

May 14, 2021

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## Financial Results for the Fiscal Year Ended March 31, 2021

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The Dai-ichi Life Insurance Company, Limited (the "Company"; President: Seiji Inagaki) announces its financial results for the fiscal year ended March 31, 2021.

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Attached: Supplementary Materials for the Fiscal Year Ended March 31, 2021.

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Please note that this is an unofficial translation of the original disclosure in Japanese.

# 1. Business Highlights

## (1) Annualized Net Premium

### Policies in Force

(billions of yen)

|                               | As of March 31, 2020 |                           | As of March 31, 2021 |                           |
|-------------------------------|----------------------|---------------------------|----------------------|---------------------------|
|                               |                      | % of March 31, 2019 total |                      | % of March 31, 2020 total |
| Individual insurance          | 1,571.3              | 98.6                      | 1,538.2              | 97.9                      |
| Individual annuities          | 539.1                | 100.5                     | 538.7                | 99.9                      |
| Total                         | 2,110.4              | 99.1                      | 2,076.9              | 98.4                      |
| Medical and survival benefits | 694.7                | 102.9                     | 696.8                | 100.3                     |

### New Policies

(billions of yen)

|                               | As of March 31, 2020 |                           | As of March 31, 2021 |                           |
|-------------------------------|----------------------|---------------------------|----------------------|---------------------------|
|                               |                      | % of March 31, 2019 total |                      | % of March 31, 2020 total |
| Individual insurance          | 74.1                 | 92.2                      | 51.8                 | 69.9                      |
| Individual annuities          | 15.5                 | 103.2                     | 9.7                  | 63.1                      |
| Total                         | 89.6                 | 94.0                      | 61.6                 | 68.7                      |
| Medical and survival benefits | 54.7                 | 89.2                      | 36.7                 | 67.0                      |

Note: 1. Annualized net premium is calculated by using multipliers for various premium payment terms to the premium per payment. In single premium contracts, the amount is calculated by dividing the premium by the duration of the policy.

2. Annualized net premium for medical and survival benefits includes (a) premium related to medical benefits such as hospitalization and surgery benefits, (b) premium related to survival benefits such as specific illness and nursing benefits, and (c) premium related to premium waiver benefits, in which disability cause is excluded but causes such as specific illness and nursing care are included.

3. New policies include net increase by conversion.

## (2) Sum Insured of Policies in Force and New Policies

### Policies in Force

|                                    | As of March 31, 2020 |                           |                   |                           |
|------------------------------------|----------------------|---------------------------|-------------------|---------------------------|
|                                    | Number of policies   |                           | Amount            |                           |
|                                    | (thousands)          | % of March 31, 2019 total | (billions of yen) | % of March 31, 2019 total |
| Individual insurance               | 18,486               | 122.3                     | 89,604.0          | 93.5                      |
| Individual annuities               | 2,091                | 102.7                     | 11,205.8          | 99.4                      |
| Individual insurance and annuities | 20,577               | 120.0                     | 100,809.9         | 94.1                      |
| Group insurance                    | -                    | -                         | 49,053.0          | 101.4                     |
| Group annuities                    | -                    | -                         | 6,282.5           | 101.4                     |

|                                    | As of March 31, 2021 |                           |                   |                           |
|------------------------------------|----------------------|---------------------------|-------------------|---------------------------|
|                                    | Number of policies   |                           | Amount            |                           |
|                                    | (thousands)          | % of March 31, 2020 total | (billions of yen) | % of March 31, 2020 total |
| Individual insurance               | 20,274               | 109.7                     | 83,664.3          | 93.4                      |
| Individual annuities               | 2,093                | 100.1                     | 11,012.6          | 98.3                      |
| Individual insurance and annuities | 22,367               | 108.7                     | 94,676.9          | 93.9                      |
| Group insurance                    | -                    | -                         | 50,842.5          | 103.6                     |
| Group annuities                    | -                    | -                         | 6,446.9           | 102.6                     |

Note: 1. Policy amount in force of individual annuities is equal to (a) the funds to be held at the time annuity payments are to commence for an annuity for which payment has not yet commenced, and (b) the amount of policy reserve for an annuity for which payments have commenced.

2. Policy amount in force of group annuities is equal to the amount of outstanding corresponding policy reserve.

3. For products covered by multiple insurance agreements after April 2018, the number of policies for each product is shown as one.

### New Policies

|                                    | Year ended March 31, 2020 |                           |                   |              |                            |                           |
|------------------------------------|---------------------------|---------------------------|-------------------|--------------|----------------------------|---------------------------|
|                                    | Number of policies        |                           | Amount            |              |                            |                           |
|                                    | (thousands)               | % of March 31, 2019 total | (billions of yen) | New Business | Net increase by conversion | % of March 31, 2019 total |
| Individual insurance               | 4,627                     | 104.0                     | 850.1             | 2,585.9      | (1,735.8)                  | 72.6                      |
| Individual annuities               | 125                       | 99.7                      | 432.2             | 437.5        | (5.3)                      | 102.5                     |
| Individual insurance and annuities | 4,753                     | 103.9                     | 1,282.3           | 3,023.5      | (1,741.1)                  | 80.5                      |
| Group insurance                    | -                         | -                         | 316.7             | 316.7        | -                          | 63.0                      |
| Group annuities                    | -                         | -                         | 0.0               | 0.0          | -                          | 51.8                      |

|                                    | Year ended March 31, 2021 |                           |                   |              |                            |                           |
|------------------------------------|---------------------------|---------------------------|-------------------|--------------|----------------------------|---------------------------|
|                                    | Number of policies        |                           | Amount            |              |                            |                           |
|                                    | (thousands)               | % of March 31, 2020 total | (billions of yen) | New Business | Net increase by conversion | % of March 31, 2020 total |
| Individual insurance               | 3,242                     | 70.1                      | 126.3             | 1,509.0      | (1,382.6)                  | 14.9                      |
| Individual annuities               | 69                        | 54.9                      | 251.9             | 254.6        | (2.7)                      | 58.3                      |
| Individual insurance and annuities | 3,311                     | 69.7                      | 378.3             | 1,763.6      | (1,385.3)                  | 29.5                      |
| Group insurance                    | -                         | -                         | 190.8             | 190.8        | -                          | 60.2                      |
| Group annuities                    | -                         | -                         | 0.1               | 0.1          | -                          | 285.8                     |

Note: 1. Number of new policies is the sum of new business and policies after conversion.

2. Amount of new policies for individual annuities, both new business and net increase by conversion, is equal to the funds to be held at the time annuity payments are to commence.

3. Amount of new policies for group annuities is equal to the initial premium payment.

4. For products covered by multiple insurance agreements after April 2018, the number of policies for each product is shown as one.

## 2. Policies in Force as of March 31, 2021 by Benefit

|                          | Individual insurance (I) |                             | Individual annuities (II) |                             | Group insurance (III) |                             | Total (I+II+III)      |                             |
|--------------------------|--------------------------|-----------------------------|---------------------------|-----------------------------|-----------------------|-----------------------------|-----------------------|-----------------------------|
|                          | Number<br>(thousands)    | Amount<br>(billions of yen) | Number<br>(thousands)     | Amount<br>(billions of yen) | Number<br>(thousands) | Amount<br>(billions of yen) | Number<br>(thousands) | Amount<br>(billions of yen) |
| Death benefits           |                          |                             |                           |                             |                       |                             |                       |                             |
| general                  | 19,391                   | 72,537.0                    | —                         | 0.0                         | 25,126                | 50,837.5                    | 44,517                | 123,374.5                   |
| accidental               | [ 2,022]                 | [ 8,389.4]                  | [ 996]                    | [ 430.7]                    | [ 2,683]              | [ 1,394.4]                  | [ 5,702]              | [ 10,214.6]                 |
| others                   | [ 0]                     | [ 0.0]                      | —                         | —                           | [ 65]                 | [ 60.7]                     | [ 65]                 | [ 60.7]                     |
| Survival benefits        | 882                      | 11,127.2                    | 2,093                     | 11,012.6                    | 6                     | 5.0                         | 2,982                 | 22,144.9                    |
| Hospitalization benefits |                          |                             |                           |                             |                       |                             |                       |                             |
| accidental               | [ 8,865]                 | [ 47.7]                     | [ 42]                     | [ 0.2]                      | [ 1,329]              | [ 0.7]                      | [ 10,236]             | [ 48.6]                     |
| illness                  | [ 8,850]                 | [ 47.6]                     | [ 42]                     | [ 0.2]                      | [ 0]                  | [ 0.0]                      | [ 8,893]              | [ 47.8]                     |
| others                   | [ 3,238]                 | [ 20.0]                     | [ 32]                     | [ 0.1]                      | [ 70]                 | [ 0.1]                      | [ 3,342]              | [ 20.3]                     |
| Injury benefits          | [ 5,417]                 | —                           | [ 56]                     | —                           | [ 2,438]              | —                           | [ 7,911]              | —                           |
| Surgery benefits         | [ 8,477]                 | —                           | [ 42]                     | —                           | —                     | —                           | [ 8,520]              | —                           |

|                   | Group annuities (IV)  |                             | Financial insurance (V) |                             | Financial annuities (VI) |                             | Total (IV+V+VI)       |                             |
|-------------------|-----------------------|-----------------------------|-------------------------|-----------------------------|--------------------------|-----------------------------|-----------------------|-----------------------------|
|                   | Number<br>(thousands) | Amount<br>(billions of yen) | Number<br>(thousands)   | Amount<br>(billions of yen) | Number<br>(thousands)    | Amount<br>(billions of yen) | Number<br>(thousands) | Amount<br>(billions of yen) |
| Survival benefits | 7,845                 | 6,446.9                     | 61                      | 258.9                       | 34                       | 74.9                        | 7,941                 | 6,780.8                     |

|                          | Medical care insurance |                             |
|--------------------------|------------------------|-----------------------------|
|                          | Number<br>(thousands)  | Amount<br>(billions of yen) |
| Hospitalization benefits | 421                    | 1.1                         |

|                     | Group disability      |                             |
|---------------------|-----------------------|-----------------------------|
|                     | Number<br>(thousands) | Amount<br>(billions of yen) |
| Disability benefits | 18                    | 1.2                         |

Note:

- Figures in [ ] show numbers and amounts of additional benefits and of benefits to be paid from riders.
- Numbers of group insurance, group annuities, financial insurance, financial annuities, medical care insurance and group disability show the numbers of insureds.
- Amounts in 'Survival benefits' show the sum of (a) the funds to be held at the time annuity payments are to commence for an annuity for which payment has not yet commenced, and (b) the amount of policy reserve for an annuity for which payments have commenced for individual annuities, group insurance (annuity riders) and financial annuities. The amounts in 'Survival benefits' show the amount of outstanding corresponding policy reserve for group annuities, financial insurance and others.
- Amounts in 'Hospitalization benefits' show the amount of hospitalization benefit to be paid per day.
- Amount in 'Hospitalization benefits' for medical care insurance shows the daily amount to be paid for hospitalization from illness.
- Amount in group disability insurance shows the amount of disability benefits paid per month.
- The number of insureds and amount of policies for reinsurance written were 2,095 thousand and 18,466.8 billion yen, respectively.

### **3.Investment of General Account Assets in Fiscal 2020**

#### **(1) Investment Status of Assets in Fiscal 2020**

##### **①Operational environment**

In fiscal 2020, the Japanese economy deteriorated significantly, particularly in domestic demand, due to the impact of the spread of the new Corona Virus. The economy fell sharply in the second quarter, and then recovered rapidly from the summer due to policy effects and other factors. However, the economy deteriorated again at the beginning of the year, partly due to the second emergency declaration. Overseas economies have picked up sharply from the sharp decline in the first half of the year against the backdrop of large-scale fiscal support measures and other factors, in addition to China's growth by holding down the new Corona Virus relatively early.

Amid these economic conditions, the operating environment was as follows.

##### **<Domestic interest rates>**

Yields on 10-year JGBs continued to be controlled at around 0% as the Bank of Japan kept the policy interest rate unchanged while providing support for corporate financing in response to the economic downturn caused by the spread of the new Corona Virus. However, toward the end of the fiscal year, the Bank of Japan revised its policy toward the continuation of monetary easing, and U.S. interest rates rose significantly, resulting in a slight increase.

|                                     |                |        |
|-------------------------------------|----------------|--------|
| Yield on ten-year government bonds: | April 1, 2020  | 0.010% |
|                                     | March 31, 2021 | 0.090% |

##### **<Domestic stocks>**

The Nikkei Stock Average continued to rise in FY 2020 due to expectations for recovery in corporate performance following the resumption of economic activity, expectations for the supply of vaccines, and support from financial and fiscal policies, despite a significant decline in the Nikkei Stock Average against the background of the spread of infection with the new coronavirus toward the end of the previous fiscal year. At one point, the price is in the ¥30000 range, reaching a new high for the first time since 1990.

|                           |                |        |
|---------------------------|----------------|--------|
| Nikkei 225 Stock Average: | April 1, 2020  | 18,917 |
|                           | March 31, 2021 | 29,178 |
| TOPIX:                    | April 1, 2020  | 1,403  |
|                           | March 31, 2021 | 1,954  |

##### **<Foreign Currency>**

The yen appreciated against the U.S. dollar, mainly due to the narrowing of the interest rate differential between Japan and the United States against the backdrop of the substantial reduction in interest rates by the Federal Reserve (FRB). However, from the beginning of the year to the end of the fiscal year, U.S. interest rates rose sharply due to the expectation of a recovery in the U.S. economy and other factors, and rapidly reversed the yen's depreciation.

With regard to the yen/euro, the establishment of the Reconstruction Fund and other policy measures in Europe were highly evaluated, and the euro was easily purchased amid the trend of a weaker dollar, and the euro remained on a strong trend. In addition, the yen depreciated toward the end of the fiscal year due to expectations of a global economic recovery, and the yen/euro rate rose further.

|                   |                |         |
|-------------------|----------------|---------|
| yen /U.S. dollar: | April 1, 2020  | ¥108.83 |
|                   | March 31 2021  | ¥110.71 |
| yen/euro:         | April 1, 2020  | ¥119.55 |
|                   | March 31, 2021 | ¥129.80 |

## ②Investment Performance Overview

### <Assets>

With regard to asset management in fiscal 2020, we continued to invest mainly in fixed income assets, such as public and corporate bonds, based on our risk-taking policy and medium-to long-term asset management policy. In particular, in order to promote the reduction of market-related risks such as interest rate risk and market risk associated with stockholdings in order to ensure financial soundness against financial market fluctuations and improve capital efficiency, the Bank increased the amount of policy-reserve-matching bonds, mainly super-long-term government bonds, and sold stocks.

With regard to foreign securities and other risky assets, the Group flexibly allocated funds while paying attention to market trends. At the same time, from the perspective of improving the profitability of its portfolio and diversifying investments, the Group promoted investments and loans in the infrastructure field and investments in alternative assets and real assets.

| Assets                       | Operational status                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Bonds and debentures         | <p><b><u>Increase</u></b></p> <p>In order to promote the reduction of interest rate risk, we increased policy-reserve-matching bonds, mainly super-long-term JGBs. With regard to credit risk assets such as corporate bonds and securitized products, the overall amount outstanding increased due to the strengthening of selection based on credit spreads commensurate with risk and the diversification of issues.</p>                                                                   |
| Loans receivable             | <p><b><u>Increase</u></b></p> <p>The balance increased due to the execution of new loans. While taking into account trends in credit spreads in the corporate bond market, the Company made loans with the goal of earning excess returns commensurate with credit risk.</p>                                                                                                                                                                                                                  |
| Domestic stocks              | <p><b><u>Increase</u></b></p> <p>In order to improve the profitability of our portfolio, we worked to invest in fields and companies that we expect to grow over the medium to long term, based on corporate surveys conducted by our analysts. On the other hand, the Company sold shares to promote the reduction of market risk associated with stockholdings, but the balance increased due to an increase in market value.</p>                                                           |
| Foreign bonds and debentures | <p><b><u>Increase</u></b></p> <p>The balance increased as a result of the accumulation of balances from the viewpoint of improving the profitability of the portfolio and diversification. We also worked to control risk by diversifying bond types and currencies to improve investment efficiency.</p>                                                                                                                                                                                     |
| Foreign Stocks               | <p><b><u>Increase</u></b></p> <p>The balance increased as a result of flexible fund allocation while paying attention to market trends. In addition, we diversified our manager and investment styles and strengthened regional diversification by utilizing in-house management and external management companies.</p>                                                                                                                                                                       |
| Real estate                  | <p><b><u>Decrease</u></b></p> <p>The balance decreased due to depreciation and other factors, while new acquisitions of properties were made. In addition to investing in high-quality offices, in order to diversify applications, we sought to improve the profitability and soundness of our portfolio by promoting investments in new properties, such as housing, commerce, and logistics, and by replacing properties based on occupancy status, regional characteristics, and age.</p> |

(NOTE)Changes in each asset are based on the balance sheet value.

#### <Balance of Payments>

Investment income increased by ¥154.9 billion year on year to ¥1.2292 trillion, as the increase in interest and dividend income and gain on sales of securities exceeded the decrease in income from derivatives. Loss on sales of marketable securities and the increase in expenses on derivatives exceeded the decrease in unrealized losses on securities, resulting in the year-on-year increase of ¥110.0 billion to ¥408.1 billion in investment expenses.

As a result, net investment income in the general account improved by ¥44.9 billion year on year to ¥821.1 billion.

#### ③Outlook for the Operational Environment in Fiscal 2021

In fiscal 2021, the Japanese economy is expected to pick up due to progress in vaccination, although there is still a high degree of uncertainty due to the spread of the infectious disease of the new corona vaccine. However, it is expected that it will take time for the vaccine to become fully widespread, and various constraints will remain until then. Therefore, the Japanese economy is not expected to regain the level prior to the spread of the Corona infections during fiscal 2021. On the other hand, the U.S. economy is expected to recover rapidly due to large-scale fiscal policy responses and other factors, and monetary policy may move toward monetary easing. Therefore, we assume that the investment environment will continue to be highly volatile.

In addition, we believe that attention should continue to be paid to the increasing volatility of financial markets due to political events and geopolitical risks in each country.

#### <Domestic interest rates>

Domestic interest rates are forecast to remain at low levels for the foreseeable future as the Bank of Japan's monetary easing policy is expected to continue amid a moderate pace of recovery in the Japanese economy.

#### <Domestic stocks>

Domestic stocks are expected to continue to be supported by the Bank of Japan's monetary easing policy and the government's economic stimulus measures. In addition, with the progress of vaccination, expectations for a recovery in corporate performance are rising, and stock prices are expected to remain in a high range. On the other hand, we should be mindful of the possibility that volatility will increase due to changes in U.S. monetary policy, a sharp rise in interest rates, political events in each country, and geopolitical risks.

#### <Foreign currency>

As for the yen/U.S. dollar, we anticipate developments that are influenced by developments in U.S. monetary policy and fiscal expansion. We expect that the U.S. dollar will appreciate if speculation about monetary easing strengthens. On the other hand, we anticipate that the U.S. fiscal expansion will work to depreciate the U.S. dollar, making it difficult for the U.S. to move in one direction. In addition, it is necessary to pay attention to the possibility that volatility will increase due to geopolitical risks, etc.

With regard to the yen/euro, we anticipate that the pace of economic recovery in the euro area will be relatively moderate, as in Japan, but developments will depend on the pace of recovery. However, we think it is necessary to pay attention to the possibility that volatility will increase due to changes in the political situation in Europe.

