

May 26, 2021

Financial Results for the Fiscal Year Ended March 31, 2021

Asahi Mutual Life Insurance Company (the “Company”; President: Hiroki Kimura) announces financial results for the fiscal year ended March 31, 2021

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1. Business Highlights

(1) Sum Insured of Policies in Force and New Policies

(i) Policies in Force

	As of March 31, 2020				As of March 31, 2021			
	Number of policies		Amount (100 millions of Yen)		Number of policies		Amount (100 millions of Yen)	
	(Thousands)	Changes (%, Pre-FYE)		Changes (%, Pre-FYE)	(Thousands)	Changes (%, Pre-FYE)		Changes (%, Pre-FYE)
Individual insurance	7,269	100.9	142,238	92.7	7,349	101.1	132,551	93.2
Individual annuities	531	95.4	21,936	93.6	506	95.3	20,603	93.9
Group insurance	-	-	14,536	98.4	-	-	14,475	99.6
Group annuities	-	-	162	95.3	-	-	154	95.4

Notes:

1. Policy amounts for individual annuities are equal to (a) the funds to be held at the time annuity payments are to commence for an annuity for which annuity payments have not yet commenced and (b) the amount of policy reserves for an annuity for which payments have commenced.
2. Policy amount in force for group annuities is equal to the amount of outstanding policy reserves.
3. Number of policies includes number of each unit with regard to "Hoken-ou", "Hoken-ou Plus", etc.

(ii) New Policies

	Year ended March 31, 2020					
	Number of policies		Amount (100 millions of Yen)			
	(Thousands)	Changes (%, YoY)		Changes (%, YoY)	New policies	Net increase by conversion
Individual insurance	741	108.9	1,604	100.9	3,001	(1,397)
Individual annuities	-	-	(158)	-	-	(158)
Group insurance	-	-	124	9.3	124	-
Group annuities	-	-	-	-	-	-

	Year ended March 31, 2021					
	Number of policies		Amount (100 millions of Yen)			
	(Thousands)	Changes (%, YoY)		Changes (%, YoY)	New policies	Net increase by conversion
Individual insurance	752	101.5	1,669	104.0	3,008	(1,338)
Individual annuities	-	-	(103)	-	-	(103)
Group insurance	-	-	322	258.8	322	-
Group annuities	-	-	-	-	-	-

Notes:

1. Number of new policies is the sum of new policies and policies after conversion.
2. Amount of new policies for individual annuities, both new policies and net increase by conversion, is equal to the funds to be held at the time annuity payments are to commence.
3. Number of policies includes number of each unit with regard to "Hoken-ou", "Hoken-ou Plus", etc.

(2) Annualized Premiums

(i) Policies in Force

(100 millions of Yen)

	As of March 31, 2020		As of March 31, 2021	
		Changes (%, Pre-FYE)		Changes (%, Pre-FYE)
Individual insurance	3,916	99.0	3,889	99.3
Individual annuities	1,391	95.9	1,322	95.1
Total	5,307	98.2	5,212	98.2
Third-sector products	2,157	102.6	2,214	102.6

(ii) New Policies

(100 millions of Yen)

	Year ended March 31, 2020		Year ended March 31, 2021	
		Changes (%, YoY)		Changes (%, YoY)
Individual insurance	253	60.6	253	100.3
Individual annuities	(3)	–	(1)	–
Total	250	60.3	251	100.7
Third-sector products	207	118.6	209	101.3

Notes:

1. Annualized premiums are calculated by multiplying factors according to the premium payment method (for single premium contracts, the amount is calculated by dividing the premium by the coverage period).
2. Figures for third-sector products represent portion of annualized premiums corresponding to the medical benefits (hospitalization benefits, surgery benefits, etc.), living benefits (specific illness benefits, nursing care benefits, etc.) and waiver benefits (excluding disability benefits, but including specific illness benefits and nursing care benefits).

(3) Selected Financial Data

(100 millions of Yen)

	Year ended March 31, 2020		Year ended March 31, 2021	
		Changes (%, YoY)		Changes (%, YoY)
Premium and other income	3,936	99.2	3,914	99.4
Investment income	1,397	91.6	1,465	104.8
Claims and other payments	4,065	97.2	3,853	94.8
Investment expenses	427	75.9	345	80.9
Ordinary profit	310	126.1	366	117.9

(4) Proposed Appropriation of Surplus

(100 millions of Yen)

	Year ended March 31, 2020		Year ended March 31, 2021	
		Changes (%, YoY)		Changes (%, YoY)
Unappropriated surplus	388	124.2	475	122.3
Reversal of voluntary surplus reserves	2	11.7	1	47.6
Reserve for dividends to policyholders	17	82.6	21	120.0
Net surplus	131	99.7	132	100.1
Surplus carried forward	241	135.1	323	133.9

(5) Total Assets

(100 millions of Yen)

	As of March 31, 2020		As of March 31, 2021	
		Changes (%, Pre-FYE)		Changes (%, Pre-FYE)
Total assets	53,886	100.6	55,394	102.8

2. Investment Results of General Account Assets

(1) Asset Composition

(Millions of Yen)

	As of March 31, 2020		As of March 31, 2021	
	Amount	Percentage	Amount	Percentage
Cash, deposits, call loans	109,934	2.0	146,692	2.7
Monetary claims bought	26,915	0.5	25,094	0.5
Securities	4,353,404	81.2	4,586,013	83.2
Domestic bonds	2,722,203	50.7	2,708,646	49.1
Domestic stocks	282,473	5.3	438,359	8.0
Foreign securities	1,285,061	24.0	1,357,677	24.6
Foreign bonds	1,063,892	19.8	1,040,834	18.9
Foreign stocks and other foreign securities	221,169	4.1	316,842	5.7
Other securities	63,666	1.2	81,330	1.5
Loans	377,913	7.0	303,451	5.5
Policy loans	40,553	0.8	35,182	0.6
Industrial and consumer loans	337,359	6.3	268,268	4.9
Real estate	377,871	7.0	373,204	6.8
Deferred tax assets	8,044	0.1	-	-
Others	110,577	2.1	77,225	1.4
Allowance for possible loan losses	(391)	(0.0)	(406)	(0.0)
Total	5,364,268	100.0	5,511,274	100.0
Foreign currency-denominated assets	1,394,173	26.0	1,452,046	26.3

(2) Changes(Increases/Decreases) in Assets

(Millions of Yen)

	Year ended March 31, 2020	Year ended March 31, 2021
	Amount	Amount
Cash, deposits, call loans	(64,209)	36,758
Monetary claims bought	(2,069)	(1,821)
Securities	121,357	232,608
Domestic bonds	(47,882)	(13,557)
Domestic stocks	(29,226)	155,886
Foreign securities	206,211	72,615
Foreign bonds	170,158	(23,058)
Foreign stocks and other foreign securities	36,053	95,673
Other securities	(7,745)	17,664
Loans	(48,891)	(74,461)
Policy loans	(3,719)	(5,371)
Industrial and consumer loans	(45,172)	(69,090)
Real estate	(5,323)	(4,666)
Deferred tax assets	(2,369)	(8,044)
Others	36,980	(33,351)
Allowance for possible loan losses	(15)	(15)
Total	35,459	147,005
Foreign currency-denominated assets	182,037	57,872

(3) Investment Income

(Millions of Yen)

	Year ended March 31, 2020	Year ended March 31, 2021
Interest, dividends and other income	108,705	118,111
Interest on deposits	0	0
Interest and dividends on securities	85,179	95,849
Interest on loans	5,949	4,639
Rent revenue from real estate	16,606	16,543
Other interest and dividends	970	1,078
Gains on sales of securities	23,852	15,249
Gains on sales of domestic bonds	21,832	9,357
Gains on sales of domestic stocks and other securities	2,018	3,331
Gains on sales of foreign securities	1	2,559
Others	-	-
Gains on redemption of securities	50	77
Gains on derivative financial instruments, net	-	-
Foreign exchange gains, net	-	387
Reversal of allowance for possible loan losses	-	-
Other investment income	7,167	6,968
Total	139,776	140,794

(4) Investment Expenses

(Millions of Yen)

	Year ended March 31, 2020	Year ended March 31, 2021
Interest expenses	4,526	4,470
Losses on trading securities	-	485
Losses on sales of securities	2,810	5,520
Losses on sales of domestic bonds	690	892
Losses on sales of domestic stocks and other securities	2,120	1,893
Losses on sales of foreign securities	-	2,733
Others	-	-
Losses on valuation of securities	368	19
Losses on valuation of domestic bonds	-	-
Losses on valuation of domestic stocks and other securities	368	17
Losses on valuation of foreign securities	-	1
Others	-	-
Losses on redemption of securities	140	65
Losses on derivative financial instruments, net	16,588	8,898
Foreign exchange losses, net	2,057	-
Provision for allowance for possible loan losses	8	10
Write-offs of loans	0	0
Depreciation of rental real estate and other assets	5,327	5,503
Other investment expenses	9,761	9,584
Total	41,591	34,559

(5) Investment Indicators

(i) Rates of Return

(%)

	Year ended March 31, 2020	Year ended March 31, 2021
Cash, deposits, call loans	0.00	0.00
Monetary claims bought	2.33	2.32
Securities	2.07	2.27
Domestic bonds	2.16	1.74
Domestic stocks	4.53	5.12
Foreign securities	1.48	2.86
Loans	1.19	1.30
Industrial and consumer loans	0.83	0.96
Real estate	2.60	2.56
Total	1.86	2.04
Foreign Investments	1.48	2.85

Notes:

1. Rates of return above are calculated by dividing the net investment income by the average daily book value balance.
2. Foreign investments are the sum of assets denominated in foreign currencies and yen.

(ii) Average Daily Balance

(Millions of Yen)

	Year ended March 31, 2020	Year ended March 31, 2021
Cash, deposits, call loans	98,121	105,234
Monetary claims bought	27,804	26,061
Securities	4,252,586	4,258,555
Domestic bonds	2,747,700	2,723,696
Domestic stocks	186,419	198,007
Foreign securities	1,240,474	1,259,277
Loans	403,658	339,249
Industrial and consumer loans	361,213	300,816
Real estate	384,306	381,121
Total	5,264,766	5,212,798
Foreign Investments	1,242,882	1,261,305

Note: Foreign investments are the sum of assets denominated in foreign currencies and yen.

(iii) Net Valuation Gains/Losses on Trading Securities

(Millions of Yen)

	As of March 31, 2020		As of March 31, 2021	
	Amount	Net valuation gains(losses) included in the statements of income	Amount	Net valuation gains(losses) included in the statements of income
Trading securities	-	-	-	-

(iv) Fair Value Information on Securities (with fair value, other than trading securities)

(Millions of Yen)

	As of March 31, 2020					As of March 31, 2021				
	Book value	Fair value	Gains/losses			Book value	Fair value	Gains/losses		
				Gains	Losses				Gains	Losses
Held-to-maturity debt securities	334,467	373,755	39,288	39,294	(5)	321,005	360,399	39,394	39,400	(6)
Policy-reserve-matching bonds	2,050,330	2,353,584	303,254	304,294	(1,040)	2,039,060	2,254,994	215,933	226,245	(10,311)
Stocks of subsidiaries	-	-	-	-	-	-	-	-	-	-
Available-for-sale securities	1,845,623	1,975,488	129,864	192,293	(62,429)	1,935,564	2,216,388	280,823	317,280	(36,456)
Domestic bonds	507,110	518,502	11,392	15,757	(4,364)	513,117	527,705	14,587	17,240	(2,653)
Domestic stocks	169,376	262,450	93,073	116,456	(23,382)	175,768	403,715	227,947	240,553	(12,605)
Foreign securities	1,093,700	1,129,950	36,249	59,561	(23,312)	1,170,153	1,202,667	32,513	52,865	(20,351)
Foreign bonds	862,807	908,792	45,984	58,080	(12,095)	853,897	885,834	31,936	46,194	(14,257)
Foreign stocks and other foreign securities	230,892	221,157	(9,735)	1,481	(11,216)	316,255	316,832	577	6,671	(6,094)
Other securities	74,595	63,666	(10,929)	439	(11,369)	75,642	81,330	5,687	6,533	(845)
Monetary claims bought	840	918	78	78	-	882	969	86	86	-
Negotiable certificates of deposit	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-
Total	4,230,421	4,702,828	472,407	535,882	(63,475)	4,295,630	4,831,782	536,151	582,926	(46,774)
Domestic bonds	2,710,810	3,033,735	322,924	328,335	(5,411)	2,694,058	2,931,420	237,362	250,333	(12,971)
Domestic stocks	169,376	262,450	93,073	116,456	(23,382)	175,768	403,715	227,947	240,553	(12,605)
Foreign securities	1,248,800	1,313,179	64,378	87,691	(23,312)	1,325,153	1,387,899	62,746	83,098	(20,351)
Foreign bonds	1,017,907	1,092,021	74,114	86,209	(12,095)	1,008,897	1,071,066	62,168	76,426	(14,257)
Foreign stocks and other foreign securities	230,892	221,157	(9,735)	1,481	(11,216)	316,255	316,832	577	6,671	(6,094)
Other securities	74,595	63,666	(10,929)	439	(11,369)	75,642	81,330	5,687	6,533	(845)
Monetary claims bought	26,837	29,796	2,959	2,959	-	25,007	27,415	2,408	2,408	-
Negotiable certificates of deposit	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-

Note: The table above includes assets which are considered appropriate to deem as securities under the Financial Instruments and Exchange Act.

* Book value of securities without fair value is as follows:

(Millions of Yen)

	As of March 31, 2020	As of March 31, 2021
Held-to-maturity debt securities	-	-
Unlisted foreign bonds	-	-
Others	-	-
Policy-reserve-matching bonds	-	-
Stocks of subsidiaries	6,694	21,367
Available-for-sale securities	13,340	13,286
Unlisted domestic stocks (except over-the-counter stocks)	13,327	13,275
Unlisted foreign stocks (except over-the-counter stocks)	12	11
Unlisted foreign bonds	-	-
Others	-	-
Total	20,035	34,654

(v) Fair Value Information on Money Held in Trust

The Company doesn't hold money held in trust.

(6) Fair Value Information on Real estate (land)

(Millions of Yen)

	As of March 31, 2020			As of March 31, 2021		
	Book value	Fair value	Gains/losses	Book value	Fair value	Gains/losses
Land	228,777	289,812	61,034	225,244	288,073	62,828

Notes:

1. Fair Value is calculated based on appraisal value for property tax and others.
2. The amount above includes leasehold.

(Reference)

The table below shows the sum of securities with fair value and without fair value (in case that securities without fair value are foreign currency-denominated, the fair value is calculated as the sum of book value and net unrealized gains (losses) on foreign exchange valuation).

