ended March 31, 2025 (April 1, 2024 to March 31, 2025)
Beginning balance	864,479	808,970
Granted	103,881	163,611
Exercised	159,390	316,415
Ending balance	808,970	656,166

(iii) Measurement of fair value

The weighted average fair values at measurement date are as follows:

	Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)		Fiscal year ended March 31, 2025 (April 1, 2024 to March 31, 2025)	
	Equity-settled	Cash-settled	Equity-settled	Cash-settled
Measurement date	Grant date	Reporting date	Grant date	Reporting date
Weighted average (Yen) (Note)	971	3,190	1,459	4,521

(Note) Since fair values approximate the stock prices of the Company's stock, measurements are made using the stock price on the measurement date and no adjustments are made for forecast dividends.

(3) Share price-linked remuneration (phantom stock) plan (cash-settled)

The Company and some of its subsidiaries have introduced a phantom stock plan whereby the amount of remuneration which is based on the share price of the Company's stock at the time of vesting and is settled in cash.

The plan covers part of the Group's directors and executive officers, who are basically required under the vesting condition to have served as Director or Executive Officer for three years since the grant date. Since the amount of remuneration is determined and paid based on the share price of the Company's stock, the plan has no exercise price.

The expenses associated with the plan for the previous and current fiscal years are – million yen and 253 million yen, respectively. The carrying amounts of liabilities associated with the plan on the transition date, for the previous fiscal year and the current fiscal year are – million yen, – million yen, and 176 million yen, respectively.

24. Dividends of surplus

The amounts of dividends paid are as follows. The source of dividend is retained earnings.

Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)

Resolution	Type of stock	Dividend amount (Notes 1 & 2) (Millions of yen)	Dividend per share (Note 5) (Yen)	Record date	Effective date
General Shareholders Meeting held on June 26, 2023	Common stock	43,411	130	March 31, 2023	June 27, 2023
Board of Directors Meeting held on November 17, 2023	Common stock	49,492	150	September 30, 2023	December 5, 2023

Fiscal year ended March 31, 2025 (April 1, 2024 to March 31, 2025)

Resolution	Type of stock	Dividend amount (Notes 3 & 4) (Millions of yen)	Dividend per share (Note 5) (Yen)	Record date	Effective date
General Shareholders Meeting held on June 24, 2024	Common stock	49,491	150	March 31, 2024	June 25, 2024
Board of Directors Meeting held on November 19, 2024	Common stock	54,423	56	September 30, 2024	December 4, 2024

(Notes) 1. The “Dividend amount” resolved at the General Meeting of Shareholders on June 26, 2023 includes dividends of 110 million yen for shares of the Company held by the Board Benefit Trust (BBT).
2. The “Dividend amount” resolved at the Board of Directors Meeting on November 17, 2023 includes dividends of 114 million yen for shares of the Company held by the Board Benefit Trust (BBT).
3. The “Dividend amount” resolved at the General Meeting of Shareholders on June 24, 2024 includes dividends of 111 million yen for shares of the Company held by the Board Benefit Trust (BBT).
4. The “Dividend amount” resolved at the Board of Directors Meeting on November 19, 2024 includes dividends of 90 million yen for shares of the Company held by the Board Benefit Trust (BBT).
5. The Company conducted a 3-for-1 stock split effective April 1, 2024. The dividend per share for record dates prior to March 31, 2024, reflects the actual dividend amount paid before the stock split.

Dividends whose effective date falls in the next fiscal year are as follows. The source of dividend is retained earnings.

Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)

Resolution	Type of stock	Dividend amount (Note 1) (Millions of yen)	Dividend per share (Note 3) (Yen)	Record date	Effective date
General Shareholders Meeting held on June 24, 2024	Common stock	49,491	150	March 31, 2024	June 25, 2024

Fiscal year ended March 31, 2025 (April 1, 2024 to March 31, 2025)

Resolution	Type of stock	Dividend amount (Note 2) (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
General Shareholders Meeting held on June 23, 2025	Common stock	71,544	76	March 31, 2025	June 24, 2025

(Notes) 1. The “Dividend amount” resolved at the General Meeting of Shareholders on June 24, 2024 includes dividends of 111 million yen for shares of the Company held by the Board Benefit Trust (BBT).
2. The “Dividend amount” resolved at the General Meeting of Shareholders on June 23, 2025 includes dividends of 123 million yen for shares of the Company held by the Board Benefit Trust (BBT).
3. The Company conducted a 3-for-1 stock split effective April 1, 2024. The dividend per share for record dates prior to March 31, 2024, reflects the actual dividend amount paid before the stock split.

25. Insurance revenue

The details of insurance revenue are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)			Fiscal year ended March 31, 2025 (April 1, 2024 to March 31, 2025)		
	P&C insurance business	Life insurance business	Total	P&C insurance business	Life insurance business	Total
Insurance contracts not measured by applying the PAA						
Changes in assets or liabilities for remaining coverage						
Amortization of CSM	106,867	56,965	163,833	109,279	61,205	170,485
Changes in risk adjustment for non-financial risk	44,849	27,276	72,125	45,804	22,069	67,873
Expected claims paid and other expenses	876,509	107,232	983,742	893,952	112,065	1,006,017
Experience adjustments	(2,325)	—	(2,325)	(679)	—	(679)
Recovery of acquisition expenses	175,392	46,890	222,282	189,205	49,324	238,529
Subtotal	1,201,293	238,364	1,439,657	1,237,562	244,665	1,482,227
Insurance contracts measured by applying the PAA	3,387,043	10,129	3,397,172	3,573,241	10,050	3,583,292
Total	4,588,336	248,493	4,836,830	4,810,804	254,716	5,065,520

26. Insurance service expenses

The details of insurance service expenses are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)			Fiscal year ended March 31, 2025 (April 1, 2024 to March 31, 2025)		
	P&C insurance business	Life insurance business	Total	P&C insurance business	Life insurance business	Total
Incurring claims, etc.	2,922,105	89,192	3,011,297	3,067,250	95,692	3,162,943
Direct maintenance expenses	371,176	26,138	397,314	399,801	27,548	427,349
Amortization of acquisition expenses	741,719	47,049	788,769	829,838	49,488	879,327
Gains and losses on onerous contracts, etc.	(22,713)	(546)	(23,259)	(49,100)	1,589	(47,511)
Changes in assets or liabilities for incurred claims	113,651	(278)	113,373	(21,031)	47	(20,984)
Total	4,125,938	161,556	4,287,494	4,226,758	174,366	4,401,125
Of which, insurance contracts measured by not applying the PAA	1,022,863	151,942	1,174,805	990,524	165,023	1,155,548
Of which, insurance contracts measured by applying the PAA	3,103,075	9,613	3,112,689	3,236,234	9,342	3,245,576

27. Income or expenses from reinsurance contracts held

The details of income or expenses from reinsurance contracts held are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)			Fiscal year ended March 31, 2025 (April 1, 2024 to March 31, 2025)		
	P&C insurance business	Life insurance business	Total	P&C insurance business	Life insurance business	Total
Amount recovered from reinsurers	657,491	3,590	661,081	532,727	3,653	536,380
Allocation of reinsurance premiums paid	(854,786)	(4,045)	(858,831)	(892,586)	(4,026)	(896,613)
Total	(197,294)	(455)	(197,750)	(359,859)	(373)	(360,232)

28. Investment return and insurance finance income and expenses

(1) The details of investment return by type of portfolio assets are as follows:

Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)

(Millions of yen)

	Financial assets measured at FVTPL	Equity instruments measured at FVTOCI	Debt instruments measured at FVTOCI	Amortized cost	Total
Investment return recognized in profit or loss					
Interest income	—	—	76,872	30,193	107,065
Other investment gains and losses					
Gains and losses on financial assets measured at FVTPL	268,090	—	—	—	268,090
Dividend income (Note)	—	42,132	—	—	42,132
Gains and losses on sales	—	—	(27,598)	—	(27,598)
Credit impairment losses	—	—	(129)	(37)	(167)
Foreign exchange gains and losses	—	—	97,304	15,436	112,741
Subtotal	268,090	42,132	69,575	15,398	395,198
Others		—			8,780
Total		—			403,979
Total investment return recognized in profit or loss		—			511,044
Total investment return recognized in other comprehensive income	—	692,495	(248,121)	—	444,373

Fiscal year ended March 31, 2025 (April 1, 2024 to March 31, 2025)

(Millions of yen)

	Financial assets measured at FVTPL	Equity instruments measured at FVTOCI	Debt instruments measured at FVTOCI	Amortized cost	Total
Investment return recognized in profit or loss					
Interest income	—	—	81,906	23,911	105,817
Other investment gains and losses					
Gains and losses on financial assets measured at FVTPL	256,593	—	—	—	256,593
Dividend income (Note)	—	44,017	—	—	44,017
Gains and losses on sales	—	—	(75,060)	—	(75,060)
Credit impairment losses	—	—	(61)	(154)	(215)
Foreign exchange gains and losses	—	—	(10,019)	(2,999)	(13,018)
Subtotal	256,593	44,017	(85,140)	(3,153)	212,316
Others		—			23,535
Total		—			235,852
Total investment return recognized in profit or loss		—			341,670
Total investment return recognized in other comprehensive income	—	57,628	(325,424)	—	(267,795)

(Note) Of the dividend income on Equity instruments measured at FVTOCI, dividends on securities held as of the end of the previous fiscal year and the current fiscal year are 40,976 million yen and 42,349 million yen, respectively.

(2) The breakdown of insurance finance income and expenses is as follows:

(Millions of yen)

	Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)		Fiscal year ended March 31, 2025 (April 1, 2024 to March 31, 2025)	
	Insurance contracts	Reinsurance contracts	Insurance contracts	Reinsurance contracts
Effect of changes in assumptions related to accrued interest and financial risk	229,483	56,022	278,341	69,688
Foreign exchange gains and losses	3,801	(2,676)	(5,632)	(4,271)
Changes in reinsurer's default risk	—	1,721	—	(143)
Insurance finance expenses (net) and reinsurance finance income (net) recognized in profit or loss	233,284	55,067	272,708	65,274
Insurance finance expenses (net) and reinsurance finance income (net) recognized in other comprehensive income	(295,695)	(370)	(523,632)	(495)

(3) Relationship between investment return and insurance finance income and expenses is as follows:

(Millions of yen)

	Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)			Fiscal year ended March 31, 2025 (April 1, 2024 to March 31, 2025)		
	Insurance finance expenses (net) and reinsurance finance income (net)		Investment return	Insurance finance expenses (net) and reinsurance finance income (net)		Investment return
	Insurance contracts	Reinsurance contracts		Insurance contracts	Reinsurance contracts	
Recognized in profit or loss	233,284	55,067	511,044	272,708	65,274	341,670
Recognized in other comprehensive income	(295,695)	(370)	444,373	(523,632)	(495)	(267,795)

(4) The breakdown and fair values of the underlying items of contracts with direct participation features are as follows:

(Millions of yen)

	As of March 31, 2024	As of March 31, 2025
Domestic bonds	6,169	5,754
Foreign bonds	1,408	1,379
Domestic stocks	12,609	11,406
Foreign stocks	9,657	9,015
Domestic investment trusts	2,498	11,463
Cash and deposits	2,086	2,830
Others	26	31
Total	34,454	41,880

29. Expenses by nature

The breakdown of expenses by nature and the items to which the expenses are allocated are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)	Fiscal year ended March 31, 2025 (April 1, 2024 to March 31, 2025)
Employee benefit expenses	504,934	537,062
Depreciation and amortization	92,071	103,363
Agent fees	707,866	735,648
Others	386,046	431,829
Total expenses by nature	1,690,918	1,807,902
Details by item to which expense is allocated		
Insurance service expenses (incurred claims)	139,894	167,160
Insurance service expenses (acquisition expenses)	886,057	943,108
Insurance service expenses (direct maintenance costs)	397,314	427,349
Expenses related to investment	11,422	14,501
Administrative expenses	99,047	91,390
Other expenses	157,182	164,391
Total expenses by item to which expense is allocated	1,690,918	1,807,902

30. Other finance expenses

The details of other finance expenses are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)	Fiscal year ended March 31, 2025 (April 1, 2024 to March 31, 2025)
Interest expenses		
Financial liabilities measured at amortized cost	11,253	12,678
Lease liabilities	4,930	5,308
Others	—	38
Total other finance expenses	16,183	18,026

31. Other income and expenses

The details of other income are as follows:

	(Millions of yen)	
	Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)	Fiscal year ended March 31, 2025 (April 1, 2024 to March 31, 2025)
Gains on disposal of fixed assets	969	673
Rent revenue	2,748	2,664
Others (Note)	35,914	14,126
Total other income	39,632	17,464

(Note) Other income for the previous fiscal year includes a 17,630 million yen gain on sale of shares of a subsidiary.

The details of other expenses are as follows:

	(Millions of yen)	
	Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)	Fiscal year ended March 31, 2025 (April 1, 2024 to March 31, 2025)
Other operating expenses (Note 1)	158,791	166,520
Losses on disposal of fixed assets	1,114	2,200
Impairment losses (Note 2)	19,186	3,329
Effect due to hyperinflation	10,790	10,404
Others	9,061	15,150
Total other expenses	198,944	197,605

(Notes) 1. Other operating expenses are mainly operating expenses related to the nursing care business.

2. Impairment losses for the previous fiscal year are mainly those on goodwill arising from the overseas insurance business and impairment losses on property and equipment arising from the nursing care business.