#### ④ Asset Management Policy for Fiscal 2021

With regard to the investment policy for fiscal 2021, we will continue to invest in portfolios centered on fixed income assets such as public and corporate bonds based on our risk-taking policy and medium-to long-term asset management policy. In addition, we will continue risk reduction efforts to ensure financial soundness against financial market fluctuations and improve capital efficiency. In addition, to ensure profitability and strengthen the diversification of portfolio risks, we will actively invest in selective credit investments, investments and loans in the infrastructure field, and investments in alternative assets and real assets.

| Assets                       | Investment policy                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Bonds and debentures         | <p><b><u>Increase</u></b></p> <p>We will continue stable management as a core asset of ALM. The Company's policy is to reduce interest rate risk by adding policy reserve-matching bonds and implementing asset duration adjustments. In light of the current low interest rate environment, our policy is to actively engage in infrastructure-related and other investments from the perspective of improving investment efficiency within fixed income assets.</p>                                                     |
| Loans receivable             | <p><b><u>Remained flat</u></b></p> <p>While we will continue to proactively respond to capital needs in growth areas, the balance is expected to remain largely unchanged due to the impact of redemptions and other factors. In addition, the Bank's policy is to engage in new lending by setting appropriate lending rates, while taking into account the analysis of borrowers' credit risks and credit spread trends in the corporate bond market.</p>                                                               |
| Domestic stocks              | <p><b><u>Decrease</u></b></p> <p>The Company's policy is to decrease the amount outstanding due to sales aimed at reducing market risk associated with stockholdings. However, the Company's policy is to flexibly control the balance depending on the level of stock prices, while at the same time implementing reallocation to industries and brands and venture investments based on growth potential and other factors.</p>                                                                                         |
| Foreign bonds and debentures | <p><b><u>Depending on interest rates and exchange rates</u></b></p> <p>Open foreign exchange bonds will be flexibly allocated in accordance with risk tolerance and exchange rate trends. The Bank will also flexibly adjust the amount outstanding of foreign currency-hedged foreign bonds while taking into account interest rate differentials at home and abroad.</p>                                                                                                                                                |
| Foreign Stocks               | <p><b><u>Depending on the foreign stock price level</u></b></p> <p>The Company's policy is to accumulate alternative assets with the aim of securing profitability and diversifying the risk of its portfolio. However, the Company's policy is to flexibly control the outstanding balance of foreign stocks as a whole, depending on the level of stock prices. We will also work to improve and stabilize the profitability of our portfolio while diversifying investment styles and geographically diversifying.</p> |
| Real estate                  | <p><b><u>Increase</u></b></p> <p>The Company's policy is to increase the balance due to new acquisitions of properties and other factors. In order to promote diversification of uses, we will promote investment in new properties such as housing, commerce, and logistics, and improve the profitability and soundness of our portfolio by replacing properties based on occupancy status, regional characteristics, construction age, and other factors.</p>                                                          |

## (2) Investment Income (General account)

(millions of yen)

|                                                    | Year ended March 31, 2020 |       | Year ended March 31, 2021 |       |
|----------------------------------------------------|---------------------------|-------|---------------------------|-------|
|                                                    | Amount                    | %     | Amount                    | %     |
| Interest and dividends                             | 786,512                   | 73.2  | 836,571                   | 68.1  |
| Interest from bank deposits                        | 4,979                     | 0.5   | 1,676                     | 0.1   |
| Interest and dividends from securities             | 656,639                   | 61.1  | 712,308                   | 57.9  |
| Interest from loans                                | 40,893                    | 3.8   | 39,132                    | 3.2   |
| Rental income                                      | 75,373                    | 7.0   | 73,700                    | 6.0   |
| Other interest and dividends                       | 8,626                     | 0.8   | 9,754                     | 0.8   |
| Gains on trading account securities                | -                         | -     | -                         | -     |
| Gains on money held in trust                       | -                         | -     | 4,849                     | 0.4   |
| Gains on investments in trading securities         | -                         | -     | -                         | -     |
| Gains on sale of securities                        | 223,240                   | 20.8  | 371,297                   | 30.2  |
| Gains on sale of domestic bonds                    | 72,896                    | 6.8   | 79,550                    | 6.5   |
| Gains on sale of domestic stocks                   | 68,198                    | 6.3   | 147,417                   | 12.0  |
| Gains on sale of foreign securities                | 80,868                    | 7.5   | 142,544                   | 11.6  |
| Others                                             | 1,276                     | 0.1   | 1,784                     | 0.1   |
| Gains on redemption of securities                  | 11,609                    | 1.1   | 15,370                    | 1.3   |
| Derivative transaction gains                       | 51,944                    | 4.8   | -                         | -     |
| Foreign exchange gains                             | -                         | -     | -                         | -     |
| Reversal of reserve for possible loan losses       | 4                         | 0.0   | -                         | -     |
| Reversal of reserve for possible investment losses | -                         | -     | -                         | -     |
| Other investment income                            | 1,015                     | 0.1   | 1,202                     | 0.1   |
| Total                                              | 1,074,327                 | 100.0 | 1,229,291                 | 100.0 |

## (3) Investment Expense (General account)

(millions of yen)

|                                                      | Year ended March 31, 2020 |       | Year ended March 31, 2021 |       |
|------------------------------------------------------|---------------------------|-------|---------------------------|-------|
|                                                      | Amount                    | %     | Amount                    | %     |
| Interest expenses                                    | 12,530                    | 4.2   | 12,358                    | 3.0   |
| Losses on trading account securities                 | -                         | -     | -                         | -     |
| Losses on money held in trust                        | 2,216                     | 0.7   | -                         | -     |
| Losses on investments in trading securities          | -                         | -     | -                         | -     |
| Losses on sale of securities                         | 72,761                    | 24.4  | 125,323                   | 30.7  |
| Losses on sale of domestic bonds                     | 419                       | 0.1   | 556                       | 0.1   |
| Losses on sale of domestic stocks                    | 13,969                    | 4.7   | 30,382                    | 7.4   |
| Losses on sale of foreign securities                 | 56,018                    | 18.8  | 89,606                    | 22.0  |
| Others                                               | 2,353                     | 0.8   | 4,778                     | 1.2   |
| Losses on valuation of securities                    | 57,153                    | 19.2  | 1,285                     | 0.3   |
| Losses on valuation of domestic bonds                | -                         | -     | -                         | -     |
| Losses on valuation of domestic stocks               | 36,441                    | 12.2  | 1,280                     | 0.3   |
| Losses on valuation of foreign securities            | 20,712                    | 6.9   | 4                         | 0.0   |
| Others                                               | -                         | -     | -                         | -     |
| Losses on redemption of securities                   | 5,372                     | 1.8   | 6,175                     | 1.5   |
| Derivative transaction losses                        | -                         | -     | 172,879                   | 42.4  |
| Foreign exchange losses                              | 93,869                    | 31.5  | 31,586                    | 7.7   |
| Provision for reserve for possible loan losses       | -                         | -     | 1,813                     | 0.4   |
| Provision for reserve for possible investment losses | 504                       | 0.2   | 295                       | 0.1   |
| Write-down of loans                                  | 40                        | 0.0   | 43                        | 0.0   |
| Depreciation of real estate for rent and others      | 13,059                    | 4.4   | 13,171                    | 3.2   |
| Other investment expenses                            | 40,641                    | 13.6  | 43,219                    | 10.6  |
| Total                                                | 298,149                   | 100.0 | 408,153                   | 100.0 |

## (4) Asset Composition

(millions of yen)

|                                                    | As of March 31, 2020 |       | As of March 31, 2021 |       |
|----------------------------------------------------|----------------------|-------|----------------------|-------|
|                                                    | Carrying amount      | %     | Carrying amount      | %     |
| Cash, deposits, and call loans                     | 1,042,316            | 2.9   | 768,352              | 2.0   |
| Securities repurchased under resale agreements     | -                    | -     | -                    | -     |
| Deposit paid for securities borrowing transactions | -                    | -     | -                    | -     |
| Monetary claims bought                             | 221,147              | 0.6   | 252,140              | 0.7   |
| Trading account securities                         | -                    | -     | -                    | -     |
| Money held in trust                                | 34,274               | 0.1   | 7,716                | 0.0   |
| Securities                                         | 29,628,634           | 83.1  | 32,530,293           | 85.9  |
| Domestic bonds                                     | 15,870,841           | 44.5  | 16,740,113           | 44.2  |
| Domestic stocks                                    | 2,786,892            | 7.8   | 3,569,109            | 9.4   |
| Foreign securities                                 | 10,073,956           | 28.3  | 11,402,677           | 30.1  |
| Foreign bonds                                      | 9,088,395            | 25.5  | 9,811,240            | 25.9  |
| Foreign stocks and other securities                | 985,560              | 2.8   | 1,591,436            | 4.2   |
| Other securities                                   | 896,944              | 2.5   | 818,392              | 2.2   |
| Loans                                              | 2,542,025            | 7.1   | 2,576,064            | 6.8   |
| Policy loans                                       | 323,486              | 0.9   | 292,080              | 0.8   |
| Ordinary loans                                     | 2,218,538            | 6.2   | 2,283,983            | 6.0   |
| Real estate                                        | 1,085,716            | 3.0   | 1,076,494            | 2.8   |
| Real estate for rent                               | 767,658              | 2.2   | 766,269              | 2.0   |
| Deferred tax assets                                | -                    | -     | -                    | -     |
| Others                                             | 1,092,127            | 3.1   | 642,315              | 1.7   |
| Reserve for possible loan losses                   | (560)                | (0.0) | (2,358)              | (0.0) |
| Total                                              | 35,645,681           | 100.0 | 37,851,018           | 100.0 |
| Foreign currency-denominated assets                | 9,571,618            | 26.9  | 10,428,868           | 27.6  |

Note: "Real estate" represents total amount of land, buildings and construction in progress.

## (5) Other Information on Investments

### A. Rates of return

|                                                    | Year ended March 31, 2020 | Year ended March 31, 2021 |
|----------------------------------------------------|---------------------------|---------------------------|
| Cash, deposits, and call loans                     | 0.00                      | 0.03                      |
| Securities repurchased under resale agreements     | -                         | -                         |
| Deposit paid for securities borrowing transactions | -                         | -                         |
| Monetary claims bought                             | 1.51                      | 1.58                      |
| Trading account securities                         | -                         | -                         |
| Money held in trust                                | (6.18)                    | 16.56                     |
| Securities                                         | 2.59                      | 2.60                      |
| Domestic bonds                                     | 2.31                      | 2.07                      |
| Domestic stocks                                    | 6.41                      | 10.66                     |
| Foreign securities                                 | 2.46                      | 2.19                      |
| Foreign bonds                                      | 2.28                      | 1.51                      |
| Foreign stocks and other securities                | 4.15                      | 7.59                      |
| Loans                                              | 1.71                      | 1.50                      |
| Ordinary loans                                     | 1.28                      | 1.16                      |
| Real estate                                        | 4.57                      | 4.59                      |
| Total                                              | 2.34                      | 2.36                      |
| Foreign investments                                | 2.32                      | 2.18                      |

Note: 1. Rates of return above are calculated by dividing the net investment income included in ordinary profit by the average daily balance on a book value basis.

2. "Foreign investments" include yen-denominated assets.

### B. Average daily balance

|                                                    | Year ended March 31, 2020 | Year ended March 31, 2021 |
|----------------------------------------------------|---------------------------|---------------------------|
| Cash, deposits, and call loans                     | 841.3                     | 887.2                     |
| Securities repurchased under resale agreements     | -                         | -                         |
| Deposit paid for securities borrowing transactions | -                         | -                         |
| Monetary claims bought                             | 200.7                     | 233.9                     |
| Trading account securities                         | -                         | -                         |
| Money held in trust                                | 35.8                      | 29.2                      |
| Securities                                         | 27,532.7                  | 28,718.8                  |
| Domestic bonds                                     | 15,423.7                  | 15,934.8                  |
| Domestic stocks                                    | 1,574.0                   | 1,510.1                   |
| Foreign securities                                 | 9,758.0                   | 10,596.6                  |
| Foreign bonds                                      | 8,801.6                   | 9,407.6                   |
| Foreign stocks and other securities                | 956.3                     | 1,188.9                   |
| Loans                                              | 2,399.6                   | 2,572.3                   |
| Ordinary loans                                     | 2,068.0                   | 2,261.8                   |
| Real estate                                        | 804.9                     | 779.5                     |
| Total                                              | 33,232.5                  | 34,753.2                  |
| Foreign investments                                | 10,421.9                  | 11,309.7                  |

Note: "Foreign investments" include yen-denominated assets.

# C. Valuation gains and losses on trading securities

(millions of yen)

|                            | As of March 31, 2020                 |                                                                | As of March 31, 2021                 |                                                                |
|----------------------------|--------------------------------------|----------------------------------------------------------------|--------------------------------------|----------------------------------------------------------------|
|                            | Carrying amount on the balance sheet | Valuation gains (losses) included in the statement of earnings | Carrying amount on the balance sheet | Valuation gains (losses) included in the statement of earnings |
| Trading securities         | 34,274                               | (2,008)                                                        | 7,716                                | 2,997                                                          |
| Trading account securities | -                                    | -                                                              | -                                    | -                                                              |
| Money held in trust        | 34,274                               | (2,008)                                                        | 7,716                                | 2,997                                                          |

# D. Fair value information on securities (securities with fair value except for trading securities)

(millions of yen)

|                                      |                                       | Book value | Fair value | Gains (losses) |         |
|--------------------------------------|---------------------------------------|------------|------------|----------------|---------|
|                                      |                                       |            |            | Gains          | Losses  |
| As of March 31, 2020                 |                                       |            |            |                |         |
| <div> <div></div> <div></div> </div> | Held-to-maturity bonds                | 46,919     | 49,337     | 2,417          | -       |
|                                      | Domestic bonds                        | 46,919     | 49,337     | 2,417          | -       |
|                                      | Foreign bonds                         | -          | -          | -              | -       |
|                                      | Policy-reserve-matching bonds         | 12,210,408 | 14,973,288 | 2,762,880      | 9,722   |
|                                      | Domestic bonds                        | 12,129,401 | 14,890,946 | 2,761,545      | 9,709   |
|                                      | Foreign bonds                         | 81,007     | 82,341     | 1,334          | 12      |
|                                      | Stocks of subsidiaries and affiliates | 343        | 241        | (101)          | 101     |
|                                      | Available-for-sale securities         | 14,805,957 | 17,471,128 | 2,665,170      | 281,955 |
|                                      | Domestic bonds                        | 3,236,843  | 3,694,520  | 457,677        | 3,623   |
|                                      | Domestic stocks                       | 1,476,871  | 2,737,975  | 1,261,103      | 111,672 |
|                                      | Foreign securities                    | 9,044,425  | 9,966,380  | 921,954        | 148,922 |
|                                      | Foreign bonds                         | 8,144,384  | 9,007,388  | 863,003        | 100,361 |
|                                      | Foreign stocks and other securities   | 900,041    | 958,992    | 58,951         | 48,561  |
|                                      | Other securities                      | 723,926    | 740,109    | 16,182         | 17,548  |
|                                      | Monetary claims bought                | 212,889    | 221,147    | 8,257          | 182     |
|                                      | Certificates of deposit               | 111,000    | 110,994    | (5)            | 5       |
|                                      | Total                                 | 27,063,628 | 32,493,995 | 5,430,367      | 291,778 |
|                                      | Domestic bonds                        | 15,413,164 | 18,634,804 | 3,221,640      | 13,333  |
|                                      | Domestic stocks                       | 1,476,871  | 2,737,975  | 1,261,103      | 111,672 |
|                                      | Foreign securities                    | 9,125,775  | 10,048,964 | 923,188        | 149,036 |
|                                      | Foreign bonds                         | 8,225,391  | 9,089,730  | 864,338        | 100,373 |
|                                      | Foreign stocks and other securities   | 900,384    | 959,234    | 58,850         | 48,662  |
|                                      | Other securities                      | 723,926    | 740,109    | 16,182         | 17,548  |
|                                      | Monetary claims bought                | 212,889    | 221,147    | 8,257          | 182     |
| Certificates of deposit              | 111,000                               | 110,994    | (5)        | 5              |         |
| As of March 31, 2021                 |                                       |            |            |                |         |
| <div> <div></div> <div></div> </div> | Held-to-maturity bonds                | 47,221     | 48,896     | 1,675          | -       |
|                                      | Domestic bonds                        | 47,221     | 48,896     | 1,675          | -       |
|                                      | Foreign bonds                         | -          | -          | -              | -       |
|                                      | Policy-reserve-matching bonds         | 13,332,171 | 15,520,087 | 2,187,915      | 82,295  |
|                                      | Domestic bonds                        | 13,251,166 | 15,437,984 | 2,186,818      | 82,235  |
|                                      | Foreign bonds                         | 81,005     | 82,102     | 1,097          | 59      |
|                                      | Stocks of subsidiaries and affiliates | 343        | 451        | 108            | -       |
|                                      | Available-for-sale securities         | 15,646,364 | 19,167,461 | 3,521,097      | 219,766 |
|                                      | Domestic bonds                        | 3,034,148  | 3,441,726  | 407,577        | 2,298   |
|                                      | Domestic stocks                       | 1,407,166  | 3,518,531  | 2,111,365      | 44,042  |
|                                      | Foreign securities                    | 10,321,085 | 11,290,708 | 969,622        | 153,048 |
|                                      | Foreign bonds                         | 8,991,581  | 9,730,234  | 738,653        | 138,895 |
|                                      | Foreign stocks and other securities   | 1,329,504  | 1,560,473  | 230,969        | 14,152  |
|                                      | Other securities                      | 566,586    | 593,357    | 26,770         | 20,068  |
|                                      | Monetary claims bought                | 246,377    | 252,140    | 5,762          | 306     |
|                                      | Certificates of deposit               | 71,000     | 70,997     | (2)            | 2       |
|                                      | Total                                 | 29,026,100 | 34,736,897 | 5,710,796      | 302,061 |
|                                      | Domestic bonds                        | 16,332,535 | 18,928,607 | 2,596,071      | 84,533  |
|                                      | Domestic stocks                       | 1,407,166  | 3,518,531  | 2,111,365      | 44,042  |
|                                      | Foreign securities                    | 10,402,434 | 11,373,262 | 970,828        | 153,108 |
|                                      | Foreign bonds                         | 9,072,587  | 9,812,337  | 739,750        | 138,955 |
|                                      | Foreign stocks and other securities   | 1,329,847  | 1,560,924  | 231,077        | 14,152  |
|                                      | Other securities                      | 566,586    | 593,357    | 26,770         | 20,068  |
|                                      | Monetary claims bought                | 246,377    | 252,140    | 5,762          | 306     |
| Certificates of deposit              | 71,000                                | 70,997     | (2)        | 2              |         |

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

\* Carrying amount of securities whose fair value is deemed extremely difficult to recognize is as follows:

(millions of yen)

|                                                           | As of March 31, 2020 | As of March 31, 2021 |
|-----------------------------------------------------------|----------------------|----------------------|
| Held-to-maturity bonds                                    | -                    | -                    |
| Unlisted foreign bonds                                    | -                    | -                    |
| Others                                                    | -                    | -                    |
| Policy-reserve-matching bonds                             | -                    | -                    |
| Stocks of subsidiaries and affiliates                     | 104,738              | 176,772              |
| Unlisted domestic stocks (except over-the-counter stocks) | 5,495                | 5,584                |
| Unlisted foreign stocks (except over-the-counter stocks)  | 4,348                | 5,385                |
| Others                                                    | 94,895               | 165,802              |
| Available-for-sale securities                             | 133,672              | 131,401              |
| Unlisted domestic stocks (except over-the-counter stocks) | 43,422               | 44,993               |
| Unlisted foreign stocks (except over-the-counter stocks)  | 28,287               | 27,174               |
| Unlisted foreign bonds                                    | -                    | -                    |
| Others                                                    | 61,962               | 59,232               |
| Total                                                     | 238,411              | 308,173              |

- Note:
1. The table above includes assets which are considered appropriate to handle as securities as defined in the Financial Instruments and Exchange Act.
  2. The amounts of foreign exchange valuation gains/losses on foreign securities whose fair value is deemed extremely difficult to recognize and which are listed in the table above are as follows: loss of 6,480 million yen as of March 31, 2020 and loss of 1,841 million yen as of March 31, 2021.

