

Financial Section

Financial Statements

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FINANCIAL STATEMENTS

1. Balance Sheets

(ASSETS)

Item	Fiscal Year	(Yen in millions)	
		2022 (As of March 31, 2023)	2023 (As of March 31, 2024)
		Amount	Amount
Cash and deposits		150,263	153,633
Deposits		150,263	153,633
Call loans		361	708
Monetary receivables bought		38,999	79,998
Securities		452,280	574,140
Government bonds		12,176	29,641
Municipal bonds		82,066	134,567
Corporate bonds		323,820	356,557
Foreign securities		33,052	50,236
Other securities		1,164	3,136
Tangible fixed assets		215	152
Buildings		19	26
Other tangible fixed assets		196	126
Intangible fixed assets		294	246
Software		293	245
Other intangible fixed assets		1	1
Other assets		18,643	21,045
Reinsurance accounts receivable		18,200	20,460
Accounts receivable		6	26
Uncollected income		283	505
Deposits		45	45
Suspense payments		27	6
Derivatives		79	-
Total assets		661,059	829,925

(LIABILITIES)

Item	Fiscal Year	(Yen in millions)	
		2022 (As of March 31, 2023)	2023 (As of March 31, 2024)
		Amount	Amount
Underwriting funds		646,152	817,165
Outstanding claims		2,822	67,531
Underwriting reserves		643,330	749,633
Entrusted reserves		9,906	9,425
Other liabilities		8,087	7,436
Reinsurance accounts payable		5,266	5,453
Income taxes payable		390	354
Deposits payable		2	6
Accrued amounts payable		729	616
Derivatives		1,699	1,004
Reserve for retirement benefits		142	158
Reserve for directors' retirement benefits		11	14
Reserve for bonus payments		24	28
Reserves under the special law		0	1
Reserve for price fluctuation		0	1
Net unrealized gains on available-for-sale securities of earthquake insurance		(4,769)	(5,795)
Total liabilities		659,557	828,433

(NET ASSETS)

Item	Fiscal Year	(Yen in millions)	
		2022 (As of March 31, 2023)	2023 (As of March 31, 2024)
		Amount	Amount
Common stock		1,000	1,000
Retained earnings		547	548
Legal reserve of retained earnings		1	1
Other legal reserve of retained earnings		546	547
Special reserves		17	17
Special price fluctuation reserves		39	39
Retained earnings carried forward		490	490
Treasury Stock		(5)	(5)
Total shareholders' equity		1,542	1,542
Net unrealized gains on available-for-sale securities		(40)	(50)
Total valuation and translation adjustments		(40)	(50)
Total net assets		1,501	1,491
Total liabilities and net assets		661,059	829,925

Notes for fiscal 2023

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. However, for foreign currency-denominated bonds, the translation difference related to market value fluctuations in foreign currencies are treated as valuation difference, and differences other listed above are treated as foreign exchange gains or losses. 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 from non-life insurance companies, 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 from non-life insurance companies, and insurance claims recognized to be recoverable by non-life insurance companies and the government are recorded as reinsurance claims recovered.
- (12) The total amount of outstanding claims reported by non-life insurance companies is 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.
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, 2024. 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

(Yen in millions)

Category	Balance sheet amount			
	Level 1	Level 2	Level 3	Total
Securities				
Available-for-sale securities	-	574,140	-	574,140
Government bonds	-	29,641	-	29,641
Municipal bonds	-	134,567	-	134,567
Corporate bonds	-	356,557	-	356,557
Foreign securities	-	50,236	-	50,236
Other securities	-	3,136	-	3,136
Derivatives (*)				
Derivatives not subject to hedge accounting	-	(1,004)	-	(1,004)
Foreign currency	-	(1,004)	-	(1,004)

(*) 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

Government bonds, municipal bonds, corporate bonds and foreign securities are valued using market prices. The market prices are not considered to be market prices on active markets and are categorized within Level 2.