(Millions of Yen)

	As of March 31, 2020					As of March 31, 2021				
	Book value	Fair value	Gains/losses		Book value	Fair value	Gains/losses			
			Gains	Losses			Gains	Losses		
Held-to-maturity debt securities	334,467	373,755	39,288	39,294	(5)	321,005	360,399	39,394	39,400	(6)
Policy-reserve-matching bonds	2,050,330	2,353,584	303,254	304,294	(1,040)	2,039,060	2,254,994	215,933	226,245	(10,311)
Stocks of subsidiaries	6,694	6,694	-	-	-	21,367	21,367	-	-	-
Available-for-sale securities	1,858,964	1,988,827	129,863	192,293	(62,430)	1,948,851	2,229,674	280,822	317,280	(36,457)
Domestic bonds	507,110	518,502	11,392	15,757	(4,364)	513,117	527,705	14,587	17,240	(2,653)
Domestic stocks	182,704	275,778	93,073	116,456	(23,382)	189,044	416,991	227,947	240,553	(12,605)
Foreign securities	1,093,713	1,129,961	36,248	59,561	(23,313)	1,170,164	1,202,677	32,512	52,865	(20,352)
Foreign bonds	862,807	908,792	45,984	58,080	(12,095)	853,897	885,834	31,936	46,194	(14,257)
Foreign stocks and other foreign securities	230,905	221,169	(9,736)	1,481	(11,218)	316,266	316,842	576	6,671	(6,095)
Other securities	74,595	63,666	(10,929)	439	(11,369)	75,642	81,330	5,687	6,533	(845)
Monetary claims bought	840	918	78	78	-	882	969	86	86	-
Negotiable certificates of deposit	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-
Total	4,250,456	4,722,862	472,406	535,882	(63,476)	4,330,284	4,866,435	536,150	582,926	(46,775)
Domestic bonds	2,710,810	3,033,735	322,924	328,335	(5,411)	2,694,058	2,931,420	237,362	250,333	(12,971)
Domestic stocks	189,399	282,473	93,073	116,456	(23,382)	210,411	438,359	227,947	240,553	(12,605)
Foreign securities	1,248,813	1,313,190	64,377	87,691	(23,313)	1,325,164	1,387,909	62,745	83,098	(20,352)
Foreign bonds	1,017,907	1,092,021	74,114	86,209	(12,095)	1,008,897	1,071,066	62,168	76,426	(14,257)
Foreign stocks and other foreign securities	230,905	221,169	(9,736)	1,481	(11,218)	316,266	316,842	576	6,671	(6,095)
Other securities	74,595	63,666	(10,929)	439	(11,369)	75,642	81,330	5,687	6,533	(845)
Monetary claims bought	26,837	29,796	2,959	2,959	-	25,007	27,415	2,408	2,408	-
Negotiable certificates of deposit	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-

Note: The table above includes assets which are considered appropriate to deem as securities under the Financial Instruments and Exchange Act.

3. Unaudited Non-consolidated Balance Sheets

(Millions of Yen)

	As of March 31, 2020	As of March 31, 2021
Assets:		
Cash and deposits:	30,554	35,368
Cash	18	15
Deposits	30,535	35,352
Call loans	82,000	113,000
Monetary claims bought	26,915	25,094
Securities:	4,373,776	4,612,320
National government bonds	1,728,003	1,692,106
Local government bonds	54,671	49,130
Corporate bonds	945,309	973,538
Domestic stocks	288,114	447,371
Foreign securities	1,294,012	1,368,844
Other securities	63,666	81,330
Loans:	377,913	303,451
Policy loans	40,553	35,182
Industrial and consumer loans	337,359	268,268
Tangible fixed assets:	382,722	377,849
Land	224,609	221,081
Buildings	152,646	150,533
Lease assets	1,963	1,459
Construction in progress	614	1,589
Other tangible fixed assets	2,887	3,186
Intangible fixed assets:	25,541	26,797
Software	19,463	17,722
Other intangible fixed assets	6,077	9,075
Agency accounts receivable	11	14
Reinsurance receivables	446	987
Other assets:	80,937	44,692
Accounts receivable	11,022	7,278
Prepaid expenses	3,619	4,027
Accrued income	20,367	20,230
Money on deposit	4,577	2,898
Derivative financial instruments	31,618	1,949
Cash collateral paid for financial instruments	6,570	6,202
Suspense payments	270	677
Other assets	2,890	1,427
Prepaid pension cost	179	233
Deferred tax assets	8,044	-
Customers' liabilities under acceptances and guarantees	3	1
Allowance for possible loan losses	(391)	(406)
Total assets	5,388,655	5,539,404

3. Unaudited Non-consolidated Balance Sheets (Continued)

(Millions of Yen)

	As of March 31, 2020	As of March 31, 2021
Liabilities:		
Policy reserves and other reserves:	4,529,448	4,477,995
Reserve for outstanding claims	29,378	28,572
Policy reserves	4,467,997	4,419,372
Reserve for dividends to policyholders	32,073	30,050
Reinsurance payables	563	680
Bonds payable	88,295	127,773
Other liabilities:	286,199	292,817
Payables under securities borrowing transactions	179,695	178,810
Loans payable	51,000	41,000
Income taxes payable	4,121	5,042
Accounts payable	4,782	4,422
Accrued expenses	7,868	8,424
Deferred income	171	186
Deposits received	585	631
Guarantee deposits received	17,647	17,533
Derivative financial instruments	10,367	33,471
Cash collateral received for financial instruments	7,526	896
Lease obligations	1,963	1,459
Asset retirement obligations	263	851
Suspense receipts	206	87
Reserve for employees' retirement benefits	32,533	30,856
Reserve for price fluctuation	43,230	45,680
Deferred tax liabilities	-	22,826
Deferred tax liabilities for land revaluation	16,838	16,268
Acceptances and guarantees	3	1
Total liabilities	4,997,112	5,014,899
Net assets:		
Foundation funds	91,000	91,000
Reserve for redemption of foundation funds	166,000	166,000
Reserve for revaluation	281	281
Surplus:	81,819	99,378
Reserve for future losses	310	328
Other surplus:	81,509	99,050
Reserve for fund redemption	35,300	44,400
Equalized reserve for dividends to policyholders	7,318	7,091
Unappropriated surplus (loss)	38,890	47,558
Total foundation funds and others	339,100	356,660
Net unrealized gains (losses) on available-for-sale securities, net of tax	97,625	213,200
Land revaluation differences	(45,183)	(45,354)
Total valuation and translation adjustments	52,442	167,845
Total net assets	391,543	524,505
Total liabilities and net assets	5,388,655	5,539,404

4. Unaudited Non-consolidated Statements of Income

(Millions of Yen)

	Year ended March 31, 2020	Year ended March 31, 2021
Ordinary income:	622,094	600,713
Premium and other income:	393,639	391,410
Insurance premiums	391,600	388,896
Reinsurance revenue	2,038	2,514
Investment income:	139,776	146,534
Interest, dividends and other income:	108,705	118,111
Interest and dividends on securities	85,179	95,849
Interest on loans	5,949	4,639
Rent revenue from real estate	16,606	16,543
Other interest and dividends	970	1,078
Gains on sales of securities	23,852	15,249
Gains on redemption of securities	50	77
Foreign exchange gains	-	387
Other investment income	7,167	6,968
Investment gains on separate accounts	-	5,740
Other ordinary income:	88,678	62,767
Fund receipt from deposit of claims paid	10,355	8,927
Reversal of reserve for employees' retirement benefits	1,106	1,677
Reversal of reserve for outstanding claims	-	806
Reversal of policy reserves	75,380	48,624
Other ordinary income	1,836	2,732
Ordinary expenses:	591,037	564,083
Claims and other payments:	406,561	385,384
Claims	114,654	112,015
Annuities	126,889	122,158
Benefits	71,469	68,241
Surrender benefits	88,017	77,538
Other payments	3,744	3,158
Reinsurance premiums	1,786	2,272
Provision for policy reserves and other reserves:	1,801	3
Provision for reserve for outstanding claims	1,798	-
Provision for interest on policyholders' dividend reserves	3	3
Investment expenses:	42,702	34,559
Interest expenses	4,526	4,470
Losses on trading securities	-	485
Losses on sales of securities	2,810	5,520
Losses on valuation of securities	368	19
Losses on redemption of securities	140	65
Losses on derivative financial instruments	16,588	8,898
Foreign exchange losses	2,057	-
Provision for allowance for possible loan losses	8	10
Depreciation of rental real estate and other assets	5,327	5,503
Other investment expenses	9,761	9,584
Investment losses on separate accounts	1,111	-
Operating expenses	106,323	110,323
Other ordinary expenses:	33,647	33,812
Claim deposit payments	11,510	10,491
Taxes	8,503	9,126
Depreciation	11,840	12,181
Other ordinary expenses	1,793	2,013
Ordinary profit	31,056	36,629
Extraordinary gains:	115	275
Gains on disposal of fixed assets	90	146
Other extraordinary gains	24	129
Extraordinary losses:	4,727	8,602
Losses on disposal of fixed assets	1,372	1,481
Impairment losses	966	2,971
Provision for reserve for price fluctuation	2,340	2,450
Losses on reduction entry of real estate	-	5
Other extraordinary losses	48	1,694
Surplus before income taxes	26,444	28,302
Income taxes-current	6,537	10,122
Income taxes-deferred	(505)	(5,084)
Total income taxes	6,031	5,038
Net surplus	20,412	23,263

I. Presentation of Unaudited Non-consolidated Financial Statements

Basis of Presentation

The accompanying non-consolidated financial statements have been prepared from the accounts maintained by Asahi Mutual Life Insurance Company (the “Company”) in accordance with the provisions set forth in the Insurance Business Act of Japan and its related rules and regulations applicable to the mutual life insurance industry and in conformity with accounting principles generally accepted in Japan, which are different in certain respects from accounting principles generally accepted in countries and jurisdictions other than Japan.

In addition, the notes to the non-consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

Amounts of less than one million yen have been eliminated. As a result, total amounts in yen shown herein do not necessarily agree with the sum of the individual amounts.

The Insurance Business Act shall prescribe the disclosure of a single fiscal year. The Company provides the disclosure of comparative financial information corresponding to each comparative fiscal year in the presented financial statements for use by readers outside Japan.

In preparing the accompanying non-consolidated financial statements, certain reclassifications have been made to the non-consolidated financial statements issued domestically in order to present them in a format which is more familiar to readers outside Japan.

II. Notes to Unaudited Non-consolidated Balance Sheet

1. Significant Accounting Policies

(1) Valuation methods of securities

The valuation of securities, including deposits and monetary claims bought which are equivalent to securities is as follows:

- i) Trading securities are stated at fair market value. Costs of sales are determined by the moving average method.
- ii) Held-to-maturity debt securities are stated at amortized cost (straight-line method) determined by the moving average method.
- iii) Policy-reserve-matching bonds, which are in accordance with “Temporary Treatment of Accounting and Auditing Concerning Policy-reserve-matching Bonds in Insurance Industry” (Industry Audit Committee Report No. 21 issued by the Japanese Institute of Certified Public Accountants (“JICPA”)), are stated at amortized cost (straight-line method) determined by the moving average method.

- iv) Investments in subsidiaries and affiliates are stated at cost.
- v) Available-for-sale securities with fair market value except for the following are stated at fair market value based on the market prices at the end of the fiscal year. Available-for-sale securities with fair market value, of which domestic stocks, domestic stock exchange-traded funds, domestic listed real estate investment trusts, foreign stock exchange-traded funds for which hedge accounting is not applied, foreign bond exchange-traded funds for which hedge accounting is not applied and foreign currency-denominated bonds for which hedge accounting is not applied, are stated at fair market value based on the average of the market prices during the final month of the fiscal year. Costs of sales are determined by the moving average method. Available-for-sale securities with extreme difficulty of measuring fair market value, of which public and corporate bonds including foreign bonds with the difference between acquisition cost and face value considered as an adjustment of interest, are stated at amortized cost (straight-line method) determined by the moving average method. The other securities are stated at cost determined by the moving average method. Net unrealized gains or losses on these available-for-sale securities, net of tax, are recorded as a separate component of net assets.

(2) Policy-reserve-matching bonds

The Company classifies bonds held with the aim of matching the duration to outstanding insurance liabilities within the sub-groups (categorized by insurance type, investment policy and other factors) of individual life insurance and individual annuities as policy-reserve-matching bonds in accordance with “Temporary Treatment of Accounting and Auditing Concerning Policy-reserve-matching Bonds in Insurance Industry” (Industry Audit Committee Report No. 21 issued by the JICPA).

(3) Valuation methods of derivative financial instruments

Derivative financial instruments are stated at fair market value.

(4) Revaluation of land

The Company revalued the land for business purposes based on the Act on Revaluation of Land (Act No. 34 promulgated on March 31, 1998). The difference between fair value and book value resulting from the revaluation, net of related taxes, is recorded as land revaluation differences as a separate component of net assets and the related tax is recorded as deferred tax liabilities for revaluation.

■ Date of revaluation: March 31, 2001

■ Method of revaluation as prescribed for in Article 3, Paragraph 3 of the said Act:

The calculation is based on the publicly announced appraisal value with certain adjustments set forth in Article 2, Item 1 of the Enforcement Ordinance of the Act on Revaluation of Land (Government Ordinance No. 119 promulgated on March 31, 1998) or the appraisal value determined by the real-estate appraiser set forth in Article 2, Item 5 of the said Ordinance with certain reasonable adjustments.

(5) Depreciation of tangible fixed assets

Depreciation of the Company's tangible fixed assets is calculated by the following methods.

- Tangible fixed assets (excluding lease assets): Declining-balance method

However, buildings are depreciated using the straight-line method.

- Lease assets related to finance lease transactions that do not transfer ownership: Straight-line method over the lease term with no residual value

(6) Foreign currency translation

Foreign currency-denominated assets and liabilities are translated into Japanese yen at the effective exchange rate prevailing at the balance sheet date, except for foreign stock exchange-traded funds for which hedge accounting is not applied, foreign bond exchange-traded funds for which hedge accounting is not applied and foreign currency-denominated bonds for which hedge accounting is not applied categorized as available-for-sale securities with fair market value. Such securities are translated into Japanese yen at the average of the effective exchange rate during the final month of the fiscal year.

