

Financial Section

Financial Statements

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FINANCIAL STATEMENTS

1. Balance Sheets

(ASSETS)

Item	Fiscal Year	(Yen in millions)	
		2020 (As of March 31, 2021)	2021 (As of March 31, 2022)
		Amount	Amount
Cash and deposits		263,355	193,688
Deposits		263,355	193,688
Call loans		105	42
Monetary receivables bought		19,999	17,999
Securities		365,834	457,705
Government bonds		16,687	25,898
Municipal bonds		73,774	95,870
Corporate bonds		249,705	303,916
Foreign securities		24,735	32,020
Other securities		931	-
Tangible fixed assets		52	46
Buildings		20	20
Other tangible fixed assets		31	26
Intangible fixed assets		114	89
Software		112	87
Other intangible fixed assets		1	1
Other assets		17,812	19,449
Reinsurance accounts receivable		17,530	19,090
Accounts receivable		3	5
Uncollected income		227	236
Deposits		45	45
Suspense payments		5	71
Total assets		667,273	689,022

(LIABILITIES)

Item	Fiscal Year	(Yen in millions)	
		2020 (As of March 31, 2021)	2021 (As of March 31, 2022)
		Amount	Amount
Underwriting funds		631,956	664,942
Outstanding claims		118,581	144,276
Underwriting reserves		513,374	520,665
Entrusted reserves		25,962	16,748
Other liabilities		6,690	7,434
Reinsurance accounts payable		5,004	5,227
Income taxes payable		457	371
Deposits payable		3	3
Accrued amounts payable		239	484
Derivatives		986	1,346
Reserve for retirement benefits		151	128
Reserve for directors' retirement benefits		10	7
Reserve for bonus payments		23	22
Reserves under the special law		0	0
Reserve for price fluctuation		0	0
Net unrealized gains on available-for-sale securities of earthquake insurance		939	(1,792)
Total liabilities		665,734	687,492

(NET ASSETS)

Item	Fiscal Year	(Yen in millions)	
		2020 (As of March 31, 2021)	2021 (As of March 31, 2022)
		Amount	Amount
Common stock		1,000	1,000
Retained earnings		546	547
Legal reserve of retained earnings		1	1
Other legal reserve of retained earnings		545	546
Special reserves		17	17
Special price fluctuation reserves		39	39
Retained earnings carried forward		488	489
Treasury Stock		(5)	(5)
Total shareholders' equity		1,540	1,541
Net unrealized gains on available-for-sale securities		(1)	(12)
Total valuation and translation adjustments		(1)	(12)
Total net assets		1,538	1,529
Total liabilities and net assets		667,273	689,022

Notes for fiscal 2021

1. Matters relating to accounting policies are as follows.

- (1) Appraisal standards and method of securities and method of indication are as follows.
 - (i) Available-for-sale securities are 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.

(Changes in accounting policies)

We have applied "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019) and others from the beginning of the fiscal year 2021.

In accordance with the transitional treatment set forth in Paragraph 19 of "Accounting Standard for Fair Value Measurement" and Paragraph 44-2 of "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019), the Company has prospectively applied a new accounting policy prescribed by "Accounting Standard for Fair Value Measurement" and others. There is no effect on the financial statements.

2. Financial instruments, fair value of financial instruments, and breakdown by input level.

(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 value of financial instruments and breakdown by input level

The following table presents the amounts shown on the balance sheet and fair value breakdown by input level as of March 31, 2022. Cash and deposits, call loans, and monetary receivables are omitted because they are settled in a short period of time and their fair values are similar to their book values.

The fair value of financial instruments are classified into the following three levels based on the observability and materiality of the inputs used in the fair value calculation:

Level 1: Fair value measured by the market price of the asset or liability in active markets among the observable inputs

Level 2: Fair value measured by the observable inputs other than the Level 1 inputs

Level 3: Fair value measured by unobservable inputs

If multiple inputs are used with a significant impact on the fair value measurement, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input.