The investment trusts whose market prices are not available do not have any important restrictions on withdrawal or repurchase requests (considered to be risk) for which market participants may request payment. The NAV of the investment trusts is thus deemed to be the fair value and they are categorized within Level 2.

Derivatives

Since derivative transactions are OTC transactions and no published market 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. The risk reserves are reversed to reflect net claims paid, loss adjustment expenses, etc.

5. The accumulated depreciation of tangible fixed assets is 176 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)	69,218
Outstanding reinsurance claims related to the above claims	1,686
Net outstanding claims	67,531

7. Total deferred tax assets amount to 2,613 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 2,443 million yen, unpaid business taxes of 77 million yen, a reserve for retirement benefits of 44 million yen and unpaid special business tax of 21 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 750.23 yen. The basis for this calculation is that net assets are 1,491 million yen, net assets accrued from ordinary shares are 1,491 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	2022 (from April 1, 2022 to March 31, 2023)
	Amount	Amount
Ordinary income	413,488	270,125
Underwriting income	410,599	264,053
Net premiums written	268,987	264,288
Investment income on savings premiums	158	(234)
Reversal of outstanding claims	141,454	-
Investment income	2,864	6,046
Interest and dividend income	778	1,375
Gains on sales of securities	290	357
Foreign exchange gains	1,951	4,076
Other investment income	2	2
Transfer of investment income on savings premiums	(158)	234
Other ordinary income	24	24
Ordinary expenses	413,487	270,124
Underwriting expenses	409,015	262,411
Net claims paid	207,758	28,092
Loss adjustment expenses	20,934	5,891
Commissions and brokerage fees	57,657	57,414
Provision of outstanding claims	-	64,708
Provision of underwriting reserves	122,664	106,303
Investment expenses	2,489	5,656
Losses on sales of securities	272	10
Losses on derivatives	2,200	5,624
Other investment expenses	16	21
Operating, general and administrative expenses	1,982	2,056
Other ordinary expenses	-	0
Interest expenses	-	0
Ordinary income (loss)	0	0
Extraordinary losses	0	0
Provision of reserves under the special law	0	0
Provision of reserve for price fluctuation	0	0
Net income (loss) before income taxes	0	0
Income taxes	0	0
Total income taxes	0	0
Net income (loss)	0	0

Notes for fiscal 2023

- See below for a breakdown of net premiums written.

(Yen in millions)	
Premiums written:	345,862
Reinsurance premiums ceded:	81,573
Net premiums written:	264,288

- See below for a breakdown of net claims paid.

(Yen in millions)	
Claims paid:	37,321
Reinsurance claims recovered:	9,228
Net claims paid:	28,092

- 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)	62,124
Provision of outstanding reinsurance claims related to the above claims	(2,584)
Net provision of outstanding claims	64,708

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

(Yen in millions)	
Deposits:	6
Call loans:	0
Monetary receivables bought:	5
Securities:	1,363
Total:	1,375

- Paper profit/loss involved in the losses on derivatives is a loss of 1,004 million yen.

- Net income per share is 0.20 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.

- 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 42.67%. The difference is explained by the following breakdown: expiration of statute of limitations for losses carried forward 10,546.32%, valuation reserve 6,864.39% and exclusion from gross revenue of reversal of taxable risk reserves related to publicity expenses (17,466.64%).

