

June 11, 2021

Financial Results for the Fiscal Year Ended March 31, 2021
(With Notes to the Unaudited Consolidated Financial Statements)

Sumitomo Life Insurance Company announces financial results for the fiscal year ended March 31, 2021.

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The Financial Results are summarized English translations of the original disclosure in Japanese.

1. Unaudited Consolidated Financial Statements

a. Unaudited Consolidated Balance Sheets

(Millions of Yen)

	As of March 31, 2020	As of March 31, 2021
ASSETS:		
Cash and deposits	1,603,446	1,386,540
Call loans	354,415	192,142
Monetary claims bought	326,239	565,143
Securities	31,224,974	34,343,796
Loans	2,834,875	2,645,407
Tangible fixed assets	573,778	570,045
Land	360,839	360,256
Buildings	178,097	174,980
Lease assets	6,225	4,548
Construction in progress	20,871	23,711
Other tangible fixed assets	7,744	6,548
Intangible fixed assets	234,531	193,877
Software	34,970	37,258
Goodwill	51,599	42,918
Lease assets	12	-
Other intangible fixed assets	147,948	113,699
Due from agents	181	145
Reinsurance receivables	1,186	1,241
Other assets	1,264,231	1,112,257
Net defined benefit assets	7,258	18,370
Deferred tax assets	218,110	69,056
Allowance for possible loan losses	(1,178)	(3,938)
Total assets	38,642,050	41,094,086
LIABILITIES:		
Policy reserves and other reserves	31,698,335	32,295,045
Reserve for outstanding claims	138,733	138,027
Policy reserves	31,338,115	31,938,861
Policyholders' dividend reserves	221,485	218,156
Reinsurance payables	11,958	12,837
Corporate bonds	477,709	474,969
Other liabilities	4,058,781	5,272,243
Payables under repurchase agreements	1,948,528	2,870,573
Payables under securities borrowing transactions	590,008	501,353
Other	1,520,244	1,900,316
Net defined benefit liabilities	13,655	4,775
Reserve for price fluctuation	787,707	883,835
Deferred tax liabilities	14,729	33,615
Deferred tax liabilities for land revaluation	12,923	12,894
Total liabilities	37,075,800	38,990,217
NET ASSETS:		
Reserve for redemption of foundation funds	639,000	639,000
Reserve for revaluation	2	2
Surplus	102,654	81,850
Total funds, reserve and surplus	741,656	720,853
Net unrealized gains(losses) on available-for-sale securities	949,379	1,526,505
Deferred gains(losses) on derivatives under hedge accounting	405	104
Land revaluation differences	(59,708)	(59,397)
Foreign currency translation adjustments	(61,476)	(84,516)
Remeasurements of defined benefit plans	(4,127)	185
Total accumulated other comprehensive income	824,471	1,382,881
Non-controlling interests	121	133
Total net assets	1,566,249	2,103,868
Total liabilities and net assets	38,642,050	41,094,086

b. Unaudited Consolidated Statements of Income

(Millions of Yen)

	Year ended March 31, 2020	Year ended March 31, 2021
Ordinary income	3,485,973	3,517,715
Insurance premiums and other	2,446,744	2,415,578
Investment income	904,006	981,812
Interest, dividends and other income	766,032	748,445
Gains on trading securities	24,055	12,785
Gains on sales of securities	94,074	91,348
Gains on redemption of securities	14,001	16,592
Other investment income	5,842	5,597
Investment gains on separate accounts	-	107,044
Other ordinary income	135,222	120,324
Ordinary expenses	3,448,381	3,399,491
Benefits and other payments	2,011,767	1,873,355
Claims paid	636,852	592,713
Annuity payments	488,078	439,632
Benefits payments	394,265	379,375
Surrender benefits	430,784	405,680
Other refunds	61,787	55,954
Provision for policy reserves and other reserves	553,536	771,972
Provision for reserves for outstanding claims	-	296
Provision for policy reserves	553,504	771,646
Provision for interest on policyholders' dividend reserves	32	29
Investment expenses	325,237	173,751
Interest expenses	28,553	14,480
Losses on sales of securities	17,108	19,970
Losses on valuation of securities	55,202	4,824
Losses on redemption of securities	5,847	1,657
Losses on derivative financial instruments	84,282	53,720
Foreign exchange losses	11,645	11,113
Provision for allowance for possible loan losses	26	1,257
Depreciation of real estate for investments	8,635	8,439
Other investment expenses	91,969	58,287
Investment losses on separate accounts	21,964	-
Operating expenses	401,645	422,875
Other ordinary expenses	156,194	157,536
Ordinary profit	37,591	118,223
Extraordinary gains	247	241
Gains on disposals of fixed assets	247	241
Extraordinary losses	46,712	98,693
Losses on disposals of fixed assets	1,991	793
Impairment losses	873	1,111
Provision for reserve for price fluctuation	43,124	96,128
Payments to social responsibility reserve	723	659
Surplus(loss) before income taxes	(8,873)	19,771
Income taxes		
Current	56,078	39,834
Deferred	(70,168)	(47,041)
Total income taxes	(14,090)	(7,206)
Net surplus	5,217	26,978
Net surplus attributable to non-controlling interests	10	12
Net surplus attributable to the Parent Company	5,207	26,965

c. Unaudited Consolidated Statements of Comprehensive Income

(Millions of Yen)

	Year ended March 31, 2020	Year ended March 31, 2021
Net surplus	5,217	26,978
Other comprehensive income(loss)	19,403	558,098
Net unrealized gains(losses) on available-for-sale securities	47,474	575,067
Deferred gains(losses) on derivatives under hedge accounting	(345)	(300)
Foreign currency translation adjustments	(5,157)	(19,738)
Remeasurements of defined benefit plans	(24,884)	4,313
Share of other comprehensive income(loss) of associates under the equity method	2,317	(1,243)
Comprehensive income(loss)	24,620	585,076
Comprehensive income(loss) attributable to the Parent Company	24,610	585,064
Comprehensive income(loss) attributable to non-controlling interests	10	12

d. 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(loss) before income taxes	(8,873)	19,771
Depreciation of real estate for investments	8,635	8,439
Depreciation	32,162	33,708
Impairment losses	873	1,111
Amortization of goodwill	3,673	5,826
Increase(Decrease) in reserve for outstanding claims	(3,016)	902
Increase(Decrease) in policy reserves	681,090	831,622
Provision for interest on policyholders' dividend reserves	32	29
Increase(Decrease) in allowance for possible loan losses	17	1,011
Increase(Decrease) in net defined benefit liabilities	(17,779)	(13,995)
Increase(Decrease) in reserve for price fluctuation	43,124	96,128
Interest, dividends and other income	(766,032)	(748,445)
Losses(Gains) on securities	6,065	(192,148)
Interest expenses	28,553	14,480
Foreign exchange losses(gains)	11,381	11,365
Losses(Gains) on tangible fixed assets	1,696	427
Investment losses(gains) under the equity method	(175)	6,716
Decrease(Increase) in due from agents	(4)	26
Decrease(Increase) in reinsurance receivables	997	(111)
Decrease(Increase) in other assets (excluding those related to investing and financing activities)	6,432	16,236
Increase(Decrease) in reinsurance payables	(1,279)	1,870
Increase(Decrease) in other liabilities (excluding those related to investing and financing activities)	48,693	8,815
Others, net	51,589	48,742
Subtotal	127,859	152,532
Interest, dividends and other income received	845,549	790,054
Interest paid	(30,611)	(15,482)
Policyholders' dividends paid	(55,155)	(50,810)
Others, net	(723)	(659)
Income taxes paid	(37,894)	(45,261)
Net cash provided by operating activities	849,025	830,371
II Cash flows from investing activities:		
Net decrease(increase) in deposits	150,380	204,089
Purchase of monetary claims bought	(245,999)	(961,921)
Proceeds from sales and redemption of monetary claims bought	237,501	720,425
Purchase of securities	(5,211,014)	(5,073,449)
Proceeds from sales and redemption of securities	3,697,814	3,234,239
Loans made	(1,518,948)	(451,769)
Proceeds from collection of loans	2,210,826	576,602
Others, net	(81,078)	828,345
Total investment activities (II a)	(760,519)	(923,438)
[I + II a]	[88,506]	[(93,066)]
Purchase of tangible fixed assets	(24,166)	(16,105)
Proceeds from sales of tangible fixed assets	1,320	2,148
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(443)	805
Others, net	(14,501)	(10,973)
Net cash used in investing activities	(798,310)	(947,562)
III Cash flows from financing activities:		
Proceeds from issuance of debt	50,000	70,000
Redemption of corporate bonds	(50,000)	(1,129)
Redemption of foundation funds	(50,000)	-
Payment of interest on foundation funds	(556)	-
Others, net	149,362	39,595
Net cash provided by(used in) financing activities	98,805	108,465
IV Effect of foreign exchange rate changes on cash and cash equivalents	(426)	(4,058)
V Net increase(decrease) in cash and cash equivalents	149,094	(12,783)
VI Cash and cash equivalents at the beginning of the year	435,129	584,224
VII Cash and cash equivalents at the end of the year	584,224	571,440

e. Unaudited Consolidated Statements of Changes in Net Assets

Year ended March 31, 2020

(Millions of Yen)