32. Other comprehensive income

The amounts of reclassification adjustments and tax effect relating to other comprehensive income are as follows:

	(Millions of yen)	
	Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)	Fiscal year ended March 31, 2025 (April 1, 2024 to March 31, 2025)
Items that will not be reclassified to profit or loss:		
Investments in equity instruments		
Amount recognized during the period	692,495	57,628
Tax effect	(196,345)	(30,487)
Investments in equity instruments	496,149	27,141
Remeasurements of defined benefit plans		
Amount recognized during the period	28,704	(11,414)
Tax effect	(7,826)	3,258
Remeasurements of defined benefit plans	20,878	(8,155)
Share of other comprehensive income of associates accounted for by the equity method		
Amount recognized during the period	(27)	217
Share of other comprehensive income of associates accounted for by the equity method	(27)	217
Items that may be reclassified subsequently to profit or loss:		
Investments in debt instruments		
Amount recognized during the period	(276,401)	(400,549)
Reclassification adjustments	28,279	75,125
Tax effect	69,682	96,590
Investments in debt instruments	(178,438)	(228,833)
Translation difference related to foreign operations		
Amount recognized during the period	171,962	(25,409)
Reclassification adjustments	—	(320)
Tax effect	—	—
Translation difference related to foreign operations	171,962	(25,730)
Changes on insurance contracts due to changes in discount rates		
Amount recognized during the period	295,695	523,632
Reclassification adjustments	—	—
Tax effect	(82,733)	(148,519)
Changes on insurance contracts due to changes in discount rates	212,962	375,113
Changes on reinsurance contracts due to changes in discount rates		
Amount recognized during the period	(370)	(495)
Reclassification adjustments	—	—
Tax effect	103	149
Changes on reinsurance contracts due to changes in discount rates	(267)	(345)
Share of other comprehensive income of associates accounted for by the equity method		
Amount recognized during the period	1,130	(542)
Reclassification adjustments	—	—
Share of other comprehensive income of associates accounted for by the equity method	1,130	(542)
Total other comprehensive income	724,349	138,864

33. Earnings per share

(1) Basic

Basic earnings per share are calculated by dividing the net income attributable to the ordinary shareholders of the parent by the average number of ordinary shares outstanding during the year, excluding ordinary shares purchased and held as treasury shares by the Group.

(2) Diluted

Diluted earnings per share are calculated by adjusting the average number of ordinary shares outstanding to assume conversion of all potential dilutive ordinary shares. The Group's stock acquisition rights are included in the calculation of potential dilutive ordinary shares.

	Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)	Fiscal year ended March 31, 2025 (April 1, 2024 to March 31, 2025)
Net income attributable to the ordinary shareholders of the parent (millions of yen)	529,655	243,132
Average number of ordinary shares for basic earnings per share (thousands of shares)	990,995	969,003
Dilutive effect: · Stock acquisition rights (thousands of shares)	336	3
Average number of ordinary shares for diluted earnings per share (thousands of shares)	991,331	969,006
Basic earnings per share (yen)	534.46	250.90
Diluted earnings per share (yen)	534.28	250.90
Summary of shares not included in the calculation of diluted earnings per share due to their anti-dilutive effect	—	—

(Notes) 1. The Company implemented a 3-for-1 stock split on April 1, 2024. Basic earnings per share and diluted earnings per share are calculated on the assumption that the stock split was implemented at the beginning of the fiscal year ended March 31, 2024.
2. In the calculation of basic earnings per share and diluted earnings per share, the Company shares outstanding in the "Board Benefit Trust (BBT)" which are recognized as treasury stocks in the shareholders' equity are included in the treasury stocks deducted from the average number of ordinary shares outstanding.
The average number of ordinary shares of the treasury stock above mentioned is 2,301 thousand for the fiscal year ended March 31, 2024 and is 1,614 thousand for the fiscal year ended March 31, 2025.

34. Subsidiaries

34.1 Major subsidiaries

(1) Composition of the corporate group

The major subsidiaries that compose the Group are as described in "The Company, Subsidiaries, and Affiliates" under "Corporate Data".

(2) Significant restrictions on fund transfer

Insurance subsidiaries are subject to laws and regulations in the country of domicile, and it is usual they are supervised by regulatory authorities in the relevant country / jurisdiction. Therefore, there are some cases in which transfer of funds is restricted due to the restriction on dividend (profit) repatriation.

(3) Subsidiaries with significant non-controlling interests

The Group does not have subsidiaries with significant non-controlling interests.

(4) Loss of control over subsidiaries

There are no material gains or losses recognized due to the loss of control over interests in subsidiaries.

34.2 Interests in unconsolidated structured entities

The Group has interests in unconsolidated structured entities for the purpose of asset management through funds and others. Due to these interests in unconsolidated structured entities, the carrying amounts of assets recognized by the Group in the consolidated statement of financial position and the potential maximum loss exposure from those entities are as follows. The assets recognized by the Group in the consolidated statement of financial position are primarily included in "Investment securities."

(Millions of yen)

	As of April 1, 2023 (Transition date)	As of March 31, 2024	As of March 31, 2025
Maximum loss exposure of the Group			
Carrying amounts of the assets	1,936,941	2,514,629	2,792,636
Commitment	238,421	268,882	323,258
Total	2,175,363	2,783,511	3,115,895

The potential maximum loss exposure incurred from the interests in the structured entities is limited to the total of the carrying amount of the assets and commitment. The maximum loss exposure of the Group represents the potential maximum loss amount and does not indicate any estimated loss amount by being involved with structured entities.

During the current fiscal year and the previous fiscal year, the Group has not provided, nor plans to provide, any financial support without contractual obligations to unconsolidated structured entities.

35. Related parties

(1) Related party transactions

There are no significant transactions with related parties to be stated.

(2) Remuneration to management executives

Remuneration to management executives is as follows. The amounts represent the amount of expenses recognized during the current and previous fiscal years.

(Millions of yen)

	Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)	Fiscal year ended March 31, 2025 (April 1, 2024 to March 31, 2025)
Salaries and bonuses	3,029	3,380
Post-employment benefit	20	21
Share-based payments	698	29
Total	3,749	3,432

36. Commitments

Capital investments for which contracts are entered into but not yet incurred are follows:

(Millions of yen)

	As of April 1, 2023 (Transition date)	As of March 31, 2024	As of March 31, 2025
Property and equipment	7,919	4,976	2,838
Intangible assets	10,126	—	—

37. Risk management

37.1 Overview of risk management system

Sompo Group operates an Enterprise Risk Management (ERM) framework to manage risk across the Group, serving as a sophisticated ‘compass’ that points the business towards the optimal direction. This embraces not just the avoidance of losses, but also the avoidance of opportunity losses for profitable risk-taking. These include, for example, potential new business investments in response to risks identified. The ERM system seeks to achieve these goals by providing and strengthening the following “three capabilities”:

- a.

Correct understanding of the Group’s current position
- b.

Sensitive detection of potential risks
- c.

Clear indication of the routes the Group should take

ERM is effected through a series of business management processes that look to maximize corporate value by achieving a balance of capital, risk, and profit through management of the two objectives: “risk-taking for business strategies” and “risk control for a stable business foundation”. In the risk-taking context, we make use of analyses on capital, risk, and profit within the Risk Appetite Framework for important management decisions, corresponding to (c) in the above diagram. For risk control, we use a framework – the Risk Control System – to identify, analyze, and assess various types of risks surrounding the Group, aiming to minimize unexpected losses and to increase the stability of profit. This corresponds to (a) and (b) in the diagram above.

(1) Risk Management Governance Structure

In order to ensure the effectiveness of “ERM” based on the “Sompo Group Basic Policy on ERM” established by the Board of Directors, “Sompo Group’s Risk Appetite Statement” – consisting of the Risk Appetite Principles, the Medium-term Risk-taking Strategy, and the Risk Appetite Indicator – is used as a guideline for risk-taking, in alignment with the Group’s strategies and business management plans.

The Group Executive Committee, an advisory body to the Group CEO, regularly holds management discussions on matters related to risk management, including the Group’s risk appetite statement, medium-term Group ERM promotion policy, and risk tolerance policies and measures.

The Group ERM Committee, chaired by the Group CRO, has been established as a subordinate body of the Group Executive Committee to conduct cross-sectional management discussions on important Group ERM issues, such as risk-taking strategies, and the status of control of material risks by the department with primary responsibility and risk management department. The results are reported to the Board of Directors through the Group Executive Committee, and we have established a framework to continuously enhance governance pertaining to group risk management, incorporating advice and recommendations from the Board.

The Group CRO ensures that the “Sompo Group Basic Policy on ERM” and the “Medium-term Group ERM Promotion Policy” are known to all Group companies, and works to improve the effectiveness of ERM for the entire Group through regular monitoring and discussions with the CROs of each company.

Group companies have established risk management systems in line with Group policies and managed risk autonomously. The Company and its major subsidiaries have adopted a “three lines” model:

- First line: Each department or business unit responsible for developing and implementing policies and measures within our company and its key subsidiaries autonomously manages its own risks.
- Second line: The risk management department, along with the department in charge of relevant duties businesses, oversees and supports first line’s risk management activities.
- Third line: The internal audit section independently evaluates the validity and effectiveness of the overall risk governance framework.

These measures collectively ensure and enhance the effectiveness of the Group’s risk management system.

(2) The Risk Control System

Under the Risk Control System, we conduct risk assessment using “the Material Risk Management” framework – firstly identifying all the material risks we face, then evaluating them from both a qualitative and quantitative perspective.

For risks that can be quantified, their impacts on capital adequacy and liquidity are analyzed and assessed based on various quantitative indicators in “Capital adequacy management”, “Stress testing”, “Limit management”, and “Liquidity risk management” frameworks. Based on these analyses, the management decides necessary risk control measures to secure and improve the Group’s financial soundness.

(i) Material Risk Management

We define “risks that could have significant impacts on the business” as “material risks” and comprehensively capture and evaluate the risks faced by our business through bottom-up risk assessment and top-down confirmation and discussion by the Board of Directors and others. In conducting risk assessment, we have clarified the criteria so as to emphasize the reputational impact from the viewpoints of customers, society, and other stakeholders, in addition to economic loss and business continuity.

Material risks are comprehensively identified by the Group CRO based on risk assessments and the views of experts, etc., and risks are evaluated both qualitatively and quantitatively in terms of likelihood of occurrence and impact, based on specific scenarios of impact of risks on the Group, and the management status is discussed in the Group ERM Committee, then reported to the Group Executive Committee and the Board of Directors at least twice a year.

Risks for which the risk management structure should be reinforced are raised at the Group Executive Committee. Further, we define “emerging risks” as risks that, although it is difficult at this time to evaluate risks based on specific impact scenarios, have the potential to emerge or change due to changes in the environment and have a significant impact on our group in the future, and we manage them appropriately by associating them with individual material risks. In selecting emerging risks, the Group gathers information from various public and private sources, identifies potential candidates based on their possible future impact, and then designates them as emerging risks based on their materiality.

(ii) Capital Adequacy Management

We quantify the insurance underwriting risks, asset management risks, nursing risks, and operational risks we face to maintain a sufficient level of capital relative to risks. A system has been established so that countermeasures are properly implemented if necessary.

(iii) Stress testing

We conduct “scenario stress testing”, “reverse stress testing”, and “sensitivity analyses” on a Group-wide basis to accurately identify and manage events that could significantly affect its business management. We analyze the impact on both capital and risk and take countermeasures as required.

(iv) Risk Limit Management

We have established the maximum limit for each risk on a Group-wide basis such as credit risk, reinsurance counterparty risk, and natural catastrophe risk to avoid outsize losses arising from the occurrence of specific events. The Group has set the limits within the maximum limits based on risk characteristics and established a system to take appropriate measures when those the limits are exceeded.

(v) Liquidity Risk Management

In addition to projecting cash requirements for day-to-day operations, we project the maximum cash outflows that could result from events such as a large-scale natural catastrophe. We then conduct management to ensure we have sufficient liquid assets to meet cash requirements in these scenarios.

(3) Frameworks of capital regulation under the Insurance Business

The Group is subject to the capital requirements regulations under the Insurance Business Act of Japan and is monitored by the regulatory authority, the Financial Services Agency.

In addition to reserves to cover payments for policyholders such as claims, benefits, maturity refunds and others, it is necessary for insurance companies to maintain sufficient solvency in order to cover risks which exceed their normal estimates, i.e. occurrence of major catastrophes and a significant decline in value of assets held by insurance companies. Consolidated solvency margin ratio (or if non-consolidated, “Non-consolidated solvency margin ratio”), which is calculated in accordance with the Insurance Business Act, and other related regulations, is the ratio of solvency margin of insurance companies by means of their capitals (“Total consolidated solvency margin” or if non-consolidated, “Total non-consolidated solvency margin”) to the risks which will exceed their normal estimates (“Total consolidated risks” or if non-consolidated, “Total non-consolidated risks”).

Consolidated solvency margin ratio or non-consolidated solvency margin ratio is one of the indicators for the regulatory authorities to monitor financial soundness of insurance companies. A ratio of 200% or higher would indicate adequate capability to pay possible insurance claims and others.

The overseas insurance subsidiaries are supervised by their local regulators and are subject to the capital regulations in the countries of domicile. The Company monitors their compliance with regulatory requirements through reports provided by Sompo International Holdings Ltd.

37.2 Insurance risk

37.2.1 Exposure to insurance risk

(1) P&C insurance business

Insurance risk is the risk to suffer losses due to economic changes and fluctuation of the incidence ratio of insured events that were not expected at the time when the premium rates were set. In particular, a majority of those risks is related to losses arising from claim payments caused by natural disasters such as earthquake, typhoon and flood. There are other risks related to claim payments due to damage in general as well as the risk of fluctuating insurance liabilities due to changes in future outlook.

Relating to the P&C insurance business, the reported amounts of assets and liabilities of the insurance and reinsurance contracts by lines of business and geographical area are as follows.

