

Financial Section

Financial Statements

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FINANCIAL STATEMENTS

1. Balance Sheets

(ASSETS)

Item	Fiscal Year	(Yen in millions)	
		2019 (As of March 31, 2020)	2020 (As of March 31, 2021)
		Amount	Amount
Cash and deposits		231,608	263,355
Deposits		231,608	263,355
Call loans		404	105
Monetary receivables bought		9,999	19,999
Securities		250,648	365,834
Government bonds		29,935	16,687
Municipal bonds		18,632	73,774
Corporate bonds		167,384	249,705
Foreign securities		34,695	24,735
Other securities		-	931
Tangible fixed assets		66	52
Buildings		22	20
Other tangible fixed assets		44	31
Intangible fixed assets		142	114
Software		141	112
Other intangible fixed assets		1	1
Other assets		17,928	17,812
Reinsurance accounts receivable		17,517	17,530
Accounts receivable		2	3
Uncollected income		227	227
Deposits		45	45
Suspense payments		9	5
Derivatives		125	-
Total assets		510,798	667,273

(LIABILITIES)

Item	Fiscal Year	(Yen in millions)	
		2019 (As of March 31, 2020)	2020 (As of March 31, 2021)
		Amount	Amount
Underwriting funds		470,107	631,956
Outstanding claims		3,633	118,581
Underwriting reserves		466,474	513,374
Entrusted reserves		25,050	25,962
Other liabilities		13,278	6,690
Reinsurance accounts payable		12,605	5,004
Income taxes payable		189	457
Deposits payable		2	3
Accrued amounts payable		187	239
Derivatives		292	986
Reserve for retirement benefits		163	151
Reserve for directors' retirement benefits		13	10
Reserve for bonus payments		23	23
Reserves under the special law		0	0
Reserve for price fluctuation		0	0
Net unrealized gains on available-for-sale securities of earthquake insurance		623	939
Total liabilities		509,261	665,734

(NET ASSETS)

Item	Fiscal Year	(Yen in millions)	
		2019 (As of March 31, 2020)	2020 (As of March 31, 2021)
		Amount	Amount
Common stock		1,000	1,000
Retained earnings		545	546
Legal reserve of retained earnings		1	1
Other legal reserve of retained earnings		544	545
Special reserves		17	17
Special price fluctuation reserves		39	39
Retained earnings carried forward		487	488
Treasury Stock		(5)	(5)
Total shareholders' equity		1,540	1,540
Net unrealized gains on available-for-sale securities		(2)	(1)
Total valuation and translation adjustments		(2)	(1)
Total net assets		1,537	1,538
Total liabilities and net assets		510,798	667,273

Notes for fiscal 2020

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.
- (11) Reinsurance transactions are based on provisions of earthquake reinsurance treaty concluded with non-life insurance companies and excess of loss reinsurance with the government. Premiums written is recorded when reports on earthquake reinsurance premiums are received, and insurance premiums recognized to have been ceded to non-life insurance companies and the government are recorded as reinsurance premiums ceded.
Moreover, claims paid are recorded when statements of earthquake reinsurance claims are received, and insurance claims recognized to be recoverable by non-life insurance companies and the government are recorded as reinsurance claims recovered.
- (12) The aggregate amount for the total amount of outstanding claims reported by non-life insurance companies and amounts of claims from non-life insurance companies which is processed but unsettled are recorded as outstanding claims.
The portion of outstanding claims equivalent to the portion covered by reinsurance in accordance with Article 73, Paragraph 3 of the Insurance Business Act is not recorded.
- (Additional information)
We started to apply the Accounting Standard for Accounting Changes and Error Corrections (ASBJ Statement No. 24, March 31, 2020) to financial statements as of the end of the fiscal year under review. Accordingly, for reinsurance transactions and outstanding claims, it started to disclose accounting policies and methods adopted in case the related accounting standards are not clarified.
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, 2021.

(Yen in millions)

	Balance sheet amount	Fair value	Difference
(i) Cash and deposits	263,355	263,355	-
(ii) Call loans	105	105	-
(iii) Monetary receivables bought	19,999	19,999	-
(iv) Securities Available-for-sale securities	365,834	365,834	-
Total assets	649,294	649,294	-
(v) Derivatives* to which hedge accounting is not applied	(986)	(986)	-
Derivatives total	(986)	(986)	-

* 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 172 million yen.
6. See below for a breakdown of outstanding claims.

(Yen in millions)

Outstanding claims (before the deduction of outstanding reinsurance claims)	162,321
Outstanding reinsurance claims related to the above claims	43,739
Net outstanding claims	118,581