	Funds, reserve and surplus				
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Surplus	Total funds, reserve and surplus
Beginning balance	50,000	589,000	2	203,072	842,075
Cumulative effect due to U.S. GAAP(ASU2017-12) used for U.S. subsidiaries				60	60
Beginning balance after reflecting U.S. GAAP(ASU2017-12) used for U.S. subsidiaries	50,000	589,000	2	203,133	842,135
Changes in the fiscal year					
Additions to policyholders' dividend reserves				(50,285)	(50,285)
Additions to reserve for redemption of foundation funds		50,000		(50,000)	-
Payment of interest on foundation funds				(556)	(556)
Net surplus attributable to the Parent Company				5,207	5,207
Redemption of foundation funds	(50,000)				(50,000)
Change in scope of equity method				(3,135)	(3,135)
Reversal of land revaluation differences				(1,708)	(1,708)
Net changes, excluding funds, reserve and surplus					
Net changes in the fiscal year	(50,000)	50,000	-	(100,478)	(100,478)
Ending balance	-	639,000	2	102,654	741,656

	Accumulated other comprehensive income(loss)						Non-controlling interests	Total net assets
	Net unrealized gains (losses) on available-for-sale securities	Deferred gains(losses) on derivatives under hedge accounting	Land revaluation differences	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income (loss)		
Beginning balance	899,876	810	(61,417)	(56,487)	20,756	803,538	109	1,645,723
Cumulative effect due to U.S. GAAP(ASU2017-12) used for U.S. subsidiaries		(60)				(60)		-
Beginning balance after reflecting U.S. GAAP(ASU2017-12) used for U.S. subsidiaries	899,876	750	(61,417)	(56,487)	20,756	803,478	109	1,645,723
Changes in the fiscal year								
Additions to policyholders' dividend reserves								(50,285)
Additions to reserve for redemption of foundation funds								-
Payment of interest on foundation funds								(556)
Net surplus attributable to the Parent Company								5,207
Redemption of foundation funds								(50,000)
Change in scope of equity method								(3,135)
Reversal of land revaluation differences								(1,708)
Net changes, excluding funds, reserve and surplus	49,503	(345)	1,708	(4,988)	(24,884)	20,993	11	21,004
Net changes in the fiscal year	49,503	(345)	1,708	(4,988)	(24,884)	20,993	11	(79,474)
Ending balance	949,379	405	(59,708)	(61,476)	(4,127)	824,471	121	1,566,249

Year ended March 31, 2021

(Millions of Yen)

	Funds, reserve and surplus				
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Surplus	Total funds, reserve and surplus
Beginning balance	-	639,000	2	102,654	741,656
Cumulative effect due to U.S. GAAP(ASU2016-13,ASU2019-05) used for U.S. subsidiaries				(6)	(6)
Beginning balance after reflecting U.S. GAAP(ASU2016-13,ASU2019-05) used for U.S. subsidiaries	-	639,000	2	102,648	741,650
Changes in the fiscal year					
Additions to policyholders' dividend reserves				(47,451)	(47,451)
Net surplus attributable to the Parent Company				26,965	26,965
Reversal of land revaluation differences				(311)	(311)
Net changes, excluding funds, reserve and surplus					
Net changes in the fiscal year	-	-	-	(20,797)	(20,797)
Ending balance	-	639,000	2	81,850	720,853

	Accumulated other comprehensive income(loss)						Non-controlling interests	Total net assets
	Net unrealized gains (losses) on available-for-sale securities	Deferred gains(losses) on derivatives under hedge accounting	Land revaluation differences	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income (loss)		
Beginning balance	949,379	405	(59,708)	(61,476)	(4,127)	824,471	121	1,566,249
Cumulative effect due to U.S. GAAP(ASU2016-13,ASU2019-05) used for U.S. subsidiaries								(6)
Beginning balance after reflecting U.S. GAAP(ASU2016-13,ASU2019-05) used for U.S. subsidiaries	949,379	405	(59,708)	(61,476)	(4,127)	824,471	121	1,566,243
Changes in the fiscal year								
Additions to policyholders' dividend reserves								(47,451)
Net surplus attributable to the Parent Company								26,965
Reversal of land revaluation differences								(311)
Net changes, excluding funds, reserve and surplus	577,125	(300)	311	(23,039)	4,313	558,410	11	558,422
Net changes in the fiscal year	577,125	(300)	311	(23,039)	4,313	558,410	11	537,624
Ending balance	1,526,505	104	(59,397)	(84,516)	185	1,382,881	133	2,103,868

Notes to the Unaudited Consolidated Financial Statements

Policies of Presenting the Unaudited Consolidated Financial Statements for the Fiscal Year Ended March 31, 2021

1. Consolidated subsidiaries

The number of consolidated subsidiaries was 26 as of March 31, 2021.

The major subsidiaries as of March 31, 2021 are listed as follows:

Medicare Life Insurance Co., Ltd. (Japan)
Sumisei Building Management Co., Ltd. (Japan)
Sumisei Bussan K.K. (Japan)
Sumisei Business Service Co., Ltd. (Japan)
Shinjuku Green Building Kanri K.K. (Japan)
SUMISEI Harmony K.K. (Japan)
Sumitomo Life Information Systems Co., Ltd. (Japan)
CSS Co., Ltd. (Japan)
SUMISEI Insurance Service Corporation (Japan)
Izumi Life Designers Co., Ltd. (Japan)
SUMISEI-Support & Consulting Co., Ltd. (Japan)
INSURANCE DESIGN (Japan)
AIARU Small Amount & Short Term Insurance Co., Ltd. (Japan)
Symetra Financial Corporation (U.S.A.)

One subsidiary of Symetra Financial Corporation was included in the scope of the consolidation as a result of newly establishment from the period ended March 31, 2021.

One subsidiary of Symetra Financial Corporation was excluded from the scope of the consolidation due to the sale of equity from the period ended March 31, 2021.

The major unconsolidated subsidiary is SUMISEI-SBI Limited Partnership.

The unconsolidated subsidiaries are excluded from the scope of consolidation, because its effect is immaterial, individually and in aggregate on the consolidated total assets, revenues, net income and surplus. These exclusions from the scope of consolidation would not prevent a reasonable understanding of the consolidated financial position and the results of the group operations.

2. Affiliates

The number of unconsolidated subsidiaries under the equity method was 0 as of March 31, 2021.

The number of affiliates under the equity method was 10 as of March 31, 2021.

The major affiliates as of March 31, 2021 are listed as follows:

Nippon Building Fund Management Ltd. (Japan)
Japan Pension Navigator Co., Ltd. (Japan)
Mycommunication Co., Ltd. (Japan)
Agent Co., Ltd. (Japan)

Baoviet Holdings (Vietnam)
PT BNI Life Insurance (Indonesia)
Aviva Singlife Holdings Pte. Ltd. (Singapore)

Aviva Singlife Holdings Pte. Ltd. and its subsidiary were included in the scope of affiliates under equity method as a result of the establishment of holding company by Singapore Life Pte. Ltd., existing affiliate company under the equity method and share acquisition by newly established holding company from the period ended March 31, 2021.

The unconsolidated subsidiaries (SUMISEI-SBI Limited Partnership and others) and affiliates (Japan Pension Service Co., Ltd.) are excluded from the scope of affiliates under the equity method because its effect is immaterial, individually and in aggregate, on the consolidated net income and consolidated surplus.

3. Fiscal year-end of consolidated subsidiaries

The fiscal year-end of foreign subsidiaries is December 31, 2020. The consolidated financial statements include the accounts of the subsidiaries as of their fiscal year-end, with appropriate adjustments made for material transactions between their fiscal year-end and the consolidated balance sheet date.

4. Goodwill on consolidation

Goodwill (including goodwill relating to affiliates) is amortized on a straight-line basis over the period up to 20 years.

However, for items that are immaterial, the total amount of goodwill is fully recognized as expenses as incurred.

The goodwill recorded in U.S. subsidiaries was amortized on a straight-line basis over 20 years, however, from the beginning of the fiscal year ended March 31, 2021, amortization term has been changed to a straight-line basis over 10 years, due to adoption of accounting alternative under Financial Accounting Standards Board (“FASB”) Accounting Standards Codification, Topic 350, “Intangible-Goodwill and Other” which became available to elect in U.S. subsidiaries. The effect of this change was to decrease ordinary profit and surplus before income taxes by ¥2,796 million compared with the former method, respectively.

Notes to the Unaudited Consolidated Balance Sheet as of March 31, 2021

1. Securities held by SUMITOMO LIFE INSURANCE COMPANY (“the Company”) are classified and accounted for as follows:

Trading securities are stated at the market value on the balance sheet date. The cost of these securities sold is calculated using the moving average method.