As of April 1, 2023 (Transition date)

(Millions of yen)

Amount recognized as liabilities (assets)	Insurance contracts			Reinsurance contracts		
	Japan	Overseas	Total	Japan	Overseas	Total
Fire	1,122,179	421,547	1,543,727	(56,664)	(224,057)	(280,721)
Marine	32,382	76,776	109,159	(7,784)	(37,969)	(45,754)
Personal accident	1,153,594	432	1,154,027	(6,328)	(16)	(6,344)
Automobile	727,270	173,232	900,503	(2,073)	(13,744)	(15,818)
Compulsory automobile liability	557,423	—	557,423	—	—	—
Others	664,473	1,802,885	2,467,359	(67,820)	(655,028)	(722,848)
Total	4,257,324	2,474,875	6,732,200	(140,673)	(930,815)	(1,071,489)

As of March 31, 2024

(Millions of yen)

Amount recognized as liabilities (assets)	Insurance contracts			Reinsurance contracts		
	Japan	Overseas	Total	Japan	Overseas	Total
Fire	988,965	505,271	1,494,237	(47,441)	(185,316)	(232,757)
Marine	33,421	96,858	130,280	(7,492)	(49,028)	(56,520)
Personal accident	1,061,125	361	1,061,487	(2,271)	239	(2,032)
Automobile	752,226	153,090	905,317	(2,306)	(18,361)	(20,668)
Compulsory automobile liability	528,996	—	528,996	—	—	—
Others	680,913	2,303,906	2,984,819	(95,883)	(819,754)	(915,638)
Total	4,045,647	3,059,490	7,105,137	(155,396)	(1,072,221)	(1,227,617)

As of March 31, 2025

(Millions of yen)

Amount recognized as liabilities (assets)	Insurance contracts			Reinsurance contracts		
	Japan	Overseas	Total	Japan	Overseas	Total
Fire	865,601	550,557	1,416,159	(38,303)	(173,108)	(211,412)
Marine	36,760	109,751	146,512	(9,517)	(55,085)	(64,603)
Personal accident	948,708	356	949,065	(1,753)	82	(1,671)
Automobile	770,681	199,487	970,169	(1,039)	(18,301)	(19,341)
Compulsory automobile liability	505,286	—	505,286	—	—	—
Others	647,114	2,510,139	3,157,253	(92,455)	(816,721)	(909,177)
Total	3,774,153	3,370,292	7,144,445	(143,070)	(1,063,135)	(1,206,205)

(2) Life insurance business

Insurance risk is the risk to suffer losses due to economic changes and fluctuation of the incidence ratio of insured events that were not expected at the time when the premium rates were set. In addition to risks related to human disease/death, such as changes in mortality rate, survival rate and disability rate, risk related to changes in the surrender rate exists because many insurance contracts are long-term. Also, there are other risks related to changes in the expense ratios and catastrophic loss attributed to natural disaster and pandemic.

Relating to the life insurance business, the reported amounts of assets and liabilities of the insurance and reinsurance contracts by category are as follows.

(Millions of yen)

Amount recognized as liabilities (assets)	As of April 1, 2023 (Transition date)		As of March 31, 2024		As of March 31, 2025	
	Insurance	Reinsurance	Insurance	Reinsurance	Insurance	Reinsurance
Individual insurance	2,577,011	(2,378)	2,411,768	(2,323)	2,070,964	(1,873)
Individual annuities	128,087	—	119,995	—	106,753	—
Group insurance	5,109	—	5,195	2	5,177	1
Group annuities	—	—	—	—	—	—
Total	2,710,207	(2,378)	2,536,959	(2,320)	2,182,895	(1,871)

37.2.2 Sensitivity analysis

The effects of reasonably possible changes in insurance risks on net income before tax and other comprehensive income before tax are as follows:

Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)

(Millions of yen)

	Effect on net income before tax		Effect on other comprehensive income before tax	
	Before reinsurance coverage	After reinsurance coverage	Before reinsurance coverage	After reinsurance coverage
P&C insurance business				
Loss ratio +10%	(305,332)	(240,893)	3,512	3,507
Maintenance expense ratio +10%	(31,551)	(29,517)	362	362
Inflation rate +0.5%	(55,298)	(45,756)	728	727
Life insurance business				
Mortality rates +5%	(1,649)	(1,612)	(1,320)	(1,320)
Morbidity rates +5%	(7,000)	(6,998)	(3,309)	(3,309)
Maintenance expense ratio +5%	(1,682)	(1,676)	(812)	(812)
Surrender and lapse rates +5%	(766)	(731)	(906)	(906)
Inflation rate +0.5%	(2,500)	(2,492)	(621)	(621)

Fiscal year ended March 31, 2025 (April 1, 2024 to March 31, 2025)

	(Millions of yen)			
	Effect on net income before tax		Effect on other comprehensive income before tax	
	Before reinsurance coverage	After reinsurance coverage	Before reinsurance coverage	After reinsurance coverage
P&C insurance business				
Loss ratio +10%	(290,767)	(235,611)	10,148	10,123
Maintenance expense ratio +10%	(31,983)	(29,590)	1,105	1,105
Inflation rate +0.5%	(68,513)	(54,231)	2,117	2,111
Life insurance business				
Mortality rates +5%	(1,564)	(1,529)	(4,202)	(4,202)
Morbidity rates +5%	(7,142)	(7,140)	11,405	11,405
Maintenance expense ratio +5%	(1,762)	(1,757)	1,671	1,671
Surrender and lapse rates +5%	(811)	(779)	(6,774)	(6,774)
Inflation rate +0.5%	(2,656)	(2,648)	5,682	5,682

For the liability for remaining coverage, when risk variables used in estimation techniques for the future cash flows change, amortization of CSM is adjusted by reflecting changes in future cash flows. In addition, insurance contracts (including those measured by applying PAA) may become onerous or the gains and losses on onerous contracts may fluctuate due to changes in any loss component. In such cases, these impacts (the amortization of CSM is calculated on an annual basis) are reflected in net income before tax. For the liability for incurred claims, when risk variables used in the estimation techniques for the future cash flows change, insurance service expenses vary due to a fluctuation of future cash flows; therefore, such impacts are reflected in net income before tax.

Simultaneously, fluctuation in future cash flows results in fluctuation in the discount rate differences. As such, the effects are reflected in net income before tax or other comprehensive income before tax, depending on the accounting policy for each portfolio for insurance finance income or expenses.

For each of the above variables, the impact is assessed assuming that only a single variable changes, with all other variables held constant. For the life insurance business, recent inflation rates are varied, assuming the expected inflation rate reflected in the ultimate interest rate remains constant.

37.3 Market risk

Market risk is the risk that changes in market prices, such as interest rates, stock prices, and foreign exchange rates, will affect the fulfilment cash flows of insurance and reinsurance contracts as well as the fair value or future cash flows of financial instruments. As market risks arise from insurance contracts, asset management and financing activities, the Group is exposed to a number of risks including interest rate risk, stock price risk, and foreign currency risk.

37.3.1 Interest rate risk

Interest rate risk is the risk that the fulfilment cash flows of insurance contracts and reinsurance contracts and the fair value or future cash flows of financial instruments will change due to fluctuation in the market interest rate.

The Group conducts asset management activities by using financial instruments such as bonds and loans. Therefore, there is a risk that the fair value of the fixed income securities would decline if the interest rate is raised. Also, there is a risk that the present value of the insurance contract and reinsurance contract liabilities would increase due to decline in discount rates, if the interest rate is lowered. For insurance products that guaranteed fixed interest rate to customers, if the actual interest rate is lower than the initial interest rate guaranteed, the Group is exposed to the risk of loss incurred.

The Group regularly monitors the exposure to the interest rate risk relating to asset and liability positions. Also, the Group manages group-wide interest rate risk appropriately through alignment of the duration of insurance contracts and corresponding portfolio assets as well as adjustment of interest rate exposure using derivatives such as interest rate swaps.

Sensitivity analysis—interest rate risk

The effects of reasonably possible changes in market interest rates on net income before tax and other comprehensive income before tax are shown below.

Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)

	(Millions of yen)					
	Effect on net income before tax			Effect on other comprehensive income before tax		
	Insurance contracts		Financial instruments	Insurance contracts		Financial instruments
	Before reinsurance coverage	After reinsurance coverage		Before reinsurance coverage	After reinsurance coverage	
P&C insurance business						
Interest rate (JPY) +50bp	46	29	(1,659)	81,057	79,897	(43,682)
Interest rate (JPY) -50bp	(46)	(29)	1,695	(89,328)	(88,142)	47,563
Interest rate (USD) +50bp	23,151	15,911	(48,859)	463	378	(8,282)
Interest rate (USD) -50bp	(23,151)	(15,911)	49,339	(471)	(384)	8,631
Life insurance business						
Interest rate (JPY) +50bp	(389)	(386)	(287)	282,746	282,746	(261,824)
Interest rate (JPY) -50bp	577	558	313	(322,799)	(322,799)	297,252
Ultimate interest rate (JPY) -50bp	89	88	—	(31,494)	(31,494)	—
Interest rate (USD) +50bp	22	22	(588)	—	—	(5,864)
Interest rate (USD) -50bp	(23)	(23)	605	—	—	6,129

Fiscal year ended March 31, 2025 (April 1, 2024 to March 31, 2025)

	(Millions of yen)					
	Effect on net income before tax			Effect on other comprehensive income before tax		
	Insurance contracts		Financial instruments	Insurance contracts		Financial instruments
	Before reinsurance coverage	After reinsurance coverage		Before reinsurance coverage	After reinsurance coverage	
P&C insurance business						
Interest rate (JPY) +50bp	34	17	(1,543)	66,278	65,329	(30,487)
Interest rate (JPY) -50bp	(34)	(17)	1,577	(72,525)	(71,557)	32,520
Interest rate (USD) +50bp	33,280	22,776	(56,010)	594	507	(12,404)
Interest rate (USD) -50bp	(33,280)	(22,776)	56,031	(604)	(517)	13,216
Life insurance business						
Interest rate (JPY) +50bp	(400)	(397)	(273)	211,521	211,521	(222,555)
Interest rate (JPY) -50bp	378	375	299	(253,688)	(253,688)	251,843
Ultimate interest rate (JPY) -50bp	59	58	—	(19,812)	(19,812)	—
Interest rate (USD) +50bp	23	23	(548)	—	—	(6,952)
Interest rate (USD) -50bp	(24)	(24)	564	—	—	7,331

As the fair value of fixed-income financial instruments changes when interest rates fluctuate, the effect is reflected in net income before tax for financial assets measured at FVTPL and in other comprehensive income before tax for Debt FVTOCI. For insurance and reinsurance contracts, as changes in interest rates result in changes in the discounted present value of future cash flows at the end of the period due to fluctuations of discount rates. The effect is reflected in net income before tax or other comprehensive income before tax, depending on the accounting policy of each portfolio for insurance finance income or expenses. In the Life insurance business, future cash flows from certain insurance contracts fluctuate due to changes in interest rate. Therefore, the impacts are reflected in net income before tax (the amortization of CSM is calculated on an annual basis).

In the P&C insurance business, sensitivity represents the impact of parallel shifts in the yield curve, assuming that all other variables are held constant. Additionally, in the Life insurance business, the sensitivity to yen interest rates represents the impact of parallel shifts in the yield curve excluding terminal interest rates, and the sensitivity to terminal interest rates represents the impact of changes in terminal interest rates only, assuming that all other variables are held constant.

37.3.2 Stock price risk

Stock price risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in stock prices. It results from direct investment in stocks or investment in shares through funds. The Group monitors stock price exposure on a regular basis and utilizes derivative transactions such as stock index futures to appropriately manage stock price risk for the Group as a whole. In addition, certain insurance policies in the Life insurance business are subject to stock price risk because future cash flows fluctuate accordingly due to changes in the stock prices.

Major stock price exposures are as follows:

(Millions of yen)

	As of April 1, 2023 (Transition date)	As of March 31, 2024	As of March 31, 2025
Domestic stocks	1,403,084	1,859,577	1,336,643
Foreign stocks	250,288	344,416	459,404
Others	102,842	115,497	125,854
Total	1,756,214	2,319,491	1,921,902

Sensitivity analysis—stock price risk

The effects of TOPIX (Tokyo Stock Price Index) fluctuations on net income before tax and other comprehensive income before tax are shown below.

Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)

(Millions of yen)

	Effect on net income before tax			Effect on other comprehensive income before tax		
	Insurance contracts		Financial instruments	Insurance contracts		Financial instruments
	Before reinsurance coverage	After reinsurance coverage		Before reinsurance coverage	After reinsurance coverage	
P&C insurance business						
TOPIX +30%	—	—	20,827	—	—	497,900
TOPIX -30%	—	—	(20,827)	—	—	(497,900)
Life insurance business						
TOPIX +30%	(3,724)	(3,724)	3,812	—	—	320
TOPIX -30%	3,714	3,714	(3,812)	—	—	(320)

Fiscal year ended March 31, 2025 (April 1, 2024 to March 31, 2025)

(Millions of yen)

	Effect on net income before tax			Effect on other comprehensive income before tax		
	Insurance contracts		Financial instruments	Insurance contracts		Financial instruments
	Before reinsurance coverage	After reinsurance coverage		Before reinsurance coverage	After reinsurance coverage	
P&C insurance business						
TOPIX +30%	—	—	23,549	—	—	341,722
TOPIX -30%	—	—	(23,549)	—	—	(341,722)
Life insurance business						
TOPIX +30%	(3,502)	(3,502)	6,553	—	—	—
TOPIX -30%	3,498	3,498	(6,553)	—	—	—

The effects of changes in fair values of financial instruments arising from a fluctuation of stock prices are reflected in net income before tax for financial assets measured at FVTPL and in other comprehensive income before tax for Equity FVTOCI. In addition, for certain insurance policies in the Life insurance business, changes of future cash flows due to a fluctuation of stock prices are reflected in net income before tax (the amortization amounts of CSM is calculated on an annual basis). The sensitivity represents the impact on domestic listed stocks, and all other variables are assumed to remain constant.

37.3.3 Foreign currency risk

Foreign currency risk is the risk that the fulfilment cash flows of insurance and reinsurance contracts and fair value or future cash flows of financial instruments will fluctuate due to foreign exchange rates. In the Group, foreign currency exposures mainly arise from bonds as well as insurance contract liabilities denominated in any currency other than the functional currency. For some foreign currency risk, derivatives such as forward exchange contracts and currency options are utilized to allow the entire Group to properly manage foreign currency risk.

Major foreign currency exposures are as follows:

(Millions of yen)

	As of April 1, 2023 (Transition date)	As of March 31, 2024	As of March 31, 2025
USD (assets/(liabilities))	354,813	494,599	460,463
EUR (assets/(liabilities))	(60,255)	(39,182)	2,704

Sensitivity analysis—foreign currency risk

The effects of reasonably possible changes in the exchange rates of currencies other than the functional currency on net income before tax and other comprehensive income before tax are shown below.

Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)

(Millions of yen)

	Effect on net income before tax			Effect on other comprehensive income before tax		
	Insurance contracts		Financial instruments	Insurance contracts		Financial instruments
	Before reinsurance coverage	After reinsurance coverage		Before reinsurance coverage	After reinsurance coverage	
P&C insurance business						
USD -10% (Note 1)	7,491	5,071	(29,103)	(100)	(89)	1,110
USD +10% (Note 2)	(7,491)	(5,071)	22,322	100	89	(1,110)
EUR -10% (Note 1)	18,714	10,167	(4,457)	(61)	(46)	240
EUR +10% (Note 2)	(18,714)	(10,167)	4,457	61	46	(240)
Life insurance business						
USD -10% (Note 1)	70	70	(22,749)	—	—	1,552
USD +10% (Note 2)	(70)	(70)	20,737	—	—	(1,552)
EUR -10% (Note 1)	41	41	(2,668)	—	—	593
EUR +10% (Note 2)	(41)	(41)	2,668	—	—	(593)

Fiscal year ended March 31, 2025 (April 1, 2024 to March 31, 2025)

(Millions of yen)

	Effect on net income before tax			Effect on other comprehensive income before tax		
	Insurance contracts		Financial instruments	Insurance contracts		Financial instruments
	Before reinsurance coverage	After reinsurance coverage		Before reinsurance coverage	After reinsurance coverage	
P&C insurance business						
USD -10% (Note 1)	9,446	6,447	(24,224)	(78)	(66)	233
USD +10% (Note 2)	(9,446)	(6,447)	23,569	78	66	(233)
EUR -10% (Note 1)	20,825	13,786	(10,879)	(49)	(45)	(32)
EUR +10% (Note 2)	(20,825)	(13,786)	10,879	49	45	32
Life insurance business						
USD -10% (Note 1)	70	70	(26,536)	—	—	992
USD +10% (Note 2)	(70)	(70)	25,322	—	—	(992)
EUR -10% (Note 1)	39	39	(3,158)	—	—	106
EUR +10% (Note 2)	(39)	(39)	3,158	—	—	(106)

(Notes) 1. The impact of a 10% depreciation of the U.S. dollar or the euro represents the impact of a 10% appreciation of the yen against the U.S. dollar or the euro for domestic insurance companies whose functional currency is the Japanese yen and represents the impact of a 10% depreciation of the U.S. dollar or the euro against the relevant functional currency for overseas insurance companies whose functional currency is not the Japanese yen.

2. The impact of a 10% appreciation of the U.S. dollar or the euro represents the impact of a 10% depreciation of the yen against the U.S. dollar or the euro for domestic insurance companies whose functional currency is the Japanese yen and represents the impact of a 10% appreciation of the U.S. dollar or the euro against the relevant functional currency for overseas insurance companies whose functional currency is not the Japanese yen.

For monetary items such as insurance contracts, reinsurance contracts, and bonds, changes in exchange rates other than the functional currency result in corresponding foreign exchange gains or losses, the effects of which are reflected in net income before tax (the amortization of CSM is calculated on an annual basis). For discount rate differences arising from domestic insurance and reinsurance contracts, changes in exchange rates other than the functional currency result in changes in the discount rate differences recognized in other comprehensive income, the effects of which are reflected in other comprehensive income before tax. For discount rate differences arising from overseas insurance and reinsurance contracts, changes in exchange rates other than the functional currency result in changes in the foreign exchange gains or losses, the effects of which are reflected in net income before tax. For valuation differences arising from changes in the fair value of Debt FVTOCI, valuation differences recognized in other comprehensive income similarly change, the effects of which are reflected in other comprehensive income before tax. In addition, for all foreign exchange derivatives, regardless of whether the assets or liabilities hedged against foreign exchange risk are monetary or non-monetary, the impact of foreign exchange gains and losses resulting from changes in foreign exchange rates is reflected in net income before tax. For each of the above variables, the impact is assessed assuming that only a single variable changes, with all other variables held constant.

37.4 Credit risk

Credit risk is a risk of incurring financial loss in regard to bonds, loans and advances held by the Group, counterparties for trading assets such as derivative transactions, or reinsuring entities in reinsurance contracts, due to declined value of invested assets and difficulty in debt servicing or difficulty in collection of reinsurance claims as a result of the deterioration of financial conditions or bankruptcy.

37.4.1 Financial assets applicable to expected credit loss model

(1) Credit risk management

The Group manages credit risk of financial assets applicable to expected credit loss model by taking the following measures.

Establishing a credit policy and credit limit

The Group executes respective investments and loans, including bonds and loans, based on an appropriate assessment of the degree of credit risk of the debtors through an internal rating system. In addition, in order to control the concentration of credit risk on specific debtors, the Group sets a maximum amount of credit per debtor for each internal rating and manages credit risk appropriately.

Periodic credit risk monitoring

The Group monitors the financial condition and debt servicing performance of debtors and takes appropriate actions, including timely update of internal ratings and reduction of credit limit or protection of claims as necessary. In addition to managing credit exposure of each debtor, the Group manages credit exposures to avoid excessive concentration of credits to specific sectors such as industries and countries.

Self-assessment of credit quality and verification

The Group conducts self-assessment of credit quality (i.e., examining credit quality of each asset held individually and classifying them according to the degree of collectability or risk of damage to value) for all financial assets.

In the process of self-assessment, each department in charge conducts self-assessment (primary assessment), a department independent from the department in charge conducts verification (secondary assessment), and an audit department conducts an audit, while the expected credit losses are measured and recorded based on the results of self-assessment.

(2) Credit risk exposure by credit rating

The following table analyses the carrying amount of financial assets subject to the expected credit loss model by internal credit rating. It shows the total amount of the Group’s maximum credit exposure (before credit guarantees are taken into account) arising from these investments.

As of April 1, 2023 (Transition date)

(Millions of yen)

	12-month expected credit losses	Lifetime expected credit losses		Total
		Non-credit- impaired financial assets	Credit-impaired financial assets	
Investment securities				
AAA	163,798	—	—	163,798
AA	4,391,805	—	—	4,391,805
A	394,844	—	—	394,844
BBB	46,941	—	—	46,941
BB or below	—	—	—	—
No rating	20,053	—	0	20,053
Carrying amount (Note)	5,017,444	—	0	5,017,444
Loans and advances				
AAA	20,664	—	—	20,664
AA	40,036	255	—	40,291
A	393,239	500	—	393,739
BBB	15,028	500	—	15,528
BB or below	1,549	19	8	1,577
No rating	45,146	3	—	45,149
Carrying amount (Note)	515,665	1,277	8	516,951

As of March 31, 2024

(Millions of yen)

	12-month expected credit losses	Lifetime expected credit losses		Total
		Non-credit- impaired financial assets	Credit-impaired financial assets	
Investment securities				
AAA	146,501	—	—	146,501
AA	4,397,179	—	—	4,397,179
A	331,316	—	—	331,316
BBB	42,183	—	—	42,183
BB or below	—	—	—	—
No rating	11,131	—	0	11,131
Carrying amount (Note)	4,928,312	—	0	4,928,312
Loans and advances				
AAA	18,922	—	—	18,922
AA	67,458	258	—	67,717
A	332,185	500	—	332,685
BBB	11,687	500	—	12,187
BB or below	991	17	7	1,015
No rating	62,865	0	—	62,865
Carrying amount (Note)	494,111	1,276	7	495,394

As of March 31, 2025

(Millions of yen)

	12-month expected credit losses	Lifetime expected credit losses		Total
		Non-credit- impaired financial assets	Credit-impaired financial assets	
Investment securities				
AAA	86,691	—	—	86,691
AA	3,995,933	—	—	3,995,933
A	263,856	—	—	263,856
BBB	28,196	—	—	28,196
BB or below	—	—	—	—
No rating	11,342	—	0	11,342
Carrying amount (Note)	4,386,019	—	0	4,386,019
Loans and advances				
AAA	18,273	—	—	18,273
AA	74,087	258	—	74,346
A	304,734	500	—	305,234
BBB	7,461	500	—	7,961
BB or below	570	20	5	597
No rating	101,893	100	—	101,993
Carrying amount (Note)	507,022	1,379	5	508,407

(Note) The carrying amount of financial assets measured at amortized cost represents the gross carrying amount before deducting allowance for credit losses.

Collateral and other credit enhancement

The Group receives collaterals including securities and property, or a parent company’s guarantee for loans and receivables. For credit-impaired financial assets at the end of a fiscal year, the amount of those receivables is, in principle, fully protected by such collaterals.

Credit concentration risk

Credit concentration risk is the risk that a large amount of credit will be concentrated in a particular credit recipient, resulting in a large loss due to deterioration of the financial condition or bankruptcy of the credit recipient.

The Group has introduced an internal credit rating system and sets a limit of exposure per credit recipient for each internal rating, and regularly monitors and appropriately manages the credit concentration. In addition to the concentration in each credit recipient, the Group also periodically monitors the credit status of specific sectors such as industries and regions to ensure that there is no excessive concentration.

The domestic sector accounts for most of the Group’s credit concentration. Other than that, however, there is no credit concentration in specific jurisdiction and regions, and there is no credit concentration in specific industries in Japan.

(3) Measurement of expected credit losses

The Group manages credit risks by grouping similar exposures based on types of financial instruments and credit ratings, measuring expected credit losses of the groups on a collective basis.

For assets with a significant increase in credit risk since initial recognition, the Group recognizes lifetime expected credit losses of a financial asset while considering all reasonable and supportable information including forward-looking information. For assets with no significant increase in credit risk since initial recognition, the Group measures allowance for credit losses for such assets at an amount equal to 12-month expected credit losses. Specifically, the expected credit losses are measured based on the probability of default (PD) and loss given default (LGD) for the 12 months or for the lifetime of the asset. To determine the lifetime PD and the 12-month PD, the Group uses a PD table created based on a default history of debtors by each rating provided by several credit rating agencies. LGD is an estimate of potential loss if the loans were to default. LGD is determined on the basis of factors including structure, collateral and seniority ranking of credit claims.

To reflect forward-looking information in a timely manner while considering changes in macro-economic conditions, historical data used will be calibrated by incorporating present and future economic forecasts when significant changes in economic conditions are observed.

Determination of significant increase in credit risk

The Group manages credit risk using an internal credit rating system for each debtor, ensuring a certain level of consistency with external ratings provided such as by S&P and Moody's.

- The Group determines that there is a significant increase in credit risk if:
- a certain downgrade of internal rating is observed after the initial recognition of a financial asset;
 - a payment is more than 30 days past due without a rebuttable presumption; or
 - an event that may significantly change the debtor's ability to fulfil its obligation has occurred due to unfavorable changes in business, financial, or economic conditions.
- To reflect forward-looking information in a timely manner while considering changes in macro-economic conditions, historical data used for the determination of credit risk will be calibrated by incorporating present and future economic forecasts when significant changes in economic conditions are observed.
- As low credit risk exception has been applied to bonds, the Group considers that there is no significant increase in credit risk of investment-grade securities as of the end of the reporting period.

Definition of default

The Group defines that default occurs when the debtor has more than 90 days past due on a credit obligation or bankruptcy and the like while considering debt servicing history and consistency with assessment classification resulting from self-assessment of credit quality in line with the regulatory requirements.

Determination of credit-impaired financial assets

The Group determines that credit-impaired financial assets are claims that are in default, claims owed by a debtor who is likely to bankrupt and restructured loans that may cause significant disadvantage for a creditor.

Write-off

The gross carrying amount of financial asset is (fully or partly) written-off when there is no reasonable expectation of recovery. This occurs when the Group determines that a debtor does not have enough assets or revenue sources to generate sufficient cash flows to repay the amount subject to write-off.

Modified financial assets

Contractual terms of financial assets may be modified for various reasons such as relevant changes in market conditions and other factors not related to deterioration in the credit worthiness of debtors in current conditions and forecasts of future economic conditions. If a modification occurs, the Group monitors the amounts and ratio affected both before and after the modification and individually determines if a financial asset qualifies for derecognition.

Financial assets that qualify for derecognition are recognized at fair value as new financial assets that are renegotiated.

In case there is no derecognition even if financial assets are modified, the Group determines whether there is a significant increase in credit risk of such assets by comparing internal ratings both at initial recognition and at a reporting date.

The changes in allowance for credit losses related to investment securities are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)			Fiscal year ended March 31, 2025 (April 1, 2024 to March 31, 2025)		
	12-month expected credit losses	Lifetime expected credit losses		12-month expected credit losses	Lifetime expected credit losses	
		Non-credit- impaired financial assets	Credit- impaired financial assets		Non-credit- impaired financial assets	Credit- impaired financial assets
Beginning balance	746	—	—	757	—	—
Changes due to transfer of beginning balance:						
Transfer to 12-month expected credit loss	—	—	—	—	—	—
Transfer to lifetime expected credit loss (non-credit-impaired financial assets)	—	—	—	—	—	—
Transfer to lifetime expected credit loss (credit-impaired financial assets)	—	—	—	—	—	—
Write-off	—	—	—	—	—	—
Provision due to new acquisition, derecognition and remeasurement (net)	10	—	—	(43)	—	—
Foreign exchange	—	—	—	—	—	—
Others	—	—	—	—	—	—
Ending balance	757	—	—	713	—	—

The changes in allowance for credit losses related to loans and advances are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)			Fiscal year ended March 31, 2025 (April 1, 2024 to March 31, 2025)		
	12-month expected credit losses	Lifetime expected credit losses		12-month expected credit losses	Lifetime expected credit losses	
		Non-credit- impaired financial assets	Credit- impaired financial assets		Non-credit- impaired financial assets	Credit- impaired financial assets
Beginning balance	78	5	3	47	4	3
Changes due to transfer of beginning balance:						
Transfer to 12-month expected credit loss	—	—	—	—	—	—
Transfer to lifetime expected credit loss (non-credit-impaired financial assets)	(0)	0	—	(0)	0	—
Transfer to lifetime expected credit loss (credit-impaired financial assets)	—	—	—	—	—	—
Write-off	—	—	—	—	—	—
Provision due to new acquisition, derecognition and remeasurement (net)	(30)	(0)	(0)	(10)	(0)	(0)
Foreign exchange	—	—	—	—	—	—
Others	—	—	—	—	—	—
Ending balance	47	4	3	36	4	2

37.4.2 Reinsurance contracts

Although reinsurance is used to manage insurance risk, it does not mean that the Group is exempted from the responsibility as an insurance company. Even if the reinsurer fails to pay insurance claims for any reason, the Group is obliged to make payments to policyholders. The creditworthiness of the reinsurance company is managed by assessing its financial soundness before entering into a contract.

Although reinsurance contract assets are not subject to the expected credit loss model under IFRS 9, the Group estimates cash flows considering credit risk when estimating the future fulfilment cash flows.

The balances of reinsurance contract assets by internal credit rating are as follows: The maximum credit risk exposure equals the balance of reinsurance contract assets.