(7) Allowance for possible loan losses

Allowance for possible loan losses is provided in accordance with the Company's standards of self-assessment and write-offs and reserves on credit quality:

- i) For credit to borrowers who are legally bankrupt such as being in bankruptcy proceedings or civil rehabilitation (hereinafter "legally bankrupt borrowers") and who are substantially bankrupt (hereinafter "substantially bankrupt borrowers"), the Company provides the remaining amount of credits after the direct write-off described below and the deductions of the amount expected to be collected through the disposal of collateral or the execution of guarantees.
- ii) For credit to borrowers who are not currently bankrupt but have a high risk of bankruptcy (hereinafter "not currently bankrupt borrowers"), the Company provides the amounts deemed as necessary considering the borrowers' ability to pay, within the amounts after deductions of the amount expected to be collected through the disposal of collateral or the execution of guarantees.
- iii) For credit to borrowers other than the above, the Company provides the amounts calculated by multiplying the book value by the actual ratio of bad debt losses on defaults during a certain past period.

All credit is assessed by the relevant departments in accordance with the Company's standards of self-assessment on credit quality. The results of the assessment are reviewed by the audit department, which is independent of business-related divisions. Subsequently, allowance for possible loan losses is provided based on the results of these assessments.

For credit to legally bankrupt borrowers and substantially bankrupt borrowers, the amounts remaining after deductions of collateral value or the amounts collectible through

the execution of guarantees are written-off directly from the book value as the estimated uncollectible amounts. The amount written-off as of March 31, 2021 was ¥28 million.

(8) Accounting for employees' retirement benefits and method of amortizing retirement benefit expenses

Reserve for employees' retirement benefits and prepaid pension cost are presented for the employees' retirement benefits based on projected benefit obligation and pension plan assets at the balance sheet date.

The Company uses the following methods of accounting in relation to retirement benefits.

- The retirement benefit obligation is attributed to each period by the benefit formula method.
- Actuarial differences are amortized under the straight-line method over a period of seven years starting the following year.
- Prior service cost is charged to income when incurred.

(9) Reserve for price fluctuation

Reserve for price fluctuation is calculated in accordance with Article 115 of the Insurance Business Act.

(10) Accounting for hedging activities

Hedging activities are accounted for in accordance with the "Accounting Standards for Financial Instruments" (Accounting Standards Board of Japan ("ASBJ") Statement No. 10).

The Company mainly applies the following hedging activities:

The Company applies deferred hedge accounting and the exceptional accounting treatment ("Tokurei-shori") for interest rate swaps used to hedge the cash flow volatility of certain loans.

The Company also applies fair value hedge accounting for hedging activities related to foreign exchange rate fluctuation exposures on certain bonds, investment trusts and others denominated in foreign currencies.

The Company also applies designated hedge accounting ("Furiate-shori") for currency swaps used to hedge foreign exchange rate fluctuation exposures on the foreign currency-denominated bonds issued by the Company.

The Company also applies designated hedge accounting ("Furiate-shori") for the foreign currency-denominated transactions other than the above.

The effectiveness of a hedge is mostly assessed by a ratio analysis, comparing the fluctuations in the fair value or cash flows of hedged items and hedging instruments.

(11) Accounting for consumption taxes

The Company accounts for consumption tax and local consumption tax by the tax-exclusion method. The consumption taxes on certain assets, which are not deductible from consumption taxes withheld and that are stipulated to be deferred under the Corporation Tax Act of Japan, are deferred as prepaid expenses and amortized equally over five years.

Consumption taxes other than deferred consumption taxes are recognized as an expense when incurred.

(12) Premium and other income (excluding reinsurance revenue)

Premium and other income (excluding reinsurance revenue) is recorded in principle for insurance policies for which insurance premium has been received and the insurer's liability under the insurance policies or insurance coverage period has commenced by the relevant amounts received.

Of insurance premiums, the portion corresponding to the period that has yet to pass as of the end of the fiscal year is set aside as policy reserves in accordance with Article 116 of the Insurance Business Act and Article 69, Paragraph 1, Item 2 of the Ordinance for Enforcement of the Insurance Business Act.

(13) Claims and other payments (excluding reinsurance premiums)

Claims and other payments (excluding reinsurance premiums) are recorded for insurance policies for which amounts calculated under policy conditions have been paid in the occurrence of insured events under the policy conditions by the relevant amounts paid.

In accordance with Article 117 of the Insurance Business Act and Article 72 of the Ordinance for Enforcement of the Insurance Business Act, reserve for outstanding claims are set aside for claims, etc. which is not recorded as payment of claims, etc. but for which the Company has payment obligation or the occurrence of insured events have not been reported but the Company finds that insured events have already occurred, as of the end of the fiscal year.

(14) Policy reserves

Policy reserves are calculated as stated in accordance with the methods stated in the statement of calculation procedures for insurance premiums and policy reserves (Article 4, Paragraph 2, Item 4 of the Insurance Business Act) pursuant to Article 116, Paragraph 1 of the Insurance Business Act, for insurance policies under which the insurer's liability has started as of the end of the fiscal year, in preparation for the performance of future obligations under the insurance policies.

Of policy reserves, the premium reserve at the end of the fiscal year is calculated by the following method:

In regard to the policies subject to the standard policy reserves, the method as prescribed by the Commissioner of Financial Services Agency (Japanese Ministry of Finance Public

Notice No. 48, 1996) is applied.

In regard to the policies not subject to the standard policy reserves, the net level premium method is applied.

Regarding a part of policy reserves, the chief actuary checks that policy reserves are appropriately accumulated in each fiscal year, pursuant to Article 121, Paragraph 1 of the Insurance Business Act and Article 80 of the Ordinance for Enforcement of the Insurance Business Act.

Contingency reserve included in policy reserves are set aside in accordance with Article 116 of the Insurance Business Act and Article 69, Paragraph 1, Item 3 of the Ordinance for Enforcement of the Insurance Business Act to cover risks that may accrue in the future in order to ensure the performance of future obligations under insurance policies.

(15) Software

Capitalized software for internal use owned by the Company is amortized using the straight-line method over the estimated useful lives.

2. Accounting Standards Issued but Not Yet Effective

The accounting standards and relevant implementation guidance issued by the fiscal year-end but not yet effective are as follows:

- “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, issued on July 4, 2019)
- “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, issued on July 4, 2019)
- “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, revised on July 4, 2019)

i) Overview

In these accounting standards and relevant implementation guidance, the guidance on the methods for measuring fair values of financial instruments are set to enhance comparability between Japanese accounting standards and international accounting standards.

ii) Schedule date of adoption

The above revisions are scheduled to be applied from the beginning of the fiscal year ending March 31, 2022.

iii) Effects of application of the Accounting Standards and relevant implementation guidance

The effects of the application are under assessment at the time of preparing these non-consolidated financial statements.

3. Financial Instruments

Asset management of the general accounts other than the separate accounts stipulated in Article 118, Paragraph 1 of the Insurance Business Act is conducted based on the following principles.

- For accumulation whole life with variable interest rates, accumulation insurance with variable interest rates and new single premium individual annuities which have an effective date on or after April 2, 2012, the Company mainly invests in domestic bonds, engaging in matching asset liability management, or Matching ALM, which aims at matching the duration to outstanding insurance liabilities to avoid interest rate fluctuation risks.
- For individual life insurance and individual annuities other than above, the Company holds yen-denominated fixed income investments, including bonds and loans, as the core of its asset portfolio. The Company also holds domestic stocks, foreign securities and real estate assets to enhance its profitability.

Derivatives are mainly used to hedge market price fluctuation risk and exchange rate fluctuation risk regarding securities and exchange rate fluctuation risk related to the foreign currency-denominated bonds issued by the Company. As the major financial instruments, securities are exposed to market risk and credit risk, loans are exposed to credit risk and exchange rate fluctuation risk, and derivatives are exposed to market risk and credit risk.

In managing market risks, the following two methods are used. One is the quantitative risk management of securities etc. using the Value at Risk (“VaR”) method and the other is the risk management by stress test and sensitivity analysis which analyze the effect on the Company’s whole portfolio, simulating scenarios of deteriorating market environments. This is for the purpose of managing an appropriate asset allocation within the ranges of acceptable risks.

In managing credit risks, the Company quantifies the credit risks of entire portfolio through VaR method and controls the amount of risks within an acceptable range. Furthermore, the Company assigns in-house credit ratings to our borrowers in accordance with the creditworthiness of each borrower. Strict credit research of each borrower before lending as well as following up on any changes of creditworthiness of each borrower after lending are implemented by Risk Management Department, which is independent of the departments executing investments and lending. Maximum limits of credit are set up for each borrower in accordance with its credit risks to avoid the concentration of credit risks on specific corporations and specific corporation groups. Through all these measures, the Company endeavors to develop high quality portfolio.

The balance sheet amounts, fair values and the differences between those of major financial assets and liabilities as of March 31, 2021 were as follows:

	Millions of Yen		
	As of March 31, 2021		
	Balance Sheet Amount	Fair Value	Difference
Cash and deposits	¥ 44,149	¥ 44,149	-
Call loans	113,000	113,000	-
Monetary claims bought	25,094	27,415	2,321
Trading securities	-	-	-
Held-to-maturity debt securities	24,125	26,446	2,321
Policy-reserve-matching bonds	-	-	-
Available-for-sale securities	969	969	-
Securities	4,577,687	4,830,694	253,006
Trading securities	26,307	26,307	-
Held-to-maturity debt securities	296,880	333,953	37,073
Policy-reserve-matching bonds	2,039,060	2,254,994	215,933
Available-for-sale securities	2,215,438	2,215,438	-
Loans	303,451	311,163	7,712
Policy loans	35,182	35,182	-
Industrial and consumer loans	268,268	275,980	7,712
Total assets	5,063,382	5,326,422	263,040
Bonds payable	127,773	130,313	2,540
Payables under securities borrowing transactions	178,810	178,810	-
Loans payable	41,000	42,548	1,548
Total liabilities	347,584	351,673	4,088
Derivative financial instruments	(31,522)	(31,522)	-
Hedge accounting not applied	(1,875)	(1,875)	-
Hedge accounting applied	(29,646)	(29,646)	-

* Assets and liabilities generated by derivative financial instruments are offset and presented net.
Net liabilities in total are presented in parentheses.

- (1) Securities including deposits and monetary claims bought which are treated as securities based on “Accounting Standards for Financial Instruments” (ASBJ Statement No. 10)

As for available-for-sale securities of which market value is readily available, domestic stocks, domestic stock exchange-traded funds, domestic listed real estate investment trusts, foreign stock exchange-traded funds for which hedge accounting is not applied, foreign bond exchange-traded funds for which hedge accounting is not applied and foreign currency-denominated bonds for which hedge accounting is not applied are stated at the average of the market value during the final month of the fiscal year. Available-for-sale securities of which market value is readily available excluding the securities mentioned above are stated at the market value at the balance sheet date.

Other securities of which market value is readily available are stated at market value at the balance sheet date.

Unlisted stocks and others, including investments in subsidiaries and affiliates, of which market value is not readily available are not subject to fair value disclosure and are therefore not included in the table above because it is regarded as extremely difficult to determine their fair value.

The amount of the unlisted stocks and others, including investments in subsidiaries and affiliates, reported in the non-consolidated balance sheet was ¥34,653 million as of March 31, 2021.

(2) Loans and loans payable

As credit exposure for policy loans without specific repayment periods is limited to the amount of the cash surrender value, the Company considers book value as fair value with the assumption that fair value approximates book value in light of factors such as projected repayment period and interest terms.

As for industrial and consumer loans and loans payable, the fair value of loans is primarily stated at theoretical prices calculated by discounting the future cash flows to the present value. The fair value of loans to legally bankrupt borrowers, substantially bankrupt borrowers and not currently bankrupt borrowers is stated at the amounts by deducting estimated losses from the book value before direct write-offs.

(3) Bonds payable

The fair value of bonds payable is based on the market value, etc. as of March 31, 2021.

(4) Payables under securities borrowing transactions

The Company considers book value as fair value with the assumption that fair value approximates book value.

(5) Derivative financial instruments

The fair values of stock options and currency options traded over the counter are based on the quoted prices offered by counterparty financial institutions.

The fair values of foreign currency forward contracts are stated at theoretical prices based on the TTM at the balance sheet date.

Regarding the derivative transactions for which designated hedge accounting (“Furiate-shori”) of currency swaps is applied, these fair values are included in bonds payable since they are treated together with hedged bonds payable.

4. Investments and Rental Properties

The Company holds investment and rental properties such as office buildings in Tokyo and other areas. The carrying amount and the fair value of investment and rental properties were ¥247,811 million and ¥289,679 million as of March 31, 2021. The fair value is mainly based on the value (including some adjustments using the reference prices) of real estate appraisal report prepared by the external real-estate appraiser in accordance with real estate appraisal standards.

5. Securities Lent under Lending Agreements

The amount of securities lent under lending agreements was ¥265,606 million as of March 31,

2021.

6. Loans

The total amount of loans to bankrupt borrowers, delinquent loans, delinquent loans three or more months past due and restructured loans, which were included in loans, was ¥677 million as of March 31, 2021.

- i) Loans to bankrupt borrowers were ¥0 million as of March 31, 2021.
- ii) Delinquent loans were ¥563 million as of March 31, 2021.
- iii) Delinquent loans three or more months past due were ¥94 million as of March 31, 2021.
- iv) Restructured loans were ¥20 million as of March 31, 2021.

Loans to bankrupt borrowers represent loans, excluding the balances already written-off, which meet the conditions prescribed in Article 96, Paragraph 1, Items 3 and 4 of the Enforcement Regulations of the Corporate Tax Act. Moreover, accruing interest on these loans is not recorded as income after determining that principal of or interest on these loans is unlikely to be collected due to the significant delay in repayment of principal or interest payments or for other reasons.

Accruing interest on delinquent loans is not recorded as income due to the same reasons as described above, and delinquent loans exclude loans to bankrupt borrowers and loans for which interest payments have been suspended and rescheduled to assist and support the borrowers in the restructuring of their businesses.

Delinquent loans three or more months past due are loans for which interest payments or repayments of principal are delinquent for three months or more from the due dates under the terms of the related loan agreements, excluding those loans classified as loans to bankrupt borrowers and delinquent loans.

Restructured loans are loans for which certain concessions favorable to borrowers, such as interest reduction or exemptions, rescheduling of due dates of principal or interest payments, waivers of claim or other terms, have been negotiated for the purpose of assisting and supporting the borrowers in the restructuring of their businesses. This category excludes loans classified as loans to bankrupt borrowers, delinquent loans and delinquent loans three or more months past due.

The direct write-offs related to loans decreased the amount of loans to bankrupt borrowers described above by ¥3 million as of March 31, 2021.

In addition, the direct write-offs related to loans decreased the amount of delinquent loans described above by ¥25 million as of March 31, 2021.

7. Accumulated Depreciation of Tangible Fixed Assets

Accumulated depreciation of tangible fixed assets totaled ¥285,435 million as of March 31, 2021.

8. Separate Accounts

Total assets in separate accounts provided for in Article 118 of the Insurance Business Act were ¥28,078 million as of March 31, 2021. The amounts of separate account liabilities were the same as separate account assets.