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

3. Statements of Cash Flow

(Yen in millions)			
Item	Fiscal Year	2022	2023
		(from April 1, 2022 to March 31, 2023)	(from April 1, 2023 to March 31, 2024)
		Amount	Amount
Cash flow from operating activities			
Net income (loss) before income taxes		0	0
Depreciation		86	150
Increase (decrease) in outstanding claims		(141,454)	64,708
Increase (decrease) in underwriting reserves		122,664	106,303
Increase (decrease) in entrusted reserves		(6,841)	(481)
Increase (decrease) in reserve for retirement benefits		13	16
Increase (decrease) in reserve for directors' retirement benefits		4	2
Increase (decrease) in reserve for bonus payments		1	4
Increase (decrease) in reserve for price fluctuation		0	0
Interest and dividend income		(778)	(1,375)
Losses (gains) on investment in securities		(18)	(347)
Foreign exchange losses (gains)		(1,625)	(3,536)
Decrease (increase) in other assets (other than investment and financial activities related)		932	(2,258)
Increase (decrease) in other liabilities (other than investment and financial activities related)		283	77
Others		291	(650)
Subtotal		(26,439)	162,613
Interest and dividends received		1,190	1,635
Income taxes paid		(0)	(0)
Net cash provided by operating activities		(25,249)	164,249
Cash flow from investing activities			
Net increase (decrease) in deposits		-	(990)
Purchase of monetary receivables bought		(30,997)	(29,998)
Proceeds from sales and redemption of monetary receivables bought		18,999	29,998
Purchase of securities		(123,001)	(207,711)
Proceeds from sales and redemption of securities		126,604	88,216
Total investment assets activities		(8,395)	(120,484)
Total operating activities and investment assets activities		(33,644)	(43,765)
Acquisition of tangible fixed assets		(198)	(12)
Others		(262)	(26)
Net cash provided by investing activities		(8,856)	(120,522)
Cash flow in financing activities			
Effect of exchange rate changes on cash and cash equivalents			
		-	-
Net increase (decrease) in cash and cash equivalents		(34,105)	43,726
Cash and cash equivalents at the beginning of the year		124,700	90,594
Cash and cash equivalents at the end of the year		90,594	134,321

Notes for fiscal 2023

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, 2023)	(As of March 31, 2024)
Cash and deposits	150,263	153,633
Call loans	361	708
Monetary receivables bought	38,999	79,998
Securities	452,280	574,140
Deposits of a depository period over three months	(79,030)	(80,020)
Monetary receivables bought other than cash equivalents	(19,999)	(19,999)
Securities other than cash equivalent	(452,280)	(574,140)
Cash and cash equivalents	90,594	134,321

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

(Yen in millions)

	Shareholder's equity							Valuation and translation adjustments:		Total net assets	
	Common stock	Legal reserve of retained earnings	Other legal reserve of retained earnings			Total retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains on available-for-sale securities		Total valuation and translation adjustments
			Special reserves	Special price fluctuation reserves	Retained earnings carried forward						
Balance at the beginning of the period	1,000	1	17	39	489	547	(5)	1,541	(12)	(12)	1,529
Changes during the period											
Net income (loss)					0	0		0			0
Net changes other than shareholders' equity									(28)	(28)	(28)
Total changes					0	0		0	(28)	(28)	(27)
Balance at the end of the period	1,000	1	17	39	490	547	(5)	1,542	(40)	(40)	1,501

Fiscal 2023 (from April 1, 2023 to March 31, 2024)

(Yen in millions)

	Shareholder's equity							Valuation and translation adjustments:		Total net assets	
	Common stock	Legal reserve of retained earnings	Other legal reserve of retained earnings			Total retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains on available-for-sale securities		Total valuation and translation adjustments
			Special reserves	Special price fluctuation reserves	Retained earnings carried forward						
Balance at the beginning of the period	1,000	1	17	39	490	547	(5)	1,542	(40)	(40)	1,501
Changes during the period											
Net income (loss)					0	0		0			0
Net changes other than shareholders' equity									(10)	(10)	(10)
Total changes					0	0		0	(10)	(10)	(9)
Balance at the end of the period	1,000	1	17	39	490	548	(5)	1,542	(50)	(50)	1,491

Notes for fiscal 2023

- 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 2022	Increase in fiscal 2023	Decrease in fiscal 2023	Balance as of the end of fiscal 2023
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