(6) Fair Value Information on Money Held in Trust

(millions of yen)

|                      | Carrying amount on the balance sheet | Fair value | Gains (losses) |       |        |
|----------------------|--------------------------------------|------------|----------------|-------|--------|
|                      |                                      |            |                | Gains | Losses |
| As of March 31, 2020 | 34,274                               | 34,274     | (1,635)        | 1,844 | 3,480  |
| As of March 31, 2021 | 7,716                                | 7,716      | 3,235          | 4,677 | 1,442  |

Note: Fair value in the table above is based on the valuation conducted by the fiduciary on a reasonable basis.  
"Gains (losses)" include gains (losses) from derivative transactions within the trusts.

\* The Company held no balance for money held in trust classified as held-to-maturity, policy-reserve-matching and available-for-sale as of March 31, 2020 and March 31, 2021.

## 4. Unaudited Balance Sheet

(millions of yen)

|                                                       | As of March<br>31, 2020 | As of March<br>31, 2021 |                                                                                         | As of March<br>31, 2020 | As of March<br>31, 2021 |
|-------------------------------------------------------|-------------------------|-------------------------|-----------------------------------------------------------------------------------------|-------------------------|-------------------------|
| <b>(ASSETS)</b>                                       |                         |                         | <b>(LIABILITIES)</b>                                                                    |                         |                         |
| Cash and deposits                                     | 543,121                 | 380,173                 | Policy reserves and others                                                              | 30,823,423              | 30,844,443              |
| Cash                                                  | 160                     | 0                       | Reserves for outstanding claims                                                         | 127,391                 | 148,070                 |
| Bank deposits                                         | 542,960                 | 380,172                 | Policy reserves                                                                         | 30,296,289              | 30,295,374              |
| Call loans                                            | 513,800                 | 403,700                 | Reserve for policyholder dividends                                                      | 399,742                 | 400,999                 |
| Monetary claims bought                                | 221,147                 | 252,140                 | Reinsurance payable                                                                     | 135,490                 | 1,048                   |
| Money held in trust                                   | 34,274                  | 7,716                   | Subordinated bonds                                                                      | 476,277                 | 476,277                 |
| Securities                                            | 30,283,786              | 33,467,036              | Other liabilities                                                                       | 1,693,171               | 3,340,249               |
| Government bonds                                      | 13,809,257              | 14,774,895              | Payables under repurchase agreements                                                    | 841,166                 | 2,301,762               |
| Local government bonds                                | 129,433                 | 108,035                 | Long-term debt and other borrowings                                                     | 283,000                 | 390,600                 |
| Corporate bonds                                       | 2,078,289               | 2,000,852               | Corporate income tax payable                                                            | 20,306                  | 32,372                  |
| Stocks                                                | 2,900,518               | 3,713,900               | Accounts payable                                                                        | 128,590                 | 32,212                  |
| Foreign securities                                    | 10,308,387              | 11,763,263              | Accrued expenses                                                                        | 45,970                  | 44,736                  |
| Other securities                                      | 1,057,900               | 1,106,089               | Unearned revenue                                                                        | 271                     | 391                     |
| Loans                                                 | 2,542,025               | 2,576,064               | Deposits received                                                                       | 58,573                  | 62,025                  |
| Policy loans                                          | 323,486                 | 292,080                 | Guarantee deposits received                                                             | 53,059                  | 52,554                  |
| Ordinary loans                                        | 2,218,538               | 2,283,983               | Differential account for futures trading                                                | 18                      | -                       |
| Tangible fixed assets                                 | 1,097,493               | 1,086,183               | Derivatives                                                                             | 139,464                 | 356,963                 |
| Land                                                  | 761,993                 | 758,555                 | Collateral for financial instruments                                                    | 82,314                  | 41,339                  |
| Buildings                                             | 323,539                 | 315,778                 | Lease liabilities                                                                       | 6,837                   | 5,179                   |
| Leased assets                                         | 6,740                   | 5,145                   | Asset retirement obligations                                                            | 2,096                   | 2,009                   |
| Construction in progress                              | 182                     | 2,161                   | Suspense receipt                                                                        | 2,801                   | 1,180                   |
| Other tangible fixed assets                           | 5,036                   | 4,542                   | Other liabilities                                                                       | 28,701                  | 16,921                  |
| Intangible fixed assets                               | 114,309                 | 119,457                 | Reserve for employees' retirement benefits                                              | 398,004                 | 400,138                 |
| Software                                              | 92,337                  | 96,901                  | Reserve for retirement benefits of directors, executive officers and corporate auditors | 1,188                   | 998                     |
| Other intangible fixed assets                         | 21,971                  | 22,556                  | Reserve for possible reimbursement of prescribed claims                                 | 800                     | 800                     |
| Reinsurance receivable                                | 6,720                   | 28,084                  | Reserve for price fluctuations                                                          | 215,453                 | 233,453                 |
| Other assets                                          | 1,091,187               | 553,949                 | Deferred tax liabilities                                                                | 79,585                  | 312,227                 |
| Accounts receivable                                   | 310,854                 | 13,205                  | Deferred tax liabilities for land revaluation                                           | 73,195                  | 71,606                  |
| Prepaid expenses                                      | 14,705                  | 16,376                  | Acceptances and guarantees                                                              | 47,065                  | 52,861                  |
| Accrued revenue                                       | 157,971                 | 156,694                 | <b>Total liabilities</b>                                                                | <b>33,943,654</b>       | <b>35,734,105</b>       |
| Deposits                                              | 53,027                  | 65,422                  | <b>(NET ASSETS)</b>                                                                     |                         |                         |
| Margin money for futures trading                      | 196,215                 | 164,668                 | Capital stock                                                                           | 60,000                  | 60,000                  |
| Differential account for futures trading              | -                       | 28                      | Capital surplus                                                                         | 370,000                 | 370,000                 |
| Derivatives                                           | 300,742                 | 56,120                  | Legal capital surplus                                                                   | 60,000                  | 60,000                  |
| Collateral for financial products                     | -                       | 29,119                  | Other capital surplus                                                                   | 310,000                 | 310,000                 |
| Suspense payment                                      | 2,799                   | 3,038                   | Retained earnings                                                                       | 200,155                 | 249,195                 |
| Other assets                                          | 54,871                  | 49,277                  | Other retained earnings                                                                 | 200,155                 | 249,195                 |
| Customers' liabilities for acceptances and guarantees | 47,065                  | 52,861                  | Reserve for tax basis adjustments of real estate                                        | 4,947                   | 8,355                   |
| Reserve for possible loan losses                      | (560)                   | (2,358)                 | Reserve for specified business investment                                               | -                       | 49                      |
| Reserve for possible investment losses                | (807)                   | (627)                   | Retained earnings brought forward                                                       | 195,207                 | 240,789                 |
|                                                       |                         |                         | Total shareholders' equity                                                              | 630,155                 | 679,195                 |
|                                                       |                         |                         | Net unrealized gains (losses) on securities, net of tax                                 | 1,916,417               | 2,536,608               |
|                                                       |                         |                         | Deferred hedge gains (losses)                                                           | 21,312                  | (3,501)                 |
|                                                       |                         |                         | Reserve for land revaluation                                                            | (17,978)                | (22,026)                |
|                                                       |                         |                         | Total of valuation and translation adjustments                                          | 1,919,752               | 2,511,080               |
|                                                       |                         |                         | <b>Total net assets</b>                                                                 | <b>2,549,907</b>        | <b>3,190,276</b>        |
| <b>Total assets</b>                                   | <b>36,493,562</b>       | <b>38,924,381</b>       | <b>Total liabilities and net assets</b>                                                 | <b>36,493,562</b>       | <b>38,924,381</b>       |

## 5. Unaudited Statement of Earnings

(millions of yen)

|                                                          | Year ended<br>March 31, 2020 | Year ended<br>March 31, 2021 |
|----------------------------------------------------------|------------------------------|------------------------------|
| <b>ORDINARY REVENUES</b>                                 | <b>3,680,689</b>             | <b>3,811,725</b>             |
| Premium and other income                                 | 2,350,198                    | 2,285,471                    |
| Premium income                                           | 2,345,183                    | 2,275,617                    |
| Reinsurance income                                       | 5,015                        | 9,854                        |
| Investment income                                        | 1,074,327                    | 1,357,114                    |
| Interest and dividends                                   | 786,512                      | 836,571                      |
| Interest from bank deposits                              | 4,979                        | 1,676                        |
| Interest and dividends from securities                   | 656,639                      | 712,308                      |
| Interest from loans                                      | 40,893                       | 39,132                       |
| Rental income                                            | 75,373                       | 73,700                       |
| Other interest and dividends                             | 8,626                        | 9,754                        |
| Gains on money held in trust                             | -                            | 4,849                        |
| Gains on sale of securities                              | 223,240                      | 371,297                      |
| Gains on redemption of securities                        | 11,609                       | 15,370                       |
| Derivative transaction gains                             | 51,944                       | -                            |
| Reversal of reserve for possible loan losses             | 4                            | -                            |
| Other investment income                                  | 1,015                        | 1,202                        |
| Gains on investments in separate accounts                | -                            | 127,823                      |
| Other ordinary revenues                                  | 256,163                      | 169,138                      |
| Fund receipt for annuity rider of group insurance        | 487                          | 331                          |
| Fund receipt for claim deposit payment                   | 156,231                      | 141,931                      |
| Reversal of reserves for outstanding claims              | 3,258                        | -                            |
| Transfer from policy reserves                            | 57,487                       | 915                          |
| Reversal of reserve for employees' retirement benefits   | 2,818                        | -                            |
| Other ordinary revenues                                  | 35,879                       | 25,960                       |
| <b>ORDINARY EXPENSES</b>                                 | <b>3,389,993</b>             | <b>3,437,925</b>             |
| Benefits and claims                                      | 2,397,490                    | 2,364,631                    |
| Claims                                                   | 623,690                      | 616,314                      |
| Annuities                                                | 519,868                      | 486,953                      |
| Benefits                                                 | 407,707                      | 378,685                      |
| Surrender values                                         | 485,414                      | 392,747                      |
| Other refunds                                            | 88,335                       | 110,789                      |
| Ceding reinsurance commissions                           | 272,474                      | 379,140                      |
| Provision for policy reserves and others                 | 8,245                        | 28,897                       |
| Provision for reserves for outstanding claims            | -                            | 20,678                       |
| Provision for interest on policyholder dividends         | 8,245                        | 8,218                        |
| Investment expenses                                      | 309,488                      | 408,153                      |
| Interest expenses                                        | 12,530                       | 12,358                       |
| Losses on money held in trust                            | 2,216                        | -                            |
| Losses on sale of securities                             | 72,761                       | 125,323                      |
| Losses on valuation of securities                        | 57,153                       | 1,285                        |
| Losses on redemption of securities                       | 5,372                        | 6,175                        |
| Derivative transaction losses                            | -                            | 172,879                      |
| Foreign exchange losses                                  | 93,869                       | 31,586                       |
| Provision for reserve for possible loan losses           | -                            | 1,813                        |
| Provision for reserve for possible investment losses     | 504                          | 295                          |
| Write-down of loans                                      | 40                           | 43                           |
| Depreciation of real estate for rent and others          | 13,059                       | 13,171                       |
| Other investment expenses                                | 40,641                       | 43,219                       |
| Losses on investments in separate accounts               | 11,339                       | -                            |
| Operating expenses                                       | 398,500                      | 403,798                      |
| Other ordinary expenses                                  | 276,268                      | 232,444                      |
| Claim deposit payments                                   | 197,776                      | 150,515                      |
| National and local taxes                                 | 29,349                       | 31,236                       |
| Depreciation                                             | 32,543                       | 36,393                       |
| Provision for reserve for employees' retirement benefits | -                            | 1,943                        |
| Other ordinary expenses                                  | 16,599                       | 12,356                       |
| <b>ORDINARY PROFIT</b>                                   | <b>290,696</b>               | <b>373,799</b>               |
| <b>EXTRAORDINARY GAINS</b>                               | <b>4,905</b>                 | <b>5,469</b>                 |
| Gains on disposal of fixed assets                        | 4,905                        | 5,469                        |
| <b>EXTRAORDINARY LOSSES</b>                              | <b>33,888</b>                | <b>27,554</b>                |
| Losses on disposal of fixed assets                       | 13,141                       | 6,810                        |
| Impairment losses on fixed assets                        | 3,556                        | 2,552                        |
| Provision for reserve for price fluctuations             | 17,000                       | 18,000                       |
| Other extraordinary losses                               | 190                          | 190                          |
| <b>Provision for reserve for policyholder dividends</b>  | <b>82,500</b>                | <b>77,500</b>                |
| <b>Income before income taxes</b>                        | <b>179,213</b>               | <b>274,214</b>               |
| <b>Corporate income taxes-current</b>                    | <b>67,696</b>                | <b>77,701</b>                |
| <b>Corporate income taxes-deferred</b>                   | <b>(17,152)</b>              | <b>436</b>                   |
| <b>Total of corporate income taxes</b>                   | <b>50,544</b>                | <b>78,138</b>                |
| <b>Net income</b>                                        | <b>128,669</b>               | <b>196,075</b>               |

## 6. Unaudited Statement of Changes in Net Assets

Year ended March 31, 2020

(millions of yen)

|                                                                | Shareholders' equity |                       |                       |                       |                                                  |                                   |
|----------------------------------------------------------------|----------------------|-----------------------|-----------------------|-----------------------|--------------------------------------------------|-----------------------------------|
|                                                                | Capital stock        | Capital surplus       |                       |                       | Retained earnings                                |                                   |
|                                                                |                      | Legal capital surplus | Other capital surplus | Total capital surplus | Other retained earnings                          |                                   |
|                                                                |                      |                       |                       |                       | Reserve for tax basis adjustments of real estate | Retained earnings brought forward |
| Balance at the beginning of the year                           | 60,000               | 60,000                | 360,000               | 420,000               | 2,228                                            | 201,915                           |
| Changes for the year                                           |                      |                       |                       |                       |                                                  |                                   |
| Dividends                                                      |                      |                       | (49,999)              | (49,999)              |                                                  | (137,148)                         |
| Net income                                                     |                      |                       |                       |                       |                                                  | 128,669                           |
| Transfer to reserve for tax basis adjustments of real estate   |                      |                       |                       |                       | 2,741                                            | (2,741)                           |
| Transfer from reserve for tax basis adjustments of real estate |                      |                       |                       |                       | (22)                                             | 22                                |
| Transfer from reserve for land revaluation                     |                      |                       |                       |                       |                                                  | 4,489                             |
| Net changes of items other than shareholders' equity           |                      |                       |                       |                       |                                                  |                                   |
| Total changes for the year                                     | -                    | -                     | (49,999)              | (49,999)              | 2,718                                            | (6,707)                           |
| Balance at the end of the year                                 | 60,000               | 60,000                | 310,000               | 370,000               | 4,947                                            | 195,207                           |

(millions of yen)

|                                                                | Shareholders' equity    |                            | Valuation and translation adjustments                   |                               |                              |                                                | Total net assets |
|----------------------------------------------------------------|-------------------------|----------------------------|---------------------------------------------------------|-------------------------------|------------------------------|------------------------------------------------|------------------|
|                                                                | Retained earnings       | Total shareholders' equity | Net unrealized gains (losses) on securities, net of tax | Deferred hedge gains (losses) | Reserve for land revaluation | Total of valuation and translation adjustments |                  |
|                                                                | Total retained earnings |                            |                                                         |                               |                              |                                                |                  |
| Balance at the beginning of the year                           | 204,144                 | 684,144                    | 2,211,147                                               | 3,457                         | (13,488)                     | 2,201,117                                      | 2,885,261        |
| Changes for the year                                           |                         |                            |                                                         |                               |                              |                                                |                  |
| Dividends                                                      | (137,148)               | (187,147)                  |                                                         |                               |                              |                                                | (187,147)        |
| Net income                                                     | 128,669                 | 128,669                    |                                                         |                               |                              |                                                | 128,669          |
| Transfer to reserve for tax basis adjustments of real estate   | -                       | -                          |                                                         |                               |                              |                                                | -                |
| Transfer from reserve for tax basis adjustments of real estate | -                       | -                          |                                                         |                               |                              |                                                | -                |
| Transfer from reserve for land revaluation                     | 4,489                   | 4,489                      |                                                         |                               |                              |                                                | 4,489            |
| Net changes of items other than shareholders' equity           |                         |                            | (294,730)                                               | 17,854                        | (4,489)                      | (281,365)                                      | (281,365)        |
| Total changes for the year                                     | (3,989)                 | (53,989)                   | (294,730)                                               | 17,854                        | (4,489)                      | (281,365)                                      | (335,354)        |
| Balance at the end of the year                                 | 200,155                 | 630,155                    | 1,916,417                                               | 21,312                        | (17,978)                     | 1,919,752                                      | 2,549,907        |

Year ended March 31, 2021

(millions of yen)

|                                                                | Shareholders' equity |                       |                       |                       |                                                  |                                           |                                   |
|----------------------------------------------------------------|----------------------|-----------------------|-----------------------|-----------------------|--------------------------------------------------|-------------------------------------------|-----------------------------------|
|                                                                | Capital stock        | Capital surplus       |                       |                       | Retained earnings                                |                                           |                                   |
|                                                                |                      | Legal capital surplus | Other capital surplus | Total capital surplus | Other retained earnings                          |                                           |                                   |
|                                                                |                      |                       |                       |                       | Reserve for tax basis adjustments of real estate | Reserve for specified business investment | Retained earnings brought forward |
| Balance at the beginning of the year                           | 60,000               | 60,000                | 310,000               | 370,000               | 4,947                                            | -                                         | 195,207                           |
| Changes for the year                                           |                      |                       |                       |                       |                                                  |                                           |                                   |
| Dividends                                                      |                      |                       |                       |                       |                                                  |                                           | (151,084)                         |
| Net income                                                     |                      |                       |                       |                       |                                                  |                                           | 196,075                           |
| Transfer to reserve for tax basis adjustments of real estate   |                      |                       |                       |                       | 3,418                                            |                                           | (3,418)                           |
| Transfer from reserve for tax basis adjustments of real estate |                      |                       |                       |                       | (10)                                             |                                           | 10                                |
| Transfer to reserve for specified business investment          |                      |                       |                       |                       |                                                  | 49                                        | (49)                              |
| Transfer from reserve for land revaluation                     |                      |                       |                       |                       |                                                  |                                           | 4,048                             |
| Net changes of items other than shareholders' equity           |                      |                       |                       |                       |                                                  |                                           |                                   |
| Total changes for the year                                     | -                    | -                     | -                     | -                     | 3,408                                            | 49                                        | 45,581                            |
| Balance at the end of the year                                 | 60,000               | 60,000                | 310,000               | 370,000               | 8,355                                            | 49                                        | 240,789                           |

(millions of yen)

|                                                                | Shareholders' equity    |                            | Valuation and translation adjustments                   |                               |                              |                                                | Total net assets |
|----------------------------------------------------------------|-------------------------|----------------------------|---------------------------------------------------------|-------------------------------|------------------------------|------------------------------------------------|------------------|
|                                                                | Retained earnings       | Total shareholders' equity | Net unrealized gains (losses) on securities, net of tax | Deferred hedge gains (losses) | Reserve for land revaluation | Total of valuation and translation adjustments |                  |
|                                                                | Total retained earnings |                            |                                                         |                               |                              |                                                |                  |
| Balance at the beginning of the year                           | 200,155                 | 630,155                    | 1,916,417                                               | 21,312                        | (17,978)                     | 1,919,752                                      | 2,549,907        |
| Changes for the year                                           |                         |                            |                                                         |                               |                              |                                                |                  |
| Dividends                                                      | (151,084)               | (151,084)                  |                                                         |                               |                              |                                                | (151,084)        |
| Net income                                                     | 196,075                 | 196,075                    |                                                         |                               |                              |                                                | 196,075          |
| Transfer to reserve for tax basis adjustments of real estate   | -                       | -                          |                                                         |                               |                              |                                                | -                |
| Transfer from reserve for tax basis adjustments of real estate | -                       | -                          |                                                         |                               |                              |                                                | -                |
| Transfer to reserve for specified business investment          | -                       | -                          |                                                         |                               |                              |                                                | -                |
| Transfer from reserve for land revaluation                     | 4,048                   | 4,048                      |                                                         |                               |                              |                                                | 4,048            |
| Net changes of items other than shareholders' equity           |                         |                            | 620,191                                                 | (24,814)                      | (4,048)                      | 591,328                                        | 591,328          |
| Total changes for the year                                     | 49,039                  | 49,039                     | 620,191                                                 | (24,814)                      | (4,048)                      | 591,328                                        | 640,368          |
| Balance at the end of the year                                 | 249,195                 | 679,195                    | 2,536,608                                               | (3,501)                       | (22,026)                     | 2,511,080                                      | 3,190,276        |

## **I. NOTES TO THE UNAUDITED BALANCE SHEET AS OF MARCH 31, 2021**

### **1. Valuation Methods of Securities**

Securities held by the Company including cash and deposits and monetary claims bought which are equivalent to marketable securities, and marketable securities managed as trust assets in money held in trust, are carried as explained below:

The amortization of premiums and accretion of discounts is calculated by the straight-line method.