9. Receivables from/Payables to Subsidiaries

The total amounts of receivables from/payables to subsidiaries were ¥430 million and ¥2,104 million as of March 31, 2021.

10. Receivables from/Payables to Directors and Audit Board Members

There were no receivables from directors and audit board members as of March 31, 2021. The total amount of payables to directors and audit board members was ¥15 million as of March 31, 2021.

11. Deferred Taxes

(1) Deferred tax assets/liabilities were recognized as follows:

	<u>Millions of Yen</u>
	As of
	<u>March 31, 2021</u>
Deferred tax assets	¥ 65,571
Valuation allowance for deferred tax assets	14,467
Subtotal	<u>51,104</u>
Deferred tax liabilities	<u>73,930</u>
Net deferred tax assets (liabilities)	<u>¥ (22,826)</u>

Major components of deferred tax assets/liabilities were as follows:

	<u>Millions of Yen</u>
	As of
	<u>March 31, 2021</u>
Deferred tax assets	
Contingency reserve	¥ 17,422
Reserve for price fluctuation	12,744
Reserve for employees' retirement benefits	8,608
Impairment losses	7,930
Net unrealized losses on available-for-sale securities	5,406
Losses on valuation of securities	<u>4,106</u>
Deferred tax liabilities	
Net unrealized gains on available-for-sale securities	<u>¥ 72,520</u>

- (2) The statutory tax rate was 27.9% for the fiscal year ended March 31, 2021. The main factors causing the difference between the statutory tax rate and the actual effective tax rate after considering deferred taxes were as follows:

	<u>Year ended</u>
	<u>March 31, 2021</u>
Change of valuation allowance for deferred tax assets	(4.5)%
Interest on foundation funds	(4.0)%
Reserve for dividends to policyholders	(1.9)%

12. Reserve for Dividends to Policyholders

	<u>Millions of Yen</u>
	Year ended
	<u>March 31, 2021</u>
Balance at the beginning of the fiscal year	¥ 32,073
Transfer to reserve from surplus in the previous fiscal year	1,794
Dividends to policyholders paid out during the fiscal year	3,820
Increase in interest	3
Balance at the end of the fiscal year	<u>¥ 30,050</u>

13. Stocks of Subsidiaries and Affiliates

The amount of stocks of subsidiaries and affiliates the Company held as of March 31, 2021 was ¥21,367 million.

14. Pledged Assets

Assets pledged as collateral as of March 31, 2021 were securities in the amount of ¥32,653 million.

15. Policy Reserves for the Reinsurance Contracts

Reserve for outstanding claims for the reinsurance contracts provided in accordance with Article 73, Paragraph 3 of the Enforcement Regulation of the Insurance Business Act which applies mutatis mutandis to Article 71, Paragraph 1 of the Enforcement Regulation of the Insurance Business Act (hereinafter “reserve for outstanding claims for ceded reinsurance”) was ¥6 million as of March 31, 2021.

Policy reserves for the reinsurance contracts provided in accordance with Article 71, Paragraph 1 of the Enforcement Regulation of the Insurance Business Act (hereinafter “policy reserves for ceded reinsurance”) were ¥359 million as of March 31, 2021.

16. Adjustment to Redemption of Foundation Funds and Appropriation of Net Surplus

The total amount of adjustment to redemption of foundation funds and appropriation of net surplus defined in Article 30, Paragraph 2 of the Enforcement Regulation of the Insurance Business Act was ¥213,482 million as of March 31, 2021.

17. Assets with Rights to Sell

The Company has the legal right to sell or collateralize securities borrowed under loan agreements.

The market value of these assets that were not sold or pledged as collateral as of March 31, 2021 was ¥72,634 million. No assets were pledged as collateral as of March 31, 2021.

18. Commitment Line

As of March 31, 2021, there were unused commitment line agreements under which the Company is the lender of ¥10,240 million.

19. Subordinated Bonds Payable

As of March 31, 2021, bonds payable are subordinated bonds payable, for which the repayments are subordinated to other obligations.

20. Subordinated Loans Payable

As of March 31, 2021, loans payable are subordinated loans payable, for which the repayments are subordinated to other obligations.

21. Contributions to Policyholders Protection Corporation

The estimated future contributions to the Life Insurance Policyholders Protection Corporation of Japan under Article 259 of the Insurance Business Act as of March 31, 2021 were ¥8,016 million. These contributions are charged as operating expenses in the fiscal years in which they are paid.

22. Reserve for Employees' Retirement Benefits

(1) Summary of retirement benefit plans

As defined benefit plan, the Company has defined benefit corporate pension plans, which are funded-type, and lump-sum retirement allowance plans which are non-funded type but resulted in funded type due to setting of employee pension trust.

(2) Defined benefit plan

i) Reconciliation of beginning and ending balance of retirement benefit obligations

	<u>Millions of Yen</u>
	Year ended
	<u>March 31, 2021</u>
Retirement benefit obligations at the beginning of the fiscal year	¥ 41,291
Service cost	1,829
Interest cost	412
Actuarial difference occurred during the fiscal year	866
Retirement benefit payments	<u>(4,035)</u>
Retirement benefit obligations at the end of the fiscal year	<u>¥ 40,365</u>

ii) Reconciliation of beginning and ending balance of pension plan assets

	<u>Millions of Yen</u>
	Year ended
	<u>March 31, 2021</u>
Pension plan assets at the beginning of the fiscal year	¥ 6,507
Expected return on pension plan assets	55
Actuarial difference occurred during the fiscal year	1,371
Contributions by the employer	151
Retirement benefit payments	<u>(174)</u>
Pension plan assets at the end of the fiscal year	<u>¥ 7,912</u>

- iii) Reconciliation of retirement benefit obligation and pension plan assets with reserve for employees' retirement benefits and prepaid pension cost presented on the non-consolidated balance sheet

	<u>Millions of Yen</u>
	As of
	<u>March 31, 2021</u>
a. Funded plan retirement benefit obligation	¥ 40,365
b. Pension plan assets	<u>(7,912)</u>
c. (a + b)	32,452
d. Unrecognized actuarial differences	<u>(1,829)</u>
e. Net amount of liabilities and assets presented on the non-consolidated balance sheet	30,623
f. Reserve for employees' retirement benefits	30,856
g. Prepaid pension cost	<u>(233)</u>
h. Net amount of liabilities and assets presented on the non-consolidated balance sheet	¥ 30,623

- iv) Breakdown of retirement benefit expenses

	<u>Millions of Yen</u>
	Year ended
	<u>March 31, 2021</u>
Service cost	¥ 1,829
Interest cost	412
Expected return on pension plan assets	(55)
Amortization of actuarial differences	95
Retirement benefit expenses related to defined benefit plan	¥ 2,281

- v) Breakdown of main pension plan assets

The breakdown of main asset categories as a percentage of pension plan assets was as follows:

	<u>As of</u>
	<u>March 31, 2021</u>
Stocks	45%
Bonds	9%
Others	<u>46%</u>
Total	<u>100%</u>

- vi) Method for determining the expected long-term rate of return

To determine the expected long-term rate of return on pension plan assets, the Company takes into account the present and future allocation of pension plan assets, and the present and expected future long-term rate of return on the diverse range of assets that makes up the pension assets.

vii) Underlying actuarial assumptions

The main underlying actuarial assumptions were as follows:

	<u>As of</u> <u>March 31, 2021</u>
Discount rate	1.0%
Expected long-term rate of return on pension plan assets	0.9%
Defined benefit corporate pension plans	1.6%

III. Notes to Unaudited Non-consolidated Statement of Income

1. Transactions with Subsidiaries and Affiliates

The total amounts of revenues and expenditures in connection with subsidiaries and affiliates were ¥1,067 million and ¥9,020 million for the fiscal year ended March 31, 2021.

2. Investment Income and Expenses

The major components of gains on sales of securities were as follows:

	<u>Millions of Yen</u> <u>Year ended</u> <u>March 31, 2021</u>
Domestic bonds	¥ 9,357
Domestic stocks and other securities	3,331
Foreign securities	2,559

The major components of losses on sales of securities were as follows:

	<u>Millions of Yen</u> <u>Year ended</u> <u>March 31, 2021</u>
Domestic bonds	¥ 892
Domestic stocks and other securities	1,893
Foreign securities	2,733

The major components of losses on valuation of securities were as follows:

	<u>Millions of Yen</u> <u>Year ended</u> <u>March 31, 2021</u>
Domestic stocks and other securities	¥ 17
Foreign securities	1

Losses on trading securities were losses on sales of ¥485 million for the fiscal year ended March 31, 2021.

Losses on derivative financial instruments included net valuation losses of ¥2,667 million for the fiscal year ended March 31, 2021.

3. Policy Reserves for the Reinsurance Contracts

Provision for reserve for outstanding claims for ceded reinsurance, which was added in calculating reversal of reserve for outstanding claims for the fiscal year ended March 31, 2021 was ¥0 million.

Reversal of policy reserves for ceded reinsurance, which was deducted in calculating reversal of policy reserves for the fiscal year ended March 31, 2021 was ¥6 million.

4. Impairment Losses of Fixed Assets

For the fiscal year ended March 31, 2021, impairment losses of fixed assets by the Company were as follows:

(1) Method of grouping

Real estate and other assets used for insurance business operations are classified as one asset group as a whole. Other assets such as real estate for rent, unused real estate and real estate scheduled to be sold are classified as one group individually.

(2) Background information on recognizing the impairment losses

As the profitability of certain real estate for rent dropped down significantly due to a decrease in the level of rental income and a declining trend in the market prices of land, the Company reduced the book values of such real estate for rent, unused real estate and real estate scheduled to be sold to their recoverable amounts. The write-downs were recognized as impairment losses and included in the extraordinary losses.

(3) Asset groups for which impairment losses were recognized and losses by classification of fixed assets

	<u>Millions of Yen</u>
	<u>Year ended</u>
	<u>March 31, 2021</u>
Real estate for rent:	
Land	¥ 721
Building	156
Total real estate for rent (i)	<u>877</u>
Unused real estate:	
Land	457
Building	141
Total unused real estate (ii)	<u>598</u>
Real estate scheduled to be sold:	
Land	1,309
Building	185
Total real estate scheduled to be sold (iii)	<u>1,494</u>
Total:	
Land	2,488
Building	483
Total (i) + (ii) + (iii)	<u>¥ 2,971</u>

(4) Calculation method of recoverable amounts

The recoverable amounts of real estate for rent are determined at net realizable value or value in use. The recoverable amounts for unused assets and real estate scheduled to be sold are net realizable value. Value in use is determined as the estimated net future cash flows, reflecting the volatility risk, discounted at 3.4% for the fiscal year ended March 31, 2021. Net realizable value is calculated based on the appraisal value in accordance with “Real Estate Appraisal Standards” or the publicly announced appraisal value after deducting expected disposal costs.

5. Extraordinary Losses

The expenses related to salary guarantees for sales representatives and others as countermeasures to prevent the spread of COVID-19 for the fiscal year ended March 31, 2021 were ¥1,572 million, which were included in other extraordinary losses.

5. Breakdown of Ordinary Profit (Fundamental Profit)

(Millions of Yen)

		Year ended March 31, 2020	Year ended March 31, 2021
Fundamental profit	A	29,641	46,539
Capital gains		23,852	15,637
Gains on money held in trust		-	-
Gains on trading securities		-	-
Gains on sales of securities		23,852	15,249
Gains on derivative financial instruments		-	-
Foreign exchange gains		-	387
Other capital gains		-	-
Capital losses		21,826	14,924
Losses on money held in trust		-	-
Losses on trading securities		-	485
Losses on sales of securities		2,810	5,520
Losses on valuation of securities		368	19
Losses on derivative financial instruments		16,588	8,898
Foreign exchange losses		2,057	-
Other capital losses		-	-
Net capital gains (losses)	B	2,025	712
Fundamental profit plus net capital gains (losses)	A+B	31,667	47,252
Other one-time gains		-	43
Reinsurance revenue		-	-
Reversal of contingency reserve		-	-
Reversal of specific allowance for possible loan losses		-	43
Others		-	-
Other one-time losses		610	10,666
Reinsurance premiums		-	-
Provision for contingency reserve		600	10,666
Provision for specific allowance for possible loan losses		10	-
Provision for allowance for specified overseas loans		-	-
Write-offs of loans		0	0
Others		-	-
Net other one-time gains (losses)	C	(610)	(10,622)
Ordinary profit	A+B+C	31,056	36,629

6. Unaudited Non-consolidated Statements of Changes in Net Assets

Year ended March 31, 2020

(Millions of Yen)

	Foundation funds and others								
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Surplus					Total foundation funds and others
				Reserve for future losses	Other surplus			Total surplus	
					Reserve for fund redemption	Equalized reserve for dividends to policyholders	Unappropriated surplus (loss)		
Beginning balance	91,000	166,000	281	291	26,200	9,258	31,324	67,073	324,355
Changes in the fiscal year:									
Additions to reserve for dividends to policyholders							(2,173)	(2,173)	(2,173)
Additions to reserve for future losses				19			(19)		
Payment of interest on foundation funds							(4,116)	(4,116)	(4,116)
Net surplus							20,412	20,412	20,412
Additions to reserve for fund redemption					9,100		(9,100)		
Reversal of equalized reserve for dividends to policyholders						(1,939)	1,939		
Reversal of land revaluation differences							622	622	622
Net changes, excluding foundation funds and others									
Net changes in the fiscal year	-	-	-	19	9,100	(1,939)	7,566	14,745	14,745
Ending balance	91,000	166,000	281	310	35,300	7,318	38,890	81,819	339,100

	Valuation and translation adjustments			Total net assets
	Net unrealized gains (losses) on available-for-sale securities, net of tax	Land revaluation differences	Total valuation and translation adjustments	
Beginning balance	99,032	(44,561)	54,471	378,826
Changes in the fiscal year:				
Additions to reserve for dividends to policyholders				(2,173)
Additions to reserve for future losses				
Payment of interest on foundation funds				(4,116)
Net surplus				20,412
Additions to reserve for fund redemption				
Reversal of equalized reserve for dividends to policyholders				
Reversal of land revaluation differences				622
Net changes, excluding foundation funds and others	(1,406)	(622)	(2,029)	(2,029)
Net changes in the fiscal year	(1,406)	(622)	(2,029)	12,716
Ending balance	97,625	(45,183)	52,442	391,543

Year ended March 31, 2021

(Millions of Yen)