Held-to-maturity debt securities are stated at amortized cost and the cost of these securities sold is calculated using the moving average method. Amortization is calculated using the straight-line method. Policy-reserve-matching bonds (defined in Note 2 below) are stated at amortized cost in accordance with Industry Audit Committee Report No. 21, “Temporary Treatment of Accounting and Auditing Concerning Policy-Reserve-Matching Bonds in the Insurance Industry”, issued by the Japanese Institute of Certified Public Accountants. The cost of the bonds sold is calculated using the moving average method and amortization is calculated using the straight-line method.

Investments in unconsolidated subsidiaries and affiliated companies (defined in Article 110, Clause 2 of the Insurance Business Act) are stated at cost.

Equity securities with the readily determinable market values classified as available-for-sale securities are stated at the market value which is determined as the average of the market value during the last month of the fiscal year. The other available-for-sale securities with the readily determinable market values are stated mainly at the market value on the balance sheet date. Available-for-sale securities for which determination of the fair value is impracticable are stated mainly at cost. The cost of these securities sold is calculated using the moving average method.

Certain demand deposits, monetary claims bought and securities in money-held-in-trusts deemed equivalent to investment in securities are stated using the same methods described above.

Unrealized gains and losses on available-for-sale securities are reported net of income taxes, as a separate component of net assets in the consolidated balance sheet.

2. The Company classifies debt securities held in order to match their duration to the duration of the corresponding subsections - segregated by type of insurance, remaining coverage period and investment policy - of the liabilities provided for future payments of insurance claims in individual insurances, individual annuities and group annuities as policy-reserve-matching bonds in accordance with Industry Audit Committee Report No. 21, “Temporary Treatment of Accounting and Auditing Concerning Policy-Reserve-Matching Bonds in the Insurance Industry”, issued by the Japanese Institute of Certified Public Accountants.

3. Derivatives are stated at the fair value.

4. The Company revalued certain parcels of land owned for operating use as of March 31, 2001, as permitted by the Act on Revaluation of Land.

The difference in value before and after the revaluation is directly included in net assets and presented as land revaluation differences, net of deferred tax liabilities for land revaluation in the consolidated balance sheet.

The revaluation method is stipulated in Article 3, Clause 3 of the Act on Revaluation of Land.

Pursuant to the Article, the Company used the publicly announced appraisal value with certain

adjustments (detailed in Article 2, Paragraph 1 of the Order for Enforcement of the Act on Revaluation of Land (the "Order")) and appraisal value (detailed in Article 2, Paragraph 5 of the Order) for the revaluation.

5. Tangible fixed assets owned by the Company are depreciated as follows:

1) Buildings

Calculated using the straight-line method.

2) Lease assets related to financial leases where ownership is not transferred

Calculated using the straight-line method over the lease period.

3) Other tangible fixed assets

Calculated using the declining-balance method.

6. The Company's assets and liabilities denominated in foreign currencies, except for investments in unconsolidated subsidiaries and affiliates, are translated into Japanese yen at the exchange rate on the balance sheet date. Investments in unconsolidated subsidiaries and affiliates are translated into Japanese yen at the exchange rates on the dates of acquisition.

7. The Company's allowance for possible loan losses is provided pursuant to its standards for self-assessment of asset quality and internal rules for write-offs of loans and allowance for possible loan losses. For loans to borrowers that are legally bankrupt ("bankrupt borrowers") and for loans to borrowers that are not yet legally bankrupt but substantially bankrupt ("substantially bankrupt borrowers"), an allowance is provided based on the total amount of the loans after deduction of charge-offs and any amounts expected to be collected through disposal of collaterals and execution of guarantees. For loans to borrowers that are likely to become bankrupt ("borrowers likely to become bankrupt"), an allowance is provided at the amount deemed necessary based on an overall solvency assessment, net of the expected collection through disposal of collaterals and execution of guarantees. For the other loans, an allowance is provided by multiplying the claim amount by an anticipated default rate calculated based on the Company's actual default experience for a certain period in the past.

All loans are assessed based on the Company's standards for the self-assessment of asset quality and the assessment results are reviewed by a department independent of the department that performs and is responsible for the self-assessment. The allowance for possible loan losses is provided based on the assessment results.

For loans to bankrupt borrowers and substantially bankrupt borrowers, the amount of loans exceeding the value of estimated recovery through disposal of collaterals and execution of guarantees is deemed uncollectible and written off. The amount of loans written off was ¥260 million for the fiscal year ended March 31, 2021.

An allowance for possible loan losses of the consolidated subsidiaries is provided mainly pursuant to their standards for self-assessment of asset quality and internal rules for write-offs of loans and allowance for possible loan losses which each consolidated subsidiary sets and maintains consistently with those of the Company.

8. Net defined benefit liabilities are provided based on the projected benefit obligations and plan assets as of the balance sheet date.

Assumptions used in accounting for the defined benefit plans for the fiscal year ended March 31, 2021 were as follows:

Method of attributing benefits to period of service	Benefits formula basis
Amortization period for actuarial losses (Commencing in the following fiscal year after they are incurred)	8 years
Amortization period for past service costs	3 years

The following provide details of the retirement benefit plans.

1) Summary of the retirement benefit plans

The Company has defined benefit corporate pension plans and retirement allowance systems, which distribute a lump sum payment on retirement, as defined benefit plans, and a defined contribution pension plan as defined contribution plans.

The Company established retirement benefit trusts for certain retirement allowance systems.

As for accrued retirement benefits of certain consolidated subsidiaries, the simplified method is applied.

Certain foreign consolidated subsidiaries have defined contribution plans.

2) Defined benefit plans

a) Changes in the defined benefit obligations for the fiscal year ended March 31, 2021 were as follows:

	Millions of Yen
At the beginning of the fiscal year	279,090
Service costs	11,888
Interest costs on projected benefit obligations	4,009
Actuarial losses (gains)	33,137
Benefits paid	(23,255)
Others	106
At the end of the fiscal year	304,975

b) Changes in the plan assets for the fiscal year ended March 31, 2021 were as follows:

	Millions of Yen
At the beginning of the fiscal year	272,693
Expected return on plan assets	2,146
Actuarial gains (losses)	47,593
Contribution by employer	6,985
Benefits paid	(10,877)
Others	29
At the end of the fiscal year	318,570

c) The amounts of the defined benefit liabilities and the defined benefit assets in the consolidated balance sheet as of March 31, 2021 were determined as follows:

	Millions of Yen
Present value of funded obligations	303,128
Plan assets at fair value	(318,570)
Net present value of funded obligations	(15,442)
Present value of unfunded obligations	1,847
Net value on the balance sheet	(13,595)
Net defined benefit liabilities	4,775
Net defined benefit assets	(18,370)
Net value on the balance sheet	(13,595)

d) The amounts recognized in retirement benefit expenses in the consolidated statement of income for the fiscal year ended March 31, 2021 were as follows:

	Millions of Yen
Service costs	11,888
Interest costs on projected benefit obligations	4,009
Expected return on plan assets	(2,146)
Amortization of net actuarial losses (gains)	(4,734)
Amortization of net past service costs	(3,724)
Others	85
Retirement benefit expenses	5,376

e) Major components of other comprehensive income and accumulated other comprehensive income

Major components of other comprehensive income (before income tax effect adjustments) for the fiscal year ended March 31, 2021 were as follows:

	Millions of Yen
Actuarial gains (losses)	9,721
Past service costs	(3,724)
Total	5,997

Major components of accumulated other comprehensive income (before income tax effect adjustments) as of March 31, 2021 were as follows:

	Millions of Yen
Unrecognized actuarial gains (losses)	(229)
Unrecognized past service costs	491
Total	261

f) The plan assets

The plan assets as of March 31, 2021 were comprised as follows:

	% of total fair value of plan assets
Equity securities	41
General accounts of life insurance companies	35
Debt securities	7
Investment trusts	6
Others	11
Total	100

47% of the plan assets were the retirement benefit trusts as of March 31, 2021.

g) The expected long-term rate of return on the plan assets

The expected long-term rate of return on the plan assets is calculated by aggregating the weighted rates of return derived from each asset category. The expected long-term rates of return for each asset category is based primarily on various aspects of long-term prospects for the economy that include historical performances and the market environment.

h) Assumptions used in calculation

Assumptions used in accounting for the defined benefit plans for the fiscal year ended March 31, 2021 were as follows:

Discount rate	0.575%
Expected long-term rates of return on the plan assets	
Defined benefit pension plans	1.3%
Retirement benefit trusts	0.0%

3) Defined contribution plans

The amounts recognized as expenses for the defined contribution plans were ¥2,317 million for the fiscal year ended March 31, 2021.

9. Reserve for price fluctuation is calculated pursuant to Article 115 of the Insurance Business Act.

10. Under accounting principles generally accepted in Japan ("Japanese GAAP"), the deferred hedge method and the fair value hedge method are fundamental hedge accounting methods allowed.

Under the fair value hedge method, which is allowed only when available-for-sale securities are hedged items, hedging instruments' gains and losses on changes in the fair value are recognized in earnings together with hedged items' corresponding gains and losses attributable to risks being hedged.