(Millions of yen)

	As of April 1, 2023 (Transition date)	As of March 31, 2024	As of March 31, 2025
AAA	1,609	668	394
AA	471,563	532,469	557,378
A	486,907	575,940	513,414
BBB	49,074	34,924	12,983
BB or below	8,344	786	17,226
No rating	57,279	85,148	107,915
Total	1,074,780	1,229,937	1,209,313

Concentration of ceded reinsurance risk

Concentration of ceded reinsurance risk is the risk of incurring significant losses due to deterioration of the financial condition or bankruptcy of the reinsurer as a result of a concentration of ceding to a specific reinsurer. The Group has implemented an internal rating system and sets a limit on the maximum expected recovery per reinsurer for each internal rating, and regularly monitors and appropriately manages the concentration risk of ceded reinsurers.

37.5 Liquidity risk

Liquidity risk is a risk of incurring losses as a result of deterioration in cash position and being forced to make transactions at a price significantly lower than usual to secure funds. Such risk arises from a decrease in insurance revenue associated with a decrease in new contracts, an increase in the payment of surrender value associated with large cancellations, and the payment of large amount of insurance claims due to large-scale disasters. It also includes the risk of late payment of claims due to failure to make transactions resulting from market disruptions and other factors.

The Group manages its day-to-day cash management activities and forecasts the maximum outflow of funds such as payments of insurance claims resulting from the development of a liquidity risk scenario including the occurrence of a huge disaster. It also secures sufficient liquid assets in preparation for such outflow of funds.

Maturity analysis

The contractual undiscounted cash flows of non-derivative financial liabilities and derivatives are as follows:

As of April 1, 2023 (Transition date)

(Millions of yen)

	Carrying amount	Contractual undiscounted cash flows	Within 1 year	1–5 years	Over 5 years
Non-derivative financial liabilities					
Repo and similar securities borrowings	575,531	575,531	575,531	—	—
Bonds issued and borrowings	614,424	972,865	12,765	134,255	825,844
Lease liabilities	361,325	393,913	41,533	138,201	214,178
Derivatives					
Derivative assets	(16,872)	(16,894)	(14,401)	(1,921)	(571)
Derivative liabilities	26,099	26,099	26,099	—	—
Total	1,560,508	1,951,515	641,529	270,535	1,039,451

As of March 31, 2024

(Millions of yen)

	Carrying amount	Contractual undiscounted cash flows	Within 1 year	1–5 years	Over 5 years
Non-derivative financial liabilities					
Repo and similar securities borrowings	527,028	527,028	527,028	—	—
Bonds issued and borrowings	691,738	1,044,299	13,532	208,684	822,083
Lease liabilities	331,571	364,546	41,636	134,060	188,849
Derivatives					
Derivative assets	(2,965)	(2,988)	(1,325)	(1,339)	(322)
Derivative liabilities	14,861	14,861	14,861	—	—
Total	1,562,234	1,947,748	595,733	341,405	1,010,610

As of March 31, 2025

(Millions of yen)

	Carrying amount	Contractual undiscounted cash flows	Within 1 year	1–5 years	Over 5 years
Non-derivative financial liabilities					
Repo and similar securities borrowings	139,832	139,832	139,832	—	—
Bonds issued and borrowings	691,201	1,025,818	13,742	206,320	805,756
Lease liabilities	334,622	372,277	41,431	138,015	192,830
Derivatives					
Derivative assets	(9,519)	(9,543)	(8,686)	(710)	(147)
Derivative liabilities	5,410	5,410	5,410	—	—
Total	1,161,548	1,533,796	191,730	343,625	998,440

The actual cash flows may differ from contractual cash flows presented above because some bonds issued and borrowings include clause allowing early redemption. Floating interest rates as of the reporting date are assumed to be held unchanged.

The details of undiscounted cash flows of insurance and reinsurance contracts are as follows. The assets and liabilities for remaining coverage measured by applying PAA are not included.

As of April 1, 2023 (Transition date)

(Millions of yen)

	P&C insurance business		Life insurance business	
	Insurance contract	Reinsurance contract	Insurance contract	Reinsurance contract
Within 1 year	2,040,574	(409,471)	(124,283)	(1,860)
1–2 years	1,044,138	(173,586)	(137,371)	—
2–3 years	677,645	(100,189)	(117,494)	—
3–4 years	477,585	(67,750)	(100,002)	—
4–5 years	345,291	(48,433)	(80,422)	—
Over 5 years	1,493,792	(109,651)	3,754,882	—
Total undiscounted cash flows	6,079,027	(909,082)	3,195,308	(1,860)
Expected present value of future cash flows /(assets)	5,637,227	(815,943)	1,627,470	(1,860)

As of March 31, 2024

(Millions of yen)

	P&C insurance business		Life insurance business	
	Insurance contract	Reinsurance contract	Insurance contract	Reinsurance contract
Within 1 year	2,171,318	(436,558)	(129,047)	(2,010)
1–2 years	1,153,414	(204,148)	(138,173)	—
2–3 years	778,495	(132,342)	(116,985)	—
3–4 years	535,565	(85,965)	(95,040)	—
4–5 years	391,896	(61,411)	(77,212)	—
Over 5 years	1,494,886	(144,038)	3,820,511	—
Total undiscounted cash flows	6,525,576	(1,064,464)	3,264,052	(2,010)
Expected present value of future cash flows /(assets)	5,955,280	(944,049)	1,442,049	(2,010)

As of March 31, 2025

(Millions of yen)

	P&C insurance business		Life insurance business	
	Insurance contract	Reinsurance contract	Insurance contract	Reinsurance contract
Within 1 year	2,172,189	(399,840)	(128,093)	(1,518)
1–2 years	1,202,056	(200,061)	(133,313)	—
2–3 years	812,993	(142,847)	(108,334)	—
3–4 years	551,113	(94,614)	(88,092)	—
4–5 years	403,335	(67,539)	(67,209)	—
Over 5 years	1,469,924	(168,136)	3,868,727	—
Total undiscounted cash flows	6,611,612	(1,073,038)	3,343,683	(1,518)
Expected present value of future cash flows /(assets)	5,936,735	(941,456)	1,138,907	(1,518)

The amounts payable on demand from policyholders and the carrying amount of the related group of insurance contracts are as follows:

(Millions of yen)

As of April 1, 2023 (Transition date)		As of March 31, 2024		As of March 31, 2025	
Amount payable on demand	Carrying amount	Amount payable on demand	Carrying amount	Amount payable on demand	Carrying amount
4,554,688	9,442,408	4,420,666	9,642,097	4,342,090	9,327,341

The amount payable on demand includes the amount of surrender value at the reporting date that would be paid if the insurance contracts were terminated.

37.6 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities that are subject to enforceable master netting arrangement or similar agreement are as follows:

As of April 1, 2023 (Transition date)

(Millions of yen)

Class of transaction	Gross amount of recognized financial assets/financial liabilities	Recognized amount offset in the consolidated statement of financial position	Net amount presented in the consolidated statement of financial position	Amount not offset in the consolidated statement of financial position		Net amount
				Financial instruments	Cash collateral received/pledged	
Financial assets						
Derivative assets	5,715	—	5,715	2,276	2,599	840
Securities lending transactions and similar transactions	559,639	—	559,639	—	559,639	—
Financial liabilities						
Derivative liabilities	14,400	—	14,400	2,276	602	11,522
Securities borrowing transactions and similar transactions	—	—	—	—	—	—

As of March 31, 2024

(Millions of yen)

Class of transaction	Gross amount of recognized financial assets/financial liabilities	Recognized amount offset in the consolidated statement of financial position	Net amount presented in the consolidated statement of financial position	Amount not offset in the consolidated statement of financial position		Net amount
				Financial instruments	Cash collateral received/pledged	
Financial assets						
Derivative assets	2,906	—	2,906	2,289	310	306
Securities lending transactions and similar transactions	512,134	—	512,134	—	512,134	—
Financial liabilities						
Derivative liabilities	14,732	—	14,732	2,289	8,673	3,769
Securities borrowing transactions and similar transactions	—	—	—	—	—	—

As of March 31, 2025

(Millions of yen)

Class of transaction	Gross amount of recognized financial assets/financial liabilities	Recognized amount offset in the consolidated statement of financial position	Net amount presented in the consolidated statement of financial position	Amount not offset in the consolidated statement of financial position		Net amount
				Financial instruments	Cash collateral received/pledged	
Financial assets						
Derivative assets	9,320	—	9,320	3,573	2,638	3,108
Securities lending transactions and similar transactions	139,657	—	139,657	—	139,657	—
Financial liabilities						
Derivative liabilities	4,400	—	4,400	3,573	524	302
Securities borrowing transactions and similar transactions	—	—	—	—	—	—

Under enforceable master netting arrangement or similar agreement, the right of offsetting financial assets and financial liabilities becomes enforceable only when defaults and other specific events that are not expected in the ordinary course of business occur. It affects the settlement of individual financial assets and financial liabilities. Consequently, these agreements do not currently create a legally enforceable right to offset and do not meet offsetting requirements in the statement of financial position.

38. Subsequent events

1. Acquisition of treasury stock

The Company passed a resolution setting out details of the Company's share buybacks to be conducted in accord with Article 156 of the Companies Act applied pursuant to Article 165, paragraph 3, of that Act at the Company's Board of Directors meeting on May 20, 2025.

(1) Reason for share buybacks

While ensuring financial soundness and improving capital efficiency by investing in growth business fields, the Company upholds a shareholder return policy of paying a basic return (50% of adjusted consolidated profit) and, in principle, a supplementary return of 50% of the after-tax gains on the sale of strategic shareholding.

Furthermore, the Company will consider adjusting the capital level depending on risk and capital conditions, trends in business performance, and financial market environment. These shareholder return shall be provided by dividends and share buybacks.

In accordance with this shareholder return policy, the Company will conduct share buybacks as basic and supplementary return.

(2) Details of share buybacks

(i) Class of shares	Common stock of the Company
(ii) Potential total number	33,000,000 shares (upper limit)
(iii) Total price	105,000,000,000 yen (upper limit)
(iv) Period	June 2, 2025 — November 18, 2025

2. Cancellation of treasury stock

The Company resolved to cancel the Company's treasury stock, pursuant to Article 178 of the Companies Act at the Company's Board of Directors meeting on May 20, 2025, and implemented the cancellation on May 30, 2025.

(i) Class of shares to be cancelled	Common stock of the Company
(ii) Number of shares to be cancelled	56,253,300 shares
(iii) Total number of issued shares (after the cancellation)	934,228,767 shares
(iv) Date of the cancellation	May 30, 2025

39. Transition to IFRS

The Group adopts IFRS from the consolidated financial statements of the fiscal year ended March 31, 2025 onwards. The most recent consolidated financial statements prepared under Japanese GAAP are for the fiscal year ended March 31, 2024. The date of transition from Japanese GAAP to IFRS is April 1, 2023.

(1) Exemption under IFRS 1

IFRS 1 requires first-time adopting entities to retrospectively apply all effective standards required under IFRS as of the reporting date. However, IFRS 1 also provides certain optional exemptions, and the Group has applied the following exemptions:

(i) Business combinations

IFRS 1 permits entities not to apply IFRS 3 retrospectively to business combinations that occurred prior to the date of transition to IFRS. The Group has elected to apply this exemption and such business combinations have not been restated. Therefore, goodwill arising from business combinations prior to the date of transition is stated in the opening statement of financial position in accordance with Japanese GAAP. Impairment tests were performed for such goodwill as of the transition date, regardless of the existence of indication of impairment.

(ii) Translation difference related to foreign operations

IFRS 1 permits entities to elect to deem the cumulative translation difference related to foreign operations to be zero at the transition date. The Group has applied this exemption.

(iii) Designation of financial instruments recognized prior to the transition date

IFRS 1 permits entities to determine the classification under IFRS 9 based on facts and circumstances that exist at the date of transition, rather than facts and circumstances that existed at the time of initial recognition. In addition, on the bases above, IFRS 1 permits entities to designate equity instruments as financial assets measured at fair value through other comprehensive income. The Group has applied this exemption and designated certain equity instruments, with some exceptions, as financial assets measured at fair value through other comprehensive income.

(iv) Insurance contracts

IFRS 1 permits entities to apply the transition exemptions under IFRS 17 to the measurement of insurance contracts at the transition date. The transition approach to IFRS 17 is disclosed in Note “17.4 Transition to IFRS 17.”

(v) Leases as lessees

IFRS 1 permits first-time adopters to assess whether a contract contains a lease at the transition date. The Group applies this exemption and determines whether a contract contains a lease based on the facts and circumstances existing at the transition date. IFRS 1 permits the lessee to measure the lease liability and right-of-use asset as of the date of transition to IFRS for all leases when recognizing the lease liability and right-of-use asset under the lessee's lease. The Group applies this exemption and measures the lease liability at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of transition.

The Group also measures right-of-use assets at the same amount as lease liabilities at the date of transition and applies IAS 36 Impairment of Assets to right-of-use assets at the date of transition. Leases for which lease term of 12 months or less from the date of transition to IFRS and leases for which the underlying asset is of low value are recognized as an expense.

(2) Mandatory exceptions to the retrospective application under IFRS 1

IFRS 1 prohibits retrospective application of other IFRSs, such as ‘estimates’, ‘derecognition of financial assets and financial liabilities’, ‘non-controlling interests’ ‘classification and measurement of financial assets’, etc. The Group applies these requirements in IFRSs prospectively from the date of transition to IFRSs.

(3) Reconciliation from Japanese GAAP to IFRS

The following reconciliations and explanatory notes provide a description of the effect of the transition from Japanese GAAP to IFRS on the Group's financial position, operating results and cash flows. In principle, ‘Reclassification’ includes items that do not affect retained earnings or comprehensive income, while ‘Differences in recognition and measurement’ includes items that affect retained earnings and comprehensive income.