	Foundation funds and others								
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Reserve for future losses	Surplus				Total foundation funds and others
					Reserve for fund redemption	Other surplus		Total surplus	
						Equalized reserve for dividends to policyholders	Unappropriated surplus (loss)		
Beginning balance	91,000	166,000	281	310	35,300	7,318	38,890	81,819	339,100
Changes in the fiscal year:									
Additions to reserve for dividends to policyholders							(1,794)	(1,794)	(1,794)
Additions to reserve for future losses				18			(18)		
Payment of interest on foundation funds							(4,081)	(4,081)	(4,081)
Net surplus							23,263	23,263	23,263
Additions to reserve for fund redemption					9,100		(9,100)		
Reversal of equalized reserve for dividends to policyholders						(227)	227		
Reversal of land revaluation differences							171	171	171
Net changes, excluding foundation funds and others									
Net changes in the fiscal year	-	-	-	18	9,100	(227)	8,668	17,559	17,559
Ending balance	91,000	166,000	281	328	44,400	7,091	47,558	99,378	356,660

	Valuation and translation adjustments			Total net assets
	Net unrealized gains (losses) on available-for-sale securities, net of tax	Land revaluation differences	Total valuation and translation adjustments	
Beginning balance	97,625	(45,183)	52,442	391,543
Changes in the fiscal year:				
Additions to reserve for dividends to policyholders				(1,794)
Additions to reserve for future losses				
Payment of interest on foundation funds				(4,081)
Net surplus				23,263
Additions to reserve for fund redemption				
Reversal of equalized reserve for dividends to policyholders				
Reversal of land revaluation differences				171
Net changes, excluding foundation funds and others	115,574	(171)	115,403	115,403
Net changes in the fiscal year	115,574	(171)	115,403	132,962
Ending balance	213,200	(45,354)	167,845	524,505

7. Unaudited Non-consolidated Statements of Proposed Appropriation of Surplus

(Millions of Yen)

	Year ended March 31, 2020	Year ended March 31, 2021
Unappropriated surplus (loss)	38,890	47,558
Reversal of voluntary surplus reserves	227	108
Reversal of equalized reserve for dividends to policyholders	227	108
Total	39,117	47,667
Appropriation of surplus (loss)	14,993	15,361
Reserve for dividends to policyholders	1,794	2,153
Net surplus (loss)	13,199	13,208
Reserve for future losses	18	19
Interest on foundation funds	4,081	4,089
Voluntary surplus reserves	9,100	9,100
Reserve for fund redemption	9,100	9,100
Surplus (loss) carried forward	24,123	32,305

8. Disclosed Claims Based on Categories of Obligors

(Millions of Yen, %)

	As of March 31, 2020	As of March 31, 2021
Claims against bankrupt and quasi-bankrupt obligors	452	437
Claims with collection risk	154	139
Claims for special attention	147	118
Subtotal	753	694
(Percentage of total)	(0.12)	(0.12)
Claims against normal obligors	603,722	569,541
Total	604,476	570,236

Notes:

1. Claims against bankrupt and quasi-bankrupt obligors are claims to obligors who are subject to bankruptcy, corporate reorganization or rehabilitation or other similar proceedings and other obligors in serious financial difficulties.
2. Claims with collection risk are claims to obligors (other than bankrupt and quasi-bankrupt obligors) with deteriorated financial condition and results of operations from which it is unlikely that the principal and interest on the claims will be recovered.
3. Claims for special attention are claims on which principal and/or interest are past due for three months or more and claims with a concessionary interest rate, as well as claims with renegotiated conditions in favor of the borrower, including renegotiated schedule and/or waivers, in each case, other than the claims described in note 1. or 2. above.
4. Claims against normal obligors are all other claims.

(Reference)

Amount of loans based on self-assessment categories

(Millions of Yen)

	As of March 31, 2020		As of March 31, 2021	
	Write-offs, provision for allowance		Write-offs, provision for allowance	
	Before	After	Before	After
Category II	342	342	361	361
Category III	164	60	149	98
Category IV	70	-	69	-

9. Risk Monitored Loans

(Millions of Yen, %)

	As of March 31, 2020	As of March 31, 2021
Loans to bankrupt borrowers	2	0
Delinquent loans	589	563
Delinquent loans three or more months past due	122	94
Restructured loans	20	20
Total	735	677
(Percentage of total loans)	(0.19)	(0.22)

Notes:

1. For credit to legally bankrupt borrowers and substantially bankrupt borrowers, the amounts remaining after the deductions of amount expected to be collected through the disposal of collateral or the execution of guarantees are written-off directly from the book value as the estimated uncollectible amounts. The amounts written-off related to loans to bankrupt borrowers were ¥3 million as of March 31, 2020 and ¥3 million as of March 31, 2021. The amounts written-off related to delinquent loans were ¥31 million as of March 31, 2020 and ¥25 million as of March 31, 2021.

2. Loans to bankrupt borrowers represent non-accrual loans to borrowers which are subject to bankruptcy, corporate reorganization or rehabilitation or other similar, including but not limited to foreign, proceedings. Accruing interest on these loans is not recorded as income after determining that principal or interest on these loans is unlikely to be collected due to the significant delay in repayment of principal or interest repayments or for other reasons.

3. Delinquent loans are loans whose accruing interest is not recorded as income and exclude loans to bankrupt borrowers and loans for which interest payments have been suspended and rescheduled to assist and support the borrowers in the restructuring of their business.

4. Delinquent loans three or more months past due are loans for which interest payments or repayments of principal are delinquent for three months or more from the due dates under the terms of the related loan agreements, excluding those loans classified as loans to bankrupt borrowers or delinquent loans.

5. Restructured loans are loans for which certain concessions favorable to borrowers, such as interest reduction or exemptions, rescheduling of due dates of principal or interest payments, waivers of claim or other terms, have been negotiated for the purpose of assisting and supporting the borrowers in the restructuring of their businesses. This category excludes loans classified as loans to bankrupt borrowers, delinquent loans and delinquent loans three or more months past due.

10. Solvency Margin Ratio

(Millions of Yen)

		As of March 31, 2020	As of March 31, 2021
Total solvency margin	(A)	860,443	1,063,948
Foundation funds and surplus		333,225	350,417
Reserve for price fluctuation		43,230	45,680
Contingency reserve		51,782	62,448
General allowance for possible loan losses		46	100
(Net unrealized gains on available-for-sale securities (before tax effect) and deferred hedge gains (before tax effect)) × 90% (in case of losses: × 100%)		116,876	252,740
Net unrealized gains on land × 85% (in case of losses: × 100%)		27,786	28,681
Excess amount of policy reserves based on full-time Zillmer method		137,190	141,363
Qualifying subordinated debt		138,095	167,173
Excess amount of policy reserves based on full-time Zillmer method and qualifying subordinated debt excluded from the calculation of solvency margin		-	-
Deduction		-	-
Others		12,211	15,343
Total amount of risk	$\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$ (B)	182,513	218,912
Insurance risk	R_1	13,155	12,613
Third sector insurance risk	R_8	9,974	10,446
Risk of assumed yield	R_2	72,246	69,446
Minimum guarantee risk	R_7	1,055	1,040
Investment risk	R_3	103,703	142,459
Operational risk	R_4	4,002	4,720
Solvency margin ratio	$(A) / \{(1/2) \times (B)\} \times 100$	942.8%	972.0%

Notes:

- The figures above are calculated based on Articles 86 and 87 of the Ordinance for Enforcement of the Insurance Business Act and the Public Notice No. 50 of the Ministry of Finance of 1996.
- "Excess amount of policy reserves based on full-time Zillmer method", "Qualifying subordinated debt" and "Excess amount of policy reserves based on full-time Zillmer method and qualifying subordinated debt excluded from the calculation of solvency margin" are calculated based on the Public Notice No.25 of the Financial Services Agency of 2011.
- "Minimum guarantee risk" is calculated by standard method.

11. Status of Separate Account

(1) Separate Account Assets by Products

(Millions of Yen)

	As of March 31, 2020	As of March 31, 2021
	Amount	Amount
Individual variable insurance	24,381	28,078
Individual variable annuities	-	-
Group annuity products	-	-
Total	24,381	28,078

(2) Individual Variable Insurance (Separate Account)

(i)Sum Insured of Policies in Force

	As of March 31, 2020		As of March 31, 2021	
	Number of policies (Thousands)	Amount (Millions of Yen)	Number of policies (Thousands)	Amount (Millions of Yen)
Individual variable insurance (fixed term)	-	-	-	-
Individual variable insurance (whole life)	13	92,623	12	89,766
Total	13	92,623	12	89,766

(ii) Breakdown of Separate Account Assets for Individual Variable Insurance

(Millions of Yen)

	As of March 31, 2020		As of March 31, 2021	
	Amount	Percentage	Amount	Percentage
Cash, deposits, call loans	2,619	10.7	1,676	6.0
Securities	20,372	83.6	26,307	93.7
Domestic bonds	5,780	23.7	6,128	21.8
Domestic stocks	5,641	23.1	9,011	32.1
Foreign securities	8,950	36.7	11,167	39.8
Foreign bonds	3,415	14.0	3,450	12.3
Foreign stocks and other foreign securities	5,534	22.7	7,716	27.5
Other securities	-	-	-	-
Loans	-	-	-	-
Others	1,389	5.7	94	0.3
Allowance for possible loan losses	-	-	-	-
Total	24,381	100.0	28,078	100.0

(iii) Investment Income and Expenses of Separate Account for Individual Variable Insurance

(Millions of Yen)

	Year ended March 31, 2020	Year ended March 31, 2021
	Amount	Amount
Interest, dividends and other income	567	440
Gains on sales of securities	2,290	3,096
Gains on redemptions of securities	-	-
Gains on valuation of securities	1,889	5,174
Foreign exchange gains	50	32
Gains on derivative financial instruments	-	-
Other investment income	1	0
Losses on sales of securities	2,441	1,694
Losses on redemptions of securities	13	13
Losses on valuation of securities	3,407	1,252
Foreign exchange losses	48	43
Losses on derivative financial instruments	-	-
Other investment expenses	0	0
Net Investment Income	(1,111)	5,740

(3) Individual Variable Annuities (Separate Account)

The Company does not have individual variable annuity contracts in force.

12. Status of the Company, Subsidiaries and Affiliates

(1) Selected Financial Data

(Millions of Yen)

	Year ended March 31, 2020	Year ended March 31, 2021
Ordinary income	626,362	604,297
Ordinary profit	31,040	34,950
Net surplus attributable to the Parent Company	20,294	21,430
Comprehensive income	19,101	137,508

(Millions of Yen)

	As of March 31, 2020	As of March 31, 2021
Total assets	5,390,941	5,540,449
Solvency margin ratio	948.7%	992.4%

(2) Unaudited Consolidated Balance Sheets

(Millions of Yen)

	As of March 31, 2020	As of March 31, 2021
Assets:		
Cash and deposits	35,227	44,149
Call loans	82,000	113,000
Monetary claims bought	26,915	25,094
Securities	4,369,302	4,598,851
Loans	377,913	303,451
Tangible fixed assets:	382,776	378,046
Land	224,609	221,081
Buildings	152,653	150,539
Lease assets	1,963	1,459
Construction in progress	614	1,589
Other tangible fixed assets	2,933	3,376
Intangible fixed assets:	24,731	29,941
Software	18,735	16,935
Other intangible fixed assets	5,995	13,006
Agency accounts receivable	11	14
Reinsurance receivables	446	987
Other assets	82,963	46,670
Net defined benefit assets	178	494
Deferred tax assets	8,863	152
Customers' liabilities under acceptances and guarantees	3	1
Allowance for possible loan losses	(391)	(406)
Total assets	5,390,941	5,540,449
Liabilities:		
Policy reserves and other reserves:	4,529,448	4,477,995
Reserve for outstanding claims	29,378	28,572
Policy reserves	4,467,997	4,419,372
Reserve for dividends to policyholders	32,073	30,050
Reinsurance payables	563	680
Bonds payable	88,295	127,773
Other liabilities	288,156	295,766
Net defined benefit liabilities	34,985	32,914
Reserve for price fluctuation	43,230	45,680
Deferred tax liabilities	-	22,354
Deferred tax liabilities for land revaluation	16,838	16,268
Acceptances and guarantees	3	1
Total liabilities	5,001,521	5,019,435
Net assets:		
Foundation funds	91,000	91,000
Reserve for redemption of foundation funds	166,000	166,000
Reserve for revaluation	281	281
Consolidated surplus	81,429	97,154
Total foundation funds and others	338,711	354,436
Net unrealized gains (losses) on available-for-sale securities, net of tax	97,625	213,201
Land revaluation differences	(45,183)	(45,354)
Accumulated remeasurements of defined benefit plans	(1,814)	(1,349)
Total accumulated other comprehensive income	50,627	166,497
Non-controlling interests	81	79
Total net assets	389,420	521,014
Total liabilities and net assets	5,390,941	5,540,449

(3) Unaudited Consolidated Statements of Income and Statements of Comprehensive Income

(Unaudited Consolidated Statements of Income)

(Millions of Yen)

	Year ended March 31, 2020	Year ended March 31, 2021
Ordinary income:	626,362	604,297
Premium and other income	393,639	391,410
Investment income:	139,494	146,309
Interest, dividends and other income	108,447	117,912
Gains on sales of securities	23,854	15,249
Gains on redemption of securities	50	77
Foreign exchange gains	-	387
Other investment income	7,143	6,941
Investment gains on separate accounts	-	5,740
Other ordinary income	93,228	66,577
Ordinary expenses:	595,321	569,347
Claims and other payments:	406,561	385,384
Claims	114,654	112,015
Annuities	126,889	122,158
Benefits	71,469	68,241
Surrender benefits	88,017	77,538
Other payments	5,530	5,431
Provision for policy reserves and other reserves:	1,801	3
Provision for reserve for outstanding claims	1,798	-
Provision for interest on policyholders' dividend reserves	3	3
Investment expenses:	42,703	34,559
Interest expenses	4,526	4,470
Losses on trading securities	-	485
Losses on sales of securities	2,810	5,520
Losses on valuation of securities	368	19
Losses on redemption of securities	140	65
Losses on derivative financial instruments	16,588	8,898
Foreign exchange losses	2,058	-
Provision for allowance for possible loan losses	8	10
Depreciation of rental real estate and other assets	5,327	5,503
Other investment expenses	9,761	9,584
Investment losses on separate accounts	1,111	-
Operating expenses	110,795	115,565
Other ordinary expenses	33,458	33,833
Ordinary profit	31,040	34,950
Extraordinary gains:	115	275
Gains on disposal of fixed assets	90	146
Other extraordinary gains	24	129
Extraordinary losses:	4,728	8,605
Losses on disposal of fixed assets	1,373	1,484
Impairment losses	966	2,971
Provision for reserve for price fluctuation	2,340	2,450
Losses on reduction entry of real estate	-	5
Other extraordinary losses	48	1,694
Surplus before income taxes	26,427	26,620
Income taxes-current	6,635	10,226
Income taxes-deferred	(542)	(5,074)
Total income taxes	6,093	5,152
Net surplus	20,333	21,467
Net surplus attributable to non-controlling interests	38	37
Net surplus attributable to the Parent Company	20,294	21,430