Financial instruments recorded at fair value on the balance sheet

Category	(Yen in millions)			
	Balance sheet amount			
	Level 1	Level 2	Level 3	Total
Securities				-
Available-for-sale securities	-	457,705	-	457,705
Government bonds	-	25,898	-	25,898
Municipal bonds	-	95,870	-	95,870
Corporate bonds	-	303,916	-	303,916
Foreign securities	-	32,020	-	32,020
Derivatives (*)				
Derivatives not subject to hedge accounting	-	(1,346)	-	(1,346)
Foreign currency	-	(1,346)	-	(1,346)

(*) Derivative assets and liabilities arising from derivative transactions included in Other assets and Other liabilities are presented on a net basis. Net debts are shown in parentheses.

Note 1: Description of the valuation techniques and inputs used in the fair value measurement

Securities

The fair value of securities which is based on the Reference Statistical Prices of Japan Securities Dealers Association and prices provided by external vendors is categorized within level 2 based on market activity.

Derivatives

Since derivatives are OTC derivatives and no public prices are available, the fair value is measured using discounted cash flow analysis according to the type of transaction and the remaining maturity. The

main inputs used in the valuation technique are interest rates and exchange rates. Fair value that can be measured without using unobservable inputs or that has little impact is categorized within level 2.

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 184 million yen and the advanced depreciation of tangible fixed assets is 2 million yen.

6. See below for a breakdown of outstanding claims.

(Yen in millions)	
Outstanding claims (before the deduction of outstanding reinsurance claims)	153,243
Outstanding reinsurance claims related to the above claims	8,966
Net outstanding claims	144,276

7. Total deferred tax assets amount to 2,447 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 2,295 million yen, unpaid business taxes of 81 million yen, a reserve for retirement benefits of 36 million yen and unpaid special business tax of 22 million yen.

The major factor behind the significant change in amount for a valuation reserve is the 1,738 million yen increase in the valuation allowance for tax loss carried forward.

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 769.30 yen. The basis for this calculation is that net assets are 1,529 million yen, net assets accrued from ordinary shares are 1,529 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	2020 (from April 1, 2020 to March 31, 2021)
	Amount	Amount
Ordinary income	234,352	254,971
Underwriting income	233,000	252,930
Net premiums written	232,822	252,468
Investment income on savings premiums	177	462
Investment income	1,339	2,040
Interest and dividend income	752	594
Gains on sales of securities	96	144
Foreign exchange gains	667	1,763
Other investment income	0	0
Transfer of investment income on savings premiums	(177)	(462)
Other ordinary income	12	-
Ordinary expenses	234,351	254,970
Underwriting expenses	231,610	251,456
Net claims paid	10,187	150,088
Loss adjustment expenses	2,338	13,270
Commissions and brokerage fees	57,235	55,111
Provision of outstanding claims	114,948	25,695
Provision of underwriting reserves	46,900	7,291
Investment expenses	1,006	1,662
Losses on sales of securities	69	207
Losses on derivatives	922	1,439
Other investment expenses	15	15
Operating, general and administrative expenses	1,733	1,828
Other ordinary expenses	-	22
Interest expenses	-	22
Ordinary income (loss)	0	1
Extraordinary income	-	2
Other extraordinary income	-	2
Extraordinary losses	0	2
Provision of reserve for price fluctuation	0	0
Other extraordinary losses	-	2
Net income (loss) before income taxes	0	1
Income taxes	0	0
Total income taxes	0	0
Net income (loss)	0	1

Notes for fiscal 2021

- See below for a breakdown of net premiums written.

(Yen in millions)	
Premiums written:	329,088
Reinsurance premiums ceded:	76,619
Net premiums written:	252,468

- See below for a breakdown of net claims paid.

