

Financial Section

Financial Statements

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FINANCIAL STATEMENTS

1. Balance Sheets

(ASSETS)

Item	Fiscal Year	(Yen in millions)	
		2018 (As of March 31, 2019)	2019 (As of March 31, 2020)
Cash and deposits		211,842	231,608
Deposits		211,842	231,608
Call loans		141	404
Monetary receivables bought		9,999	9,999
Securities		228,248	250,648
Government bonds		52,578	29,935
Municipal bonds		13,416	18,632
Corporate bonds		128,435	167,384
Foreign securities		33,818	34,695
Tangible fixed assets		90	66
Buildings		23	22
Other tangible fixed assets		66	44
Intangible fixed assets		209	142
Software		208	141
Other intangible fixed assets		1	1
Other assets		17,892	17,928
Reinsurance accounts receivable		17,408	17,517
Accounts receivable		3	2
Uncollected income		280	227
Deposits		46	45
Suspense payments		1	9
Derivatives		152	125
Total assets		468,425	510,798

(LIABILITIES)

Item	Fiscal Year	(Yen in millions)	
		2018 (As of March 31, 2019)	2019 (As of March 31, 2020)
Underwriting funds		428,289	470,107
Outstanding claims		11,589	3,633
Underwriting reserves		416,700	466,474
Entrusted reserves		23,759	25,050
Other liabilities		12,928	13,278
Reinsurance accounts payable		11,903	12,605
Income taxes payable		189	189
Deposits payable		5	2
Accrued amounts payable		666	187
Derivatives		163	292
Reserve for retirement benefits		152	163
Reserve for directors' retirement benefits		13	13
Reserve for bonus payments		23	23
Reserves under the special law		1	0
Reserve for price fluctuation		1	0
Net unrealized gains on available-for-sale securities of earthquake insurance		1,711	623
Deferred tax liabilities		0	-
Total liabilities		446,881	509,261

(NET ASSETS)

Item	Fiscal Year	(Yen in millions)	
		2018 (As of March 31, 2019)	2019 (As of March 31, 2020)
Common stock		1,000	1,000
Retained earnings		546	545
Legal reserve of retained earnings		1	1
Other legal reserve of retained earnings		545	544
Special reserves		17	17
Special price fluctuation reserves		39	39
Retained earnings carried forward		489	487
Treasury Stock		(5)	(5)
Total shareholders' equity		1,541	1,540
Net unrealized gains on available-for-sale securities		1	(2)
Total valuation and translation adjustments		1	(2)
Total net assets		1,543	1,537
Total liabilities and net assets		468,425	510,798

Notes for fiscal 2019

1. Matters relating to accounting policies are as follows.

- (1) Appraisal standards and method of securities and method of indication are as follows.
 - (i) Of available-for-sale securities, those to which the market price is applicable is appraised according to the market price at term end.
 - (ii) With respect to the unrealized gain of assets corresponding to the underwriting reserves and entrusted reserves of earthquake insurance, the amount before tax effect deduction is shown as Net unrealized gains on other securities of earthquake insurance in Liabilities on the form attached to the Enforcement Rules of Insurance Business Act. For other unrealized gains, the amount after tax effect deduction is processed entirely according to the direct capital injection method and indicated in Shareholders' Equity. The calculation of the sales price is based on the moving average method.
- (2) The appraisal of derivatives is done on the basis of market price.
- (3) Although depreciation of tangible fixed assets is calculated using the declining balance method, buildings (excluding equipment attached to buildings) that were acquired on or after April 1, 1998 and equipment attached to buildings and structures that were acquired on or after April 1, 2016 were depreciated using the straight-line method.