(Unaudited Consolidated Statements of Comprehensive Income)

(Millions of Yen)

	Year ended March 31, 2020	Year ended March 31, 2021
Net surplus	20,333	21,467
Other comprehensive income:	(1,232)	116,040
Net unrealized gains (losses) on available-for-sale securities, net of tax	(1,408)	115,575
Remeasurements of defined benefit plans	176	465
Comprehensive income:	19,101	137,508
Comprehensive income attributable to the Parent Company	19,062	137,471
Comprehensive income attributable to non-controlling interests	38	37

(4) Unaudited Consolidated Statements of Cash Flows

(Millions of Yen)

	Year ended March 31, 2020	Year ended March 31, 2021
I. Cash flows from operating activities		
Surplus before income taxes	26,427	26,620
Depreciation of rental real estate and other assets	5,327	5,503
Depreciation	11,586	11,905
Impairment losses	966	2,971
Increase (decrease) in reserve for outstanding claims	1,798	(806)
Increase (decrease) in policy reserves	(75,380)	(48,624)
Provision for interest on policyholders' dividend reserves	3	3
Increase (decrease) in allowance for possible loan losses	8	10
Increase (decrease) in net defined benefit liabilities	(1,106)	(1,677)
Increase (decrease) in reserve for price fluctuation	2,340	2,450
Interest, dividends and other income	(108,447)	(117,912)
(Gains) losses on securities	(19,473)	(14,976)
(Gains) losses on derivative financial instruments	16,588	8,898
Interest expenses	4,526	4,470
Foreign exchange (gains) losses, net	2,058	(387)
(Gains) losses on tangible fixed assets	1,053	952
(Increase) decrease in reinsurance receivables	(19)	(540)
(Increase) decrease in other assets except from investing and financing activities	(3,849)	(2,837)
Increase (decrease) in reinsurance payables	165	117
Increase (decrease) in other liabilities except from investing and financing activities	907	2,312
Others, net	5,549	(4,344)
Subtotal	(128,967)	(125,891)
Interest, dividends and other income received	114,322	124,006
Interest paid	(4,531)	(4,343)
Dividends to policyholders paid	(4,208)	(3,820)
Income taxes (paid) refunded	(1,387)	(9,286)
Net cash provided by (used in) operating activities	(24,771)	(19,335)
II. Cash flows from investing activities		
Purchases of monetary claims bought	(281)	(93)
Proceeds from sales and redemptions of monetary claims bought	2,373	1,899
Purchases of securities	(553,820)	(415,682)
Proceeds from sales and redemptions of securities	371,280	441,355
Disbursements for loans	(41,128)	(41,265)
Proceeds from collections of loans	87,509	115,364
Proceeds from derivative financial instruments	21,760	(47,257)
Increase (decrease) in payables under securities borrowing transactions	91,078	(884)
Others, net	-	(485)
①Total of investing activities	(21,228)	52,949
[I + ①]	(46,000)	33,614
Purchases of tangible fixed assets	(7,464)	(10,079)
Proceeds from sales of tangible fixed assets	1,814	1,501
Others, net	(6,575)	(9,608)
Net cash provided by (used in) investing activities	(33,453)	34,763
III. Cash flows from financing activities		
Redemption of debt borrowing	-	(10,000)
Proceeds from issuance of bonds	-	39,477
Payment of interest on foundation funds	(4,116)	(4,081)
Dividends paid to non-controlling interests	(41)	(38)
Others, net	(1,019)	(863)
Net cash provided by (used in) financing activities	(5,177)	24,494
IV. Net increase (decrease) in cash and cash equivalents	(63,402)	39,922
V. Cash and cash equivalents at the beginning of the year	180,630	117,227
VI. Cash and cash equivalents at the end of the year	117,227	157,149

(5) Unaudited Consolidated Statements of Changes in Net Assets

Year ended March 31, 2020

(Millions of Yen)

	Foundation funds and others				
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Consolidated surplus	Total foundation funds and others
Beginning balance	91,000	166,000	281	66,801	324,083
Changes in the fiscal year:					
Additions to reserve for dividends to policyholders				(2,173)	(2,173)
Payment of interest on foundation funds				(4,116)	(4,116)
Net surplus attributable to the Parent Company				20,294	20,294
Reversal of land revaluation differences				622	622
Net changes, excluding foundation funds and others					
Net changes in the fiscal year	-	-	-	14,627	14,627
Ending balance	91,000	166,000	281	81,429	338,711

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Net unrealized gains (losses) on available-for-sale securities, net of tax	Land revaluation differences	Accumulated remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Beginning balance	99,034	(44,561)	(1,990)	52,482	83	376,650
Changes in the fiscal year:						
Additions to reserve for dividends to policyholders						(2,173)
Payment of interest on foundation funds						(4,116)
Net surplus attributable to the Parent Company						20,294
Reversal of land revaluation differences						622
Net changes, excluding foundation funds and others	(1,408)	(622)	176	(1,854)	(2)	(1,857)
Net changes in the fiscal year	(1,408)	(622)	176	(1,854)	(2)	12,770
Ending balance	97,625	(45,183)	(1,814)	50,627	81	389,420

Year ended March 31, 2021

(Millions of Yen)

	Foundation funds and others				
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Consolidated surplus	Total foundation funds and others
Beginning balance	91,000	166,000	281	81,429	338,711
Changes in the fiscal year:					
Additions to reserve for dividends to policyholders				(1,794)	(1,794)
Payment of interest on foundation funds				(4,081)	(4,081)
Net surplus attributable to the Parent Company				21,430	21,430
Reversal of land revaluation differences				171	171
Net changes, excluding foundation funds and others					
Net changes in the fiscal year	-	-	-	15,725	15,725
Ending balance	91,000	166,000	281	97,154	354,436

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Net unrealized gains (losses) on available-for-sale securities, net of tax	Land revaluation differences	Accumulated remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Beginning balance	97,625	(45,183)	(1,814)	50,627	81	389,420
Changes in the fiscal year:						
Additions to reserve for dividends to policyholders						(1,794)
Payment of interest on foundation funds						(4,081)
Net surplus attributable to the Parent Company						21,430
Reversal of land revaluation differences						171
Net changes, excluding foundation funds and others	115,575	(171)	465	115,869	(1)	115,868
Net changes in the fiscal year	115,575	(171)	465	115,869	(1)	131,593
Ending balance	213,201	(45,354)	(1,349)	166,497	79	521,014

I. Presentation of Unaudited Consolidated Financial Statements

1. Basis of Presentation

The accompanying consolidated financial statements have been prepared from the accounts maintained by Asahi Mutual Life Insurance Company (the “Company”) and its consolidated subsidiaries in accordance with the provisions set forth in the Insurance Business Act of Japan and its related rules and regulations applicable to the mutual life insurance industry and in conformity with accounting principles generally accepted in Japan, which are different in certain respects from accounting principles generally accepted in countries and jurisdictions other than Japan.

In addition, the notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

Amounts of less than one million yen have been eliminated. As a result, total amounts in yen shown herein do not necessarily agree with the sum of the individual amounts.

The Insurance Business Act shall prescribe the disclosure of a single fiscal year. The Company provides the disclosure of comparative financial information corresponding to each comparative fiscal year in the presented financial statements for use by readers outside Japan.

In preparing the accompanying consolidated financial statements, certain reclassifications have been made to the consolidated financial statements issued domestically in order to present them in a format which is more familiar to readers outside Japan.

2. Principles of Consolidation

(1) Scope of consolidation

The consolidated subsidiaries as of March 31, 2021 are listed below:

Info Techno Asahi Co., Ltd.
Asahi Life Asset Management Co., Ltd.
Asahi Natixis Investment Managers Co., Ltd.
Asahi NewCo Preparatory Co., Ltd.

Asahi NewCo Preparatory Co., Ltd., which was newly established by the Company in the fiscal year ended March 31, 2021 and renamed as Nanairo Life Insurance Co., Ltd. on April 1, 2021, was included in the scope of consolidation for the fiscal year ended March 31, 2021.

The major unconsolidated subsidiary is Asahi Real Estate Management Co., Ltd.

Each non-consolidated subsidiary is small in scale in terms of total assets, amount of sales, net income and surplus for the fiscal year ended March 31, 2021. As such non-consolidated subsidiaries are not considered to materially affect any reasonable determination as to the

financial position and result of operation of the Company's group, these companies are excluded from the consolidation.

(2) Application of equity method

Unconsolidated subsidiaries (such as Asahi Real Estate Management Co., Ltd, etc.) are immaterial in terms of their impact on consolidated net income and surplus, and also immaterial as a whole, therefore, the equity method is not applied.

(3) Fiscal year-end of consolidated subsidiaries

The fiscal year-end of the consolidated subsidiaries is March 31.

(4) Amortization of goodwill

Goodwill is fully expensed as incurred.

II. Notes to Unaudited Consolidated Balance Sheet

1. Significant Accounting Policies

(1) Valuation methods of securities

The valuation of securities, including deposits and monetary claims bought which are equivalent to securities is as follows:

- i) Trading securities are stated at fair market value. Costs of sales are determined by the moving average method.
- ii) Held-to-maturity debt securities are stated at amortized cost (straight-line method) determined by the moving average method.
- iii) Policy-reserve-matching bonds, which are in accordance with "Temporary Treatment of Accounting and Auditing Concerning Policy-reserve-matching Bonds in Insurance Industry" (Industry Audit Committee Report No. 21 issued by the Japanese Institute of Certified Public Accountants ("JICPA")), are stated at amortized cost (straight-line method) determined by the moving average method.
- iv) Investments in unconsolidated subsidiaries and affiliates not accounted for under the equity method are stated at cost.
- v) Available-for-sale securities with fair market value except for the following are stated at fair market value based on the market prices at the end of the fiscal year. Available-for-sale securities with fair market value, of which domestic stocks, domestic stock exchange-traded funds, domestic listed real estate investment trusts, foreign stock exchange-traded funds for which hedge accounting is not applied, foreign bond exchange-traded funds for which hedge accounting is not applied and foreign currency-denominated bonds for which hedge accounting is not applied, are stated at fair

market value based on the average of the market prices during the final month of the fiscal year. Costs of sales are determined by the moving average method. Available-for-sale securities with extreme difficulty of measuring fair market value, of which public and corporate bonds including foreign bonds with the difference between acquisition cost and face value considered as an adjustment of interest, are stated at amortized cost (straight-line method) determined by the moving average method. The other securities are stated at cost determined by the moving average method. Net unrealized gains or losses on these available-for-sale securities, net of tax, are recorded as a separate component of net assets.

(2) Policy-reserve-matching bonds

The Company classifies bonds held with the aim of matching the duration to outstanding insurance liabilities within the sub-groups (categorized by insurance type, investment policy and other factors) of individual life insurance and individual annuities as policy-reserve-matching bonds in accordance with “Temporary Treatment of Accounting and Auditing Concerning Policy-reserve-matching Bonds in Insurance Industry” (Industry Audit Committee Report No. 21 issued by the JICPA).

(3) Valuation methods of derivative financial instruments

Derivative financial instruments are stated at fair market value.

(4) Revaluation of land

The Company revalued the land for business purposes based on the Act on Revaluation of Land (Act No. 34 promulgated on March 31, 1998). The difference between fair value and book value resulting from the revaluation, net of related taxes, is recorded as land revaluation differences as a separate component of net assets and the related tax is recorded as deferred tax liabilities for revaluation.

■ Date of revaluation: March 31, 2001

■ Method of revaluation as prescribed for in Article 3, Paragraph 3 of the said Act:

The calculation is based on the publicly announced appraisal value with certain adjustments set forth in Article 2, Item 1 of the Enforcement Ordinance of the Act on Revaluation of Land (Government Ordinance No. 119 promulgated on March 31, 1998) or the appraisal value determined by the real-estate appraiser set forth in Article 2, Item 5 of the said Ordinance with certain reasonable adjustments.

(5) Depreciation of tangible fixed assets

Depreciation of the Company’s tangible fixed assets is calculated by the following methods.

■ Tangible fixed assets (excluding lease assets): Declining-balance method

However, buildings are depreciated using the straight-line method.

■ Lease assets related to finance lease transactions that do not transfer ownership:

Straight-line method over the lease term with no residual value

(6) Foreign currency translation

Foreign currency-denominated assets and liabilities (excluding the shares of unconsolidated subsidiaries and affiliates) are translated into Japanese yen at the effective exchange rate prevailing at the balance sheet date, except for foreign stock exchange-traded funds for which hedge accounting is not applied, foreign bond exchange-traded funds for which hedge accounting is not applied and foreign currency-denominated bonds for which hedge accounting is not applied categorized as available-for-sale securities with fair market value. Such securities are translated into Japanese yen at the average of the effective exchange rate during the final month of the fiscal year.

(7) Allowance for possible loan losses

Allowance for possible loan losses is provided in accordance with the Company's standards of self-assessment and write-offs and reserves on credit quality:

- i) For credit to borrowers who are legally bankrupt such as being in bankruptcy proceedings or civil rehabilitation (hereinafter "legally bankrupt borrowers") and who are substantially bankrupt (hereinafter "substantially bankrupt borrowers"), the Company provides the remaining amount of credits after the direct write-off described below and the deductions of the amount expected to be collected through the disposal of collateral or the execution of guarantees.
- ii) For credit to borrowers who are not currently bankrupt but have a high risk of bankruptcy (hereinafter "not currently bankrupt borrowers"), the Company provides the amounts deemed as necessary considering the borrowers' ability to pay, within the amounts after deductions of the amount expected to be collected through the disposal of collateral or the execution of guarantees.
- iii) For credit to borrowers other than the above, the Company provides the amounts calculated by multiplying the book value by the actual ratio of bad debt losses on defaults during a certain past period.

All credit is assessed by the relevant departments in accordance with the Company's standards of self-assessment on credit quality. The results of the assessment are reviewed by the audit department, which is independent of business-related divisions. Subsequently, allowance for possible loan losses is provided based on the results of these assessments.

For consolidated subsidiaries, the Company records the allowance amounts deemed necessary in accordance mainly with the Company's standards of self-assessment and write-offs and reserves on credit quality.

For credit to legally bankrupt borrowers and substantially bankrupt borrowers, the amounts remaining after deductions of collateral value or the amounts collectible through the execution of guarantees are written-off directly from the book value as the estimated uncollectible amounts. The amount written-off as of March 31, 2021 was ¥28 million.