In addition, for certain derivative instruments, exceptional hedge accounting methods are allowed under Japanese GAAP as follows:

Assets and liabilities denominated in foreign currencies and hedged by foreign exchange forward contracts and currency swaps are allowed to be translated at the foreign exchange rates stipulated in the forward contract agreements and the currency swap agreements. Accordingly, the foreign exchange forward contracts and the currency swaps used as hedging instruments are not recognized

as an asset or liability measured at the fair value either on initial recognition or subsequent reporting dates (the allocation method).

Interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at the fair value, but the net amounts paid or received under the swap agreements are recognized and included in interest expense or income of the hedged items (the exceptional method). The Company mainly adopts the fair value hedge method and the allocation method to hedge foreign currency risks of assets and liabilities denominated in foreign currencies.

The Company also adopts the exceptional method to hedge interest rate risk primarily of floating rate loans.

Hedge effectiveness is assessed by comparing the cumulative changes in the fair values or cash flows of the hedged items and the hedging instruments.

11. National and local consumption taxes are accounted for using the tax-excluded method. Non-deductible consumption taxes are recognized as expenses for the fiscal year, except for those relating to purchases of depreciable fixed assets which are not charged to expense but deferred as other assets and amortized over a five-year period on the straight-line basis pursuant to the Corporation Tax Act.
12. The consolidation tax filings were adopted from the fiscal year ended March 31, 2018. Following the enactment of “Act for Partial Revision of the Income Tax Act, etc.” (Act No.8 of 2020), the transition from the consolidation tax filings to the group tax sharing system will be applied for the fiscal year beginning on April 1, 2022. With the adoption of “Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System” (Practical Issues Task Force No.39, March 31, 2020), the Company and certain subsidiaries recognized deferred tax assets/liabilities as of March 31, 2020 are recognized based on the provisions of pre-amended Tax Act.
13. Policy reserves of the Company are calculated and accumulated by the method based on the statement of calculation procedures for insurance premiums and policy reserves (Article 4, Paragraph 2, Item4 of the Insurance Business Act) pursuant to Article 116 of the Insurance Business Act to prepare for future performance of obligations under its insurance contracts.

Premium reserves, one of the components of policy reserves, are calculated based on the Article 116 of the Insurance Business Act and Article 69, Paragraph1, Item 1 of the Ordinance for Enforcement of the Insurance Business Act according to the following methods:

- 1) For contracts which are subject to the standard policy reserve requirements, the premium reserves are calculated using the method stipulated by the Commissioner of Financial Services Agency (Ministry of Finance Notification No. 48 in 1996).
- 2) For contracts which are not subject to the standard policy reserve requirements, premium reserves are calculated using the net level premium method.

The Company adopted its accounting policy for premium reserves for existing individual annuity contracts whose annuity payments commenced on or after April 1, 2006, effective from the fiscal year ended March 31, 2007, as follows:

For individual annuity contracts which commenced on or after April 1, 2006, the Company has regarded their commencement dates of annuity payments as the contract dates, and applied the calculation

basis stipulated by the Commissioner of Financial Services Agency (Ministry of Finance Notification No. 48 in 1996). (For contracts which commenced by March 31, 2007, assumed mortality rates on the 2007 life insurance standard life table have been used.)

Policy reserves of the consolidated foreign subsidiaries are provided pursuant to accounting principles generally accepted in the United States of America.

Unearned premiums are accumulated as policy reserves pursuant to Article 116 of the Insurance Business Act and Article 69, Paragraph 1, Item 2 of the Ordinance for Enforcement of the Insurance Business Act.

Contingency reserves, one of the components of policy reserves, are accumulated pursuant to 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 ensure performing future obligations under its insurance contracts.

Additional policy reserves need to be recognized based on Article 69, Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act if the policy reserves set aside pursuant to Article 69, Paragraphs 1, 2 and 4 of the Ordinance for Enforcement of the Insurance Business Act are found to be likely to be insufficient to cover the performance of the future obligations due to a large deviation between estimated future cash flows based on the statement of calculation procedures including assumed incidents rates, interest rates and others and recent actual results.

In determining the necessity of recognition and amount of additional policy reserves, the Company refers to the result of the future cash flow analysis to confirm adequacy of policy reserves performed by Appointed Actuary because future cash flows need to be estimated by using actuarial expertise in accordance with applicable laws and regulations.

14. Capitalized software for internal use owned by the Company (included in intangible fixed assets) is amortized using the straight-line method over the estimated useful lives.
15. The accounting estimate items recognized in accordance with "Accounting Standard for Disclosure of Accounting Estimates" (Corporate Accounting standards, No.31) are as follows:

- 1) Valuation on Goodwill

The Company records goodwill on the acquisition of U.S. subsidiaries in the consolidated balance sheet.

This goodwill is balanced in the consolidated balance sheet of U.S. subsidiaries. Amortization and impairment test of the goodwill are performed by U.S. subsidiaries in accordance with the accounting alternatives allowed for private company specified in Financial Accounting Standards Board ("FASB") Accounting Standards Codification, Topic 350, "Intangibles-Goodwill and Other".

Specifically, U.S. subsidiaries assess as to whether there are any triggering events and changes in circumstances that indicate impairment at the entity level. If it is deemed more likely than not that the fair value of the reporting unit including the goodwill is less than the carrying amount based on qualitative factors, quantitative impairment test is performed. The Company assess the necessity of impairment on goodwill based on the results of U.S. subsidiaries' assessment.

In performing the triggering event indication and qualitative assessment, the Company assess macroeconomic condition, trends in the U.S. life insurance industry, operating results of U.S.

subsidiaries, future profit plan considering the impact of the pandemic of the novel coronavirus (COVID-19) and other relevant entity-specific events. When performing the quantitative impairment test, U.S. subsidiaries will determine key assumptions such as future cash flows reflecting the insurance premiums based on prediction of future economic circumstances and the rates of paying claims, discount rate, long-term growth rate.

Impairment losses could be recognized when relevant events and circumstances which indicates the triggering events are identified due to change in uncertain economic condition.

The Company determined that no triggering event was identified and recorded no impairment losses for the fiscal year ended March 31, 2021.

2) Amortization of Value of Business Acquired (VOBA) and Deferred Policy Acquisition Costs (DAC)

The Company recorded other intangible fixed assets which was included Value of Business Acquired (VOBA) accompanied by acquisition of U.S. subsidiaries of ¥3,796 million and other assets included Deferred Policy Acquisition Costs (DAC) of U.S. subsidiaries of ¥82,668 million on the consolidated balance sheet.

VOBA was based on the actuarially estimated present value of future cash flows of insurance policies and annuity contracts in-force as of acquisition of U.S. subsidiaries and DAC was on the deferred cost that were directly related to the successful acquisition or renewal of insurance contracts after acquisition date.

VOBA and DAC are amortized over the lives of the contracts or policies in proportion to the estimated based on future gross profits. To estimate future gross profits, U.S. subsidiaries makes assumptions as to persistency rates, mortality rates and so on.

Additional amortization of VOBA and DAC could be recognized due to change in uncertain economic condition.

16. The Company applied “Accounting Standard for Disclosure of Accounting Estimates” (Corporate Accounting standards, No. 31 (March 31, 2020, issued on)) and disclosed notes about significant accounting estimates for the fiscal year ended March 31, 2021.
17. Following accounting standards and guidance are those issued but not yet applied.
 - “Accounting Standard for Calculation of fair value” (Corporate Accounting standards, No. 30 (July 4, 2019, revised on))
 - “Application Guidelines of Accounting Standard for Calculation of fair value” (Application Guidance of Corporate Accounting standards, No. 31 (July 4, 2019, revised on))
 - “Accounting Standard for Financial Instruments” (Corporate Accounting standards, No. 10 (July 4, 2019, revised on))
 - “Guidance on Disclosures about Fair Value of Financial Instruments” (Application Guidance of Corporate Accounting standards, No. 19 (March 31, 2020, revised on))

1) Overview

In order to enhance comparability with internationally recognized accounting standards, “Accounting Standard for Calculation of fair value” and “Application Guidance of Accounting Standard for Calculation of fair value” have been developed and the guidance of calculation of fair value was established. These accounting standards will be applied to following items:

• Financial instruments defined in “Accounting Standards for Financial Instruments”

The component of every levels on fair value of financial instruments needs to be disclosed because “Application Guidelines of Accounting Standard for Calculation of fair value” was revised.

2) Effective date

These accounting standards will be effective from the beginning of the fiscal year ended March 31, 2022.

3) Impact of applying the standards and guidance

The impact of applying the standards and guidance is currently under assessment.

18. Qualitative information on financial instruments and fair value of financial instruments are as follows:

1) Qualitative information on financial instruments

The Company applies Asset and Liability Management (ALM) considering characteristics of life insurance liabilities to enhance soundness and profitability of investment returns in mid-to-long term by diversified investments mainly in assets denominated in yen such as bonds and loans, and in stocks within allowable risk limits. In addition, the Company utilizes derivative instruments primarily in order to hedge the risks of fluctuation of values of assets or liabilities.