- (4) Software for in-house use that is recorded as an intangible fixed asset is amortized using the straight-line method over the estimated usable life (five years).
- (5) The conversion of foreign currency assets and liabilities into Japanese currency is processed according to the accounting standards for foreign currency transactions.
- (6) Reserve for bad debts is written as follows against losses from bad debts in accordance with the self-appraisal standard of assets and depreciation and reserve standards.
- In connection with claims against debtors who have gone bankrupt legally and formally, including bankruptcy, special liquidation or disposition by suspension of business at a clearing house, or debtors who are effectively bankrupt, the rest of any of the claims deducting an estimated amount of disposable mortgage and a deductible amount by guarantee was appropriated for such reserves. In connection with the other claims, the rate of bad debts calculated according to past bad debts and other factors is multiplied by the amount of claims to appropriate for reserves.
- In addition, all claims are written after the finance department appraises the assets, and the result is audited by the planning and controller department independent of the finance department to appropriate the appraisal for reserves.
- There are no assets in the current term that are to be appropriated for reserves and no reserve is required.
- (7) For employees' retirement and severance benefits, reserve for retirement benefits is appropriated according to estimated retirement allowance liabilities at the end of the term.
- Retirement allowance liabilities are calculated using a simple method on the basis of the allowance to be supplied at the end of the term for any employee who retires for his/her own reasons.
- (8) For reserve for directors' retirement benefits, the benefits to be paid at the end of the term are recorded according to the relevant in-house rules.
- (9) Reserve for bonus payments is calculated according to the standards for the estimated bonuses payable as of the end of the fiscal year under review.
- (10) To prepare for a loss from price changes of shares and others, reserve for price fluctuation is appropriated according to Article 115, Insurance Business Law.

2. Financial instruments and fair values of financial instruments

(1) Situation of financial instruments

We mainly hold highly rated short- and medium-term Japanese and foreign bonds and short-term financial instruments in preparation for reinsurance payouts. We manage assets by attaching top priority to liquidity and safety and giving additional consideration to profitability. It is our policy to engage in derivatives trading or forward exchange contracts to reduce the market risks of foreign-currency receivables associated with exchange fluctuations, within the limits of actual demand. In addition, we maintain an understanding of market risks, credit risks and liquidity risks and manage current quotations and credit information on a regular basis in this regard.

(2) Fair values of financial instruments

The table below shows the balance sheet amounts and fair values of financial instruments and the differences between them as of March 31, 2020.

(Yen in millions)

	Balance sheet amount	Fair value	Difference
(i) Cash and deposits	231,608	231,608	-
(ii) Call loans	404	404	-
(iii) Monetary receivables bought	9,999	9,999	-
(iv) Securities			
Available-for-sale securities	250,648	250,648	-
Total assets	492,661	492,661	-
(v) Derivatives* to which hedge accounting is not applied	(167)	(167)	-
Derivatives total	(167)	(167)	-

*Derivatives recorded in other assets and other liabilities.
Net claims and debts derived from derivatives represent the net amounts, and items whose net balance becomes debts are stated in brackets.

Note: Methods for calculating the fair values of financial instruments

- (i) Cash and deposits
Cash and deposits are settled in the short term and their fair values are based on their carrying values as their fair values and carrying values are similar.
- (ii) Call loans
Call loans are settled in the short term and their fair values are based on their carrying values as their fair values and carrying values are similar.
- (iii) Monetary receivables bought
Monetary receivables bought are settled in the short term and their fair values are based on their carrying values as their fair values and carrying values are similar.
- (iv) Securities
The fair values of securities are based on their market prices at term end, which are reference prices in the trading statistics of the Japan Securities Dealers Association or market prices obtained from outside vendors or brokers.
- (v) Derivatives
The fair values of derivatives are determined by prices offered by correspondent financial institutions.

3. Taxes are included when preparing accounts for consumption tax and other items.
4. Risk reserves contained in Underwriting reserves have been deposited based on instructions for the calculation of underwriting reserves by accumulating the amounts that result from subtracting an amount equivalent to corporate taxes from the net premiums written and profit from operating the assets.
5. The accumulated depreciation of tangible fixed assets is 171 million yen.
6. See below for a breakdown of outstanding claims.

(Yen in millions)	
Outstanding claims (before the deduction of outstanding reinsurance claims)	5,017
Outstanding reinsurance claims related to the above claims	1,384
Net outstanding claims	3,633

7. Total deferred tax assets amount to 635 million yen. Deferred tax assets are all deducted from the total amount for a valuation reserve. A breakdown of deferred tax assets reveals tax loss carried forward of 525 million yen, a reserve for retirement benefits of 45 million yen, unpaid business taxes of 37 million yen and unpaid special local corporate tax of 15 million yen.
8. No event that could have a material impact on assets or profits or losses in or after the next fiscal year has arisen since the last day of the fiscal year under review.
9. Net assets per share are 773.32 yen. The basis for this calculation is that net assets are 1,537 million yen, net assets accrued from ordinary shares are 1,537 million yen and the number of ordinary shares at the end of the term is 1.988 million.
10. Each amount is rounded down to the nearest whole unit.