(8) Accounting for employees' retirement benefits and method of amortizing retirement benefit expenses

Net defined benefit liabilities and assets are presented for the employees' retirement benefits after deducting pension plan assets from retirement benefit obligations, based on estimated amounts as of the balance sheet date.

The Company uses the following methods of accounting in relation to retirement benefits.

- The retirement benefit obligation is attributed to each period by the benefit formula method.
- Actuarial differences are amortized under the straight-line method over a period of seven years starting the following year.
- Prior service cost is charged to income when incurred.

(9) Reserve for price fluctuation

Reserve for price fluctuation is calculated in accordance with Article 115 of the Insurance Business Act.

(10) Accounting for hedging activities

Hedging activities are accounted for in accordance with the "Accounting Standards for Financial Instruments" (Accounting Standards Board of Japan ("ASBJ") Statement No. 10).

The Company mainly applies the following hedging activities:

The Company applies deferred hedge accounting and the exceptional accounting treatment ("Tokurei-shori") for interest rate swaps used to hedge the cash flow volatility of certain loans.

The Company also applies fair value hedge accounting for hedging activities related to foreign exchange rate fluctuation exposures on certain bonds, investment trusts and others denominated in foreign currencies.

The Company also applies designated hedge accounting ("Furiate-shori") for currency swaps used to hedge foreign exchange rate fluctuation exposures on the foreign currency-denominated bonds issued by the Company.

The Company also applies designated hedge accounting ("Furiate-shori") for the foreign currency-denominated transactions other than the above.

The effectiveness of a hedge is mostly assessed by a ratio analysis, comparing the fluctuations in the fair value or cash flows of hedged items and hedging instruments.

(11) Accounting for consumption taxes

The Company and its subsidiaries account for consumption tax and local consumption tax by the tax-exclusion method. The consumption taxes on certain assets, which are not deductible from consumption taxes withheld and that are stipulated to be deferred under the Corporation Tax Act of Japan, are deferred as prepaid expenses and amortized equally over five years.

Consumption taxes other than deferred consumption taxes are recognized as an expense when incurred.

(12) Premium and other income (excluding reinsurance revenue)

Premium and other income (excluding reinsurance revenue) is recorded in principle for insurance policies for which insurance premium has been received and the insurer's liability under the insurance policies or insurance coverage period has commenced by the relevant amounts received.

Of insurance premiums, the portion corresponding to the period that has yet to pass as of the end of the fiscal year is set aside as policy reserves in accordance with Article 116 of the Insurance Business Act and Article 69, Paragraph 1, Item 2 of the Ordinance for Enforcement of the Insurance Business Act.

(13) Claims and other payments (excluding reinsurance premiums)

Claims and other payments (excluding reinsurance premiums) are recorded for insurance policies for which amounts calculated under policy conditions have been paid in the occurrence of insured events under the policy conditions by the relevant amounts paid.

In accordance with Article 117 of the Insurance Business Act and Article 72 of the Ordinance for Enforcement of the Insurance Business Act, reserve for outstanding claims are set aside for claims, etc. which is not recorded as payment of claims, etc. but for which the Company has payment obligation or the occurrence of insured events have not been reported but the Company finds that insured events have already occurred, as of the end of the fiscal year.

(14) Policy reserves

Policy reserves are calculated as stated in accordance with the methods stated in the statement of calculation procedures for insurance premiums and policy reserves (Article 4, Paragraph 2, Item 4 of the Insurance Business Act) pursuant to Article 116, Paragraph 1 of the Insurance Business Act, for insurance policies under which the insurer's liability has started as of the end of the fiscal year, in preparation for the performance of future obligations under the insurance policies.

Of policy reserves, the premium reserve at the end of the fiscal year is calculated by the following method:

In regard to the policies subject to the standard policy reserves, the method as prescribed by the Commissioner of Financial Services Agency (Japanese Ministry of Finance Public Notice No. 48, 1996) is applied.

In regard to the policies not subject to the standard policy reserves, the net level premium method is applied.

Regarding a part of policy reserves, the chief actuary checks that policy reserves are appropriately accumulated in each fiscal year, pursuant to Article 121, Paragraph 1 of the Insurance Business Act and Article 80 of the Ordinance for Enforcement of the Insurance Business Act.

Contingency reserve included in policy reserves are set aside in accordance with Article 116 of the Insurance Business Act and Article 69, Paragraph 1, Item 3 of the Ordinance for Enforcement of the Insurance Business Act to cover risks that may accrue in the future in order to ensure the performance of future obligations under insurance policies.

(15) Software

Capitalized software for internal use owned by the Company and its subsidiaries (included in intangible fixed assets in the consolidated balance sheet) is amortized using the straight-line method over the estimated useful lives.

2. Accounting Standards Issued but Not Yet Effective

The accounting standards and relevant implementation guidance issued by the fiscal year-end but not yet effective are as follows:

- “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, issued on July 4, 2019)
- “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, issued on July 4, 2019)
- “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, revised on July 4, 2019)

(i) Overview

In these accounting standards and relevant implementation guidance, the guidance on the methods for measuring fair values of financial instruments are set to enhance comparability between Japanese accounting standards and international accounting standards.

(ii) Schedule date of application

The above revisions are scheduled to be applied from the beginning of the fiscal year ending March 31, 2022.

(iii) Effects of application of the Accounting Standards and relevant implementation guidance

The effects of the application are under assessment at the time of preparing these consolidated financial statements.

3. Financial Instruments

Asset management of the general accounts other than the separate accounts stipulated in Article 118, Paragraph 1 of the Insurance Business Act is conducted based on the following principles.

- For accumulation whole life with variable interest rates, accumulation insurance with variable interest rates and new single premium individual annuities which have an effective date on or after April 2, 2012, the Company mainly invests in domestic bonds, engaging in matching asset liability management, or Matching ALM, which aims at matching the duration to outstanding insurance liabilities to avoid interest rate fluctuation risks.
- For individual life insurance and individual annuities other than above, the Company holds yen-denominated fixed income investments, including bonds and loans, as the core of its asset portfolio. The Company also holds domestic stocks, foreign securities and real estate assets to enhance its profitability.

Derivatives are mainly used to hedge market price fluctuation risk and exchange rate fluctuation risk regarding securities and exchange rate fluctuation risk related to the foreign currency-denominated bonds issued by the Company. As the major financial instruments, securities are exposed to market risk and credit risk, loans are exposed to credit risk and exchange rate fluctuation risk, and derivatives are exposed to market risk and credit risk.

In managing market risks, the following two methods are used. One is the quantitative risk management of securities etc. using the Value at Risk (“VaR”) method and the other is the risk management by stress test and sensitivity analysis which analyze the effect on the Company’s whole portfolio, simulating scenarios of deteriorating market environments. This is for the purpose of managing an appropriate asset allocation within the ranges of acceptable risks.

In managing credit risks, the Company quantifies the credit risks of entire portfolio through VaR method and controls the amount of risks within an acceptable range. Furthermore, the Company assigns in-house credit ratings to our borrowers in accordance with the creditworthiness of each borrower. Strict credit research of each borrower before lending as well as following up on any changes of creditworthiness of each borrower after lending are implemented by Risk Management Department, which is independent of the departments executing investments and lending. Maximum limits of credit are set up for each borrower in accordance with its credit risks to avoid the concentration of credit risks on specific corporations and specific corporation groups. Through all these measures, the Company endeavors to develop high quality portfolio.

The balance sheet amounts, fair values and the differences between those of major financial assets and liabilities as of March 31, 2021 were as follows:

	Millions of Yen		
	As of March 31, 2021		
	Balance Sheet Amount	Fair Value	Difference
Cash and deposits	¥ 44,149	¥ 44,149	-
Call loans	113,000	113,000	-
Monetary claims bought	25,094	27,415	2,321
Trading securities	-	-	-
Held-to-maturity debt securities	24,125	26,446	2,321
Policy-reserve-matching bonds	-	-	-
Available-for-sale securities	969	969	-
Securities	4,577,687	4,830,694	253,006
Trading securities	26,307	26,307	-
Held-to-maturity debt securities	296,880	333,953	37,073
Policy-reserve-matching bonds	2,039,060	2,254,994	215,933
Available-for-sale securities	2,215,438	2,215,438	-
Loans	303,451	311,163	7,712
Policy loans	35,182	35,182	-
Industrial and consumer loans	268,268	275,980	7,712
Total assets	5,063,382	5,326,422	263,040
Bonds payable	127,773	130,313	2,540
Payables under securities borrowing transactions	178,810	178,810	-
Loans payable	41,000	42,548	1,548
Total liabilities	347,584	351,673	4,088
Derivative financial instruments	(31,522)	(31,522)	-
Hedge accounting not applied	(1,875)	(1,875)	-
Hedge accounting applied	(29,646)	(29,646)	-

* Assets and liabilities generated by derivative financial instruments are offset and presented net.
Net liabilities in total are presented in parentheses.

(1) Securities including deposits and monetary claims bought which are treated as securities based on “Accounting Standards for Financial Instruments” (ASBJ Statement No. 10)

As for available-for-sale securities of which market value is readily available, domestic stocks, domestic stock exchange-traded funds, domestic listed real estate investment trusts, foreign stock exchange-traded funds for which hedge accounting is not applied, foreign bond exchange-traded funds for which hedge accounting is not applied and foreign currency-denominated bonds for which hedge accounting is not applied are stated at the average of the market value during the final month of the fiscal year. Available-for-sale securities of which market value is readily available excluding the securities mentioned above are stated at the market value at the balance sheet date.

Other securities of which market value is readily available are stated at market value at the balance sheet date.

Unlisted stocks and others, including investments in subsidiaries and affiliates, of which market value is not readily available are not subject to fair value disclosure and are therefore not included in the table above because it is regarded as extremely difficult to

determine their fair value.

The amount of the unlisted stocks and others, including investments in subsidiaries and affiliates, reported in the consolidated balance sheet was ¥21,164 million as of March 31, 2021.

(2) Loans and loans payable

As credit exposure for policy loans without specific repayment periods is limited to the amount of the cash surrender value, the Company and its subsidiaries consider book value as fair value with the assumption that fair value approximates book value in light of factors such as projected repayment period and interest terms.

As for industrial and consumer loans and loans payable, the fair value of loans is primarily stated at theoretical prices calculated by discounting the future cash flows to the present value. The fair value of loans to legally bankrupt borrowers, substantially bankrupt borrowers and not currently bankrupt borrowers is stated at the amounts by deducting estimated losses from the book value before direct write-offs.

(3) Bonds payable

The fair value of bonds payable is based on the market values, etc. as of March 31, 2021.

(4) Payables under securities borrowing transactions

The Company considers book value as fair value with the assumption that fair value approximates book value.

(5) Derivative financial instruments

The fair values of stock options and currency options traded over the counter are based on the quoted prices offered by counterparty financial institutions.

The fair values of foreign currency forward contracts are stated at theoretical prices based on the TTM at the balance sheet date.

Regarding the derivative transactions for which designated hedge accounting (“Furiate-shori”) of currency swaps is applied, these fair values are included in bonds payable since they are treated together with hedged bonds payable.

4. Investments and Rental Properties

The Company holds investment and rental properties such as office buildings in Tokyo and other areas. The carrying amount and the fair value of investment and rental properties were ¥246,901 million and ¥288,948 million as of March 31, 2021. The fair value is mainly based on the value (including some adjustments using the reference prices) of real estate appraisal report prepared by the external real-estate appraiser in accordance with real estate appraisal standards.

5. Securities Lent under Lending Agreements

The amount of securities lent under lending agreements was ¥265,606 million as of March 31, 2021.

6. Loans

The total amount of loans to bankrupt borrowers, delinquent loans, delinquent loans three or more months past due and restructured loans, which were included in loans, was ¥677 million as of March 31, 2021.

- i) Loans to bankrupt borrowers were ¥0 million as of March 31, 2021.
- ii) Delinquent loans were ¥563 million as of March 31, 2021.
- iii) Delinquent loans three or more months past due were ¥94 million as of March 31, 2021.
- iv) Restructured loans were ¥20 million as of March 31, 2021.

Loans to bankrupt borrowers represent loans, excluding the balances already written-off, which meet the conditions prescribed in Article 96, Paragraph 1, Items 3 and 4 of the Enforcement Regulations of the Corporate Tax Act. Moreover, accruing interest on these loans is not recorded as income after determining that principal or interest on these loans is unlikely to be collected due to the significant delay in repayment of principal or interest payments or for other reasons.

Accruing interest on delinquent loans is not recorded as income due to the same reasons as described above, and delinquent loans exclude loans to bankrupt borrowers and loans for which interest payments have been suspended and rescheduled to assist and support the borrowers in the restructuring of their businesses.

Delinquent loans three or more months past due are loans for which interest payments or repayments of principal are delinquent for three months or more from the due dates under the terms of the related loan agreements, excluding those loans classified as loans to bankrupt borrowers and delinquent loans.

Restructured loans are loans for which certain concessions favorable to borrowers, such as interest reduction or exemptions, rescheduling of due dates of principal or interest payments, waivers of claim or other terms, have been negotiated for the purpose of assisting and supporting the borrowers in the restructuring of their businesses. This category excludes loans classified as loans to bankrupt borrowers, delinquent loans and delinquent loans three or more months past due.

The direct write-offs related to loans decreased the amount of loans to bankrupt borrowers described above by ¥3 million as of March 31, 2021.

In addition, the direct write-offs related to loans decreased the amount of delinquent loans described above by ¥25 million as of March 31, 2021.

7. Accumulated Depreciation of Tangible Fixed Assets

Accumulated depreciation of tangible fixed assets totaled ¥285,628 million as of March 31, 2021.

8. Separate Accounts

Total assets in separate accounts provided for in Article 118 of the Insurance Business Act were ¥28,078 million as of March 31, 2021. The amounts of separate account liabilities were the same as separate account assets.

9. Receivables from/Payables to Directors and Audit Board Members

There were no receivables from directors and audit board members as of March 31, 2021. The total amount of payables to directors and audit board members was ¥15 million as of March 31, 2021.

10. Reserve for Dividends to Policyholders

	<u>Millions of Yen</u>
	<u>Year ended</u>
	<u>March 31, 2021</u>
Balance at the beginning of the fiscal year	¥ 32,073
Transfer to reserve from surplus in the previous fiscal year	1,794
Dividends to policyholders paid out during the fiscal year	3,820
Increase in interest	3
Balance at the end of the fiscal year	<u>¥ 30,050</u>

11. Stocks of Unconsolidated Subsidiaries and affiliates

The amount of stocks of unconsolidated subsidiaries and affiliates the Company held as of March 31, 2021 was ¥7,878 million.

12. Pledged Assets

Assets pledged as collateral as of March 31, 2021 were securities in the amount of ¥32,653 million.

13. Assets with Rights to Sell

The Company has the legal right to sell or collateralize securities borrowed under loan agreements.