7. Total deferred tax assets amount to 738 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 557 million yen, unpaid business taxes of 102 million yen, a reserve for retirement benefits of 42 million yen and unpaid special business tax of 25 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 773.77 yen. The basis for this calculation is that net assets are 1,538 million yen, net assets accrued from ordinary shares are 1,538 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	2019 (from April 1, 2019 to March 31, 2020)
	Amount	Amount
Ordinary income	138,413	234,352
Underwriting income	137,376	233,000
Net premiums written	129,298	232,822
Investment income on savings premiums	121	177
Reversal of outstanding claims	7,955	-
Investment income	1,028	1,339
Interest and dividend income	872	752
Gains on sales of securities	184	96
Gains on derivatives	91	-
Foreign exchange gains	-	667
Other investment income	1	0
Transfer of investment income on savings premiums	(121)	(177)
Other ordinary income	7	12
Ordinary expenses	138,415	234,351
Underwriting expenses	136,265	231,610
Net claims paid	26,223	10,187
Loss adjustment expenses	5,338	2,338
Commissions and brokerage fees	54,929	57,235
Provision of outstanding claims	-	114,948
Provision of underwriting reserves	49,773	46,900
Investment expenses	712	1,006
Losses on sales of securities	40	69
Losses on derivatives	-	922
Foreign exchange losses	660	-
Other investment expenses	11	15
Operating, general and administrative expenses	1,437	1,733
Other ordinary expenses	0	-
Ordinary profit (loss)	(2)	0
Extraordinary income	1	-
Reversal of reserve for price fluctuation	1	-
Extraordinary losses	-	0
Provision of reserve for price fluctuation	-	0
Net income (loss) before income taxes	(0)	0
Income taxes	0	0
Total income taxes	0	0
Net income (loss)	(1)	0

Notes for fiscal 2020

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

(Yen in millions)	
Premiums written:	328,017
Reinsurance premiums ceded:	95,195
Net premiums written:	232,822

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

(Yen in millions)	
Claims paid:	14,114
Reinsurance claims recovered:	3,926
Net claims paid:	10,187

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)	157,303
Provision of outstanding reinsurance claims related to the above claims	42,355
Net provision of outstanding claims	114,948

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

(Yen in millions)	
Deposits:	8
Call loans:	0
Monetary receivables bought:	2
Securities:	741
Total:	752

5. Paper profit/loss involved in the losses on derivatives is a loss of 986 million yen.

6. Net income per share is 0.17 yen.

The basis for this calculation is such that net income is 0 million yen, net income accrued from common stocks is 0 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 46.67%. The difference is explained by the following breakdown: valuation reserve 16,479.26%, the amount of the write-off carried from publicity expenses related to risk reserves (16,514.54%).

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

3. Statements of Cash Flow

Item	(Yen in millions)	
	Fiscal Year	
	2019 (from April 1, 2019 to March 31, 2020)	2020 (from April 1, 2020 to March 31, 2021)
	Amount	Amount
Cash flow from operating activities		
Net income (loss) before income taxes	(0)	0
Depreciation	96	78
Increase (decrease) in outstanding claims	(7,955)	114,948
Increase (decrease) in underwriting reserves	49,773	46,900
Increase (decrease) in entrusted reserves	1,291	911
Increase (decrease) in reserve for retirement benefits	11	(12)
Increase (decrease) in reserve for directors' retirement benefits	(0)	(3)
Increase (decrease) in reserve for bonus payments	(0)	0
Increase (decrease) in reserve for price fluctuation	(1)	0
Interest and dividend income	(872)	(752)
Losses (gains) on investment in securities	(144)	(27)
Foreign exchange losses (gains)	371	(1,132)
Decrease (increase) in other assets (other than investment and financial activities related)	(115)	(10)
Increase (decrease) in other liabilities (other than investment and financial activities related)	220	(7,548)
Others	156	1,086
Subtotal	42,830	154,439
Interest and dividends received	1,337	1,347
Income taxes paid	(0)	(0)
Net cash provided by operating activities	44,167	155,787
Cash flow from investing activities		
Net increase (decrease) in deposits	-	(65,030)
Purchase of monetary receivables bought	(27,999)	(19,997)
Proceeds from sales and redemption of monetary receivables bought	27,999	24,998
Purchase of securities	(123,665)	(199,266)
Proceeds from sales and redemption of securities	99,532	84,962
Total investment assets activities	(24,132)	(174,333)
Total operating activities and investment assets activities	20,035	(18,546)
Acquisition of tangible fixed assets	(2)	(0)
Others	(3)	(34)
Net cash provided by investing activities	(24,139)	(174,369)
Cash flow in financing activities		
Effect of exchange rate changes on cash and cash equivalents		
	-	-
Net increase (decrease) in cash and cash equivalents	20,028	(18,582)
Cash and cash equivalents at the beginning of the year	197,983	218,012
Cash and cash equivalents at the end of the year	218,012	199,430

Notes for fiscal 2020

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, 2020)	(As of March 31, 2021)
Cash and deposits	231,608	263,355
Call loans	404	105
Monetary receivables bought	9,999	19,999
Securities	250,648	365,834
Deposits of a depository period over three months	(14,000)	(79,030)
Monetary receivables bought other than cash equivalents	(9,999)	(4,999)
Securities other than cash equivalent	(250,648)	(365,834)
Cash and cash equivalents	218,012	199,430

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 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

Fiscal 2020 (from April 1, 2020 to March 31, 2021)

(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)	1,540	(2)	(2)	1,537
Changes during the period											
Net income (loss)					0	0		0			0
Net changes other than shareholders' equity									0	0	0
Total changes					0	0		0	0	0	0
Balance at the end of the period	1,000	1	17	39	488	546	(5)	1,540	(1)	(1)	1,538

Notes for fiscal 2020

- 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 2019	Increase in fiscal 2020	Decrease in fiscal 2020	Balance as of the end of fiscal 2020
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.