(1) Trading Securities

Trading securities are carried at fair value with cost determined by the moving average method.

(2) Held-to-maturity Bonds

Held-to-maturity bonds are stated at amortized cost determined by the moving average method.

(3) Policy-reserve-matching Bonds (in accordance with the 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 (JICPA))

Policy-reserve-matching bonds are stated at amortized cost determined by the moving average method.

(4) Stocks of Subsidiaries and Affiliated Companies

Stocks of subsidiaries and affiliated companies are stated at cost determined by the moving average method.

(5) Available-for-sale Securities

a) Available-for-sale Securities with Fair Value

Available-for-sale securities which have market value are valued at fair value at the end of the fiscal year (for domestic stocks, the average value during March), with cost determined by the moving average method.

b) Available-for-sale Securities Whose Fair Values are Extremely Difficult to Recognize

i) Government/Corporate Bonds (including foreign bonds), Whose Premium or Discount Represents the Interest Adjustment

Government/corporate bonds (including foreign bonds), whose premium or discount represents the interest adjustment are valued at the amortized cost determined by the moving average method.

ii) Others

All other securities are valued at cost determined by the moving average method.

Net unrealized gains or losses on these available-for-sale securities are presented as a separate component of net assets and not in the statement of earnings.

### **2. Risk Management Policy of Policy-reserve-matching Bonds**

The Company categorizes its insurance products into sub-groups by the attributes of each product and, in order to manage risks properly, formulates its policy on investments and resource allocation based on the balance of the sub-groups. Moreover, it periodically checks that the duration gap between policy-reserve-matching bonds and policy reserves stays within a certain range.

The sub-groups of insurance products are:

- a) individual life insurance and annuities,
  - b) non-participating single premium whole life insurance (without duty of medical disclosure),
  - c) financial insurance and annuities, and
  - d) group annuities
- with the exception of certain types.

### **3. Valuation Method of Derivative Transactions**

Derivative transactions are reported at fair value.

#### **4. Revaluation of Land**

Based on the “Act on Revaluation of Land” (Act No.34, March 31, 1998), land for business use was revalued. The difference between the fair value and book value resulting from the revaluation, net of related deferred taxes, is recorded as a reserve for land revaluation as a separate component of net assets and the related deferred tax liability is recorded as deferred tax liabilities for land revaluation.

(1) Date of revaluation: March 31, 2001

(2) Method stipulated in Article 3, Paragraph 3 of the Act on Revaluation of Land;

The fair value was determined based on the appraisal value publicly announced for tax assessment purposes with certain reasonable adjustments in accordance with Articles 2-1 and 2-4 of the Order for Enforcement of the Act on Revaluation of Land (Publicly issued Cabinet Order No.119, March 31, 1998).

#### **5. Depreciation of Depreciable Assets**

(1) Depreciation of Tangible Fixed Assets Excluding Leased Assets

Depreciation of tangible fixed assets excluding leased assets is calculated by the declining balance method (the depreciation of buildings (other than facilities attached to buildings and structures that were acquired on or before March 31, 2016) is calculated by the straight-line method).

Estimated useful lives of major assets are as follows:

|                             |                     |
|-----------------------------|---------------------|
| Buildings                   | two to sixty years  |
| Other tangible fixed assets | two to twenty years |

Tangible fixed assets other than land, buildings and leased assets that were acquired for ¥100,000 or more but less than ¥200,000 are depreciated at equal amounts over three years.

With respect to tangible fixed assets that were acquired on or before March 31, 2007 and that were fully depreciated to their original depreciable limit, effective the fiscal year ended March 31, 2008, the remaining values are depreciated at equal amounts over five years from the following fiscal year of the year in which they reached the original depreciable limit.

(2) Amortization of Intangible Fixed Assets Excluding Leased Assets

The Company uses the straight-line method for amortization of intangible fixed assets excluding leased assets. Software for internal use is amortized by the straight-line method based on the estimated useful lives of five years.

(3) Depreciation of Leased Assets

Depreciation for leased assets with regard to finance leases whose ownership does not transfer to the lessees is computed under the straight-line method assuming zero salvage value and using the lease period as the useful life.

(4) Accumulated Depreciation of Tangible Fixed Assets

The amount of accumulated depreciation of tangible fixed assets as of March 31, 2021 was ¥ 622,492 million.

#### **6. Translation of Assets and Liabilities Denominated in Foreign Currencies into Yen**

The Company translates foreign currency-denominated assets and liabilities (excluding stocks of its subsidiaries and affiliated companies) into yen at the prevailing exchange rates at the end of the year. Stocks of subsidiaries and affiliated companies are translated into yen at the exchange rates on the dates of acquisition.

## **7. Reserve for Possible Loan Losses**

The reserve for possible loan losses is calculated based on the internal rules for self-assessment, write-offs, and reserves on assets.

For loans to and claims on obligors that have already experienced bankruptcy, reorganization, or other formal legal failure (hereinafter, “bankrupt obligors”) and loans to and claims on obligors that have suffered substantial business failure (hereinafter, “substantially bankrupt obligors”), the reserve is calculated by deducting the estimated recoverable amount of the collateral or guarantees from the book value of the loans and claims after the direct write-off described below.

For loans to and claims on obligors that have not yet suffered business failure but are considered highly likely to fail, the reserve is calculated taking into account a) the recoverable amount covered by the collateral or guarantees and b) an overall assessment of the obligor’s ability to repay.

For other loans and claims, the reserve is calculated by multiplying the actual rate or other appropriate rate of losses from bad debts during a certain period in the past by the amount of the loans and claims.

For all loans and claims, the relevant department in the Company performs an asset quality assessment based on the internal rules for self-assessment, and an independent audit department audits the result of the assessment. The above reserves are established based on the result of this assessment.

For loans and claims to bankrupt and substantially bankrupt obligors, the unrecoverable amount is calculated by deducting the amount deemed recoverable from collateral or guarantees from the amount of the loans and claims and is directly written off from the amount of the loans and claims. The amount written off during the fiscal year ended March 31, 2021 was ¥ 1 million.

## **8. Reserve for Employees’ Retirement Benefits**

For the reserve for employees’ retirement benefits, the amount is provided based on the projected benefit obligations and pension assets as of March 31, 2021.

Accounting treatment of retirement benefit obligations and retirement benefit expenses are as follows:

### **(1) Allocation of Estimated Retirement Benefits**

In calculating the projected benefit obligations, the benefit formula basis is adopted to allocate estimated retirement benefit for the fiscal year ended March 31, 2021.

### **(2) Amortization of Actuarial Differences and Past Service Cost**

Past Service Cost is amortized under the straight-line method over a certain period (seven years) within the employees’ average remaining service period.

Actuarial differences are amortized under the straight-line method over a certain period (seven years) within the employees’ average remaining service period, starting from the following year.

## **9. Reserve for Possible Investment Losses**

In order to provide for future investment losses, a reserve for possible investment losses of the Company is established for securities whose fair values are extremely difficult to recognize. It is calculated based on the internal rules for self-assessment, write-offs, and reserves on assets.

## **10. Reserve for Retirement Benefits of Directors, Executive Officers and Corporate Auditors**

For the reserve for retirement benefits of directors, executive officers and corporate auditors, an estimated amount for future payment pursuant to the internal policies is provided.

## **11. Reserve for Possible Reimbursement of Prescribed Claims**

To prepare for the reimbursement of claims for which prescription periods had expired, an estimated amount for reserve for possible reimbursement of prescribed claims based on past reimbursement experience is provided.

## **12. Reserve for Price Fluctuations**

A reserve for price fluctuations is calculated based on the book value of stocks and other securities at the end of the year in accordance with the provisions of Article 115 of the Insurance Business Act.

### 13. Hedge Accounting

#### (1) Hedge Accounting

Hedging transactions are accounted for in accordance with the “Accounting Standards for Financial Instruments” (Accounting Standards Board of Japan (ASBJ) Statement No. 10). Primarily, i) special hedge accounting and the deferral hedge method for interest rate swaps are used for cash flow hedges of certain loans, government and corporate bonds, loans payable and bonds payable; ii) the currency allotment method and the deferral hedge method using foreign currency swaps and foreign currency forward contracts are used for cash flow hedges against exchange rate fluctuations in certain foreign currency-denominated bonds, loans, loans payable and bonds payable and certain foreign currency-denominated term deposits and stocks (forecasted transaction); iii) the fair value hedge method using currency options and foreign currency forward contracts is used for hedges against exchange rate fluctuations in the value of certain foreign currency-denominated bonds; iv) the deferral hedge method for bond over-the-counter options is used for hedges against interest rate fluctuations in certain foreign currency-denominated bonds; v) the deferral hedge method and fair value hedge method using equity options and equity forward contracts are used for hedges against price fluctuations in the value of certain domestic stocks and foreign currency-denominated stocks (forecasted transaction), and vi) the deferral hedge method using interest rate swaps is used for hedges against interest rate fluctuations in certain insurance liabilities, under the “Accounting and Auditing Treatment of Application of Accounting Standard for Financial Instruments to Insurance Operators” (Industry Audit Committee Report No. 26 issued by the JICPA).

#### (2) Hedging Instruments and Hedged Items

| Hedging instruments                      | Hedged items                                                                                                                                                   |
|------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Interest rate swaps .....                | Loans, government and corporate bonds, loans payable, bonds payable, insurance liabilities                                                                     |
| Foreign currency swaps .....             | Foreign currency-denominated bonds, foreign currency-denominated loans, foreign currency-denominated loans payable, foreign currency-denominated bonds payable |
| Foreign currency forward contracts ..... | Foreign currency-denominated bonds, foreign currency-denominated term deposits, foreign currency-denominated stocks (forecasted transaction)                   |
| Currency options .....                   | Foreign currency-denominated bonds                                                                                                                             |
| Bond over-the-counter options .....      | Foreign currency-denominated bonds                                                                                                                             |
| Equity options .....                     | Domestic stocks, foreign currency-denominated stocks (forecasted transaction)                                                                                  |
| Equity forward contracts .....           | Domestic stocks                                                                                                                                                |

#### (3) Hedging Policies

The Company conducts hedging transactions with regard to certain market risk and foreign currency risk of underlying assets to be hedged, in accordance with the internal investment policy and procedure guidelines.

#### (4) Assessment of Hedge Effectiveness

Hedge effectiveness is assessed primarily by a comparison of fluctuations in cash flows or fair value of hedged items to those of the hedging instruments.

### 14. Calculation of National and Local Consumption Tax

The Company accounts for national and local consumption tax by the tax-exclusion method. Deferred consumption tax included in non-recoverable consumption tax on certain assets is capitalized as a prepaid expense and amortized equally over five years in accordance with the Ordinance for Enforcement of the Corporation Tax Act, and such taxes other than deferred consumption tax are recognized as an expense when incurred.

## **15. Policy Reserve**

Policy reserves of the Company are established in accordance with Article 116 of the Insurance Business Act. Insurance premium reserves are calculated as stated in accordance with the methods stated in the statement of calculation procedures for 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 contracts 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 contracts.

Of policy reserves, insurance premium reserves are calculated as stated in 1) and 2) below:

- (1) Reserves for policies subject to the standard policy reserve rules are calculated based on the methods stipulated by the Commissioner of Financial Services Agency (Notification of the Minister of Finance No. 48, 1996).
- (2) Reserves for other policies are established based on the net level premium method.

If, through an estimation of future income based on most recent actual figures, the policy reserves set aside are found likely to be insufficient to cover the performance of future obligations, additional policy reserves need to be set aside in accordance with Article 69, Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act. Policy reserves include additional policy reserves for some whole life insurance policies in accordance with Article 69, Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act.

Contingency reserves included in policy reserves are set aside in accordance with 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 contracts.

## **16. Financial Instruments and Others**

### **(1) Financial Instruments**

#### **a) Policies in Utilizing Financial Instruments**

In an effort to manage investment assets in a manner appropriate to liabilities, which arise from the insurance policies underwritten, the company engages in asset liability management, or ALM, which considers the long-term balance between assets and liabilities to ensure stable returns. With this strategy, the Company holds fixed income investments, including bonds and loans, as the core of its asset portfolio. While placing its financial soundness first, the Company also holds stocks and foreign securities within its tolerable risk to enhance its profitability and facilitate diversification of investment risks.

The Company uses derivatives primarily to hedge market risks associated with its existing asset portfolio and supplement its investment objectives, taking into account the exposure of underlying assets.

With respect to financing, the Company has raised capital directly from the capital markets by issuing subordinated bonds as well as indirectly from banks in order to strengthen its capital base. To avoid impact from interest rate fluctuations, the Company utilizes derivative transactions in hedging some of such financial liabilities and adopts hedge accounting.

#### **b) Financial Instruments Used and Their Risks**

Securities included in financial assets of the Company, mainly stocks and bonds, are categorized by its investment objectives such as held-to-maturity securities, policy-reserve-matching securities and available-for-sale securities. Those securities are exposed to market fluctuation risk, credit risk and interest rate risk and some of the securities denominated in foreign currency are exposed to foreign currency risk. Also, loans are exposed to credit risk arising from the defaults of obligors.

The Company might be exposed to liquidity risk in certain circumstances in which it cannot make timely payments of principal, interest or other amounts due to unpredictable cash outflows or is forced to raise capital with interest rates substantially higher than usual. Also, some of its loans payable and bonds payable which are floating interest rate based and denominated in foreign currency are exposed to interest rate risk and foreign currency risk.

The Company utilizes i) interest rate swaps to hedge interest rate risk associated with certain of its loans receivable and payable, ii) equity forward contracts to hedge market fluctuation risks associated with domestic stocks, and iii) foreign currency forward contracts, currency options and foreign currency swaps to hedge foreign currency risks associated with certain foreign currency-denominated bonds, foreign currency-denominated short-term deposits and foreign currency-denominated debts, etc. and adopt hedge accounting.

In addition, the company utilizes iv) interest rate swaps to hedge interest rate risk associated with certain insurance liabilities, under the "Accounting and Auditing Treatment of Application of Accounting Standard for Financial Instruments to Insurance Operators" (JICPA Industry Audit Committee Report No. 26).

In applying the hedge accounting, in order to fulfill requirements stipulated in the "Accounting standards for financial instruments" (ASBJ Statement No. 10), the Company has established investment

policy and procedure guidelines and clarified the transactions to be hedged, the risk of underlying assets to be hedged and derivative instruments to be used, and conducted pre- and post-effectiveness tests of the transactions.

c) Risk Management

The risk management system of the Company is as follows:

i) Market Risk Management

Under the internal investment policy and market risk management policy, the Company manages market risk by conducting mid- to long-term asset allocation in a manner appropriate to its liabilities. Therefore, it categorizes its portfolio into sub-groups, based on their investment purpose, and manages them taking into account each of their risk characteristics.

(a) Interest rate risk

The Company keeps track of interest rates and durations of its assets and liabilities, monitors its internal analyses on duration gap and interest rate sensitivity, and periodically reports its findings to the board of directors, etc.

(b) Currency risk

The Company keeps track of currency composition of its financial assets and liabilities, conducts sensitivity analyses, and periodically reports its findings to the board of directors, etc.

(c) Fluctuation in market values

The Company defines risk management policies and management procedures for each component of its overall portfolio, including securities and specific risk management procedures, based on the risk characteristics of the categories, and set and manages upper limits of each asset balance and asset allocation weight.

Such management conditions are periodically reported by its risk management sections to the board of directors, etc.

(d) Derivative transactions

For derivative transactions, the Company has established internal check system by segregating i) executing department, ii) the department which engages in assessment of hedge effectiveness, and iii) the back-office. Additionally, in order to limit speculative use of derivatives, the Company has put restrictions on utilization purpose, such as hedging, and establishes position limits for each asset class.

ii) Credit Risk Management

In accordance with the internal investment policy and credit risk management procedure guidelines, the Company has established a credit management system related to loans, such as preliminary reviews on individual transactions, credit limit setting, credit information management, internal credit rating, attachment of guarantees and collateral, and follow-ups on problem loans. For corporate bond investment, the credit section sets investment caps on individual issuers taking into account internal credit ratings and other factors. Excessive risk-taking is restricted since front offices make investment within those caps. Policies and framework for large-lot borrowers have been formulated in order to prevent credit concentration by monitoring compliance, etc. That credit management has been conducted by the credit and risk management sections, and has been periodically reported to the board of directors, etc. Additionally, the internal audit section has also checked credit management status.

Credit risk of security issuers and counterparty risk with respect to derivative transactions are managed by the credit section, which sets upper limits for each counterparty and financial instrument and periodically monitors credit information, and by the risk management section, which periodically calculates current exposures.

d) Supplementary Explanation for Fair Value of Financial Instruments

As well as the value based on market prices, fair values of financial instruments include values which are reasonably calculated in case market prices do not exist. As the calculation of those values adopts certain assumptions, those values may vary in case different assumptions are applied.

(2) Fair Value of Financial Instruments

The carrying amount on the balance sheet, fair value and differences between carrying amount and fair value as of March 31, 2021 were as follows. The following tables do not include financial instruments whose fair value is extremely difficult to recognize. (Please refer to (Note 2))

| As of March 31, 2021                             | Carrying amount   | Fair value        | Gains<br>(Losses) |
|--------------------------------------------------|-------------------|-------------------|-------------------|
| (Unit: million yen)                              |                   |                   |                   |
| (1) Cash and deposits .....                      | 380,173           | 380,173           | -                 |
| (2) Call loans .....                             | 403,700           | 403,700           | -                 |
| (3) Monetary claims bought .....                 | 252,140           | 252,140           | -                 |
| (4) Money held in trust .....                    | 7,716             | 7,716             | -                 |
| (5) Securities                                   |                   |                   |                   |
| a. Trading securities .....                      | 936,743           | 936,743           | -                 |
| b. Held-to-maturity bonds .....                  | 47,221            | 48,896            | 1,675             |
| c. Policy-reserve-matching bonds .....           | 13,332,171        | 15,520,087        | 2,187,915         |
| d. Stock of subsidiaries and affiliate companies | 343               | 451               | 108               |
| e. Available-for-sale securities .....           | 18,844,324        | 18,844,324        | -                 |
| (6) Loans .....                                  | 2,576,064         |                   |                   |
| Reserve for possible loan losses (*1) .....      | (850)             |                   |                   |
|                                                  | 2,575,213         | 2,633,115         | 57,901            |
| <b>Total assets .....</b>                        | <b>36,779,746</b> | <b>39,027,347</b> | <b>2,247,601</b>  |
| (1) Bonds payable.....                           | 476,277           | 509,676           | 33,399            |
| (2) Payable under repurchase agreements.....     | 2,301,762         | 2,301,762         | -                 |
| (3) Long-term borrowings .....                   | 390,600           | 390,394           | (205)             |
| <b>Total liabilities .....</b>                   | <b>3,168,639</b>  | <b>3,201,832</b>  | <b>33,193</b>     |
| Derivative transactions (* 2)                    |                   |                   |                   |
| a. Hedge accounting not applied .....            | (5,691)           | (5,691)           | -                 |
| b. Hedge accounting applied .....                | (295,152)         | (295,773)         | (621)             |
| <b>Total derivative transactions .....</b>       | <b>(300,843)</b>  | <b>(301,465)</b>  | <b>(621)</b>      |

(\*1) Excluding general reserves for possible loan losses and specific reserves for possible loan losses related to loans.