The market value of these assets that were not sold or pledged as collateral as of March 31, 2021 was ¥72,634 million. No assets were pledged as collateral as of March 31, 2021.

14. Commitment Line

As of March 31, 2021, there were unused commitment line agreements under which the Company is the lender of ¥10,240 million.

15. Subordinated Bonds Payable

As of March 31, 2021, bonds payable are subordinated bonds payable, for which the repayments are subordinated to other obligations.

16. Subordinated Loans Payable

As of March 31, 2021, other liabilities included subordinated loans payable of ¥41,000 million, for which the repayments are subordinated to other obligations.

17. Contributions to Policyholders Protection Corporation

The estimated future contributions to the Life Insurance Policyholders Protection Corporation of Japan under Article 259 of the Insurance Business Act as of March 31, 2021 were ¥8,016 million. These contributions are charged as operating expenses in the fiscal years in which they are paid.

18. Deferred Taxes

- (1) Deferred tax assets/liabilities were recognized as follows:

	<u>Millions of Yen</u>
	As of
	<u>March 31, 2021</u>
Deferred tax assets	¥ 66,824
Valuation allowance for deferred tax assets	14,980
Subtotal	<u>51,843</u>
Deferred tax liabilities	<u>74,045</u>
Net deferred tax assets (liabilities)	¥ <u>(22,202)</u>

- Major components of deferred tax assets/liabilities were as follows:

	<u>Millions of Yen</u>
	As of
	<u>March 31, 2021</u>
Deferred tax assets	
Contingency reserve	¥ 17,422
Reserve for price fluctuation	12,744
Net defined benefit liabilities	9,183
Impairment losses	7,930
Net unrealized losses on available-for-sale securities	5,406
Losses on valuation of securities	<u>4,110</u>
Deferred tax liabilities	
Net unrealized gains on available-for-sale securities	¥ <u>72,520</u>

- (2) The statutory tax rate was 27.9% for the fiscal year ended March 31, 2021. The main factors causing the difference between the statutory tax rate and the actual effective tax rate after considering deferred taxes were as follows:

	<u>Year ended</u>
	<u>March 31, 2021</u>
Interest on foundation funds	(4.3)%
Change of valuation allowance for deferred tax assets	(2.9)%
Reserve for dividends to policyholders	(2.0)%

19. Accrued Retirement Benefits and Net Defined Benefit Liabilities

- (1) Summary of retirement benefit plans

As defined benefit plan, the Company and its consolidated subsidiaries have defined benefit corporate pension plans, which are funded-type, and lump-sum retirement allowance plans which are non-funded type but resulted in funded type due to setting of employee pension trust.

(2) Defined benefit plan

i) Reconciliation of beginning and ending balance of retirement benefit obligations

	<u>Millions of Yen</u>
	Year ended
	<u>March 31, 2021</u>
Retirement benefit obligations at the beginning of the fiscal year	¥ 42,065
Service cost	1,905
Interest cost	416
Actuarial difference occurred during the fiscal year	866
Retirement benefit payments	<u>(4,051)</u>
Retirement benefit obligations at the end of the fiscal year	<u>¥ 41,202</u>

ii) Reconciliation of beginning and ending balance of pension plan assets

	<u>Millions of Yen</u>
	Year ended
	<u>March 31, 2021</u>
Pension plan assets at the beginning of the fiscal year	¥ 7,258
Expected return on pension plan assets	70
Actuarial difference occurred during the fiscal year	1,405
Contributions by the employer	239
Retirement benefit payments	<u>(191)</u>
Pension plan assets at the end of the fiscal year	<u>¥ 8,782</u>

iii) Reconciliation of retirement benefit obligation and pension plan assets with net defined benefit liabilities and assets presented on the consolidated balance sheet

	<u>Millions of Yen</u>
	As of
	<u>March 31, 2021</u>
a. Funded plan retirement benefit obligation	¥ 41,202
b. Pension plan assets	<u>(8,782)</u>
c. Net amount of liabilities and assets presented on the consolidated balance sheet	32,420
d. Net defined benefit liabilities	32,914
e. Net defined benefit assets	<u>(494)</u>
f. Net amount of liabilities and assets presented on the consolidated balance sheet	<u>¥ 32,420</u>

iv) Breakdown of retirement benefit expenses

	<u>Millions of Yen</u>
	<u>Year ended</u>
	<u>March 31, 2021</u>
Service cost	¥ 1,905
Interest cost	416
Expected return on pension plan assets	(70)
Amortization of actuarial differences	111
Retirement benefit expenses related to defined benefit plan	<u>¥ 2,362</u>

v) Breakdown of items included in other comprehensive income

The breakdown of items included in other comprehensive income (before tax effects) was as follows:

	<u>Millions of Yen</u>
	<u>Year ended</u>
	<u>March 31, 2021</u>
Amortization of actuarial differences	¥ 649
Total	<u>¥ 649</u>

vi) Breakdown of items included in accumulated other comprehensive income

The breakdown of items included in total accumulated other comprehensive income (before tax effects) was as follows:

	<u>Millions of Yen</u>
	<u>Year ended</u>
	<u>March 31, 2021</u>
Unrecognized actuarial differences	¥ 1,875
Total	<u>¥ 1,875</u>

vii) Breakdown of main pension plan assets

The breakdown of main asset categories as a percentage of pension plan assets was as follows:

	<u>As of</u>
	<u>March 31, 2021</u>
Stocks	43%
Bonds	15%
Others	42%
Total	<u>100%</u>

viii) Method for determining the expected long-term rate of return

To determine the expected long-term rate of return on pension plan assets, the Company takes into account the present and future allocation of pension plan assets, and the present and expected future long-term rate of return on the diverse range of assets that makes up the pension assets.

ix) Underlying actuarial assumptions

The main underlying actuarial assumptions were as follows:

	<u>As of</u> <u>March 31, 2021</u>
Discount rate	1.0%
Expected long-term rate of return on pension plan assets	0.9%
Defined benefit corporate pension plans	1.6%

III. Notes to Unaudited Consolidated Statement of Income

1. Investment Income and Expenses

The major components of gains on sales of securities were as follows:

	<u>Millions of Yen</u>
	Year ended
	<u>March 31, 2021</u>
Domestic bonds	¥ 9,357
Domestic stocks and other securities	3,332
Foreign securities	2,559

The major components of losses on sales of securities were as follows:

	<u>Millions of Yen</u>
	Year ended
	<u>March 31, 2021</u>
Domestic bonds	¥ 892
Domestic stocks and other securities	1,893
Foreign securities	2,733

The major components of losses on valuation of securities were as follows:

	<u>Millions of Yen</u>
	Year ended
	<u>March 31, 2021</u>
Domestic stocks and other securities	¥ 17
Foreign securities	1

Losses on trading securities were losses on sales of ¥485 million for the fiscal year ended March 31, 2021.

Losses on derivative financial instruments included net valuation losses of ¥2,667 million for the fiscal year ended March 31, 2021.

2. Impairment Losses of Fixed Assets

For the fiscal year ended March 31, 2021, impairment losses of fixed assets by the Company were as follows:

(1) Method of grouping

Real estate and other assets used for insurance business operations are classified as one asset group as a whole. Other assets such as real estate for rent, unused real estate and real estate scheduled to be sold are classified as one group individually.

(2) Background information on recognizing the impairment losses

As the profitability of certain real estate for rent dropped down significantly due to a

decrease in the level of rental income and a declining trend in the market prices of land, the Company reduced the book values of such real estate for rent, unused real estate and real estate scheduled to be sold to their recoverable amounts. The write-downs were recognized as impairment losses and included in the extraordinary losses.

- (3) Asset groups for which impairment losses were recognized and losses by classification of fixed assets

	<u>Millions of Yen</u>
	<u>Year ended</u>
	<u>March 31, 2021</u>
Real estate for rent:	
Land	¥ 721
Building	<u>156</u>
Total real estate for rent (i)	<u>877</u>
Unused real estate:	
Land	457
Building	<u>141</u>
Total unused real estate (ii)	<u>598</u>
Real estate scheduled to be sold:	
Land	1,309
Building	<u>185</u>
Total real estate scheduled to be sold (iii)	<u>1,494</u>
Total:	
Land	2,488
Building	<u>483</u>
Total (i) + (ii) + (iii)	<u>¥ 2,971</u>

- (4) Calculation method of recoverable amounts

The recoverable amounts of real estate for rent are determined at net realizable value or value in use. The recoverable amounts for unused assets and real estate scheduled to be sold are net realizable value. Value in use is determined as the estimated net future cash flows, reflecting the volatility risk, discounted at 3.4% for the fiscal year ended March 31, 2021. Net realizable value is calculated based on the appraisal value in accordance with “Real Estate Appraisal Standards” or the publicly announced appraisal value after deducting expected disposal costs.

3. Extraordinary Losses

The expenses related to salary guarantees for sales representatives and others as countermeasures to prevent the spread of COVID-19 for the fiscal year ended March 31, 2021 were ¥1,572 million, which were included in other extraordinary losses.

IV. Notes to Unaudited Consolidated Statement of Comprehensive Income

Other Comprehensive Income

The reclassification adjustments and tax effect amounts related to other comprehensive income were as follows:

	<u>Millions of Yen</u>
	<u>Year ended</u>
	<u>March 31, 2021</u>
Net unrealized gains (losses) on available-for-sale securities, net of tax	
Amount incurred during the fiscal year	¥ 153,034
Reclassification adjustments	<u>(2,072)</u>
Before tax adjustment	150,961
Tax effects	<u>(35,385)</u>
Net unrealized gains (losses) on available-for-sale securities, net of tax	<u>115,575</u>
Accumulated remeasurements of defined benefit plans	
Amount incurred during the fiscal year	538
Reclassification adjustments	<u>111</u>
Before tax adjustment	649
Tax effects	<u>(184)</u>
Accumulated remeasurements of defined benefit plans	465
Total other comprehensive income	<u>¥ 116,040</u>

V. Notes to Unaudited Consolidated Statement of Cash Flows

Scope of Cash and Cash Equivalents

For the purpose of presenting the consolidated statements of cash flows, cash and cash equivalents are comprised of cash on hand, demand deposits and all highly liquid short-term investments with a maturity of three months or less when purchased, which are readily convertible into cash and present an insignificant risk of changes in value.

(6) Risk-monitored Loans

(Millions of Yen, %)

	As of March 31, 2020	As of March 31, 2021
Loans to bankrupt borrowers	2	0
Delinquent loans	589	563
Delinquent loans three or more months past due	122	94
Restructured loans	20	20
Total	735	677
(Percentage of total loans)	(0.19)	(0.22)

Notes:

1. For credit to legally bankrupt borrowers and substantially bankrupt borrowers, the amounts remaining after the deductions of amount expected to be collected through the disposal of collateral or the execution of guarantees are written-off directly from the book value as the estimated uncollectible amounts. The amounts written-off related to loans to bankrupt borrowers were ¥3 million as of March 31, 2020 and ¥3 million as of March 31, 2021. The amounts written-off related to delinquent loans were ¥31 million as of March 31, 2020 and ¥25 million as of March 31, 2021.
2. Loans to bankrupt borrowers represent non-accrual loans to borrowers which are subject to bankruptcy, corporate reorganization or rehabilitation or other similar, including but not limited to foreign, proceedings. Accruing interest on these loans is not recorded as income after determining that principal or interest on these loans is unlikely to be collected due to the significant delay in repayment of principal or interest repayments or for other reasons.
3. Delinquent loans are loans whose accruing interest is not recorded as income and exclude loans to bankrupt borrowers and loans for which interest payments have been suspended and rescheduled to assist and support the borrowers in the restructuring of their business.
4. Delinquent loans three or more months past due are loans for which interest payments or repayments of principal are delinquent for three months or more from the due dates under the terms of the related loan agreements, excluding those loans classified as loans to bankrupt borrowers or delinquent loans.
5. Restructured loans are loans for which certain concessions favorable to borrowers, such as interest reduction or exemptions, rescheduling of due dates of principal or interest payments, waivers of claim or other terms, have been negotiated for the purpose of assisting and supporting the borrowers in the restructuring of their businesses. This category excludes loans classified as loans to bankrupt borrowers, delinquent loans and delinquent loans three or more months past due.

(7) Consolidated Solvency Margin Ratio

(Millions of Yen)

	As of March 31, 2020	As of March 31, 2021
Total solvency margin (A)	856,773	1,054,961
Foundation funds and surplus	332,078	343,302
Reserve for price fluctuation	43,230	45,680
Contingency reserve	51,782	62,448
Catastrophe loss reserve	-	-
General allowance for possible loan losses	47	101
(Net unrealized gains on available-for-sale securities (before tax effect) and deferred hedge gains (before tax effect)) × 90% (in case of losses: × 100%)	116,877	252,742
Net unrealized gains on land × 85% (in case of losses: × 100%)	27,786	28,681
Sum of unrealized actuarial differences and unrealized past service cost	(2,524)	(1,875)
Excess amount of policy reserves based on full-time Zillmer method	137,190	141,363
Qualifying subordinated debt	138,095	167,173
Excess amount of policy reserves based on full-time Zillmer method and qualifying subordinated debt excluded from the calculation of solvency margin	-	-
Deduction	-	-
Others	12,211	15,343
Total amount of risk $\sqrt{(\sqrt{R_1^2 + R_5^2 + R_8 + R_9})^2 + (R_2 + R_3 + R_7)^2} + R_4 + R_6$ (B)	180,611	212,597
Insurance risk R_1	13,155	12,613
Ordinary insurance risk R_5	-	-
Disaster insurance risk R_6	-	-
Third sector insurance risk R_8	9,974	10,446
Small amount short-term insurance provider insurance risk R_9	-	-
Risk of assumed yield R_2	72,246	69,446
Minimum guarantee risk R_7	1,055	1,040
Investment risk R_3	101,822	136,232
Operational risk R_4	3,965	4,595
Solvency margin ratio (A) / {(1/2) × (B)} × 100	948.7%	992.4%

Notes:

1. The figures above are calculated based on Articles 86-2 and 88 of the Ordinance for Enforcement of the Insurance Business Act and the Public Notice No.23 of the Financial Services Agency of 2011.
2. "Excess amount of policy reserves based on full-time Zillmer method", "Qualifying subordinated debt" and "Excess amount of policy reserves based on full-time Zillmer method and qualifying subordinated debt excluded from the calculation of solvency margin" are calculated based on the Public Notice No.25 of the Financial Services Agency of 2011.
3. "Minimum guarantee risk" is calculated by standard method.

(8) Segment information

The Company and its consolidated subsidiaries operate investment advisory business, etc., in addition to life insurance business in Japan. However, information on these segments and related information are omitted because they represent such a minor proportion of total segments.