Major components of the Company’s financial instruments and associated risks are as follows:

Domestic bonds are exposed to market risk, which arises from the fluctuation of interest rates and other market indicators, and credit risk of issuers. Domestic and foreign stocks are exposed to market risk, which arises from the fluctuation of stock prices and foreign exchange rates, and credit risk of issuers. Foreign bonds are exposed to market risk, which arises from the fluctuation of interest rates, foreign exchange rates and other market indicators, and credit risk of issuers. Loans, mainly to domestic companies, are exposed to credit risk, which arises from deterioration of the financial condition of counterparties. They are also exposed to market risk since certain loans, similarly to bonds, change the fair values by fluctuation of interest rates although no active secondary markets exist.

The Company utilizes foreign currency forward contracts, currency options and currency swaps to hedge foreign currency risks of assets and liabilities denominated in foreign currencies, futures trading, forwards trading and options to hedge market risks of stocks, bond futures, options and interest rate swaptions to hedge market risks of fixed rate assets relating to the fluctuation of interest rates, and interest rate swaps to hedge interest fluctuation risks of floating rate assets. Gains and losses on certain foreign currency forward contracts to hedge foreign currency risks mainly of foreign securities are accounted for under hedge accounting. The hedge effectiveness is regularly assessed by comparing fluctuations in the fair value of hedged items and hedging instruments.

Gains and losses on certain interest rate swaps used for hedging interest rate risks mainly of floating rate loans are accounted for under hedge accounting. The hedge effectiveness is regularly assessed by comparing fluctuations in cash flows of hedge items and hedging instruments.

When foreign currency forward contracts and currency swaps meet the criteria for applying the allocation method or when interest rate swap transactions meet the criteria for applying the exceptional method, hedge effectiveness is not assessed, according to accounting principles.

The risk management department maintains asset risk management in accordance with Risk Management Policy established by the board of directors. In addition, the Company strives to enhance risk assessment and management quantitatively and comprehensively by defining the framework of risk management about market risk and credit risk of financial instruments and concrete risk management processes pursuant to related rules. Moreover, the risk management department maintains effective risk management structures by independently monitoring whether trading departments operate in compliance with related policies and rules. The board of directors makes decisions in response to the reports of risk management situations.

In order to manage market risk, the Company assesses and analyzes sensitivities of existing financial instruments to changes in interest rates, foreign exchange rates, stock prices and other market indicators by comparing Value-at-Risk (VaR) as integrated risk exposure with the limit for market risk, which is calculated with consideration given to unrealized gains (losses) and realized gains (losses) on sales.

In order to manage credit risk, the Company assesses financial assets such as loans by using internal credit ratings corresponding to financial conditions of security issuers or counterparties of loans when the Company makes investments, and regularly reviews these ratings. Moreover, the Company manages credit risk by comparing Value-at-Risk (VaR) calculated with Monte Carlo simulations, which are based on the assumptions such as probability of transition for each internal credit rating and expected recovery rate at default, with the limit for credit risk.

2) Fair value of financial instruments

The following table shows the carrying amounts in the consolidated balance sheet, the fair values and their differences of financial instruments as of March 31, 2021.

	Millions of Yen		
	Balance sheet amount	Fair value	Difference
Cash and deposits	1,386,540	1,386,540	—
[Available-for-sale securities] *1	[491,530]	[491,530]	—
Call loans	192,142	192,142	—
Monetary claims bought	565,143	567,468	2,324
[Available-for-sale securities] *1	[439,749]	[439,749]	—
Securities *2	34,148,858	36,023,018	1,874,159
Trading securities	1,143,093	1,143,093	—
Held-to-maturity debt securities	1,661,737	1,933,862	272,125
Policy-reserve-matching bonds	12,470,906	14,068,089	1,597,183
Investments in unconsolidated subsidiaries and affiliated companies	42,011	46,861	4,850
Available-for-sale securities	18,831,109	18,831,109	—
Loans	2,645,407		
Allowance for possible loan losses *3	(3,258)		
	2,642,149	2,677,466	35,316
Corporate bonds	474,969	485,900	10,930
Payables under repurchase agreements	2,870,573	2,870,573	—

Payables under securities borrowing transactions	501,353	501,353	—
Derivative transactions *4	(464,448)	(464,448)	—
Hedge accounting not applied	(89,026)	(89,026)	—
Hedge accounting applied	(375,421)	(375,421)	—

*1 Available-for-sale securities are shown in [].

*2 This table does not include financial instruments for which the fair values are not practically determinable, such as unlisted securities. The consolidated balance sheet amount of these securities was ¥194,937 million as of March 31, 2021.

*3 The allowance for possible loan losses earmarked for loans is deducted from the carrying amount of loans.

*4 Debits and credits arising from derivative transactions are netted, and the net credit positions are shown in ().

Note 1: Valuation methods for financial instruments

Assets

1) Cash and deposits and call loans

In principle, the book value is deemed as the fair value.

As for certain deposits regarded as securities pursuant to “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10), the fair value is measured based on the closing market value on the balance sheet date.

2) Monetary claims bought

The fair value is measured mainly based on the closing market value on the balance sheet date.

3) Securities

As for stocks with the market values, the fair value is measured based on the average market value during the last month of the fiscal year.

As for the other securities with the market values, the fair value is measured based on the closing market value on the balance sheet date.

4) Loans

As for policy loans, the book value is deemed as the fair value since the fair value approximates the book value, considering that the loan amount is limited within surrender value with no contractual maturity and given their estimated repayment period and interest rate terms.

As for general loans, the fair value is measured mainly as the present value of estimated future cash flows from the loans.

As for loans to borrowers that are legally or substantially bankrupt and borrowers likely to become bankrupt, the fair values are, in principle, measured as the carrying amounts less the allowance for possible loan losses.

Liabilities

1) Corporate bonds

The fair value is measured mainly based on the closing market value on the balance sheet date.

2) Payables under repurchase agreements and payables under securities borrowing transactions

The book value is deemed as the fair value since the fair value approximates the book value.

Derivative transactions

The fair value is measured mainly based on the closing market value on the balance sheet date.

The fair values of foreign currency forward contracts and currency swaps under the allocation method are included in the fair values of related loans and corporate bonds since they are accounted for as integrated transactions.

The fair values of certain interest rate swaps under the exceptional method are included in the fair values of related loans since they are accounted for as integrated transactions.

Note 2: Matters related to securities, including certain deposits regarded as securities pursuant to “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10)

The following tables show the carrying amounts in the consolidated balance sheet, the fair values and their differences of held-to-maturity debt securities and policy-reserve-matching bonds as of March 31, 2021.

1) Held-to-maturity debt securities

Millions of Yen				
	Type	Balance sheet amount	Fair value	Difference
Fair value exceeds the balance sheet amount	Bonds	352,775	384,396	31,621
	Foreign securities (bonds)	1,305,600	1,546,196	240,596
Fair value does not exceed the balance sheet amount	Bonds	3,361	3,268	(92)
	Foreign securities (bonds)	—	—	—
Total		1,661,737	1,933,862	272,125

2) Policy-reserve-matching bonds

Millions of Yen				
	Type	Balance sheet amount	Fair value	Difference
Fair value exceeds the balance sheet amount	Bonds	10,346,526	11,949,729	1,603,203
	Foreign securities (bonds)	613,425	664,746	51,321
Fair value does not exceed the balance sheet amount	Bonds	1,269,774	1,229,897	(39,877)
	Foreign securities (bonds)	241,179	223,715	(17,464)
Total		12,470,906	14,068,089	1,597,183

The following table shows the acquisition costs or amortized costs, the carrying amounts in the consolidated balance sheet and their differences of available-for-sale securities as of March 31, 2021.

3) Available-for-sale securities

				Millions of Yen
	Type	Acquisition cost or amortized cost	Balance sheet amount	Difference
	Negotiable certificates of deposit	—	—	—
Balance sheet amount exceeds acquisition cost or amortized cost	Monetary claims bought	131,002	137,430	6,427
	Bonds	1,749,909	1,841,971	92,062
	Stocks	951,446	2,204,160	1,252,714
	Foreign securities	10,727,140	11,632,175	905,035
	Foreign bonds	9,880,183	10,692,680	812,496
	Other foreign securities	846,956	939,495	92,538
	Other securities	329,067	367,843	38,775
		Negotiable certificates of deposit	491,600	491,530
Balance sheet amount does not exceed acquisition cost or amortized cost	Monetary claims bought	302,887	302,319	(567)
	Bonds	866,604	831,411	(35,193)
	Stocks	164,279	134,282	(29,996)
	Foreign securities	1,886,365	1,800,000	(86,364)
	Foreign bonds	1,559,224	1,477,596	(81,627)
	Other foreign securities	327,140	322,403	(4,737)
	Other securities	20,000	19,265	(735)
	Total	17,620,302	19,762,389	2,142,087

Note 3: Maturity analysis of monetary claims, securities with maturities, corporate bonds and other liabilities

Scheduled redemptions of monetary claims and securities with maturities, corporate bonds and other liabilities as of March 31, 2021.