(\*2) Credits/debts from derivative transactions are presented on a net basis. Figures in [ ] are net debts.

(Note 1) Notes to Methods for Calculating Fair Value of Financial Instruments, Securities and Derivative Transactions

● Assets

(1) Cash and deposits

Since deposits are close to maturity or have no maturity and their fair value is close to the carrying amounts, fair value is based on the carrying amount.

(2) Call loans

Since all call loans are close to the due date and their fair value is close to their carrying amounts, fair value of call loans is based on their carrying amount.

(3) Monetary claims bought

The fair value of monetary claims bought is based on the reasonably calculated prices.

(4) Money held in trust

The fair value of stocks is based on the price on stock exchanges and that of bonds is based on the price on bond markets or price presented by counterparty financial institutions. The fair value of mutual funds is based on unit price.

(5) Securities

The fair value of stocks is based on the price on stock exchanges and that of bonds is based on the price on bond markets or price presented by counterparty financial institutions. The fair value of mutual funds is based on unit price. As for ownership stakes in partnerships, the amount equivalent to partnership interest in fair value of the partnership assets is recorded as fair value of the stake in the partnership.

(6) Loans

The fair value of loans is calculated by discounting future cash flows of the subject loan, using interest rates corresponding to the internal credit rating and remaining period which are assumed to be applied to new loans to the subject borrower.

Additionally, for risk-monitored loans, reserve for possible loan losses is calculated based on the present value of estimated future cash flows or the amount deemed recoverable from collateral and guarantees and the fair value is close to the carrying amount on the balance sheet minus reserve for possible loan losses at the end of the fiscal year. Therefore, that amount (the carrying amount on the balance sheet minus reserve for possible loan losses) is recorded as fair value of risk-monitored loans.

Also, loans without a due date because of their characteristics that their exposure is limited to the amount of their collaterals are deemed to have fair value close to book value, taking into account estimated repayment period and interest rates. Therefore, their book value is recorded as the fair value.

- Liabilities

- (1) Bonds payable

The fair value of bonds is based on the price on the bond market.

- (2) Payables under repurchase agreement

Since payables under repurchase agreements are close to the due date and their fair value is close to their carrying amounts, fair value of payables under repurchase agreements is based on their carrying amount.

- (3) Long-term borrowings

The fair value of long-term borrowing is calculated by discounting future cash flows, using interest rates corresponding to internal credit rating and remaining periods which are assumed to be applied to new borrowings.

- Derivative Transactions

The breakdown of derivative transactions is a) currency-related transactions; b) interest-related transactions; c) stock-related transactions; and d) bond-related transactions, etc. The fair value of the instruments is based on the prices on derivatives markets and the prices quoted from financial institutions, etc.

(Note 2) Financial instruments whose fair value is extremely difficult to recognize were as follows and are not included in the fair value of (5) Securities in (Note 1)

| As of March 31, 2021                       | Carrying amount     |
|--------------------------------------------|---------------------|
|                                            | (Unit: million yen) |
| 1. Unlisted domestic stocks (*1)(*2) ..... | 50,578              |
| 2. Unlisted foreign stocks (*1)(*2).....   | 30,619              |
| 3. Other foreign securities (*1)(*2).....  | -                   |
| 4. Other securities (*1)(*2).....          | 225,035             |
| <b>Total</b>                               | <b>306,223</b>      |

(\*1) These securities cannot be assigned a market value because of the unavailability of tradable markets, and they are excluded from the disclosure of fair value.

(\*2) The Company recorded impairment charges of ¥1,192 million for the fiscal year ended March 31, 2021

## 17. Real Estate for Rent

The Company owns a number of commercial buildings, including land, for rent in various locations, including Tokyo. Net rental income from such real estate for rent for the fiscal year ended March 31, 2021 was ¥35,836 million. The rental income was included in investment income and the rental expense was included in investment expenses. The Company recorded gains on sale of ¥2,548 million and impairment loss of ¥2,528 million on rental real estate as extraordinary losses for the fiscal year ended March 31, 2021.

The carrying amount, net change during the year and the fair value of such rental real estate, were as follows:

|                               |                     |
|-------------------------------|---------------------|
| Carrying amount               | (Unit: million yen) |
| Beginning balance .....       | 788,201             |
| Net change for the year ..... | (814)               |
| Ending balance .....          | 787,387             |
| Fair value                    | 1,056,203           |

(\*1)The carrying amount of rental real estate on the balance sheet was acquisition costs net of accumulated depreciation and impairments.

(\*2)Net change in the carrying amount includes cost of acquisition of the real estate of ¥30,668 million, sale of the real estate of ¥19,468 million, depreciation expense of ¥13,165 million, and impairment loss of ¥2,528 million.

(\*3)The Company calculates the fair value of the majority of the rental real estate based on real estate appraisal standards and assessment by an independent appraiser, and others based on internal but reasonable estimates.

## 18. Securities Lending

Securities lent under lending agreements are included in the balance sheet. The total balance of securities lent as of March 31, 2021 was ¥2,246,652 million.

## 19. Problem Loans

As of March 31, 2021, the total amounts of credits to bankrupt borrowers, delinquent loans, loans past due for three months or more, and restructured loans were as follows:

|                                                   |                     |
|---------------------------------------------------|---------------------|
|                                                   | (Unit: million yen) |
| Credits to bankrupt borrowers (*1).....           | 67                  |
| Delinquent loans (*2).....                        | 3,216               |
| Loans past due for three months or more (*3)..... | -                   |
| Restructured loans (*4).....                      | 833                 |
| Total .....                                       | 4,117               |

(\*1) Credits to bankrupt borrowers represent non-accrual loans, excluding the balances already written off, which meet the conditions prescribed in Article 96, Paragraph 1, Item 3, (a) to (e) or Item 4 of the Order for Enforcement of the Corporation Tax Act (Cabinet Order 97, 1965). Interest accruals of such loans are suspended since the principal of or interest on such loans is unlikely to be collected.

(\*2) Delinquent loans are credits that are delinquent other than credits to bankrupt borrowers and loans for which interest payments have been suspended to assist and support the borrowers in the restructuring of their businesses.

(\*3) Loans past due for three months or more are loans for which interest or principal payments are delinquent for three months or more under the terms of the loans excluding those classified as credits to bankrupt borrowers or delinquent loans.

(\*4) Restructured loans are loans for which certain concessions favorable to borrowers, such as interest reductions or exemptions, postponement of principal or interest payments, release from repayment or other agreements have been negotiated for the purpose of assisting and supporting the borrowers in the restructuring of their businesses. This category excludes loans classified as credits to bankrupt borrowers, delinquent loans, and loans past due for three months or more.

As a result of the direct write-off of loans described in Note 7, the decreases in credits to bankrupt borrowers and delinquent loans were as follows:

|                                     |                     |
|-------------------------------------|---------------------|
|                                     | (Unit: million yen) |
| Credits to bankrupt borrowers ..... | 1                   |
| Delinquent loans .....              | -                   |

## 20. Assets and Liabilities Held in Separate Accounts

The total amount of assets held in separate accounts defined in Article 118, Paragraph 1 of the Insurance Business Act as of March, 2021 was 1,575,100 million. Separate account liabilities were the same amount as the separate account assets.

## 21. Receivables from and Payables to Subsidiaries and Affiliated Companies

The total amounts of receivables from and payables to subsidiaries and affiliated companies as of March, 2021 were ¥46,534 million and ¥4,375 million, respectively.

## 22. Deferred Tax Accounting

### (1) Major components of deferred tax assets and liabilities as of March 31, 2021

|                                                        |                     |
|--------------------------------------------------------|---------------------|
| Deferred tax assets:                                   | (Unit: million yen) |
| Policy reserves and others .....                       | 459,176             |
| Reserve for employees' retirement benefits .....       | 135,765             |
| Reserve for price fluctuations .....                   | 65,180              |
| Losses on valuation of securities .....                | 8,886               |
| Impairment losses .....                                | 8,034               |
| Others .....                                           | 20,883              |
| Subtotal .....                                         | 697,926             |
| Valuation allowances .....                             | (13,541)            |
| Total .....                                            | 684,385             |
| Deferred tax liabilities:                              |                     |
| Net unrealized gains on securities, net of tax .....   | (966,910)           |
| Reserve for tax basis adjustments of real estate ..... | (11,162)            |
| Accrued dividend receivables .....                     | (7,497)             |
| Others .....                                           | (11,042)            |
| Total .....                                            | (996,612)           |
| Net deferred tax liabilities .....                     | (312,227)           |

(2) The principal reasons for the difference between the statutory effective tax rate and actual effective tax rate after considering deferred taxes as of March 31, 2021

The difference between the statutory effective tax rate and actual effective tax rate after considering deferred taxes was 5% less than actual statutory effective tax rate, therefore the principle reason of the difference is omitted.

## 23. Contingent Liabilities

Guarantee for debt obligations of a third company were as follows:

|                                   |                     |
|-----------------------------------|---------------------|
|                                   | (Unit: million yen) |
| Dai-ichi Life Holdings, Inc. .... | 250,002             |

## 24. Changes in Reserve for Policyholder Dividends

Changes in reserve for policyholder dividends were as follows:

|                                                       |                     |
|-------------------------------------------------------|---------------------|
|                                                       | (Unit: million yen) |
| Balance at the beginning of the fiscal year.....      | 399,742             |
| Dividends paid during the fiscal year.....            | 84,461              |
| Interest accrual during the fiscal year.....          | 8,218               |
| Provision for reserve for policyholder dividends..... | 77,500              |
| Balance at the end of the fiscal year.....            | 400,999             |

## 25. Stock of Subsidiaries and Affiliated Companies

The amount of stocks of subsidiaries and affiliated companies of the Company held as of March 31, 2021 was ¥177,115 million.

## 26. Organization Change Surplus

As of March 31, 2021, the amount of organizational change surplus stipulated in Article 91 of the Insurance Business Act was ¥117,776 million.

## 27. Assets Pledged as Collateral / Secured Liabilities

The amounts of assets pledged as collateral were as follows:

|                                    | (Unit: million yen) |
|------------------------------------|---------------------|
| Securities .....                   | 2,308,573           |
| Cash and deposits .....            | 86                  |
| Assets pledged as collateral ..... | 2,308,659           |

The amounts of secured liabilities were as follows:

|                                           | (Unit: million yen) |
|-------------------------------------------|---------------------|
| Payables under repurchase agreements..... | 2,301,762           |

"Securities" mentioned above included ¥2,074,617 million of Securities which were sold under repurchase agreements, as of March 31, 2021.

## 28. Reinsurance

The amount of reserves for outstanding claims for reinsured parts defined in Article 71, Paragraph 1 of the Ordinance for Enforcement of the Insurance Business Act, which is referred to in Article 73, Paragraph 3 of the Ordinance (hereinafter "reserves for outstanding claims reinsured"), was ¥32 million. The amount of policy reserves provided for reinsured parts defined in Article 71, Paragraph 1 of the Ordinance (hereinafter "policy reserves reinsured") was ¥592,115 million.

## 29. Net Assets per Share

The amount of net assets per share of the Company as of March 31, 2021 was ¥531,712,707.94.

## 30. Securities Borrowing

Of securities borrowed under borrowing agreements, the market value of the securities which can be sold or pledged as collateral but were not sold nor pledged as of March 31, 2021 was ¥2,343 million, among which none of the securities were pledged as collateral.

## 31. Employees' Retirement Benefits

### (1) Overview of Employees' Retirement Benefit Plan

As a defined benefit plan for its sales representatives, the Company has established and maintained a benefit plan consisting of retirement lump sum grants and company administered pension.

For its administrative personnel, the Company has established and maintained a benefit plan consisting of defined benefit corporate pension and retirement lump sum grants as a defined benefit plan and defined contribution pension as a defined contribution plan.

### (2) Defined Benefit Plans

#### a) Reconciliations of beginning and ending balances of projected benefit obligations

|                                                                                      | (Unit: million yen) |
|--------------------------------------------------------------------------------------|---------------------|
| a. Beginning balance of the projected benefit obligations .....                      | 684,256             |
| b. Service cost .....                                                                | 25,769              |
| c. Interest cost .....                                                               | 2,050               |
| d. Accruals of actuarial (gains) and losses .....                                    | 5,543               |
| e. Payment of retirement benefits .....                                              | (32,125)            |
| f. Accruals of Past Service cost .....                                               | 2,160               |
| g. Others.....                                                                       | (883)               |
| h. Ending balance of the projected benefit obligation (a + b + c + d + e + f + g) .. | 686,771             |

#### b) Reconciliations of beginning and ending balances of pension assets

(Unit: million yen)

|    |                                                           |          |
|----|-----------------------------------------------------------|----------|
| a. | Beginning balance of pension assets .....                 | 253,121  |
| b. | Estimated return on assets .....                          | 1,753    |
| c. | Accruals of actuarial (gains) and losses .....            | 28,511   |
| d. | Contribution from the employer .....                      | 6,746    |
| e. | Payment of retirement benefits .....                      | (10,254) |
| f. | Ending balance of pension assets (a + b + c + d + e)..... | 279,877  |

c) Reconciliations of year-end balance of projected benefit obligations and pension assets, and net defined benefit liabilities and assets that have been recorded in the balance sheet

(Unit: million yen)

|    |                                                                                  |           |
|----|----------------------------------------------------------------------------------|-----------|
| a. | Projected benefit obligation for funded pensions .....                           | 365,467   |
| b. | Pension assets .....                                                             | (279,877) |
| c. | Subtotal (a + b) .....                                                           | 85,590    |
| d. | Projected benefit obligation for unfunded pensions .....                         | 321,304   |
| e. | Unrecognized actuarial differences .....                                         | (5,416)   |
| f. | Unrecognized Past Service cost .....                                             | (1,339)   |
| g. | Net of assets and liabilities recorded in the balance sheet (c + d + e + f)..... | 400,138   |

d) Amount of the components of retirement benefit expenses

(Unit: million yen)

|    |                                                                                    |         |
|----|------------------------------------------------------------------------------------|---------|
| a. | Service cost .....                                                                 | 25,769  |
| b. | Interest cost .....                                                                | 2,050   |
| c. | Expected return on assets .....                                                    | (1,753) |
| d. | Amortization of unrecognized actuarial differences .....                           | 5,618   |
| e. | Amortization of unrecognized Past Service cost .....                               | (136)   |
| f. | Others .....                                                                       | 190     |
| g. | Retirement benefit expenses for defined benefit plans (a + b + c + d + e + f)..... | 31,738  |

e) The main components of the pension assets

Ratios of the major assets to the total pension assets were as follows:

|                                      |      |
|--------------------------------------|------|
| Stocks .....                         | 70%  |
| Assets under joint management.....   | 15%  |
| Life insurance general accounts..... | 4%   |
| Bonds .....                          | 3%   |
| Others .....                         | 8%   |
| Total .....                          | 100% |

The proportion of retirement benefit trust to total pension assets that has been set for the retirement lump sum grants as of March 31, 2021 was 53%.

f) The method for setting the expected long-term rate of return on pension assets

To determine the expected long-term rate of return on pension assets, the Company has taken into account the allocation of pension assets at present and in future, and long-term rate of return on a variety of assets that make up the pension assets at present and in future.

g) Calculation basis of actuarial gains and losses

Major assumptions of basis of actuarial calculation as of March 31, 2021 were as follows:

|                                         |       |
|-----------------------------------------|-------|
| Discount rate .....                     | 0.30% |
| Expected long-term rate of return       |       |
| Defined benefit corporate pension ..... | 1.40% |
| Employee pension trust .....            | 0.00% |

---

(3) Defined Contribution Plans

Required amount of contribution to defined contribution plans for the fiscal year ended March 31, 2021 was ¥1,566 million.

**32. Commitment Line**

As of March 31, 2021, there were unused commitment line agreements under which the Company was the lender of ¥78,478 million.

**33. Subordinated Debt**

As of March 31, 2021, other liabilities included subordinated debt of ¥390,600 million, whose repayment is subordinated to other obligations.

**34. Subordinated Bonds**

As of March 31, 2021, bonds payable included foreign currency-denominated subordinated bonds of ¥476,277 million; whose repayment is subordinated to other obligations.

**35. Obligations to the Life Insurance Policyholders Protection Corporation of Japan**

The estimated future obligations to the Life Insurance Policyholders Protection Corporation of Japan under Article 259 of the Insurance Business Act as of March 31, 2021 were ¥44,307 million. These obligations will be recognized as operating expenses in the period in which they are paid.

## II. NOTES TO THE UNAUDITED STATEMENT OF EARNINGS FOR THE FISCAL YEAR ENDED MARCH 31, 2021

### 1. Accounting Policies for Premium and Other Income and Benefits and Claims for Consolidated Subsidiaries That Operate a Life Insurance Business in Japan

#### (1) Premium and other income (excluding reinsurance income)

Premium and other income (excluding reinsurance income) is recorded for insurance contracts for which insurance premium has been received and the insurer's liability under the insurance contracts has commenced by the relevant amounts received.

Of premium and other income (excluding reinsurance income), 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 69, Paragraph 1, Item 2 of the Ordinance for Enforcement of the Insurance Business Act.

#### (2) Benefits and claims (excluding ceding reinsurance commissions)

Benefits and claims (excluding ceding reinsurance commissions) are recorded for contracts 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, reserves for outstanding claims are set aside for claims, etc. for which the Company has a payment due but has not paid, or for which the occurrence of the insured events have not been reported but the Company finds that insured events have already occurred, as of the end of the fiscal year.

The Company discloses "principles and procedures of the accounting treatment adopted in cases where the provisions of relevant accounting standards, etc. are unclear" with the adoption of the "Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections" (ASBJ Statement No. 24 revised on March 31, 2020), in the financial statements for the end of the fiscal year ended March 31, 2021.

### 2. Revenues and Expenses from Transactions with Subsidiaries and Affiliated Companies

The total amounts of revenues and expenses from transactions with subsidiaries and affiliated companies were ¥6,942 million and ¥18,482 million, respectively.

### 3. Gains/Losses on Sale of Securities, Losses on Valuation of Securities

Gains on sale of securities included gains on sale of domestic bonds, domestic stocks, foreign securities and other securities of ¥79,550 million, ¥147,417 million, ¥142,544 million and ¥1,784 million, respectively.

Losses on sale of securities included losses on sales of domestic bonds, domestic stocks, foreign securities and other securities of ¥556 million, ¥30,382 million, ¥89,606 million and ¥4,778 million, respectively.

Losses on valuation of securities included losses on valuation of domestic stocks and foreign securities of ¥1,280 million and ¥4 million, respectively.

### 4. Reinsurance

In calculating the provision for reserves for outstanding claims, a reversal of reserves for outstanding claims reinsured of ¥2 million was added. In calculating the reversal of policy reserves, a provision for reserves for policy reserves reinsured of ¥295,383 million was added.

### 5. Gains/Losses on Money Held in Trust

Gains on money held in trust included gains on valuation of securities of ¥2,997 million

### 6. Derivative Transaction Gains/Losses

Derivative transaction losses included losses on valuation of ¥63,714 million.