(i) Reconciliation of equity
Reconciliation of equity as of April 1, 2023 (Transition date)

(Millions of yen)

Line items under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	Line items under IFRS
Assets						Assets
Cash and deposits	1,246,638	13,569	17,879	1,278,088	(1) (10)	Cash and cash equivalents
Receivables under resale agreements	69,999	(69,999)	—	—	(1)	
Monetary receivables bought	21,915	(21,915)	—	—	(2)	
Money trusts	21,236	(21,236)	—	—	(2)	
Securities	9,808,182	(24,651)	257,037	10,040,567	(2) (10) (11) (13)	Investment securities
	—	44,561	590	45,152	(4) (10)	Investments in associates
Loans	484,145	74,839	(42,121)	516,863	(1) (13)	Loans and advances
	—	—	21,199	21,199	(11) (17)	Insurance contract assets
	—	—	1,074,780	1,074,780	(11) (17)	Reinsurance contract assets
Tangible fixed assets	360,882	4,322	274,014	639,218	(15)	Property and equipment
Intangible fixed assets	543,122	4,320	(7,656)	539,787	(16)	Goodwill and Intangible assets
Other assets	707,418	(34,226)	(21,934)	651,257	(10) (11) (13) (17)	Other assets
	—	24,930	(8,058)	16,872	(5) (14)	Derivative assets
Net defined benefit asset	230	—	(6)	223	(18)	Retirement benefit assets
Deferred tax assets	90,499	—	(53,841)	36,657	(21)	Deferred tax assets
Allowance for possible credit losses	(2,995)	—	2,995	—	(13)	
Total assets	13,351,277	(5,485)	1,514,878	14,860,669		Total assets

(Millions of yen)

Line items under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	Line items under IFRS
Liabilities						Liabilities
Underwriting funds	9,475,679	—	(9,475,679)	—	(17)	
	—	—	9,463,607	9,463,607	(11) (17)	Insurance contract liabilities
	—	—	912	912	(17)	Reinsurance contract liabilities
Corporate bonds	609,051	6,554	(1,181)	614,424	(3)	Bonds issued and borrowings
					(3) (10)	
Other liabilities	1,127,008	(577,040)	229,054	779,022	(11) (15) (17) (19)	Other liabilities
	—	575,531	—	575,531		Repo and similar securities borrowings
	—	25,401	698	26,099	(5) (14)	Derivative liabilities
	—	6,188	8,421	14,610		Current tax liabilities
	—	3,539	173	3,712		Provisions
Net defined benefit liability	59,235	—	37	59,272	(18)	Retirement benefit liabilities
Reserve for retirement benefits to directors	16	(16)	—	—		
Reserve for bonus payments	42,488	(42,488)	—	—		
Reserve for bonus payments to directors	487	(487)	—	—		
Reserve for stocks payments	2,669	(2,669)	—	—	(19)	
Reserve for price fluctuation	110,858	—	(110,858)	—	(20)	
Deferred tax liabilities	4,642	—	334,214	338,856	(21)	Deferred tax liabilities
Total liabilities	11,432,136	(5,485)	449,399	11,876,050		Total liabilities
Net assets						Equity
Common stock	100,045	—	—	100,045		Share capital
Capital surplus	134,708	269	904	135,882	(19)	Capital surplus
Retained earnings	961,838	—	1,600,986	2,562,824	(23)	Retained earnings
Treasury stock	(82,145)	—	—	(82,145)		Treasury stocks
					(11) (13)	
Total accumulated other comprehensive income	788,599	—	(537,574)	251,025	(14) (17) (18) (22)	Other equity components
Stock acquisition rights	269	(269)	—	—		
Non-controlling interests	15,824	—	1,161	16,985		Non-controlling interests
Total net assets	1,919,140	—	1,065,478	2,984,618		Total equity
Total liabilities and net assets	13,351,277	(5,485)	1,514,878	14,860,669		Total liabilities and equity

Reconciliation of equity as of March 31, 2024

(Millions of yen)

Line items under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	Line items under IFRS
Assets						Assets
Cash and deposits	1,231,345	(34,741)	20,136	1,216,739	(1) (10)	Cash and cash equivalents
Receivables under resale agreements	14,999	(14,999)	—	—	(1)	
Monetary receivables bought	21,686	(21,686)	—	—	(2)	
Money trusts	4,843	(4,843)	—	—	(2)	
Securities	11,424,810	(55,494)	151,697	11,521,014	(2) (10) (11) (13)	Investment securities
	—	47,022	1,383	48,405	(4) (10)	Investments in associates
Loans	451,662	79,690	(36,013)	495,339	(1)(13)	Loans and advances
	—	—	19,521	19,521	(11) (17)	Insurance contract assets
	—	—	1,229,937	1,229,937	(11) (17)	Reinsurance contract assets
Tangible fixed assets	371,583	5,825	240,603	618,011	(15)	Property and equipment
Intangible fixed assets	518,922	12,504	21,042	552,469	(16)	Goodwill and Intangible assets
Other assets	710,294	(19,133)	(19,141)	672,020	(10) (11) (13)(17)	Other assets
	—	3,447	(482)	2,965	(5) (14)	Derivative assets
Net defined benefit asset	433	—	(14)	418	(18)	Retirement benefit assets
Deferred tax assets	85,110	—	(2,014)	83,096	(21)	Deferred tax assets
Allowance for possible credit losses	(2,913)	—	2,913	—	(13)	
Total assets	14,832,778	(2,408)	1,629,569	16,459,939		Total assets

(Millions of yen)

Line items under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	Line items under IFRS
Liabilities						Liabilities
Underwriting funds	9,810,421	—	(9,810,421)	—	(17)	
	—	—	9,661,618	9,661,618	(11) (17)	Insurance contract liabilities
	—	—	—	—	(17)	Reinsurance contract liabilities
Corporate bonds	682,349	5,128	4,260	691,738	(3)	Bonds issued and borrowings
					(3) (10)	
Other liabilities	1,111,287	(569,276)	217,191	759,203	(11) (15) (17) (19)	Other liabilities
	—	527,028	—	527,028		Repo and similar securities borrowings
	—	14,744	116	14,861	(5) (14)	Derivative liabilities
	—	76,560	3,847	80,408		Current tax liabilities
	—	3,901	193	4,094		Provisions
Net defined benefit liability	21,654	—	81	21,735	(18)	Retirement benefit liabilities
Reserve for retirement benefits to directors	16	(16)	—	—		
Reserve for bonus payments	57,500	(57,500)	—	—		
Reserve for bonus payments to directors	443	(443)	—	—		
Reserve for stocks payments	2,535	(2,535)	—	—	(19)	
Reserve for price fluctuation	116,413	—	(116,413)	—	(20)	
Deferred tax liabilities	161,895	—	410,156	572,051	(21)	Deferred tax liabilities
Total liabilities	11,964,519	(2,408)	370,630	12,332,740		Total liabilities
Net assets						Equity
Common stock	100,045	—	—	100,045		Share capital
Capital surplus	32,096	235	824	33,156	(19)	Capital surplus
Retained earnings	1,291,783	—	1,828,994	3,120,777	(23)	Retained earnings
Treasury stock	(4,125)	—	—	(4,125)		Treasury stocks
					(11) (13)	
Total accumulated other comprehensive income	1,432,100	—	(574,333)	857,767	(14) (17) (18) (22)	Other equity components
Stock acquisition rights	235	(235)	—	—		
Non-controlling interests	16,123	—	3,453	19,576		Non-controlling interests
Total net assets	2,868,258	—	1,258,939	4,127,198		Total equity
Total liabilities and net assets	14,832,778	(2,408)	1,629,569	16,459,939		Total liabilities and equity

(ii) Reconciliation of comprehensive income
Reconciliation of net income for the fiscal year ended March 31, 2024

(Millions of yen)

Line items under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	Line items under IFRS
Underwriting income	4,099,489	—	(4,099,489)	—	(17)	
Underwriting expenses	3,495,132	—	(3,495,132)	—	(17)	
	—	—	4,836,830	4,836,830	(11) (12) (17)	Insurance revenue
	—	—	4,287,494	4,287,494	(11) (12) (17) (18) (19)	Insurance service expenses
	—	—	(197,750)	(197,750)	(11) (17)	Income or expenses from reinsurance contracts held
	604,357	—	(252,772)	351,585		Insurance service result
Investment income	592,545	(565,907)	(26,637)	—	(6) (11) (17)	
Investment expenses	108,014	(106,815)	(1,198)	—	(6) (11)	
	—	101,565	5,499	107,065	(6) (13)	Interest income
	—	353,324	50,654	403,979	(6) (13)	Other investment gains and losses
	—	10,122	1,299	11,422		Expenses related to investment
	484,531	(14,325)	29,415	499,621		Investment gains and losses
	—	—	233,284	233,284	(11) (17)	Insurance finance expenses, net
	—	—	55,067	55,067	(17)	Reinsurance finance income, net
	—	—	(178,217)	(178,217)		Insurance finance gains and losses
	484,531	(14,325)	(148,801)	321,404		Finance result
Other ordinary income	241,611	(37,836)	10,299	214,074	(8)	Other revenue
Other ordinary expenses	183,714	(176,730)	(6,984)	—	(7) (8) (11)	
Operating, general and administrative expenses	658,750	(10,679)	(549,023)	99,047	(11) (16) (17) (18) (19)	Administrative expenses
Extraordinary gains	1,129	(1,129)	—	—	(8)	
Extraordinary losses	9,583	(9,583)	—	—	(8) (20)	
	—	12,579	3,604	16,183	(7) (15)	Other finance expenses
	—	41,676	(2,044)	39,632	(8) (10)	Other income
	—	173,995	24,949	198,944	(8) (10)	Other expenses
	—	1,196	811	2,008	(9) (10)	Investment gains and losses on the equity method
	(609,307)	14,325	536,521	(58,460)		Other income and expenses
Net income before income taxes	479,581	—	134,947	614,529		Net income before tax
Total income taxes	61,514	—	21,274	82,789	(11)	Income tax expenses
Net income	418,066	—	113,673	531,739		Net income

Reconciliation of other comprehensive income for the fiscal year ended March 31, 2024

(Millions of yen)

Line items under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	Line items under IFRS
Net income	418,066	—	113,673	531,739		Net income
Other comprehensive income						Other comprehensive income
						Items that will not be reclassified to profit or loss:
Unrealized gains and losses on securities available for sale	538,779	(83,506)	40,875	496,149	(13)	Investments in equity instruments
Remeasurements of defined benefit plans	20,303	—	575	20,878	(18)	Remeasurements of defined benefit plans
	—	—	(27)	(27)		Share of other comprehensive income of associates accounted for by the equity method
	—	83,506	(261,944)	(178,438)	(13)	Items that may be reclassified subsequently to profit or loss: Investments in debt instruments
Deferred gains and losses on hedges	(716)	—	716	—	(14)	Cash flow hedge
Foreign currency translation adjustments	84,679	—	87,283	171,962	(22)	Translation difference related to foreign operations
	—	—	212,962	212,962	(17)	Changes on insurance contracts due to changes in interest rates
	—	—	(267)	(267)	(17)	Changes on reinsurance contracts due to changes in interest rates
Share of other comprehensive income of affiliates accounted for under the equity method	733	—	396	1,130		Share of other comprehensive income of associates accounted for by the equity method
Total other comprehensive income	643,779	—	80,569	724,349		Other comprehensive income
Comprehensive income	1,061,846	—	194,242	1,256,089		Comprehensive income
Comprehensive income attributable to shareholders of the parent	1,059,555	—	194,317	1,253,872		Comprehensive income attributable to:
Comprehensive income attributable to non-controlling interests	2,291	—	(74)	2,216		Owners of parent
						Non-controlling interests

Notes on reconciliation of equity and comprehensive income

Reclassifications

- (1)

Cash and cash equivalents

Time deposits with a term to maturity of greater than three months, which are classified as “Cash and deposits” under Japanese GAAP, are included and presented as “Loans and advances” under IFRS. “Receivables under resale agreements,” which are presented separately under Japanese GAAP, are included and presented as “Cash and cash equivalents” under IFRS.
- (2)

Investment securities

“Monetary receivables bought,” “Money trusts” and “Securities” under Japanese GAAP are presented collectively as “Investment securities” under IFRS.
- (3)

Bonds issued and borrowings

Borrowings included in “Other liabilities” under Japanese GAAP are included in “Bonds issued and borrowings” under IFRS.
- (4)

Investments in associates

Investments accounted for using the equity method, which are included in “Securities” under Japanese GAAP, are presented as “Investments in associates” under IFRS.
- (5)

Derivative assets and Derivative liabilities

Derivative assets included in “Other assets” and derivative liabilities included in “Other liabilities” under Japanese GAAP are presented as “Derivative assets” and “Derivative liabilities” under IFRS.
- (6)

Interest income and Other investment gains and losses

“Investment income” under Japanese GAAP is included in “Interest income” and “Other investment gains and losses” under IFRS. Additionally, “Investment expenses” under Japanese GAAP is included in “Other investment gains and losses” under IFRS.
- (7)

Other finance expenses

Interest expense included in “Other ordinary expenses” under Japanese GAAP is included in “Other finance expenses” under IFRS.
- (8)

Other income and Other expenses

Some of the “Other ordinary income” and “Extraordinary gains” under Japanese GAAP are presented as “Other income” under IFRS. Additionally, “Other ordinary expenses” and “Extraordinary losses” under Japanese GAAP are presented as “Other expenses” under IFRS.
- (9)

Investment gains and losses on the equity method

Investment gains and losses on the equity method included in “Other ordinary income” or “Other ordinary expenses” under Japanese GAAP are presented as “Investment gains and losses on the equity method” under IFRS.

Differences in recognition and measurement

- (10)

Scope of consolidation

Under Japanese GAAP, subsidiaries that do not have material impact on the consolidated financial statements are excluded from the scope of consolidation. Under IFRS, the scope of consolidation is determined based on the established principles. In addition, under Japanese GAAP, fund-related investments such as investment trust are accounted for as financial instruments according to the holding purposes. Under IFRS, judgment on whether the company has substantial controls over these structured entities is made on the grounds that the company has power that affects variable returns of their investee. If the company is deemed to have controls, it is included within the scope of consolidation.
- (11)

Alignment of reporting period-end dates

Under Japanese GAAP, for the consolidated subsidiaries, whose reporting period-end date differs from that of the parent, consolidation was implemented by using the financial statements of the subsidiary with making the adjustments for the effects of significant transactions between the parent and subsidiaries during the different reporting period-end dates, if the difference is no more than three months. Under IFRS, subsidiaries with different reporting period-end dates are consolidated by preparing financial statements using provisional calculations as of the parent’s reporting period-end date.