2. Statements of Income

Item	(Yen in millions)	
	Fiscal Year	2018 (from April 1, 2018 to March 31, 2019)
	Amount	Amount
Ordinary income	199,942	138,413
Underwriting income	197,716	137,376
Net premiums written	118,679	129,298
Investment income on savings premiums	103	121
Reversal of outstanding claims	-	7,955
Reversal of policy reserve	78,933	-
Investment income	2,212	1,028
Interest and dividend income	1,107	872
Gains on sales of securities	80	184
Gains on derivatives	-	91
Foreign exchange gains	1,124	-
Other investment income	3	1
Transfer of investment income on savings premiums	(103)	(121)
Other ordinary income	13	7
Ordinary expenses	199,940	138,415
Underwriting expenses	196,641	136,265
Net claims paid	124,276	26,223
Loss adjustment expenses	9,874	5,338
Commissions and brokerage fees	52,675	54,929
Provision of outstanding claims	9,815	-
Provision of underwriting reserves	-	49,773
Investment expenses	1,890	712
Loss on sales of securities	14	40
Losses on derivatives	1,863	-
Foreign exchange losses	-	660
Other investment expenses	12	11
Operating, general and administrative expenses	1,409	1,437
Other ordinary expenses	-	0
Ordinary profit (loss)	1	(2)
Extraordinary income	-	1
Reversal of reserve for price fluctuation	-	1
Extraordinary losses	0	-
Provision of price fluctuation reserves	0	-
Net income (loss) before income taxes	1	(0)
Income taxes	0	0
Total income taxes	0	0
Net income (loss)	1	(1)

Notes for fiscal 2019

1. See below for a breakdown of net premiums written.

(Yen in millions)	
Premiums written:	311,255
Reinsurance premiums ceded:	181,956
Net premiums written:	129,298

2. See below for a breakdown of net claims paid.

(Yen in millions)	
Claims paid:	33,378
Reinsurance claims recovered:	7,155
Net claims paid:	26,223

3. See below for a breakdown of the provision of outstanding claims (figures in parentheses are the reversal of outstanding claims).

(Yen in millions)	
Provision of outstanding claims (before the deduction of outstanding reinsurance claims)	(9,932)
Provision of outstanding reinsurance claims related to the above claims	(1,976)
Net provision of outstanding claims	(7,955)

4. The interest and dividend income are given below by category:

(Yen in millions)	
Deposits:	4
Call loans:	0
Monetary receivables bought:	0
Securities:	867
Total:	872

5. Paper profit/loss involved in the gains on derivatives is a loss of 167 million yen.

6. Net loss per share is 0.59 yen.

The basis for this calculation is such that net loss is 1 million yen, net loss accrued from common stocks is 1 million yen and the term average number of common stocks amount to 1.988 million.

7. The legal effective tax rate at the end of the term is 28.00%, and the corporate tax burden after applying the tax effect is (32.86%) The difference is explained by the following breakdown: valuation reserve (11,533.36%) the amount of the write-off carried from publicity expenses related to risk reserves 11,531.39%