### 7. Net Income per Share

Net income per share for the fiscal year ended March 31, 2021 was ¥32,679,307.30. Diluted net income per share for the same period is not presented because there were no existing diluted shares.

### 8. Impairment Losses on Fixed Assets

Details of impairment losses on fixed assets for the fiscal year ended March 31, 2021 were as follows:

#### (1) Method of Grouping Assets

Real estate and other assets used for insurance business purposes are recognized as one asset group. Each property for rent and property not in use, which is not used for insurance business purposes, is deemed to be an independent asset group.

#### (2) Background for Recognition of Impairment Losses

As a result of significant declines in profitability or market value of some asset groups, the Company wrote down the book value of these assets to the recoverable value, and reported such write-off as impairment losses in extraordinary losses.

(3) Breakdown of Impairment Losses

Impairment losses by asset group for the fiscal year ended March 31, 2021 were as follows:

| Asset Group            | Place                                        | Number | Impairment Losses |           |       |
|------------------------|----------------------------------------------|--------|-------------------|-----------|-------|
|                        |                                              |        | Land              | Buildings | Total |
| (Unit: million yen)    |                                              |        |                   |           |       |
| Real estate for rent   | Morioka City, Iwate Prefecture               | 1      | 25                | 31        | 57    |
| Real estate not in use | Takamatsu city, Kagawa Prefecture and others | 22     | 1,741             | 752       | 2,494 |
| Total                  | -                                            | 23     | 1,767             | 784       | 2,552 |

(4) Calculation of Recoverable Value

Value in use or net sale value is used as the recoverable value of real estate for rent, and net sale value is used as the recoverable value of real estate not in use. A discount rate of 2.17 % for the fiscal year ended March 31, 2021 was applied for discounting future cash flows in the calculation of value in use. Estimated disposal value, appraisal value based on real estate appraisal standards, or appraisal value based on publicly assessed land value for tax purposes was used as the net sale value.

### III. NOTES TO THE UNAUDITED STATEMENT OF CHANGES IN NET ASSETS FOR THE FISCAL YEAR ENDED MARCH 31, 2021

#### 1. Number of Shares Outstanding

| (Unit: thousands of shares) |                                     |                                 |                                 |                               |
|-----------------------------|-------------------------------------|---------------------------------|---------------------------------|-------------------------------|
|                             | At the beginning of the fiscal year | Increase during the fiscal year | Decrease during the fiscal year | At the end of the fiscal year |
| Common Stock                | 6,000                               | -                               | -                               | 6,000                         |

#### 2. Dividends on Common Stock

(1) Dividends paid out in the year ended March 31, 2021

|                     |                                                               |
|---------------------|---------------------------------------------------------------|
| Date of resolution  | June 17, 2020 (at the Annual General Meeting of Shareholders) |
| Type of shares      | Common stock                                                  |
| Total dividends     | ¥101,079 million                                              |
| Dividends per share | ¥16,846,500                                                   |
| Record date         | March 31, 2020                                                |
| Effective date      | June 18, 2020                                                 |
| Dividend resource   | Retained earnings                                             |

|                     |                                                                |
|---------------------|----------------------------------------------------------------|
| Date of resolution  | August 12, 2020 (at the Extraordinary Meeting of Shareholders) |
| Type of shares      | Common stock                                                   |
| Total dividends     | ¥49,999 million                                                |
| Dividends per share | ¥8,333,300                                                     |
| Record date         | -                                                              |
| Effective date      | August 13, 2020                                                |
| Dividend resource   | Retained earnings                                              |

|                                     |                                                                    |
|-------------------------------------|--------------------------------------------------------------------|
| (2) Dividends in Kind               |                                                                    |
| Date of resolution                  | August 12, 2020 (at the Extraordinary Meeting of Shareholders) (*) |
| Type of shares                      | Common stock                                                       |
| Type of the dividend property       | Securities                                                         |
| Book value of the dividend property | ¥5 million                                                         |
| Record date                         | -                                                                  |
| Effective date                      | August 31, 2020                                                    |
| Dividend resource                   | Retained earnings                                                  |

(\*) At the Extraordinary Meeting of Shareholders on August 12, 2020, the Company decided to transfer its securities to Daiichi life Holdings, Inc. as a qualified dividend in kind, and carried out it on August 31, 2020.

|                                                                                                             |                                                               |
|-------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------|
| (3) Dividends, the record date of which was March 31, 2021, to be paid out in the year ended March 31, 2022 |                                                               |
| Date of resolution                                                                                          | June 16, 2021 (at the Annual General Meeting of Shareholders) |
| Type of shares                                                                                              | Common stock                                                  |
| Total dividends                                                                                             | ¥158,716 million                                              |
| Dividends per share                                                                                         | ¥26,452,800                                                   |
| Record date                                                                                                 | March 31, 2021                                                |
| Effective date                                                                                              | June 17, 2021                                                 |
| Dividend resource                                                                                           | Retained earnings                                             |
| <br>                                                                                                        |                                                               |
| Date of resolution                                                                                          | June 16, 2021 (at the Annual General Meeting of Shareholders) |
| Type of shares                                                                                              | Common stock                                                  |
| Total dividends                                                                                             | ¥49,999 million                                               |
| Dividends per share                                                                                         | ¥8,333,300                                                    |
| Record date                                                                                                 | March 31, 2021                                                |
| Effective date                                                                                              | June 17, 2021                                                 |
| Dividend resource                                                                                           | Capital surplus                                               |

## 7. Breakdown of Ordinary Profit (Fundamental Profit)

| (millions of yen)                                                 |                                    |                                    |
|-------------------------------------------------------------------|------------------------------------|------------------------------------|
|                                                                   | Year ended<br>As of March 31, 2020 | Year ended<br>As of March 31, 2021 |
| Fundamental revenues                                              | 3,347,992                          | 3,437,832                          |
| Premium and other income                                          | 2,350,198                          | 2,285,471                          |
| Investment income                                                 | 799,117                            | 980,967                            |
| [Interest and dividends]                                          | 786,512                            | 836,571                            |
| Other ordinary revenues                                           | 198,676                            | 168,223                            |
| Other fundamental revenues (a)                                    | -                                  | 3,170                              |
| Fundamental expenses                                              | 2,925,860                          | 2,957,276                          |
| Benefits and claims                                               | 2,127,195                          | 1,987,585                          |
| Provision for policy reserves and others                          | 40,651                             | 258,325                            |
| Investment expenses                                               | 82,942                             | 75,122                             |
| Operating expenses                                                | 398,500                            | 403,798                            |
| Other ordinary expenses                                           | 276,268                            | 232,444                            |
| Other fundamental expenses (b)                                    | 302                                | 0                                  |
| Fundamental profit                                                | <b>A</b> 422,132                   | 480,556                            |
| Capital gains                                                     | 275,487                            | 376,147                            |
| Gains on money held in trust                                      | -                                  | 4,849                              |
| Gains on investments in trading securities                        | -                                  | -                                  |
| Gains on sale of securities                                       | 223,240                            | 371,297                            |
| Derivative transaction gains                                      | 51,944                             | -                                  |
| Foreign exchange gains                                            | -                                  | -                                  |
| Others (c)                                                        | 302                                | 0                                  |
| Capital losses                                                    | 226,000                            | 334,244                            |
| Losses on money held in trust                                     | 2,216                              | -                                  |
| Losses on investments in trading securities                       | -                                  | -                                  |
| Losses on sale of securities                                      | 72,761                             | 125,323                            |
| Losses on valuation of securities                                 | 57,153                             | 1,285                              |
| Derivative transaction losses                                     | -                                  | 172,879                            |
| Foreign exchange losses                                           | 93,869                             | 31,586                             |
| Others (d)                                                        | -                                  | 3,170                              |
| Net capital gains (losses)                                        | <b>B</b> 49,486                    | 41,902                             |
| Fundamental profit plus net capital gains (losses)                | <b>A + B</b> 471,618               | 522,459                            |
| Other one-time gains                                              | 199,483                            | 326,273                            |
| Reinsurance income                                                | -                                  | -                                  |
| Reversal of contingency reserve                                   | -                                  | 28,600                             |
| Reversal of specific reserve for possible loan losses             | 24                                 | -                                  |
| Others (Note 1)                                                   | 199,458                            | 297,673                            |
| Other one-time losses                                             | 380,406                            | 474,932                            |
| Ceding reinsurance commissions                                    | -                                  | -                                  |
| Provision for contingency reserve                                 | 30,000                             | -                                  |
| Provision for specific reserve for possible loan losses           | -                                  | 1,616                              |
| Provision for specific reserve for loans to refinancing countries | -                                  | -                                  |
| Write-down of loans                                               | 40                                 | 43                                 |
| Others (Note 2)                                                   | 350,365                            | 473,272                            |
| Other one-time profits (losses)                                   | <b>C</b> (180,922)                 | ( 148,659)                         |
| Ordinary profit                                                   | <b>A + B + C</b> 290,696           | 373,799                            |

(Reference) Breakdown of other fundamental revenues, etc.

| (millions of yen)                                                                                                         |                                    |                                    |
|---------------------------------------------------------------------------------------------------------------------------|------------------------------------|------------------------------------|
|                                                                                                                           | Year ended<br>As of March 31, 2020 | Year ended<br>As of March 31, 2021 |
| Other fundamental revenues (a)                                                                                            | -                                  | 3,170                              |
| The effect of provision for (reversal of) policy reserve associated with market value adjustments of fixed life insurance | -                                  | -                                  |
| The effect of change in the exchange rates related to foreign currency denominated insurance contracts                    | -                                  | 3,170                              |
| Other fundamental expenses (b)                                                                                            | 302                                | 0                                  |
| The effect of provision for (reversal of) policy reserve associated with market value adjustments of fixed life insurance | 0                                  | 0                                  |
| The effect of change in the exchange rates related to foreign currency denominated insurance contracts                    | 302                                | -                                  |
| The impact on fundamental profit                                                                                          | <b>(a) - (b)</b> (302)             | 3,170                              |
| Other capital gains (c)                                                                                                   | 302                                | 0                                  |
| The effect of provision for (reversal of) policy reserve associated with market value adjustments of fixed life insurance | 0                                  | 0                                  |
| The effect of change in the exchange rates related to foreign currency denominated insurance contracts                    | 302                                | -                                  |
| Other capital losses (d)                                                                                                  | -                                  | 3,170                              |
| The effect of provision for (reversal of) policy reserve associated with market value adjustments of fixed life insurance | -                                  | -                                  |
| The effect of change in the exchange rates related to foreign currency denominated insurance contracts                    | -                                  | 3,170                              |
| The impact on net capital gains (losses)                                                                                  | <b>(c) - (d)</b> 302               | (3,170)                            |

Note 1: "Others" in "Other one-time gains" represents the amount of policy reserves for individual life insurance and annuities provided for reinsured parts defined in Article 71, Paragraph 1 of the Enforcement Regulations of the Insurance Business Act (For the fiscal year ended March 31, 2020: 199,458 million yen, For the fiscal year ended March 31, 2021: 297,673 million yen).

Note 2: "Others" in "Other one-time losses" represents the sum of the amount of ceding reinsurance commissions for individual life insurance and annuities provided for reinsured parts defined in Article 71, Paragraph 1 of the Enforcement Regulations of the Insurance Business Act (For the fiscal year ended March 31, 2020: 270,294 million yen, For the fiscal year ended March 31, 2021: 377,046 million yen), the amount of provision for reserve for possible investment losses (For the fiscal year ended March 31, 2020: 504 million yen, For the fiscal year ended March 31, 2021: 295 million yen) and the amount of the additional policy reserves provided (For the fiscal year ended March 31, 2020: 79,566 million yen, For the fiscal year ended March 31, 2021: 95,930 million yen) in accordance with Article 69, Paragraph 5 of the Enforcement Regulations of the Insurance Business Act.

## 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 | 79                   | 67                   |
| Claims with collection risk                         | 2,936                | 3,216                |
| Claims for special attention                        | -                    | 833                  |
| Subtotal                                            | 3,015                | 4,117                |
| [Percentage]                                        | [ 0.06%]             | [ 0.08%]             |
| Claims against normal obligors                      | 4,777,022            | 4,885,696            |
| Total                                               | 4,780,037            | 4,889,814            |

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

## 9. Solvency Margin Ratio

(millions of yen)

|                                                                                                                                  | As of March 31, 2020 | As of March 31, 2021 |
|----------------------------------------------------------------------------------------------------------------------------------|----------------------|----------------------|
| Total solvency margin <b>(A)</b>                                                                                                 | 6,251,174            | 6,990,487            |
| Common stock, etc. <sup>*1</sup>                                                                                                 | 526,676              | 468,500              |
| Reserve for price fluctuations                                                                                                   | 215,453              | 233,453              |
| Contingency reserve                                                                                                              | 628,493              | 599,893              |
| General reserve for possible loan losses                                                                                         | 115                  | 311                  |
| (Net unrealized gains (losses) on securities (before tax)<br>and deferred hedge gains (losses) (before tax)) × 90% <sup>*2</sup> | 2,390,159            | 3,154,539            |
| Net unrealized gains (losses) on real estate × 85% <sup>*2</sup>                                                                 | 243,896              | 255,652              |
| Policy reserves in excess of surrender values                                                                                    | 2,164,285            | 2,164,644            |
| Qualifying subordinated debt                                                                                                     | 759,277              | 866,877              |
| Excluded portion of policy reserves in excess of surrender values<br>and qualifying subordinated debt                            | (754,610)            | (825,614)            |
| Excluded items                                                                                                                   | -                    | -                    |
| Others                                                                                                                           | 77,427               | 72,228               |
| Total risk $\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$ <b>(B)</b>                                                         | 1,270,019            | 1,491,653            |
| Insurance risk $R_1$                                                                                                             | 64,717               | 67,454               |
| 3rd sector insurance risk $R_8$                                                                                                  | 172,223              | 166,267              |
| Assumed investment yield risk $R_2$                                                                                              | 191,118              | 179,312              |
| Guaranteed minimum benefit risk $R_7$ <sup>*3</sup>                                                                              | 3,039                | 2,910                |
| Investment risk $R_3$                                                                                                            | 1,023,930            | 1,257,115            |
| Business risk $R_4$                                                                                                              | 29,100               | 33,461               |
| Solvency margin ratio<br>$\frac{(A)}{(1/2) \times (B)} \times 100$                                                               | 984.4%               | 937.2%               |

\*1: Expected disbursements from capital outside the Company and valuation and translation adjustments are excluded.

\*2: Multiplied by 100% if losses.

\*3: Calculated by standard method.

Note: The figures are calculated based on Articles 86, 87 of the Enforcement Regulations of Insurance Business Act, and Announcement No. 50, Ministry of Finance, 1996.

(Reference) Consolidated Solvency Margin Ratio  
(same as displayed on p.67)

(millions of yen)

|                                                                                                                                   | As of March 31, 2020 | As of March 31, 2021 |
|-----------------------------------------------------------------------------------------------------------------------------------|----------------------|----------------------|
| Total solvency margin <b>(A)</b>                                                                                                  | 6,121,744            | 6,817,494            |
| Common stock, etc. <sup>*1</sup>                                                                                                  | 529,037              | 470,534              |
| Reserve for price fluctuations                                                                                                    | 215,453              | 233,453              |
| Contingency reserve                                                                                                               | 628,493              | 599,893              |
| Catastrophe loss reserve                                                                                                          | -                    | -                    |
| General reserve for possible loan losses                                                                                          | 117                  | 333                  |
| (Net unrealized gains (losses) on securities (before tax)<br>and deferred hedge gains (losses) (before tax) ) × 90% <sup>*2</sup> | 2,390,159            | 3,154,539            |
| Net unrealized gains (losses) on real estate × 85% <sup>*2</sup>                                                                  | 243,896              | 255,652              |
| Sum of unrecognized actuarial differences and unrecognized<br>past service cost                                                   | (33,294)             | (6,395)              |
| Policy reserves in excess of surrender values                                                                                     | 2,164,285            | 2,164,644            |
| Qualifying subordinated debt                                                                                                      | 759,277              | 866,877              |
| Excluded portion of policy reserves in excess of surrender values<br>and qualifying subordinated debt                             | (754,610)            | (825,614)            |
| Excluded items                                                                                                                    | (98,497)             | (168,653)            |
| Others                                                                                                                            | 77,427               | 72,228               |
| Total risk $\sqrt{\left(\sqrt{R_1^2 + R_5^2 + R_8 + R_9}\right)^2 + (R_2 + R_3 + R_7)^2} + R_4 + R_6$ <b>(B)</b>                  | 1,238,988            | 1,438,710            |
| Insurance risk $R_1$                                                                                                              | 64,717               | 67,456               |
| General insurance risk $R_5$                                                                                                      | -                    | -                    |
| Catastrophe risk $R_6$                                                                                                            | -                    | -                    |
| 3rd sector insurance risk $R_8$                                                                                                   | 172,223              | 166,267              |
| Small amount and short-term<br>insurance risk $R_9$                                                                               | -                    | -                    |
| Assumed investment yield risk $R_2$                                                                                               | 191,118              | 179,312              |
| Guaranteed minimum benefit risk $R_7$ <sup>*3</sup>                                                                               | 3,039                | 2,910                |
| Investment risk $R_3$                                                                                                             | 992,934              | 1,204,518            |
| Business risk $R_4$                                                                                                               | 28,480               | 32,409               |
| Solvency margin ratio<br>$\frac{(A)}{(1/2) \times (B)} \times 100$                                                                | 988.1%               | 947.7%               |

\*1: Expected disbursements from capital outside the Company and accumulated other comprehensive income, etc. are excluded.

\*2: Multiplied by 100% if losses.

\*3: Calculated by standard method.

Note: The above figures are calculated based on Article 86-2 and 88 of the Enforcement Regulations of Insurance Business Act, and Notification of the Financial Services Agency No. 23, 2011.

## 10. Status of Separate Account for the Fiscal Year Ended March 31, 2021

### (1) Separate Account Assets by Product

|                               | (millions of yen)       |                         |
|-------------------------------|-------------------------|-------------------------|
|                               | As of<br>March 31, 2020 | As of<br>March 31, 2021 |
| Individual variable insurance | 50,532                  | 60,788                  |
| Individual variable annuities | 29,859                  | 34,213                  |
| Group annuities               | 1,282,533               | 1,480,098               |
| Separate account total        | 1,362,925               | 1,575,100               |

### (2) Individual Variable Insurance (Separate Account)

#### A. Policies in force

|                                 | As of March 31, 2020  |         | As of March 31, 2021  |         |
|---------------------------------|-----------------------|---------|-----------------------|---------|
|                                 | Number of<br>policies | Amount  | Number of<br>policies | Amount  |
| Variable insurance (term life)  | 31                    | 160     | 8                     | 56      |
| Variable insurance (whole life) | 40,331                | 247,630 | 39,539                | 242,920 |
| Total                           | 40,362                | 247,791 | 39,547                | 242,977 |

Note: Policies in force include term life riders.