- (12)

Foreign currency translation

Under Japanese GAAP, revenues and expenses from foreign operations are translated into Japanese yen using the exchange rate at the period-end. Under IFRS, the average rate for the period is used unless exchange rates fluctuate significantly.
- (13)

Financial instruments: classification and measurement

Under Japanese GAAP, securities are classified as ‘trading securities’, ‘bonds held-to-maturity’, ‘policy reserve matching bonds’, ‘shares in subsidiaries and associates’ and ‘securities available for sale.’ ‘Bonds held-to-maturity’ and ‘policy reserve matching bonds’ are measured at amortized cost while ‘trading securities’ and ‘securities available for sale’ are measured at fair value through profit or loss and other comprehensive income, respectively. Also, receivables such as loans etc. are measured at amortized cost. Under IFRS, financial assets are classified as: ‘equity instruments measured at fair value through other comprehensive income (equity FVTOCI)’, ‘debt instruments measured at fair value through other comprehensive income (debt FVTOCI)’, ‘instruments measured at fair value through profit or loss (FVTPL)’ or instruments measured at amortized cost, depending on the business model for managing the financial assets and contractual cash flow characteristics of the financial assets.

Investment securities (equity instruments)

Under Japanese GAAP, for stocks classified as ‘securities available for sale,’ gains or losses on sale of securities as well as impairment losses are recognized in profit or loss. Under IFRS, it is designated as ‘equity FVTOCI’ and changes in fair value are recognized as other comprehensive income. If such financial assets are derecognized, amount of accumulated other comprehensive income is subsequently reclassified to retained earnings. Under Japanese GAAP, as a basic rule, unlisted stocks are measured at cost, whereas under IFRS, these are measured at fair value.

Investment securities (debt instruments)

Under Japanese GAAP, bonds classified as ‘bonds held-to-maturity’ or ‘policy reserve matching bonds’ are measured at amortized cost on a straight-line basis. Under IFRS, it is classified as ‘debt FVTOCI’ and measured at fair value. In addition, under Japanese GAAP, impairment losses are recognized based on criteria such as significant decline in market value. Meanwhile, IFRS accounts for expected credit losses based on criteria such as significant increases in credit risks since initial recognition. Under Japanese GAAP, difference in the amount of foreign currency translation related to bonds is recognized in other comprehensive income, whereas IFRS recognizes it as profit or loss.

Fund-related investments such as investment trusts

Under Japanese GAAP, for investment trusts classified as ‘securities available for sale’, the unrealized gains and losses are recognized in other comprehensive income and for the investment in partnerships and others, held share of profits or losses of partnerships’ operations is recognized in profit or loss. Under IFRS, investment trusts excluding those recognized as subsidiaries are classified as ‘FVTPL’ and the amount of changes in fair value is recognized in profit or loss.

Loans and advances

Under Japanese GAAP, loans are measured at amortized cost using the straight-line method. Under IFRS, they are measured at amortized cost using the effective interest method. Under Japanese GAAP, any amount deemed to be uncollectable as a result of the credit risk self-assessment as of the end of the period is recognized as ‘allowance for possible credit losses.’ Under IFRS, expected credit losses are recognized based on criteria such as significant increase in credit risk since initial recognition.

(14)

Hedge accounting

Under Japanese GAAP, deferred hedge accounting has been applied for interest rate risks related to insurance contracts. However, under IFRS, hedge accounting is not applied because they do not meet the criteria of qualifying hedge relationship. For foreign currency risks related to foreign bonds, fair value hedge has been used under Japanese GAAP but it was elected not to apply hedge accounting under IFRS.

(15)

Leases as lessees

Under Japanese GAAP, leased assets are not recorded for operating leases. However, under IFRS, right-of-use assets and lease liabilities are recognized for all leases, including operating leases, if they meet requirements, in principle.
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(16) Goodwill

Under Japanese GAAP, goodwill was amortized on a straight-line basis over a certain period. Under IFRS, goodwill is no longer amortized on and after the transition date and conduct impairment tests.

(17) Insurance contracts and reinsurance contracts

Due to significant differences in measurement and presentation methods between Japanese GAAP and IFRS as described below, the entire amount recorded under Japanese GAAP has been reversed and the entire amount recorded under IFRS has been newly recognized as ‘Differences in recognition and measurement.’

Classification and measurement

Under Japanese GAAP, underwriting funds (required under the Insurance Business Act) were recognized as liabilities. Under IFRS, insurance and reinsurance contracts are measured as per Note “3. Summary of material accounting policies,” as assets or liabilities.

The measuring methods under Japanese GAAP and IFRS are similar for assets or liabilities for remaining coverage related to contracts measured by applying the PAA. However, for assets or liabilities for incurred claims related to such contracts and assets or liabilities related to contracts that are measured by not applying PAA, the methods are different mainly in the following points:

- Under Japanese GAAP, undiscounted amounts have been recognized, in principle. Under IFRS, the amounts are measured based on the estimates of future cash flows discounted by using the rate that reflects the time value of money.
- Japanese GAAP does not consider risk adjustments explicitly. Under IFRS, the amounts are measured by reflecting a risk adjustment for non-financial risks in the estimates of future cash flows.
- Japanese GAAP is based on the assumptions related to the estimates at the time of contract signing, in principle. Under IFRS, the estimates of future cash flows are measured based on the estimates as of the period end.
- Under Japanese GAAP, costs related to insurance contracts are recognized as they arise, in principle. Under IFRS, acquisition expenses and direct maintenance costs are included in the measurement of the estimates of future cash flows.

Presentation of insurance revenue

Under Japanese GAAP, it was presented separately as ‘premium written’ which is recognized when the amount is received from policyholders, and the change in underwriting reserves which is the part of the underwriting funds (‘provision for underwriting reserves’ which is recognized as expense, and ‘reversal of underwriting reserves’ which is recognized as income). Under IFRS, it is presented as ‘insurance revenue.’

Presentation of insurance service expenses

Under Japanese GAAP, it was presented separately such as: ‘claims paid’ which is recognized at the time they were paid to policyholders, and the change in reserve for outstanding losses and claims which is the part of the underwriting funds (‘provision for reserve for outstanding losses and claims’ which is recognized as expense, and ‘reversal of reserve for outstanding losses and claims’ which is recognized as income). Under IFRS it is presented as ‘insurance service expenses.’ Also under IFRS, profits and losses from onerous contracts are included in ‘insurance service expenses.’

(18) Retirement benefit obligations related to defined benefit plans

Under Japanese GAAP, actuarial gains and losses and past service costs are accounted for as an expense on a straight-line basis over certain number of years equal to or less than the average remaining service period of the employees. However, under IFRS, actuarial gains and losses are recognized in other equity components through other comprehensive income when they arise and then, reclassified to retained earnings immediately. Past service costs are recognized in its entirety in profit or loss as it arises.

(19) Board Benefit Trust (BBT)

Under Japanese GAAP, the amount of the share-based payment obligations expected as of the end of the period is reported as provisions. However, under IFRS, equity-settled share-based payments are measured at fair value as of the grant date of the equity instruments with a corresponding increase in equity, and cash-settled share-based payments are measured at fair value as of the end of the period with a corresponding increase in liability.

(20) Reserves under special laws

Under Japanese GAAP, reserve for price fluctuation is reported pursuant to the Insurance Business Act. However, under IFRS, this reserve is not reported because the requirements for the recognition of liability are not met.

(21) Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities are recognized for temporary differences arising from reconciliation from Japanese GAAP to IFRS, with adjustments recorded as ‘retained earnings’ or ‘other equity components’ depending on the related transaction. These temporary differences are mainly due to ‘differences in recognition and measurement’ related to insurance contracts and financial instruments.

(22) Reclassification of cumulative translation difference related to foreign operations

In relation to the first-time adoption of IFRS, the cumulative translation difference as of the date of transition is fully reclassified as retained earnings, as it was elected to apply the exemption provided under IFRS 1.

(23) Retained earnings

Effects on retained earnings arising from reconciliation to IFRS are as follows:

(Millions of yen)			
Item	Notes	As of April 1, 2023 (Transition date)	As of March 31, 2024
Alignment of scopes of consolidation and end of the reporting periods	(10) (11)	78,453	83,616
Financial instruments	(13) (14)	208,913	365,987
Goodwill	(16)	—	19,035
Insurance contracts and reinsurance contracts	(17)	1,749,272	1,840,780
Reserves under special laws	(20)	110,858	116,413
Cumulative translation difference related to foreign operations	(22)	59,627	59,627
Others		(29,104)	(13,150)
Tax effects	(21)	(577,034)	(643,317)
Effect on retained earnings		1,600,986	1,828,994

- (iii) Reconciliation of cash flows
- There are no material differences between Japanese GAAP and IFRS on the consolidated statement of cash flows.

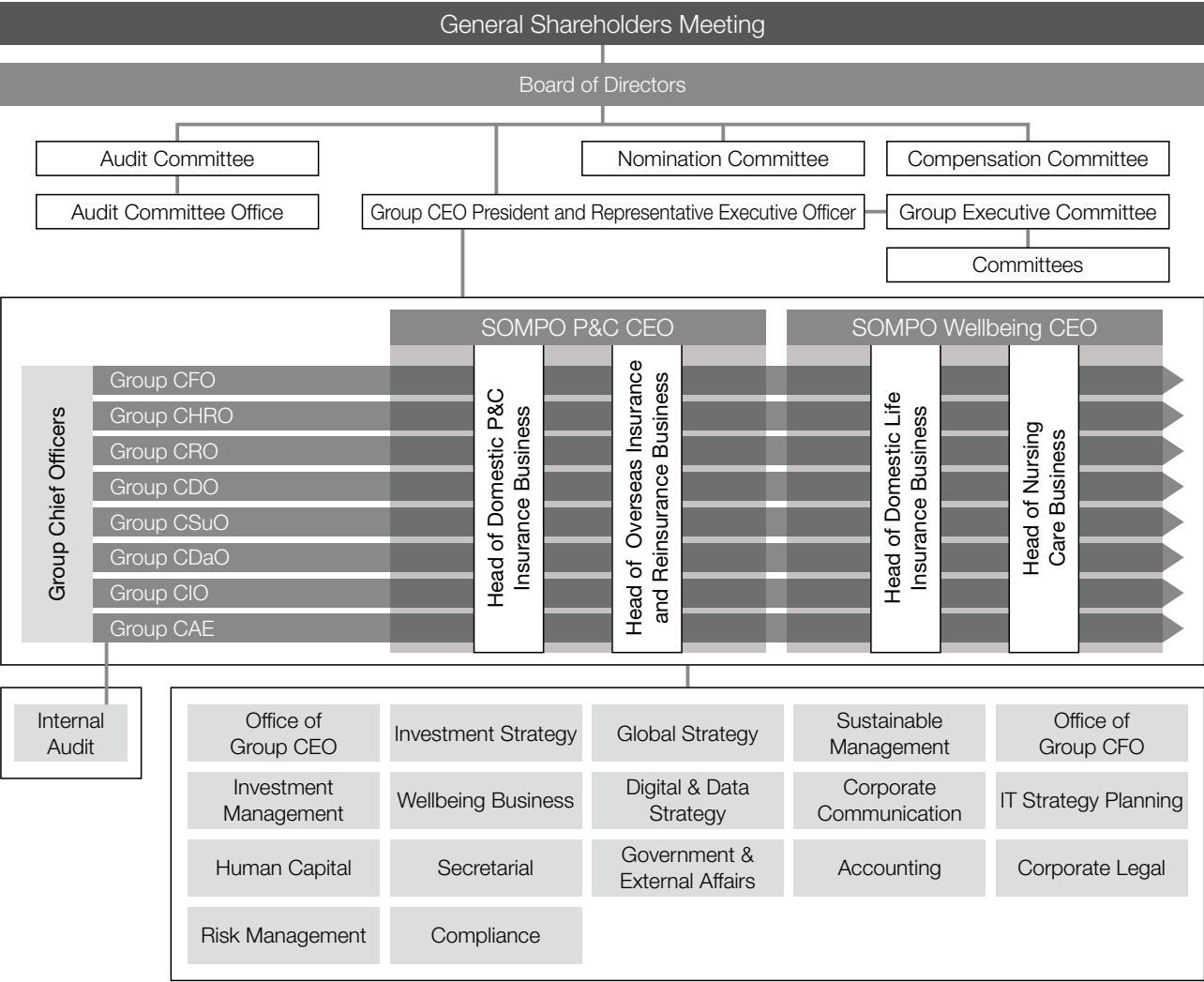
Corporate Overview

Company name:	Sompo Holdings, Inc.
Date of establishment:	April 1, 2010
Capital:	¥100 billion
Head office:	26-1, Nishi-Shinjuku 1-chome, Shinjuku-ku, Tokyo 160-8338, Japan
Group CEO, Director, President and Representative Executive Officer:	Mikio Okumura
Employees:	467*
Business activities:	Management of P&C insurance companies, life insurance companies, and other companies controlled as subsidiaries pursuant to the Insurance Business Law, and other related operations
Exchange listing:	Tokyo Stock Exchange (Prime Market)
Independent auditor:	Ernst & Young ShinNihon LLC
URL:	https://www.sompo-hd.com/en/

* As of March 31, 2025

Organization Chart

(As of July 1, 2025)



Group CEO and other abbreviated titles represent the following positions: Group CEO:Group Chief Executive Officer/Group CFO:Group Chief Financial Officer/ Group CHRO:Group Chief Human Resource Officer/Group CRO:Group Chief Risk Officer/Group CDO:Group Chief Digital Officer/Group CSuO: Group Chief Sustainability Officer/Group CDaO:Group Chief Data Officer/Group CIO:Group Chief Information Officer/Group CAE:Group Chief Audit Executive

Share and Shareholder Information

Share Information

1. Fiscal year:	April 1 of each year through March 31 of the following year
2. Annual General Meeting of Shareholders:	Held within 3 months of the end of each fiscal year
3. Record date for year-end dividends and voting rights:	March 31
	Note: Record date for interim dividends: September 30
4. Share-trading lot size:	100
5. Shareholder registry administrator:	Mizuho Trust & Banking Co., Ltd.
6. Public notices:	Sompo Holdings issues public notices electronically. https://www.sompo-hd.com/en/ Note: If a public notice cannot be issued electronically, it will be published in the Nikkei (newspaper).
7. Exchange listing:	Tokyo Stock Exchange (Prime Market)

Matters for the General Meeting of Shareholders

The 15th General Meeting of Shareholders was held on June 23, 2025. The matters to be reported and the matters to be resolved were as follows:

Matters to be Reported

- The business report, the consolidated financial statements, and the audit reports on the consolidated financial statements by the accounting auditors and the Audit Committee for fiscal 2024 (April 1, 2024 to March 31, 2025)
- The financial statements for fiscal 2024 (April 1, 2024 to March 31, 2025)

Matters to be Resolved

[Company proposals]
Proposal No. 1: Disposition of Retained Earnings
Proposal No. 2: Appointment of 13 Directors
The proposals were approved as initially proposed.
[Shareholder Proposals]
Proposal No. 3 to No. 11*
All of the above Proposals were rejected.
* The contents of Proposal No. 3 to No. 11 are all related to amendments to the Articles of Incorporation.