	Millions of Yen			
	Within 1 year	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years
Deposits	1,386,599	—	—	—
Call loans	192,142	—	—	—
Monetary claims bought	280,549	208	288	278,221
Securities	487,926	3,938,537	9,055,851	14,394,458
Held-to-maturity debt securities	2,912	592,931	220,841	843,626
Policy-reserve-matching bonds	160,260	690,872	3,949,273	7,573,284
Available-for-sale securities	324,754	2,654,734	4,885,736	5,977,547
Loans	181,062	561,019	595,083	1,025,841
Corporate bonds	—	24,745	—	449,924
Payables under repurchase agreements	2,870,573	—	—	—
Payables under securities borrowing transactions	501,353	—	—	—

The table above excludes certain financial instruments for which estimation of the value of recovery is impracticable, such as loans to borrowers that are legally or substantially bankrupt and borrowers likely to become bankrupt, and those without maturities.

19. The carrying amount for investment and rental properties was ¥397,361 million, and its fair value was ¥516,728 million as of March 31, 2021. The Company owns office buildings and land in Tokyo and other areas, the fair value of which is mainly based on appraisals by qualified external appraisers. Asset retirement obligations for certain investment and rental properties were established as other liabilities in the amount of ¥1,384 million as of March 31, 2021.

20. The aggregate amount of risk-monitored loans, which was comprised of loans to bankrupt borrowers, loans in arrears, loans in arrears for three months or longer and restructured loans, was ¥2,031 million as of March 31, 2021. The details are as follows:

The amount of loans to bankrupt borrowers was nil, and loans in arrears was ¥831 million.

The amount of loans deemed uncollectible and directly deducted from the loans in the consolidated balance sheet was ¥247 million for loans in arrears.

Loans to bankrupt borrowers represent the loans on which interest is not accrued due to unlikelihood of repayment of principal or interest resulting from delinquency of principal or interest for a certain period or other reasons (“non-accrual loans”) and also meet the conditions stipulated in Article 96, Paragraph 1 Item 3 or 4 of Order for Enforcement of the Corporation Tax Act (Cabinet Order No. 97 of 1965).

Loans in arrears represent non-accrual loans excluding loans to bankrupt borrowers (defined in the above) and loans of which interest payments are postponed in order to support these borrowers

recovering from financial difficulties. Loans in arrears also include non-accrual loans to borrowers classified as “borrowers substantially bankrupt” or “borrowers likely to become bankrupt” in self-assessment of asset quality. The amount of loans in arrears for three months or longer was nil.

Loans in arrears for three months or longer represent loans on which payments of principal or interest are past due over three months from the day following the contractual due date. Loans in arrears for three months or longer do not include loans classified as loans to bankrupt borrowers or loans in arrears.

The amount of restructured loans was ¥1,200 million.

Restructured loans represent loans which have been restructured to provide relief to the borrowers by reducing or waiving interest payments, by rescheduling repayments of principal or payments of interest, or by waiving claims for the borrowers in order to support their recovery from financial difficulties. Restructured loans do not include loans classified as loans in arrears for three months or longer, loans in arrears or loans to bankrupt borrowers.

21. Accumulated depreciation of tangible fixed assets amounted to ¥433,122 million as of March 31, 2021.
22. The total amount of assets held in separate accounts defined in Article 118 of the Insurance Business Act was ¥828,123 million as of March 31, 2021. The total amount of separate account liabilities was the same as this.
23. Changes in policyholders’ dividend reserves for the fiscal year ended March 31, 2021 were as follows:

	Millions of Yen
At the beginning of the fiscal year	221,485
Transfer from surplus in the previous fiscal year	47,451
Dividend payments to policyholders during the fiscal year	50,810
Interest accrued during the fiscal year	29
At the end of the fiscal year	218,156

24. Total amount of investments in unconsolidated subsidiaries and affiliates was ¥151,065 million as of March 31, 2021.
25. Assets pledged as collateral were securities in the amount of ¥3,407,982 million, loans in the amount of ¥325,829 million and cash and deposits in the amount of ¥1,035 million as of March 31, 2021.
26. On April 15, 2021, the Company issued subordinated bond of ¥100,586 million, the repayment of which are subordinated to other obligations.
27. On June 29, 2021, the Company will repay subordinated bond of ¥70,000 million before the repayment due date, the repayment of which are subordinated to other obligations.
28. Securities loaned under security lending agreements amounted to ¥4,366,031 million as of March 31, 2021.
29. Securities borrowed under borrowing agreements can be sold or pledged as collateral. The fair value

of the securities which were not sold or pledged as collateral was ¥824 million, and none of the securities was pledged as collateral as of March 31, 2021.

30. The amount of loan commitments outstanding was ¥9,896 million as of March 31, 2021.
31. The amount of corporate bonds in liabilities included ¥449,924 million of subordinated bonds and foreign currency-denominated subordinated bonds, the repayments of which are subordinated to other obligations, as of March 31, 2021.
32. Other liabilities included subordinated debt of ¥120,000 million, the repayments of which are subordinated to other obligations as of March 31, 2021.
33. Other assets and other liabilities included assets and liabilities related to the modified coinsurance in U.S. subsidiary of ¥553,964 million and ¥616,675 million, respectively.
34. The Company and a domestic life insurance business subsidiary estimated future contributions to the Life Insurance Policyholders Protection Corporation in the amount of ¥36,294 million as of March 31, 2021, pursuant to Article 259 of the Insurance Business Act.
The contributions are recognized as operating expenses when they are made.

35. Deferred tax assets/liabilities as of March 31, 2021 were recognized as follows:

	Millions of Yen
Deferred tax assets	701,323
Valuation allowance for deferred tax assets	(18,331)
Subtotal	682,991
Deferred tax liabilities	(647,550)
Net deferred tax assets	35,440

Major components of deferred tax assets/liabilities as of March 31, 2021 were as follows:

	Millions of Yen
Deferred tax assets:	
Policy reserves and other reserves	340,808
Reserve for price fluctuation	247,115
Net defined benefit liabilities	28,691
Deferred tax liabilities:	
Net unrealized gains on available-for-sale securities	(567,898)

Notes to the Unaudited Consolidated Statement of Income for the Fiscal Year Ended March 31, 2021

1. The Company basically recognizes insurance premiums when the premiums are received and the responsibility on the insurance contract is commenced, which are measured at the amounts to be received.
2. The Company recognizes claims paid when incidents described in policy clause are incurred and these claims are paid, which are measured at the amounts to be paid.
The Company recognizes outstanding claims with the amount of unpaid claims over the contracts in which payment obligation exists at year end or incidents described in policy clause already incurred but not reported to the Company, pursuant to Article 117 of the Insurance Business Act and Article 72.
3. The details of the Company's impairment losses on fixed assets were as follows:

Accumulated impairment losses on fixed assets are directly reduced from amounts of their respective assets.

1) Method for grouping the assets

The Company groups all the fixed assets held and utilized for its insurance business as one asset group for the impairment test.

The Company treats real estates for investment and idle assets as an independent asset group for the impairment test.

2) Description of impairment losses

For the fiscal year ended March 31, 2021, the Company recognized impairment losses on real estates for investment that experienced the deterioration of profitability and on the idle assets that experienced the decline in the fair value. For these assets, the Company reduced the carrying amounts to the recoverable amounts, and recognized impairment losses as extraordinary losses in the consolidated statement of income.

3) Breakdown of impairment losses for the fiscal year ended March 31, 2021

Asset Group	Asset Category	Millions of Yen
Idle assets	Land and buildings	1,082
Total		1,082

4) The recoverable amounts

The recoverable amounts of real estates for investment are determined at net realizable value or value in use. The recoverable amounts for idle assets are determined at net realizable value. Net realizable value is calculated based on an estimated selling value, appraisal value based on the Real Estate Appraisal Standards, or publicly announced value. Value in use is determined as the estimated net future cash flows discounted at 5.0%.