8. Each amount is rounded down to the nearest whole unit.

3. Statements of Cash Flow

Item	(Yen in millions)	
	Fiscal Year	2018 (from April 1, 2018 to March 31, 2019)
	Amount	Amount
Cash flow from operating activities		
Net income (loss) before income taxes	1	(0)
Depreciation	115	96
Increase (decrease) in outstanding claims	9,815	(7,955)
Increase (decrease) in underwriting reserves	(78,933)	49,773
Increase (decrease) in entrusted reserves	(13,740)	1,291
Increase (decrease) in reserve for retirement benefits	(1)	11
Increase (decrease) in reserve for directors' retirement benefits	4	(0)
Increase (decrease) in reserve for bonus payments	1	(0)
Increase (decrease) in reserve for price fluctuation	0	(1)
Interest and dividend income	(1,107)	(872)
Losses (gains) on investment in securities	(66)	(144)
Foreign exchange losses (gains)	(1,110)	371
Decrease (increase) in other assets (other than investment and financial activities related)	(3,176)	(115)
Increase (decrease) in other liabilities (other than investment and financial activities related)	1,327	220
Others	803	156
Subtotal	(86,065)	42,830
Interest and dividends received	1,645	1,337
Income taxes paid	(0)	(0)
Net cash provided by operating activities	(84,419)	44,167
Cash flow from investing activities		
Purchase of monetary receivables bought	(19,999)	(27,999)
Proceeds from sales and redemption of monetary receivables bought	9,999	27,999
Purchase of securities	(73,760)	(123,665)
Proceeds from sales and redemption of securities	46,907	99,532
Total investment assets activities	(36,852)	(24,132)
Total operating activities and investment assets activities	(121,272)	20,035
Acquisition of tangible fixed assets	-	(2)
Others	(28)	(3)
Net cash provided by investing activities	(36,880)	(24,139)
Cash flow in financing activities		
Effect of exchange rate changes on cash and cash equivalents	-	-
Net increase (decrease) in cash and cash equivalents	(121,300)	20,028
Cash and cash equivalents at the beginning of the year	319,284	197,983
Cash and cash equivalents at the end of the year	197,983	218,012

Notes for fiscal 2019

1. Relationship of cash and cash equivalents at the end of the year with the amounts mentioned in the relevant balance sheet item.

	(Yen in millions)	
	(As of March 31, 2019)	(As of March 31, 2020)
Cash and deposits	211,842	231,608
Call loans	141	404
Monetary receivables bought	9,999	9,999
Securities	228,248	250,648
Deposits of a depository period over three months	(14,000)	(14,000)
Monetary receivables bought other than cash equivalents	(9,999)	(9,999)
Securities other than cash equivalent	(228,248)	(250,648)
Cash and cash equivalents	197,983	218,012

2. Cash flow in investing activities includes cash flow from the investment assets operations in the insurance business.

4. Statement of Changes in Shareholders' Equity

Fiscal 2018 (from April 1, 2018 to March 31, 2019)

(Yen in millions)

	Shareholder's equity							Valuation and translation adjustments:		Total net assets	
	Common stock	Retained earnings					Treasury stock	Total shareholders' equity	Net unrealized gains on available-for-sale securities		Total valuation and translation adjustments
		Legal reserve of retained earnings	Other legal reserve of retained earnings		Retained earnings carried forward	Total retained earnings					
		Special reserves	Special price fluctuation reserves								
Balance at the beginning of the period	1,000	1	17	39	487	545	(5)	1,539	0	0	1,540
Changes during the period											
Net income (loss)					1	1		1			1
Net changes other than shareholders' equity									1	1	1
Total changes					1	1		1	1	1	2
Balance at the end of the period	1,000	1	17	39	489	546	(5)	1,541	1	1	1,543

Fiscal 2019 (from April 1, 2019 to March 31, 2020)

(Yen in millions)

	Shareholder's equity							Valuation and translation adjustments:		Total net assets	
	Common stock	Retained earnings					Treasury stock	Total shareholders' equity	Net unrealized gains on available-for-sale securities		Total valuation and translation adjustments
		Legal reserve of retained earnings	Other legal reserve of retained earnings		Retained earnings carried forward	Total retained earnings					
		Special reserves	Special price fluctuation reserves								
Balance at the beginning of the period	1,000	1	17	39	489	546	(5)	1,541	1	1	1,543
Changes during the period											
Net income (loss)					(1)	(1)		(1)			(1)
Net changes other than shareholders' equity									(4)	(4)	(4)
Total changes					(1)	(1)		(1)	(4)	(4)	(5)
Balance at the end of the period	1,000	1	17	39	487	545	(5)	1,540	(2)	(2)	1,537

Notes for fiscal 2019

- Matters related to the types and total number of stocks outstanding and the types and number of treasury stock

(Stock)

		Balance as of the end of fiscal 2018	Increase in fiscal 2019	Decrease in fiscal 2019	Balance as of the end of fiscal 2019
Issued stock	Ordinary stock	2,000,000	-	-	2,000,000
	Total	2,000,000	-	-	2,000,000
Treasury stock	Ordinary stock	11,400	-	-	11,400
	Total	11,400	-	-	11,400

- Each amount is rounded down to the nearest whole unit.