(Yen in millions)	
Claims paid:	290,335
Reinsurance claims recovered:	140,247
Net claims paid:	150,088

- 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)	(9,077)
Provision of outstanding reinsurance claims related to the above claims	(34,773)
Net provision of outstanding claims	25,695

- The interest and dividend income are given below by category:

(Yen in millions)	
Deposits:	8
Call loans:	0
Monetary receivables bought:	2
Securities:	584
Total:	594

- Paper profit/loss involved in the losses on derivatives is a loss of 1,346 million yen.

- Net income per share is 0.75 yen.

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

- 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 16.24%. The difference is explained by the following breakdown: valuation reserve 95,587.74%, exclusion from gross revenue of reversal of taxable risk reserves related to claims paid etc. (89,504.57%), and exclusion from gross revenue of reversal of taxable risk reserves related to publicity expenses (6,116.54%).

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

3. Statements of Cash Flow

(Yen in millions)

Item	Fiscal Year	2020	2021
		(from April 1, 2020 to March 31, 2021)	(from April 1, 2021 to March 31, 2022)
		Amount	Amount
Cash flow from operating activities			
Net income (loss) before income taxes		0	1
Depreciation		78	74
Increase (decrease) in outstanding claims		114,948	25,695
Increase (decrease) in underwriting reserves		46,900	7,291
Increase (decrease) in entrusted reserves		911	(9,214)
Increase (decrease) in reserve for retirement benefits		(12)	(22)
Increase (decrease) in reserve for directors' retirement benefits		(3)	(2)
Increase (decrease) in reserve for bonus payments		0	(0)
Increase (decrease) in reserve for price fluctuation		0	0
Interest and dividend income		(752)	(594)
Losses (gains) on investment in securities		(27)	62
Foreign exchange losses (gains)		(1,132)	(1,711)
Decrease (increase) in other assets (other than investment and financial activities related)		(10)	(1,627)
Increase (decrease) in other liabilities (other than investment and financial activities related)		(7,548)	468
Others		1,086	274
Subtotal		154,439	20,695
Interest and dividends received		1,347	1,319
Income taxes paid		(0)	(0)
Net cash provided by operating activities		155,787	22,014
Cash flow from investing activities			
Net increase (decrease) in deposits		(65,030)	-
Purchase of monetary receivables bought		(19,997)	(22,998)
Proceeds from sales and redemption of monetary receivables bought		24,998	19,999
Purchase of securities		(199,266)	(187,139)
Proceeds from sales and redemption of securities		84,962	93,440
Total investment assets activities		(174,333)	(96,699)
Total operating activities and investment assets activities		(18,546)	(74,685)
Acquisition of tangible fixed assets		(0)	(7)
Others		(34)	(36)
Net cash provided by investing activities		(174,369)	(96,744)
Cash flow in financing activities			
Effect of exchange rate changes on cash and cash equivalents			
		-	-
Net increase (decrease) in cash and cash equivalents		(18,582)	(74,729)
Cash and cash equivalents at the beginning of the year		218,012	199,430
Cash and cash equivalents at the end of the year		199,430	124,700

Notes for fiscal 2021

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, 2021)	(As of March 31, 2022)
Cash and deposits	263,355	193,688
Call loans	105	42
Monetary receivables bought	19,999	17,999
Securities	365,834	457,705
Deposits of a depository period over three months	(79,030)	(79,030)
Monetary receivables bought other than cash equivalents	(4,999)	(7,999)
Securities other than cash equivalent	(365,834)	(457,705)
Cash and cash equivalents	199,430	124,700

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 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

Fiscal 2021 (from April 1, 2021 to March 31, 2022)

(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	488	546	(5)	1,540	(1)	(1)	1,538
Changes during the period											
Net income (loss)					1	1		1			1
Net changes other than shareholders' equity									(10)	(10)	(10)
Total changes					1	1		1	(10)	(10)	(8)
Balance at the end of the period	1,000	1	17	39	489	547	(5)	1,541	(12)	(12)	1,529

Notes for fiscal 2021

- 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 2020	Increase in fiscal 2021	Decrease in fiscal 2021	Balance as of the end of fiscal 2021
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.