#### B. Breakdown of separate account assets for individual variable insurance

|                                     | As of March 31, 2020 |       | As of March 31, 2021 |       |
|-------------------------------------|----------------------|-------|----------------------|-------|
|                                     | Amount               | %     | Amount               | %     |
| Cash, deposits, and call loans      | 8                    | 0.0   | 4                    | 0.0   |
| Securities                          | 47,500               | 94.0  | 57,380               | 94.4  |
| Domestic bonds                      | 15,796               | 31.3  | 15,997               | 26.3  |
| Domestic stocks                     | 14,100               | 27.9  | 17,548               | 28.9  |
| Foreign securities                  | 17,603               | 34.8  | 23,835               | 39.2  |
| Foreign bonds                       | 5,726                | 11.3  | 6,240                | 10.3  |
| Foreign stocks and other securities | 11,877               | 23.5  | 17,594               | 28.9  |
| Other securities                    | -                    | -     | -                    | -     |
| Loans                               | -                    | -     | -                    | -     |
| Others                              | 3,023                | 6.0   | 3,402                | 5.6   |
| Reserve for possible loan losses    | -                    | -     | -                    | -     |
| Total                               | 50,532               | 100.0 | 60,788               | 100.0 |

C. Investment gains and losses of separate account for individual variable insurance

(millions of yen)

|                                    | Year ended<br>March 31, 2020 | Year ended<br>March 31, 2021 |
|------------------------------------|------------------------------|------------------------------|
| Interest and dividends             | 862                          | 824                          |
| Gains on sale of securities        | 3,786                        | 2,386                        |
| Gains on redemption of securities  | -                            | -                            |
| Gains on valuation of securities   | 4,351                        | 14,941                       |
| Foreign exchange gains             | 93                           | 121                          |
| Derivative transaction gains       | 38                           | 20                           |
| Other investment income            | 1                            | 1                            |
| Losses on sale of securities       | 2,351                        | 1,124                        |
| Losses on redemption of securities | 0                            | -                            |
| Losses on valuation of securities  | 8,117                        | 3,607                        |
| Foreign exchange losses            | 112                          | 76                           |
| Derivative transaction losses      | 12                           | 62                           |
| Other investment expenses          | 1                            | 0                            |
| Net investment income              | (1,462)                      | 13,425                       |

D. Fair value information on securities in separate account for individual variable insurance

\* Valuation gains (losses) of trading securities

(millions of yen)

|                    | As of March 31, 2020                    |                                                                      | As of March 31, 2021                    |                                                                      |
|--------------------|-----------------------------------------|----------------------------------------------------------------------|-----------------------------------------|----------------------------------------------------------------------|
|                    | Carrying amount on<br>the balance sheet | Valuation gains<br>(losses) included in the<br>statement of earnings | Carrying amount on<br>the balance sheet | Valuation gains<br>(losses) included in the<br>statement of earnings |
| Trading securities | 47,500                                  | (3,765)                                                              | 57,380                                  | 11,334                                                               |

\* Fair value information on money held in trust

The Company had no balance as of March 31, 2020 or March 31, 2021.

### (3) Individual Variable Annuities (Separate Account)

#### A. Sum insured of policies in force

(millions of yen except number of policies)

|                               | As of March 31, 2020 |        | As of March 31, 2021 |        |
|-------------------------------|----------------------|--------|----------------------|--------|
|                               | Number               | Amount | Number               | Amount |
| Individual variable annuities | 7,158                | 27,541 | 5,318                | 25,252 |

Note: Sum insured of policies in force includes that of annuities for which payments have commenced.

#### B. Breakdown of separate account assets for individual variable annuities

(millions of yen)

|                                     | As of March 31, 2020 |       | As of March 31, 2021 |       |
|-------------------------------------|----------------------|-------|----------------------|-------|
|                                     | Amount               | %     | Amount               | %     |
| Cash, deposits, and call loans      | 274                  | 0.9   | 326                  | 1.0   |
| Securities                          | 28,005               | 93.8  | 31,873               | 93.2  |
| Domestic bonds                      | 7,852                | 26.3  | 8,161                | 23.9  |
| Domestic stocks                     | 5,656                | 18.9  | 7,284                | 21.3  |
| Foreign securities                  | 3,002                | 10.1  | 4,046                | 11.8  |
| Foreign bonds                       | 1,331                | 4.5   | 1,572                | 4.6   |
| Foreign stocks and other securities | 1,670                | 5.6   | 2,473                | 7.2   |
| Other securities                    | 11,494               | 38.5  | 12,380               | 36.2  |
| Loans                               | -                    | -     | -                    | -     |
| Others                              | 1,580                | 5.3   | 2,014                | 5.9   |
| Reserve for possible loan losses    | -                    | -     | -                    | -     |
| Total                               | 29,859               | 100.0 | 34,213               | 100.0 |

C. Investment gains and losses of separate account for individual variable annuities

(millions of yen)

|                                    | Year ended<br>March 31, 2020 | Year ended<br>March 31, 2021 |
|------------------------------------|------------------------------|------------------------------|
| Interest and dividends             | 1,868                        | 1,880                        |
| Gains on sales of securities       | 883                          | 561                          |
| Gains on redemption of securities  | -                            | -                            |
| Gains on valuation of securities   | 4,764                        | 9,836                        |
| Foreign exchange gains             | 16                           | 27                           |
| Derivative transaction gains       | 8                            | 4                            |
| Other investment income            | 0                            | 0                            |
| Losses on sales of securities      | 606                          | 374                          |
| Losses on redemption of securities | 4                            | -                            |
| Losses on valuation of securities  | 7,928                        | 4,577                        |
| Foreign exchange losses            | 19                           | 17                           |
| Derivative transaction losses      | 2                            | 14                           |
| Other investment expenses          | 0                            | 0                            |
| Net investment income              | (1,019)                      | 7,327                        |

D. Fair value information on securities in separate account for individual variable annuities

\* Valuation gains (losses) of trading securities

(millions of yen)

|                    | As of March 31, 2020                    |                                                                      | As of March 31, 2021                    |                                                                      |
|--------------------|-----------------------------------------|----------------------------------------------------------------------|-----------------------------------------|----------------------------------------------------------------------|
|                    | Carrying amount on<br>the balance sheet | Valuation gains<br>(losses) included in the<br>statement of earnings | Carrying amount on<br>the balance sheet | Valuation gains<br>(losses) included in the<br>statement of earnings |
| Trading securities | 28,005                                  | (3,164)                                                              | 31,873                                  | 5,259                                                                |

\* Fair value information on money held in trust

The Company had no balance as of March 31, 2020 or March 31, 2021.

## 12. Consolidated Financial Summary

### (1) Selected Financial Data and Other Information

(millions of yen)

|                                                           | Year ended March 31, 2021 |
|-----------------------------------------------------------|---------------------------|
| Ordinary revenues                                         | 3,811,851                 |
| Ordinary profit                                           | 372,786                   |
| Net income attributable to shareholders of parent company | 195,059                   |
| Comprehensive income                                      | 810,040                   |

(millions of yen)

|                       | As of March 31, 2021 |
|-----------------------|----------------------|
| Total assets          | 38,923,206           |
| Solvency margin ratio | 947.7%               |

### (2) Scope of Consolidation and Application of Equity Method

|                                                                               | Year ended<br>March 31, 2021 |
|-------------------------------------------------------------------------------|------------------------------|
| Number of consolidated subsidiaries                                           | 1                            |
| Number of non-consolidated subsidiaries accounted for under the equity method | 0                            |
| Number of affiliates accounted for under the equity method                    | 2                            |

For information regarding changes in subsidiaries and affiliates, please refer to "I. Guidelines for Preparation of the Unaudited Consolidated Financial Statements".

## (3) Unaudited Consolidated Balance Sheet

(millions of yen)

|                                                       | As of<br>March 31, 2021 |
|-------------------------------------------------------|-------------------------|
| <b>ASSETS</b>                                         |                         |
| Cash and deposits                                     | 383,214                 |
| Call loans                                            | 403,700                 |
| Monetary claims bought                                | 252,140                 |
| Money held in trust                                   | 7,716                   |
| Securities                                            | 33,462,279              |
| Loans                                                 | 2,576,064               |
| Tangible fixed assets                                 | 1,086,447               |
| Land                                                  | 758,555                 |
| Buildings                                             | 315,822                 |
| Leased assets                                         | 5,145                   |
| Construction in progress                              | 2,161                   |
| Other tangible fixed assets                           | 4,762                   |
| Intangible fixed assets                               | 119,638                 |
| Software                                              | 97,081                  |
| Other intangible fixed assets                         | 22,557                  |
| Reinsurance receivable                                | 28,084                  |
| Other assets                                          | 554,045                 |
| Customers' liabilities for acceptances and guarantees | 52,861                  |
| Reserve for possible loan losses                      | (2,358)                 |
| Reserve for possible investment losses                | (627)                   |
| <b>Total assets</b>                                   | <b>38,923,206</b>       |

|                                                                                         |                   |
|-----------------------------------------------------------------------------------------|-------------------|
| <b>LIABILITIES</b>                                                                      |                   |
| Policy reserves and others                                                              | 30,844,451        |
| Reserves for outstanding claims                                                         | 148,071           |
| Policy reserves                                                                         | 30,295,380        |
| Reserve for policyholder dividends                                                      | 400,999           |
| Reinsurance payable                                                                     | 1,048             |
| Bonds payable                                                                           | 476,277           |
| Other liabilities                                                                       | 3,340,298         |
| Payables under repurchase agreements                                                    | 2,301,762         |
| Other liabilities                                                                       | 1,038,536         |
| Net defined benefit liabilities                                                         | 406,894           |
| Reserve for retirement benefits of directors, executive officers and corporate auditors | 998               |
| Reserve for possible reimbursement of prescribed claims                                 | 800               |
| Reserve for price fluctuations                                                          | 233,453           |
| Deferred tax liabilities                                                                | 310,360           |
| Deferred tax liabilities for land revaluation                                           | 71,606            |
| Acceptances and guarantees                                                              | 52,861            |
| <b>Total liabilities</b>                                                                | <b>35,739,051</b> |
| <b>NET ASSETS</b>                                                                       |                   |
| Capital stock                                                                           | 60,000            |
| Capital surplus                                                                         | 370,000           |
| Retained earnings                                                                       | 247,446           |
| Total shareholders' equity                                                              | 677,446           |
| Net unrealized gains (losses) on securities, net of tax                                 | 2,536,608         |
| Deferred hedge gains (losses)                                                           | (3,501)           |
| Reserve for land revaluation                                                            | (22,026)          |
| Foreign currency translation adjustments                                                | 497               |
| Accumulated remeasurements of defined benefit plans                                     | (4,869)           |
| Total accumulated other comprehensive income                                            | 2,506,708         |
| <b>Total net assets</b>                                                                 | <b>3,184,154</b>  |
| <b>Total liabilities and net assets</b>                                                 | <b>38,923,206</b> |

(4) Unaudited Consolidated Statement of Earnings and Comprehensive Income  
[Unaudited Consolidated Statement of Earnings]

|                                                           | (millions of yen)            |
|-----------------------------------------------------------|------------------------------|
|                                                           | Year ended<br>March 31, 2021 |
| <b>ORDINARY REVENUES</b>                                  | 3,811,851                    |
| Premium and other income                                  | 2,285,515                    |
| Investment income                                         | 1,357,203                    |
| Interest and dividends                                    | 836,660                      |
| Gains on money held in trust                              | 4,849                        |
| Gains on sale of securities                               | 371,297                      |
| Gains on redemption of securities                         | 15,370                       |
| Other investment income                                   | 1,202                        |
| Gains on investments in separate accounts                 | 127,823                      |
| Other ordinary revenues                                   | 169,132                      |
| <b>ORDINARY EXPENSES</b>                                  | 3,439,065                    |
| Benefits and claims                                       | 2,364,632                    |
| Claims                                                    | 616,314                      |
| Annuities                                                 | 486,953                      |
| Benefits                                                  | 378,685                      |
| Surrender values                                          | 392,747                      |
| Other refunds                                             | 489,930                      |
| Provision for policy reserves and others                  | 28,898                       |
| Provision for reserves for outstanding claims             | 20,679                       |
| Provision for interest on policyholder dividends          | 8,218                        |
| Investment expenses                                       | 408,404                      |
| Interest expenses                                         | 12,358                       |
| Losses on sale of securities                              | 125,323                      |
| Losses on valuation of securities                         | 1,285                        |
| Losses on redemption of securities                        | 6,175                        |
| Derivative transaction losses                             | 172,879                      |
| Foreign exchange losses                                   | 31,837                       |
| Provision for reserve for possible loan losses            | 1,813                        |
| Provision for reserve for possible investment losses      | 295                          |
| Write-down of loans                                       | 43                           |
| Depreciation of real estate for rent and others           | 13,171                       |
| Other investment expenses                                 | 43,219                       |
| Operating expenses                                        | 404,407                      |
| Other ordinary expenses                                   | 232,723                      |
| Ordinary profit                                           | 372,786                      |
| <b>EXTRAORDINARY GAINS</b>                                | 5,469                        |
| Gains on disposal of fixed assets                         | 5,469                        |
| <b>EXTRAORDINARY LOSSES</b>                               | 27,554                       |
| Losses on disposal of fixed assets                        | 6,810                        |
| Impairment losses on fixed assets                         | 2,552                        |
| Provision for reserve for price fluctuations              | 18,000                       |
| Other extraordinary losses                                | 190                          |
| Provision for reserve for policyholder dividends          | 77,500                       |
| Income before income taxes                                | 273,201                      |
| Corporate income taxes-current                            | 77,701                       |
| Corporate income taxes-deferred                           | 439                          |
| Total of corporate income taxes                           | 78,141                       |
| Net income                                                | 195,059                      |
| Net income attributable to shareholders of parent company | 195,059                      |

[Unaudited Consolidated Statement of Comprehensive Income]

|                                                                                                          | (millions of yen)            |
|----------------------------------------------------------------------------------------------------------|------------------------------|
|                                                                                                          | Year ended<br>March 31, 2021 |
| Net income                                                                                               | 195,059                      |
| Other comprehensive income                                                                               | 614,980                      |
| Net unrealized gains (losses) on securities, net of tax                                                  | 620,191                      |
| Deferred hedge gains (losses)                                                                            | (24,814)                     |
| Foreign currency translation adjustments                                                                 | 592                          |
| Remeasurements of defined benefit plans, net of tax                                                      | 19,011                       |
| Share of other comprehensive income of subsidiaries and affiliates accounted for under the equity method | 0                            |
| Comprehensive income                                                                                     | 810,040                      |
| Attributable to shareholders of parent company                                                           | 810,040                      |

## (5) Unaudited Consolidated Statement of Cash Flows

(millions of yen)

|                                                                                                               | Year ended<br>March 31, 2021 |
|---------------------------------------------------------------------------------------------------------------|------------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                                                   |                              |
| Income (loss) before income taxes                                                                             | 273,201                      |
| Depreciation of real estate for rent and others                                                               | 13,171                       |
| Depreciation                                                                                                  | 36,489                       |
| Impairment losses on fixed assets                                                                             | 2,552                        |
| Increase (decrease) in reserves for outstanding claims                                                        | 20,679                       |
| Increase (decrease) in policy reserves                                                                        | (908)                        |
| Provision for interest on policyholder dividends                                                              | 8,218                        |
| Provision for (reversal of) reserve for policyholder dividends                                                | 77,500                       |
| Increase (decrease) in reserve for possible loan losses                                                       | 1,798                        |
| Increase (decrease) in reserve for possible investment losses                                                 | (180)                        |
| Write-down of loans                                                                                           | 43                           |
| Increase (decrease) in net defined benefit liabilities                                                        | 2,134                        |
| Increase (decrease) in reserve for retirement benefits of directors executive officers and corporate auditors | (190)                        |
| Increase (decrease) in reserve for price fluctuations                                                         | 18,000                       |
| Interest and dividends                                                                                        | (836,660)                    |
| Securities related losses (gains)                                                                             | (381,706)                    |
| Interest expenses                                                                                             | 12,358                       |
| Foreign exchange losses (gains)                                                                               | 31,837                       |
| Losses (gains) on disposal of fixed assets                                                                    | 1,038                        |
| Equity in losses (income) of affiliates                                                                       | 181                          |
| Decrease (increase) in reinsurance receivable                                                                 | (21,366)                     |
| Decrease (increase) in other assets unrelated to investing and financing activities                           | 8,834                        |
| Increase (decrease) in reinsurance payable                                                                    | (134,441)                    |
| Increase (decrease) in other liabilities unrelated to investing and financing activities                      | (48,673)                     |
| Others, net                                                                                                   | 208,950                      |
| Subtotal                                                                                                      | (707,138)                    |
| Interest and dividends received                                                                               | 859,457                      |
| Interest paid                                                                                                 | (15,809)                     |
| Policyholder dividends paid                                                                                   | (84,461)                     |
| Others, net                                                                                                   | (333,890)                    |
| Corporate income taxes (paid) refund                                                                          | (65,561)                     |
| Net cash flows provided by (used in) operating activities                                                     | (347,404)                    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                                                   |                              |
| Purchases of monetary claims bought                                                                           | (48,967)                     |
| Proceeds from sale and redemption of monetary claims bought                                                   | 15,459                       |
| Proceeds from decrease in money held in trust                                                                 | 31,348                       |
| Purchases of securities                                                                                       | (7,450,592)                  |
| Proceeds from sale and redemption of securities                                                               | 6,185,137                    |
| Origination of loans                                                                                          | (616,958)                    |
| Proceeds from collection of loans                                                                             | 586,560                      |
| Net increase (decrease) in short-term investing                                                               | 1,460,596                    |
| Total of net cash provided by (used in) investment transactions                                               | 162,583                      |
| Total of net cash provided by (used in) operating activities and investment transactions                      | (184,820)                    |
| Acquisition of tangible fixed assets                                                                          | (35,988)                     |
| Proceeds from sale of tangible fixed assets                                                                   | 23,282                       |
| Acquisition of intangible fixed assets                                                                        | (29,591)                     |
| Proceeds from sale of intangible fixed assets                                                                 | 1                            |
| Acquisition of stock of subsidiaries and affiliates                                                           | (966)                        |
| Net cash flows provided by (used in) investing activities                                                     | 119,321                      |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                                                   |                              |
| Proceeds from borrowings                                                                                      | 246,600                      |
| Repayment of borrowings                                                                                       | (139,000)                    |
| Repayment of financial lease obligations                                                                      | (1,809)                      |
| Cash dividends paid                                                                                           | (151,078)                    |
| Net cash flows provided by (used in) financing activities                                                     | (45,288)                     |
| Effect of exchange rate changes on cash and cash equivalents                                                  | 920                          |
| Net increase (decrease) in cash and cash equivalents                                                          | (272,450)                    |
| Cash and cash equivalents at the beginning of the year                                                        | 1,059,365                    |
| Cash and cash equivalents at the end of the year                                                              | 786,914                      |

# (6) Unaudited Consolidated Statement of Changes in Net Assets

Year ended March 31, 2021

(millions of yen)

|                                                           | Shareholders' equity |                 |                   |                            | Accumulated other comprehensive income                  |                               |
|-----------------------------------------------------------|----------------------|-----------------|-------------------|----------------------------|---------------------------------------------------------|-------------------------------|
|                                                           | Capital stock        | Capital surplus | Retained earnings | Total shareholders' equity | Net unrealized gains (losses) on securities, net of tax | Deferred hedge gains (losses) |
| Balance at the beginning of the year                      | 60,000               | 370,000         | 199,422           | 629,422                    | 1,916,417                                               | 21,312                        |
| Changes for the year                                      |                      |                 |                   |                            |                                                         |                               |
| Dividends                                                 |                      |                 | (151,084)         | (151,084)                  |                                                         |                               |
| Net income attributable to shareholders of parent company |                      |                 | 195,059           | 195,059                    |                                                         |                               |
| Transfer from reserve for land revaluation                |                      |                 | 4,048             | 4,048                      |                                                         |                               |
| Net changes of items other than shareholders' equity      |                      |                 |                   |                            | 620,191                                                 | (24,814)                      |
| Total changes for the year                                | -                    | -               | 48,023            | 48,023                     | 620,191                                                 | (24,814)                      |
| Balance at the end of the year                            | 60,000               | 370,000         | 247,446           | 677,446                    | 2,536,608                                               | (3,501)                       |

(millions of yen)

|                                                           | Accumulated other comprehensive income |                                          |                                                     |                                              | Total net assets |
|-----------------------------------------------------------|----------------------------------------|------------------------------------------|-----------------------------------------------------|----------------------------------------------|------------------|
|                                                           | Reserve for land revaluation           | Foreign currency translation adjustments | Accumulated remeasurements of defined benefit plans | Total accumulated other comprehensive income |                  |
| Balance at the beginning of the year                      | (17,978)                               | (94)                                     | (23,880)                                            | 1,895,776                                    | 2,525,199        |
| Changes for the year                                      |                                        |                                          |                                                     |                                              |                  |
| Dividends                                                 |                                        |                                          |                                                     |                                              | (151,084)        |
| Net income attributable to shareholders of parent company |                                        |                                          |                                                     |                                              | 195,059          |
| Transfer from reserve for land revaluation                |                                        |                                          |                                                     |                                              | 4,048            |
| Net changes of items other than shareholders' equity      | (4,048)                                | 592                                      | 19,011                                              | 610,931                                      | 610,931          |
| Total changes for the year                                | (4,048)                                | 592                                      | 19,011                                              | 610,931                                      | 658,955          |
| Balance at the end of the year                            | (22,026)                               | 497                                      | (4,869)                                             | 2,506,708                                    | 3,184,154        |

**NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE FISCAL YEAR ENDED MARCH 31, 2021**

**I. GUIDELINES FOR PREPARATION OF UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**1. Scope of Consolidation**

- (1) The number of consolidated subsidiaries as of March 31, 2021: 1

The subsidiary of The Dai-ichi Life Insurance Company, Limited (the “Company”) included:

- Dai-ichi Life Insurance Myanmar Ltd.