Distribution and Shares

1. Equity Shares	
(1) Type of shares	Common shares
(2) Total number of authorized shares	3,600,000,000
(3) Total number of shares outstanding	990,482,067 (Including treasury stock)
(4) Total number of shareholders	76,711
2. Types of Shareholders	

(As of March 31, 2025)			
Category	Number of Shareholders	Number of Shares Held (Thousands)*1	Percentage of Shares Outstanding (%)*2
National and Regional Governmental Organizations	2	24	0.00
Financial Institutions	133	304,827	30.78
Securities Companies	50	50,767	5.13
Other Corporations	1,171	52,180	5.27
Foreign Investors	1,211	421,927	42.60
Individuals and Others	74,144	160,754	16.23
Total	76,711	990,482	100.00

Note:
*1 Numbers of shares held are truncated to the unit displayed.
*2 Percentage of shares outstanding are rounded to the unit displayed.

Top 10 Shareholders

(As of March 31, 2025)

Name of Shareholder	Number of Shares Held (Thousands)*3	Percentage of Shares Outstanding (Excluding Treasury Stock) (%)*4
The Master Trust Bank of Japan, Ltd. (Trust account)	157,656	16.75
Custody Bank of Japan, Ltd. (Trust account)	62,713	6.66
GOVERNMENT OF NORWAY	27,057	2.87
STATE STREET BANK AND TRUST COMPANY 505103	23,807	2.53
Sompo Holdings Employee Shareholders Association	21,963	2.33
STATE STREET BANK AND TRUST COMPANY 505001	21,668	2.30
STATE STREET BANK WEST CLIENT - TREATY 505234	19,803	2.10
JP MORGAN CHASE BANK 380055	17,112	1.82
JPMorgan Securities Japan Co., Ltd.	14,480	1.54
JP MORGAN CHASE BANK 385781	13,596	1.44

*3. In addition to the above, there are 49,105 thousand shares of treasury stock owned by the Company. The number of said treasury stock does not include 1,622 thousand shares of the Company's stock owned by Mizuho Trust & Banking Co., Ltd. (Retrustee: Custody Bank of Japan, Ltd. (Trust account E), which was set up for the purpose of the “Board Benefit Trust (BBT)” plan.)

*4. The percentage of shares outstanding is calculated after deducting treasury stock (49,105 thousand shares).

The Company, Subsidiaries, and Affiliates (As of March 31, 2025)

The Sompo Group consists of 134 subsidiaries and 22 affiliates etc. The Group is engaged in Domestic P&C Insurance, Overseas Insurance and Reinsurance, Domestic Life Insurance, and Nursing care. Major Group companies are as follows.

Sompo Holdings, Inc.

Domestic P&C Insurance

◎ Sompo Japan Insurance Inc.

◎ Sompo Direct Insurance Inc.

Overseas Insurance and Reinsurance

◎ Sompo International Holdings Ltd.

◎ Endurance Specialty Insurance Ltd.

◎ Endurance Assurance Corporation

◎ Endurance Worldwide Insurance Limited

◎ SI Insurance (Europe), SA

◎ Sompo Holdings (Asia) Pte. Ltd.

◎ Sompo Sigorta Anonim Sirketi

◎ Berjaya Sompo Insurance Berhad

◎ Sompo Seguros S.A.

★ Universal Sompo General Insurance Company Limited

Domestic Life Insurance

◎ Sompo Himawari Life Insurance, Inc.

Nursing Care

◎ Sompo Care Inc.

◎ ND Software Co., Ltd.

Others

◎ Sompo Warranty Inc. (Extended warranty)

◎ SOMPO Light Vortex, Inc. (Digital-related)

◎ Sompo Asset Management Co., Ltd. (Asset management)

◎ Sompo Japan DC Securities Inc. (Defined contribution pension plan)

◎ Sompo Health Support Inc. (Healthcare)

★ Palantir Technologies Japan K.K. (Software sales)

Note: The meanings of each symbol are as follows.

◎: Consolidated subsidiary ★: Affiliate accounted for under the equity method

Subsidiaries and Affiliates, etc.

Consolidated Subsidiaries

Company Name	Location of Head Office	Date of Establishment	Capital	Main Business	Percentage of Voting Rights Held by the Holding Company (%) ^{*1}	Percentage of Voting Rights Held by Subsidiaries or Affiliates of the Holding Company (%) ^{*1}
Sompo Japan Insurance Inc.	Shinjuku-ku, Tokyo	February 12, 1944	85,000 million Japanese yen	Domestic P&C	100.0	—
Sompo Direct Insurance Inc.	Shinjuku-ku, Tokyo	September 22, 1982	35,260 million Japanese yen	Domestic P&C	100.0	100.0
Sompo International Holdings Ltd.	Pembroke (British Overseas Territory of Bermuda)	March 24, 2017	0 thousand U.S. dollars	Overseas Insurance and Reinsurance	100.0	100.0
Endurance Specialty Insurance Ltd.	Pembroke (British Overseas Territory of Bermuda)	November 30, 2001	12,000 thousand U.S. dollars	Overseas Insurance and Reinsurance	100.0	100.0
Endurance Assurance Corporation	Wilmington, DE (U.S.A.)	September 5, 2002	5,000 thousand U.S. dollars	Overseas Insurance and Reinsurance	100.0	100.0
Endurance Worldwide Insurance Limited	London (U.K.)	April 10, 2002	215,967 thousand British pounds	Overseas Insurance and Reinsurance	100.0	100.0
SI Insurance (Europe), SA	Luxembourg (Luxembourg)	January 12, 2018	30 thousand euros	Overseas Insurance and Reinsurance	100.0	100.0
Sompo Holdings (Asia) Pte. Ltd.	Singapore (Singapore)	August 1, 2008	790,761 thousand Singapore dollars	Overseas Insurance and Reinsurance	100.0	100.0
Sompo Sigorta Anonim Sirketi	Istanbul (Turkey)	March 30, 2001	195,498 thousand Turkish liras	Overseas Insurance and Reinsurance	100.0	100.0
Berjaya Sompo Insurance Berhad	Kuala Lumpur (Malaysia)	September 22, 1980	118,000 thousand Malaysian ringgits	Overseas Insurance and Reinsurance	70.0	70.0
Sompo Seguros S.A.	Sao Paulo (Brazil)	October 8, 1943	1,872,552 thousand Brazilian reals	Overseas Insurance and Reinsurance	99.9	99.9
Sompo Himawari Life Insurance Inc.	Chiyoda-ku, Tokyo	July 7, 1981	17,250 million Japanese yen	Domestic Life Insurance	100.0	—
Sompo Care Inc.	Shinagawa-ku, Tokyo	May 26, 1997	3,925 million Japanese yen	Nursing Care	100.0	—
ND Software Co., Ltd.	Nanyo-shi, Yamagata	December 20, 2018	100 million Japanese yen	Nursing Care	100.0	—
Sompo Warranty Inc.	Chiyoda-ku, Tokyo	August 20, 2009	95 million Japanese yen	Other (Extended warranty)	100.0	—
SOMPO Light Vortex, Inc.	Shinjuku-ku, Tokyo	July 1, 2021	12,198 million Japanese yen	Other (Digital-related)	100.0	—
Sompo Asset Management Co., Ltd.	Chuo-ku, Tokyo	February 25, 1986	1,550 million Japanese yen	Other (Asset management)	100.0	—
Sompo Japan DC Securities Inc.	Shinjuku-ku, Tokyo	May 10, 1999	3,000 million Japanese yen	Other (Defined contribution pension plan)	100.0	100.0
Sompo Health Support Inc.	Chiyoda-ku, Tokyo	October 1, 2018	10 million Japanese yen	Other (Healthcare)	100.0	—
115 other companies						

Equity-Method Affiliates, etc.

Company Name	Location of Head Office	Date of Establishment	Capital	Main Business	Percentage of Voting Rights Held by the Holding Company (%) ^{*1}	Percentage of Voting Rights Held by Subsidiaries or Affiliates of the Holding Company (%) ^{*1}
Universal Sompo General Insurance Company Limited	Mumbai (India)	January 5, 2007	3,681,818 thousand Indian rupees	Overseas Insurance and Reinsurance	34.6	34.6
Palantir Technologies Japan K.K.	Shibuya-ku, Tokyo	October 15, 2019	5,432 million Japanese yen	Other (Software sales)	50.0	—
20 other companies						

Note: "Subsidiaries and affiliates, etc." includes subsidiaries and affiliates, etc. as specified in the Insurance Business Act and the Order for Enforcement of the Insurance Business Act.
*1 Figures in percentage of voting rights are rounded to the indicated decimal place.

Directors and Executive Officers (As of July 1, 2025)

Directors

Name	Position
Mikio OKUMURA	Director
Masahiro HAMADA	Director
Shinichi HARA	Director
Scott Trevor DAVIS	Director* Chair of the Nomination Committee Member of the Compensation Committee
Isao ENDO	Director* Member of the Nomination Committee Member of the Compensation Committee
Kazuhiro HIGASHI	Director* Chair of the Board Member of the Nomination Committee Member of the Compensation Committee
Misuzu SHIBATA	Director* Chair of the Audit Committee
Takashi NAWA	Director* Member of the Nomination Committee Member of the Compensation Committee
Meyumi YAMADA	Director* Chair of the Compensation Committee Member of the Nomination Committee
Masayuki WAGA	Director* Member of the Audit Committee
Toru KAJIKAWA	Director* Member of the Audit Committee
Yuji KAWAUCHI	Director Member of the Audit Committee
Shinobu IMAMURA	Director Member of the Audit Committee

* Outside Director as set forth in Article 2 (XV) of the Companies Act.
* Mr. Scott Trevor DAVIS, Mr. Isao ENDO, Mr. Kazuhiro HIGASHI, Ms. Misuzu SHIBATA, Mr. Takashi NAWA, Ms. Meyumi YAMADA, Mr. Masayuki WAGA and Mr. Toru KAJIKAWA, meet the requirements of an “independent director” which is specified by the Tokyo Stock Exchange, Inc., and are deemed as being unlikely to have any conflict of interest with general stockholders.

Executive Officers and Vice Presidents

Name	Position
Mikio OKUMURA	Group CEO President and Representative Executive Officer
Masahiro HAMADA	Group CFO Deputy President and Representative Executive Officer
Shinichi HARA	Group CHRO Deputy President and Representative Executive Officer
James SHEA *1	CEO of SOMPO P&C, Senior Vice President SOMPO P&C (Chief Officer), Overseas Insurance and Reinsurance Business (Officer) (CEO of Sompo International Holdings)
Yasuhiro OBA *2	CEO of SOMPO Wellbeing, Senior Vice President SOMPO Wellbeing (Chief Officer) (Chairman of Sompo Himawari Life Insurance)
Koji ISHIKAWA *3	Senior Vice President in charge of SOMPO P&C, Domestic P&C Insurance Business (Officer) (President of Sompo Japan Insurance)
Yasuki KUME *4	Senior Vice President in charge of SOMPO Wellbeing, Domestic Life Insurance Business (Officer) (President of Sompo Himawari Life Insurance)

Takamitsu WASHIMI *5	Senior Vice President in charge of SOMPO Wellbeing, Nursing Care Business (Officer) (President of Sompo Care)
Koichi NARASAKI	Senior Executive Vice President and Executive Officer in charge of Digital Business (Officer) and Investment
Yoshihiro UOTANI	Group CRO Senior Executive Vice President and Executive Officer
Masayuki KIMURA	Group CDO Executive Vice President
Kayoko SAKAI	Group CSuO Executive Vice President
Akiko MURAKAMI	Group CDaO Executive Vice President
Yoshiyasu SUZUKI	Group CIO Senior Vice President General Manager, IT Strategy Planning Department
David CAMPUTO	Group CAE Senior Vice President
Katsuyuki TAJIRI	Senior Vice President in charge of SOMPO P&C (Director, Deputy President of Sompo Japan Insurance), Direct Insurance Business (Officer) and Overseas M&A
Kenneth REILLY	Senior Vice President in charge of SOMPO P&C (Deputy President of Sompo Japan Insurance)
Katsuhito NAKAGAWA *6	Senior Vice President Direct Insurance Business (President of Sompo Direct Insurance)
Hiroshi HORIE *7	Senior Executive Vice President in charge of Compliance
Nicolas BURNET	Executive Vice President in charge of SOMPO P&C Group Deputy CFO
Junsuke KOIKE	Executive Vice President Group Deputy CFO
Kayoko KOSAKA	Senior Vice President Group Deputy CSuO
Sina MARTENS	Senior Vice President in charge of Communications (Group Head of Communications)
Hirofumi SHINJIN	Senior Vice President in charge of Public Relations
Ryoko SHIMOKAWA	Senior Vice President in charge of SOMPO Wellbeing
Yohei NAMIKI	Senior Vice President in charge of SOMPO Wellbeing
Kyotaro HIROSE	Senior Vice President in charge of SOMPO P&C General Manager, Office of Group CEO

*1 James SHEA concurrently serves as Executive Chairman of the Board of Directors and Chief Executive Officer at Sompo International Holdings Ltd.
*2 Yasuhiro OBA concurrently serves as Chairman at Sompo Himawari Life Insurance Inc.
*3 Koji ISHIKAWA concurrently serves as President and Chief Executive Officer at Sompo Japan Insurance Inc.
*4 Yasuki KUME concurrently serves as President at Sompo Himawari Life Insurance Inc.
*5 Takamitsu WASHIMI concurrently serves as Chief Executive Officer at Sompo Care Inc.
*6 Katsuhito NAKAGAWA concurrently serves as President and Representative Director of Sompo Direct Insurance Inc.
*7 Hiroshi HORIE concurrently serves as Director, Senior Managing Executive Officer of Sompo Japan Insurance Inc.