Notes to the Unaudited Consolidated Statement of Comprehensive Income for the Fiscal Year Ended March 31, 2021

1. The components of other comprehensive income for the fiscal year ended March 31, 2021 were as follows:

Reclassification adjustments and income tax effects relating to other comprehensive income were as follows:

	Millions of Yen
<hr/>	
Net unrealized gains (losses) on available-for-sale securities:	
Amount arising during the fiscal year	818,328
Reclassification adjustments	(30,336)
Before income tax effect adjustments	787,992
Income tax effects	(212,924)
Net unrealized gains (losses) on available-for-sale securities	575,067
<hr/>	
Deferred gains (losses) on derivatives under hedge accounting:	
Amount arising during the fiscal year	2,071
Reclassification adjustments	(2,475)
Before income tax effect adjustments	(403)
Income tax effects	103
Deferred gains (losses) on derivatives under hedge accounting	(300)
<hr/>	
Foreign currency translation adjustments:	
Amount arising during the fiscal year	(19,738)
Reclassification adjustments	–
Before income tax effect adjustments	(19,738)
Income tax effects	–
Foreign currency translation adjustments	(19,738)
<hr/>	
Remeasurements of defined benefit plans:	
Amount arising during the fiscal year	14,456
Reclassification adjustments	(8,459)
Before income tax effect adjustments	5,997
Income tax effects	(1,683)
Remeasurements of defined benefit plans	4,313
<hr/>	
Share of other comprehensive income of associates under the equity method:	
Amount arising during the year	(807)
Reclassification adjustments	(436)
Share of other comprehensive income of associates under the equity method	(1,243)

Total other comprehensive income

558,098

Notes to the Unaudited Consolidated Statement of Cash Flows for the Fiscal Year Ended March 31, 2021

1. In the consolidated statement of cash flows, cash and cash equivalents are comprised of cash on hand, deposits (except deposits bearing interest of the Company and domestic consolidated subsidiaries), and short-term investment securities of foreign consolidated subsidiaries.
2. Reconciliation of cash and deposits in the consolidated balance sheet to cash and cash equivalents in the consolidated statement of cash flows as of March 31, 2021 was as follows:

	Millions of Yen
Cash and deposits	1,386,540
Deposits bearing interest of the Company and domestic consolidated subsidiaries	(815,099)
Cash and cash equivalents	571,440

2. Solvency Margin Ratio on a Consolidated Basis

(Millions of Yen)

	As of March 31, 2020	As of March 31, 2021
Solvency margin gross amount (A)	4,264,500	5,178,317
Foundation funds and others	505,118	516,421
Reserve for price fluctuation	787,707	883,835
Contingency reserve	419,176	510,966
Unusual contingency reserve	-	-
General allowance for possible loan losses	767	3,496
(Net unrealized gains (losses) on available-for-sale securities (before income tax effect adjustments) and deferred gains (losses) on derivatives under hedge accounting (before income tax effect adjustments)) × 90% (Multiplied by 100% if losses)	1,171,645	1,880,484
Net unrealized gains on real estate × 85% (Multiplied by 100% if losses)	96,066	103,047
Total amount of unrecognized actuarial gains (losses) and unrecognized past service costs	(5,735)	261
Excess of continued Zillmerized reserve	796,434	791,007
Qualifying subordinated debt	499,924	569,924
Excess of continued Zillmerized reserve and qualifying subordinated debt not included in margin calculation	-	-
Deduction clause	(76,870)	(152,230)
Others	70,265	71,101
Total amount of risk $\sqrt{R_1^2 + R_5^2 + R_6 + R_9)^2 + (R_2 + R_3 + R_7)^2 + R_4 + R_6}$ (B)	980,290	1,200,721
Insurance risk R_1	91,876	90,606
General insurance risk R_5	-	-
Large disaster risk R_6	0	0
Third-sector insurance risk R_8	81,094	82,627
Insurance risk of small-amount, short-term insurer R_9	7	9
Risk of assumed yield R_2	188,775	181,527
Minimum guarantee risk R_7^*	6,025	4,896
Investment risk R_3	747,438	974,755
Operational risk R_4	22,304	26,688
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	870.0%	862.5%

* The standard method is used for the calculation of the amount equivalent to minimum guarantee risk.

Note: The amounts and figures in the table above are calculated based on Article 130 of the Insurance Business Act, Article 86-2 and Article 88 of the Ordinance for Enforcement of the Insurance Business Act and Financial Services Agency Public Notice No.23 of 2011.

3. Non-Consolidated Financial Information

a. Overall Composition of Investments (General Account)

(Millions of Yen, %)

	As of March 31, 2020		As of March 31, 2021	
	Amount	% of total	Amount	% of total
Cash, deposits and call loans	1,751,825	5.4	1,300,346	3.8
Monetary claims bought	326,239	1.0	565,143	1.6
Investments in securities	26,790,871	83.1	29,756,172	86.0
Domestic bonds	13,809,070	42.8	14,431,149	41.7
Domestic stocks	1,718,821	5.3	2,480,707	7.2
Foreign securities	10,959,518	34.0	12,391,645	35.8
Foreign bonds	9,611,587	29.8	10,516,392	30.4
Other foreign securities	1,347,930	4.2	1,875,252	5.4
Other securities	303,462	0.9	452,669	1.3
Loans	2,099,584	6.5	1,945,518	5.6
Policy loans	281,112	0.9	258,549	0.7
Industrial and consumer loans	1,818,472	5.6	1,686,968	4.9
Real estate	558,552	1.7	557,409	1.6
Investment property	389,872	1.2	394,204	1.1
Deferred tax assets	214,138	0.7	68,356	0.2
Other assets	493,105	1.5	403,110	1.2
Allowance for possible loan losses	(816)	(0.0)	(890)	(0.0)
Total	32,233,500	100.0	34,595,165	100.0
Foreign currency denominated assets	10,453,682	32.4	11,799,295	34.1

Note: Real estate is recorded as the sum total of land, buildings and construction in progress.

b. Fair Value Information of Securities (General Account)

(1) Net Valuation Gains and Losses on Trading Securities

No net valuation gains and losses as of March 31, 2020 or March 31, 2021.

(2) Fair Value Information of Securities (With Fair Value except for Trading Securities)

(Millions of Yen)

	As of March 31, 2020					As of March 31, 2021				
	Book value	Fair value	Net gains (losses)	Net gains (losses)		Book value	Fair value	Net gains (losses)	Net gains (losses)	
				Gains	Losses				Gains	Losses
Held-to-maturity debt securities	1,725,807	2,049,016	323,208	323,213	(5)	1,590,707	1,852,103	261,395	261,404	(8)
Policy-reserve-matching bonds	12,029,249	14,032,115	2,002,866	2,014,096	(11,230)	12,470,906	14,068,089	1,597,183	1,654,525	(57,341)
Investments in subsidiaries and affiliated companies	52,238	27,869	(24,369)	-	(24,369)	52,238	46,861	(5,376)	-	(5,376)
Available-for-sale securities	11,788,547	12,951,026	1,162,478	1,335,068	(172,589)	13,963,576	15,804,479	1,840,903	1,986,544	(145,641)
Domestic bonds	2,128,756	2,205,625	76,869	90,306	(13,437)	2,477,237	2,529,740	52,503	86,818	(34,315)
Domestic stocks	996,146	1,595,204	599,057	679,946	(80,889)	1,115,669	2,338,264	1,222,594	1,252,591	(29,996)
Foreign securities	7,739,602	8,223,698	484,096	544,125	(60,028)	9,096,111	9,618,085	521,974	601,930	(79,956)
Foreign bonds	6,967,667	7,459,975	492,308	529,922	(37,613)	7,922,014	8,356,187	434,173	509,392	(75,219)
Other foreign securities	771,934	763,722	(8,211)	14,203	(22,415)	1,174,097	1,261,898	87,801	92,538	(4,737)
Other securities	303,523	297,562	(5,960)	12,202	(18,163)	349,067	387,108	38,040	38,775	(735)
Monetary claims bought	184,619	193,071	8,451	8,486	(34)	433,890	439,749	5,859	6,427	(567)
Negotiable certificates of deposit	435,900	435,863	(36)	-	(36)	491,600	491,530	(69)	-	(69)
Others	-	-	-	-	-	-	-	-	-	-
Total	25,595,843	29,060,026	3,464,183	3,672,378	(208,194)	28,077,428	31,771,534	3,694,106	3,902,473	(208,367)
Domestic bonds	13,732,200	15,797,682	2,065,481	2,084,466	(18,985)	14,378,646	16,015,275	1,636,628	1,710,830	(74,201)
Domestic stocks	996,146	1,595,204	599,057	679,946	(80,889)	1,115,669	2,338,264	1,222,594	1,252,591	(29,996)
Foreign securities	9,943,452	10,740,642	797,190	887,275	(90,085)	11,308,555	12,099,606	791,051	893,848	(102,797)
Foreign bonds	9,119,279	9,949,050	829,771	873,072	(43,300)	10,082,219	10,790,846	708,627	801,310	(92,683)
Other foreign securities	824,173	791,591	(32,581)	14,203	(46,784)	1,226,335	1,308,760	82,424	92,538	(10,113)
Other securities	303,523	297,562	(5,960)	12,202	(18,163)	349,067	387,108	38,040	38,775	(735)
Monetary claims bought	184,619	193,071	8,451	8,486	(34)	433,890	439,749	5,859	6,427	(567)
Negotiable certificates of deposit	435,900	435,863	(36)	-	(36)	491,600	491,530	(69)	-	(69)
Others	-	-	-	-	-	-	-	-	-	-

Note: The table above includes securities that are deemed appropriate as securities under the Financial Instruments and Exchange Act in Japan.

Book values of securities whose fair value is not practically determinable are 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	-	-
Investments in subsidiaries and affiliated companies	593,981	697,616
Available-for-sale securities	62,246	62,198
Unlisted domestic stocks (excluding over-the-counter stocks)	21,841	20,368
Unlisted foreign stocks (excluding over-the-counter stocks)	34,558	34,558
Unlisted foreign bonds	-	-
Others	5,845	7,271
Total	656,227	759,814

c. Fair Value Information of Derivative Transactions (General Account)

(1) Net Gains and Losses on Derivatives

(Millions of Yen)

	As of March 31, 2020						As of March 31, 2021					
	Interest-related	Currency-related	Stock-related	Bond-related	Others	Total	Interest-related	Currency-related	Stock-related	Bond-related	Others	Total
Hedge accounting applied	(515)	172,039	-	-	-	171,523	6,094	(343,195)	-	-	-	(337,100)
Hedge accounting not applied	-	(3,162)	697	-	(1,639)	(4,105)	-	(114,345)	(29,942)	99	687	(143,501)
Total	(515)	168,876	697	-	(1,639)	167,418	6,094	(457,540)	(29,942)	99	687	(480,602)

Notes: Net gains (losses) from derivatives with hedge accounting (fair value hedge method) applied, and net gains (losses) from derivatives with hedge accounting not applied are recorded on the statement of income.

Net gains (losses) from derivatives with hedge accounting (fair value hedge method) applied amounted to gain of ¥ 134,617 million and loss of ¥ 374,068 million as of March 31, 2020 and March 31, 2021, respectively.

(2) Interest-related

(Millions of Yen)

Type	As of March 31, 2020				As of March 31, 2021			
	Notional amount/ contract value	Over 1 year	Fair value	Net gains (losses)	Notional amount/ contract value	Over 1 year	Fair value	Net gains (losses)
Over-the-counter transactions								
Interest rate swaps								
Receipts fixed, payments floating	20,035	15,645	28	28	15,645	11,580	13	13
Receipts floating, payments fixed	48,973	-	(544)	(544)	83,032	83,032	6,081	6,081
Total				(515)				6,094

Note: Net gains (losses) represent the fair values.

(Reference)**Interest rate swaps by contractual maturity dates**

[As of March 31, 2021]

(Millions of Yen, %)

	Within 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years to 7 years	Over 7 years to 10 years	Over 10 years	Total
Notional amount (receipts fixed, payments floating)	4,065	11,070	510	-	-	-	15,645
Average fixed rate (receipt)	1.43	1.20	0.18	-	-	-	1.23
Average floating rate (payment)	1.39	1.13	0.26	-	-	-	1.16
Notional amount (receipts floating, payments fixed)	-	-	-	33,213	49,819	-	83,032
Average fixed rate (payment)	-	-	-	1.83	2.39	-	2.17
Average floating rate (receipt)	-	-	-	1.38	1.93	-	1.71

(3) Currency-related

(Millions of Yen)

Type	As of March 31, 2020				As of March 31, 2021			
	Notional amount/ contract value	Over 1 year	Fair value	Net gains (losses)	Notional amount/ contract value	Over 1 year	Fair value	Net gains (losses)
Over-the-counter transactions								
Foreign currency forward contracts								
Sold	9,733,616	1,191,995	155,729	155,729	11,132,717	2,386,505	(587,772)	(587,772)
(U.S. dollar)	5,032,379	1,138,338	(46,419)	(46,419)	5,143,273	1,116,818	(218,638)	(218,638)
(Euro)	2,884,417	-	31,661	31,661	3,539,608	906,783	(156,414)	(156,414)
(Australian dollar)	1,070,479	53,656	111,582	111,582	1,512,317	248,123	(176,151)	(176,151)
Bought	2,353,557	165,027	(22,613)	(22,613)	3,541,238	-	100,307	100,307
(Euro)	906,728	165,027	(1,971)	(1,971)	1,540,883	-	44,898	44,898
(U.S. dollar)	1,188,828	-	1,595	1,595	1,418,890	-	47,157	47,157
Currency options								
Sold								
Call	220,250	-			172,500	-		
(U.S. dollar)	[907]		1,783	(876)	[726]		172	553
Put	-	-			135,000	-		
(U.S. dollar)	[-]				[681]			681
Bought								
Put	199,000	-			150,000	-		
(U.S. dollar)	[1,986]		1,201	(784)	[2,186]		2	(2,184)
Total	37,806	37,806	(3,638)	(3,638)	37,806	37,806	(3,900)	(3,900)
(U.S. dollar)	35,351	35,351	(3,656)	(3,656)	35,351	35,351	(3,685)	(3,685)
(Euro)	2,454	2,454	18	18	2,454	2,454	(215)	(215)
Total				127,816				(492,314)

Notes: 1. Option fees are shown in [].

2. Regarding assets and liabilities which are denominated in foreign currencies but have fixed settlement in yen under foreign currency forward contracts and currency swaps and are reported in yen amounts in the balance sheets, those foreign currency forward contracts and currency swaps are excluded from the table above.

3. Net gains (losses) represent the fair values for foreign currency forward contracts and currency swaps, and the difference between the option fees and the fair values for currency options.

(4) Stock-related

(Millions of Yen)

Type	As of March 31, 2020				As of March 31, 2021			
	Notional amount/ contract value	Over 1 year	Fair value	Net gains (losses)	Notional amount/ contract value	Over 1 year	Fair value	Net gains (losses)
Exchange-traded transactions								
Stock index futures								
Bought	10,069	-	697	697	21,868	-	93	93
Over-the-counter transactions								
Stock index options								
Sold								
Call	-	-	-	-	148,470	-	-	-
Put	[-]	-	-	-	[1,674]	-	28,555	(26,881)
Bought								
Put	[-]	-	-	-	[2,326]	-	-	2,326
Call	-	-	-	-	149,985	-	-	-
Put	[-]	-	-	-	[5,481]	-	-	(5,481)
Total				697				(29,942)

Notes: 1. Option fees are shown in [].

2. Net gains (losses) represent the fair values for stock index futures and the difference between the option fees and the fair values for stock index options.

(5) Bond-related

(Millions of Yen)

Type	As of March 31, 2020				As of March 31, 2021			
	Notional amount/ contract value	Over 1 year	Fair value	Net gains (losses)	Notional amount/ contract value	Over 1 year	Fair value	Net gains (losses)
Exchange-traded transactions								
Bond futures								
Sold	-	-	-	-	20,393	-	99	99
Total				-				99

Note: Net gains (losses) represent the fair values.

(6) Others

(Millions of Yen)

Type	As of March 31, 2020				As of March 31, 2021			
	Notional amount/ contract value	Over 1 year	Fair value	Net gains (losses)	Notional amount/ contract value	Over 1 year	Fair value	Net gains (losses)
Over-the-counter transactions								
Multi-asset index options								
Sold								
Call	139,122	-	62	275	134,140	-	549	(103)
Put	[337]	-	-	-	[445]	-	-	-
Bought								
Call	128,961	-	900	(1,915)	127,843	-	3,421	790
Put	[2,816]	-	-	-	[2,630]	-	-	-
Total				(1,639)				687

Notes: 1. Option fees are shown in [].

2. Net gains (losses) represent the difference between the option fees and the fair values.

d. Risk-Monitored Loans

(Millions of Yen, %)

	As of March 31, 2020	As of March 31, 2021
Loans to bankrupt borrowers	-	-
Loans in arrears	808	831
Loans in arrears for three months or longer	-	-
Restructured loans	-	1,200
Total	808	2,031
(Percentage of total loans)	(0.04)	(0.10)
(Percentage of total assets)	(0.00)	(0.01)

- Notes: 1. For loans to bankrupt borrowers and substantially bankrupt borrowers, the amount of loans exceeding the value of estimated recovery through disposal of collateral or execution of guarantees is deemed uncollectible and directly deducted. The amount of loans in arrears directly deducted as of March 31, 2020 and March 31, 2021 amounted to ¥21 million and ¥247 million, respectively.
2. Loans to bankrupt borrowers represent the loans on which interest is not accrued due to unlikelihood of repayment of principal or interest resulting from delinquency of principal or interest for a certain period or other reasons ("non-accrual loans") and also meet the conditions stipulated in Article 96 Paragraph 1 Items 3 and 4 of Order for Enforcement of the Corporation Tax Act (Cabinet Order No.97 of 1965).
3. Loans in arrears represent non-accrual loans excluding the loans to bankrupt borrowers (defined in the above) and loans of which interest payments are postponed in order to support these borrowers recovering from financial difficulties. Loans in arrears also include the non-accrual loans to borrowers classified as "borrowers substantially bankrupt" or "borrowers likely to become bankrupt" in the self-assessment of asset quality.
4. Loans in arrears for three months or longer represent the loans on which payments of principal or interest are past due over three months from the day following the contractual due date. Loans in arrears for three months or longer do not include loans classified as loans to bankrupt borrowers or loans in arrears.
5. Restructured loans represent the loans which have been restructured to provide relief to the borrowers by reducing or waiving interest payments, by rescheduling repayments of principal or payments of interest, or by waiving claims for borrowers in order to support their recovery from financial difficulties. Restructured loans do not include loans classified as loans in arrears for three months or longer, loans in arrears or loans to bankrupt borrowers.