- (2) The number of non-consolidated subsidiaries as of March 31, 2021: 23

The main subsidiaries that are not consolidated for the purposes of financial reporting are The Dai-ichi Life Information Systems Co., Ltd., Dai-ichi Life Business Services Co., Ltd. and First U Anonymous Association.

The twenty-three non-consolidated subsidiaries had, individually and in the aggregate, a minimal impact on the consolidated financial statements in terms of total assets, sales, net income (loss) (amount corresponding to equity interest), retained earnings (amount corresponding to equity interest), cash flows, and others.

**2. Application of the Equity Method**

- (1) The number of non-consolidated subsidiaries under the equity method as of March 31, 2021: 0

- (2) The number of affiliated companies under the equity method as of March 31, 2021: 2

The affiliated companies of the Company included:

- Corporate-pension Business Service Co., Ltd.,
- Japan Excellent Asset Management Co., Ltd.,

- (3) The non-consolidated subsidiaries (The Dai-ichi Life Information Systems Co., Ltd., Dai-ichi Life Business Services Co., Ltd., First U Anonymous Association and others), as well as affiliated companies (Mizuho-DL Financial Technology Co., Ltd., and Rifare Management K.K.) were not accounted for under the equity method. These companies had, individually and in the aggregate, a minimal impact on the consolidated financial statements, in terms of net income (loss) (amount corresponding to equity interest), retained earnings (amount corresponding to equity interest) and others.

**3. Year-end Dates of a Consolidated Subsidiary**

The closing date of a consolidated subsidiary is September 30. Financial information as of December 31 is used to prepare the consolidated financial statements, although necessary adjustments are made when significant transactions take place between the account closing date of an individual subsidiary and that of the consolidated financial statements.

## II. NOTES TO UNAUDITED CONSOLIDATED BALANCE SHEET AS OF MARCH 31, 2021

### 1. Valuation Methods of Securities

Securities held by the Company and its consolidated subsidiary including cash and deposits and monetary claims bought which are equivalent to marketable securities, and marketable securities managed as trust assets in money held in trust, are carried as explained below:

The amortization of premiums and accretion of discounts is calculated by the straight-line method.

(1) Trading Securities

Trading securities are carried at fair value with cost determined by the moving average method.

(2) Held-to-maturity Bonds

Held-to-maturity bonds are stated at amortized cost determined by the moving average method.

(3) Policy-reserve-matching Bonds (in accordance with the 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 (JICPA))

Policy-reserve-matching bonds are stated at amortized cost determined by the moving average method.

(4) Stocks of Non-Consolidated Subsidiaries and Affiliated Companies Not Accounted for under the Equity Method

Stocks of non-consolidated subsidiaries and affiliated companies not accounted for under the equity method are stated at cost determined by the moving average method.

(5) Available-for-sale Securities

(a) Available-for-sale Securities with Fair Values

Available-for-sale securities which have market value are valued at fair value at the end of the fiscal year (for domestic stocks, the average market value during March), with cost determined by the moving average method.

(b) Available-for-sale Securities Whose Fair Values Are Extremely Difficult to Recognize

i) Government/Corporate bonds (including Foreign Bonds), Whose Premium or Discount Represents the Interest Adjustment

Government/Corporate bonds (including foreign bonds) whose premium or discount represents the interest adjustment are valued at the amortized cost determined by the moving average method.

ii) Others

All others are valued at cost determined by the moving average method.

Net unrealized gains or losses on these available-for-sale securities are presented as a separate component of net assets and not in the consolidated statement of earnings.

Securities held by a consolidated overseas subsidiary are stated at cost determined by the first-in first-out.

### 2. Risk Management Policy of Policy-Reserve-Matching Bonds

The Company categorizes its insurance products into sub-groups by the attributes of each product and, in order to manage risks properly, formulate its policies on investments and resource allocation based on the balance of the sub-groups. Moreover, the Company periodically checks that the duration gap between policy-reserve-matching bonds and policy reserves stays within a certain range.

The sub-groups of insurance products of the Company are:

- individual life insurance and annuities,
  - non-participating single premium whole life insurance (without duty of medical disclosure),
  - financial insurance and annuities, and
  - group annuities,
- with the exception of certain types.

### **3. Valuation Method of Derivative Transactions**

Derivative transactions are reported at fair value.

### **4. Revaluation of Land**

Based on the “Act on Revaluation of Land” (Act No. 34, March 31, 1998), land for business use was revalued. The difference between the fair value and book value resulting from the revaluation, net of related deferred taxes, is recorded as a reserve for land revaluation as a separate component of net assets and the related deferred tax liability is recorded as deferred tax liabilities for land revaluation.

- Date of revaluation: March 31, 2001
- Method stipulated in Article 3 Paragraph 3 of the Act on Revaluation of Land:

The fair value was determined based on the appraisal value publicly announced for tax assessment purposes with certain reasonable adjustments in accordance with Articles 2-1 and 2-4 of the Order for Enforcement of the Act on Revaluation of Land (Publicly Issue Cabinet Order No.119, March 31, 1998).

### **5. Depreciation of Depreciable Assets**

#### **(1) Depreciation of Tangible Fixed Assets Excluding Leased Assets**

Depreciation of tangible fixed assets excluding leased assets of the Company is calculated by the declining balance method (the depreciation of buildings (other than facilities attached to buildings and structures that were acquired on or before March 31, 2016) is calculated by the straight-line method).

Estimated useful lives of major assets are as follows:

- Buildings two to sixty years
- Other tangible fixed assets two to twenty years

Other tangible fixed assets that were acquired for ¥100,000 or more but less than ¥200,000 are depreciated at equal amounts over three years.

With respect to tangible fixed assets that were acquired on or before March 31, 2007 and that were fully depreciated to their original depreciable limit, effective the fiscal year ended March 31, 2008, the remaining values are depreciated at equal amounts over five years from the following fiscal year of the year in which they reached the original depreciable limit.

Depreciation of tangible fixed assets owned by a consolidated overseas subsidiary is calculated by the straight-line method.

#### **(2) Amortization of Intangible Fixed Assets Excluding Leased Assets**

The Company and its consolidated subsidiary use the straight-line method for amortization of intangible fixed assets excluding leased assets.

Software for internal use is amortized by the straight-line method based on the estimated useful lives of five years.

#### **(3) Depreciation of Leased Assets**

Depreciation for leased assets with regard to finance leases whose ownership does not transfer to the lessees is computed under the straight-line method assuming zero salvage value and using the lease period as the useful life.

#### **(4) Accumulated Depreciation of Tangible Fixed Assets**

Accumulated depreciation of tangible fixed assets as of March 31, 2021 was ¥ 622,564 million.

### **6. Translation of Assets and Liabilities Denominated in Foreign Currencies into Yen**

The Company translates foreign currency-denominated assets and liabilities (excluding stocks of its non-consolidated subsidiaries and affiliated companies which are not accounted for under the equity method) into yen at the prevailing exchange rates at the end of the fiscal year. Stocks of non-consolidated subsidiaries and affiliated companies which are not accounted for under the equity method are translated into yen at the exchange rates on the dates of acquisition. Assets, liabilities, revenues, and expenses of the Company's consolidated overseas subsidiary are translated into yen at the exchange rates at its account closing date. Translation adjustments associated with the consolidated overseas subsidiary are included in foreign

currency translation adjustments in the net assets section of the consolidated balance sheet.

## **7. Reserve for Possible Loan Losses**

The reserve for possible loan losses is calculated based on the internal rules for self-assessment, write-offs, and reserves on assets.

For loans to and claims on obligors that have already experienced bankruptcy, reorganization, or other formal legal failure (hereafter, “bankrupt obligors”) and loans to and claims on obligors that have suffered substantial business failure (hereafter, “substantially bankrupt obligors”), the reserve is calculated by deducting the estimated recoverable amount of the collateral or guarantees from the book value of the loans and claims after the direct write-off described below.

For loans to and claims on obligors that have not yet suffered business failure but are considered highly likely to fail (hereafter, “obligors at risk of bankruptcy”) the reserve is calculated, taking into account (1) the recoverable amount covered by the collateral or guarantees and (2) an overall assessment of the obligor’s ability to repay.

For other loans and claims, the reserve is calculated by multiplying the actual rate or other appropriate rate of losses from bad debts during a certain period in the past by the amount of the loans and claims.

For all loans and claims, the relevant department in the Company performs an asset quality assessment based on the internal rules for self-assessment, and an independent audit department audits the result of the assessment. The above reserves are established based on the result of this assessment.

For loans and claims to bankrupt and substantially bankrupt obligors, the unrecoverable amount is calculated by deducting the amount deemed recoverable from collateral and guarantees from the amount of the loans and claims and is directly written off from the amount of the loans and claims. The amount written off during the fiscal year ended March 31, 2021 was ¥1 million.

## **8. Reserve for Possible Investment Losses**

In order to provide for future investment losses, a reserve for possible investment losses is established for securities whose fair values are extremely difficult to recognize. It is calculated based on the internal rules for self-assessment, write-offs, and reserves on assets.

## **9. Reserve for Retirement Benefits of Directors, Executive Officers and Corporate Auditors**

For the reserve for retirement benefits of directors, executive officers and corporate auditors, an estimated amount for future payment in accordance with the internal policies is provided.

## **10. Reserve for Possible Reimbursement of Prescribed Claims**

To prepare for the reimbursement of claims for which prescription periods had expired, an estimated amount for reserve for possible reimbursement of prescribed claims based on past reimbursement experience is provided.

## **11. Net Defined Benefit Liabilities**

For the net defined benefit liabilities, the amount is provided by deducting the pension assets from the projected benefit obligations based on the estimated amounts as of March 31, 2021. The accounting treatment for retirement benefits is as follows.

### **(1) Allocation of Estimated Retirement Benefits**

In calculating the projected benefit obligations, the benefit formula basis is adopted to allocate estimated retirement benefit for the fiscal year ended March 31, 2021.

### **(2) Amortization of Actuarial Differences and Past Service Cost**

Past service cost is amortized under the straight-line method over a certain period (seven years) within the employees’ average remaining service period as of the time of its occurrence.

Actuarial differences are amortized under the straight-line method over a certain period (seven years) within the employees’ average remaining service period, starting from the following year.

## **12. Reserve for Price Fluctuations**

A reserve for price fluctuations is calculated based on the book value of stocks and other securities at the end of the year in accordance with the provisions of Article 115 of the Insurance Business Act.

### 13. Methods for Hedge Accounting

#### (1) Methods for Hedge Accounting

As for the Company, hedging transactions are accounted for in accordance with the “Accounting Standards for Financial Instruments” (ASBJ Statement No. 10 issued on March 10, 2008). Primarily, (a) special hedge accounting and the deferral hedge method for interest rate swaps are used for cash flow hedges of certain loans, government and corporate bonds, loans payable and bonds payable; (b) the currency allotment method and the deferral hedge method using foreign currency swaps, foreign currency and forward contracts are used for cash flow hedges against exchange rate fluctuations in certain foreign currency-denominated bonds, loans, loans payable and bonds payable and certain foreign currency-denominated term deposits and stocks (forecasted transaction); (c) the fair value hedge method using currency options and foreign currency forward contracts is used for hedges against exchange rate fluctuations in the value of certain foreign currency-denominated bonds; (d) the deferral hedge method for over-the-counter options on bonds is used for hedges against interest-rate fluctuations in certain foreign currency-denominated bonds; (e) the deferral hedge method and fair value hedge method using equity options and equity forward contracts are used for hedges against price fluctuations in the value of certain domestic stocks and foreign currency-denominated stocks (forecasted transaction), and (f) the deferral hedge method using interest rate swaps is used for hedges against interest-rate fluctuations in certain insurance liabilities, under the “Accounting and Auditing Treatment of Application of Accounting Standard for Financial Instruments to Insurance Operators” (Industry Audit Committee Report No.26 issued by JICPA).

#### (2) Hedging Instruments and Hedged Items

| Hedging instruments                      | Hedged items                                                                                                                                                            |
|------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Interest rate swaps .....                | Loans, government and corporate bonds, loans payable, bonds payable, insurance liabilities                                                                              |
| Foreign currency swaps.....              | Foreign currency-denominated bonds,<br>foreign currency-denominated loans,<br>foreign currency-denominated loans payable,<br>foreign currency-denominated bonds payable |
| Foreign currency forward contracts ..... | Foreign currency-denominated bonds,<br>foreign currency-denominated term deposits,<br>foreign currency-denominated stocks<br>(forecasted transaction)                   |
| Currency options .....                   | Foreign currency-denominated bonds                                                                                                                                      |
| Over-the-counter options on bonds .....  | Foreign currency-denominated bonds                                                                                                                                      |
| Equity options .....                     | Domestic stocks,<br>foreign currency-denominated stocks<br>(forecasted transaction)                                                                                     |
| Equity forward contracts.....            | Domestic stocks                                                                                                                                                         |

#### (3) Hedging Policies

The Company conducts hedging transactions with regard to certain market risk and foreign currency risk of underlying assets to be hedged, in accordance with the internal investment policy and procedure guidelines.

#### (4) Assessment of Hedge Effectiveness

Hedge effectiveness is assessed primarily by a comparison of fluctuations in cash flows or fair value of hedged items to those of hedging instruments.

### 14. Calculation of National and Local Consumption Tax

The Company accounts for national and local consumption tax by the tax-exclusion method. Deferred consumption tax included in non-recoverable consumption tax on certain assets is capitalized as other assets and amortized equally over five years in accordance with the Order for Enforcement of the Corporation Tax Act, and such taxes other than deferred consumption tax are recognized as an expense when incurred.

## **15. Accounting Policies for Policy Reserves**

Policy reserves of the Company are established in accordance with the methods stated in the statement of calculation procedures for 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 contracts 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 contracts.

Of policy reserves, insurance premium reserves are calculated as stated in a) and b) below:

- a) Reserves for policies subject to the standard policy reserve rules are calculated based on the methods stipulated by the Commissioner of Financial Services Agency (Notification of the Minister of Finance No. 48, 1996).
- b) Reserves for other policies are established based on the net level premium method.

If, through an estimation of future income based on most recent actual figures, the policy reserves set aside are found likely to be insufficient to cover the performance of future obligations, additional policy reserves need to be set aside in accordance with Article 69, Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act. Policy reserves include additional policy reserves for some whole life insurance policies in accordance with Article 69, Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act.

Contingency reserves included in policy reserves are set aside in accordance with 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 contracts.

## **16. Financial Instruments and Others**

### **(1) Financial Instruments**

#### **a) Policies in Utilizing Financial Instruments**

In an effort to manage investment assets in a manner appropriate to liabilities, which arise from the insurance policies underwritten, the Company engages in asset liability management, or ALM, which considers the long-term balance between assets and liabilities to ensure stable returns. With this strategy, the Company holds fixed income investments, including bonds and loans, as the core of its asset portfolio. While placing its financial soundness first, the Company also holds stocks and foreign securities within its tolerable risk to enhance its profitability and facilitate diversification of investment risks.

The Company uses derivatives primarily to hedge market risks associated with its existing asset portfolio and supplement its investment objectives to the extent necessary, taking into account the exposure of underlying assets.

With respect to financing, the Company has raised capital directly from the capital markets by issuing subordinated bonds as well as indirectly from banks in order to strengthen its capital base. To avoid impact from interest-rate fluctuations, the Company utilizes derivative transactions in hedging some of such financial liabilities and adopts hedge accounting.

#### **b) Financial Instruments Used and Their Risks**

Securities included in financial assets of the Company, mainly stocks and bonds, are categorized by its investment objectives such as held-to-maturity, policy-reserve-matching securities and available-for-sale securities. Those securities are exposed to market fluctuation risk, credit risk and interest rate risk and some of the securities denominated in foreign currency are exposed to foreign currency risk. Also, loans are exposed to credit risk arising from the defaults of obligors.

The Company might be exposed to liquidity risk in certain circumstances in which it cannot make timely payments of principal, interest or other amounts due to unpredictable cash outflows or is forced to raise capital with interest rates substantially higher than usual. Also, some of its loans payable and bonds payable which are floating interest rate based and denominated in foreign currency are exposed to interest rate risk and foreign currency risk.

The Company utilizes i) interest rate swaps to hedge interest rate risk associated with certain of its loans receivable and payable, ii) equity forward contracts to hedge market fluctuation risks associated with domestic stocks, and iii) foreign currency forward contracts, currency options and foreign currency swaps to hedge foreign currency risks associated with certain foreign currency-denominated bonds, foreign currency-denominated short-term deposits and foreign currency-denominated debts, etc. and adopt hedge accounting.

In addition, the company utilizes iv) interest rate swaps to hedge interest rate risk associated with certain insurance liabilities, under the "Accounting and Auditing Treatment of Application of Accounting Standard for Financial Instruments to Insurance Operators" (JICPA Industry Audit Committee Report No. 26).

In applying the hedge accounting, in order to fulfill requirements stipulated in the “Accounting standards for financial instruments” (ASBJ Statement No. 10), the Company has established investment policy and procedure guidelines and clarified the transactions to be hedged, the risk of underlying assets to be hedged and derivative instruments to be used, and conducted pre- and post-effectiveness tests of the transactions.

c) Risk Management

The risk management system of the Company is as follows:

i) Market Risk Management

Under the internal investment policy and market risk management policy, the Company manages market risk by conducting mid- to long-term asset allocation in a manner appropriate to its liabilities. Therefore, it categorizes its portfolio into sub-groups, based on their investment purpose, and manages them taking into account each of their risk characteristics.

(a) Interest rate risk

The Company keeps track of interest rates and durations of its assets and liabilities, monitors its internal analyses on duration gap and interest rate sensitivity, and periodically reports its findings to the board of directors, etc.

(b) Currency risk

The Company keeps track of currency composition of its financial assets and liabilities, conducts sensitivity analyses, and periodically reports its findings to the board of directors, etc.

(c) Fluctuation in market values

The Company defines risk management policies and management procedures for each component of its overall portfolio, including securities, based on the risk characteristics of the categories, and set and manages upper limits of each asset balance and asset allocation weight.

Such management conditions are periodically reported by its risk management sections to the board of directors, etc.

(d) Derivative transactions

For derivative transactions, the Company has established internal check system by segregating i) the executing department, ii) the department which engages in assessment of hedge effectiveness, and iii) the back-office. Additionally, in order to limit speculative use of derivatives, the Company has put restrictions on utilization purpose, such as hedging, and establishes position limits for each asset class.

ii) Credit Risk Management

In accordance with the internal investment policy and credit risk management procedure guidelines, the Company has established a credit management system related to loans, such as preliminary reviews on individual transactions, credit limit setting, credit information management, internal credit rating, attachment of guarantees and collateral, and follow-ups on problem loans. For corporate bond investment, the credit section sets investment caps on individual issuers taking into account internal credit ratings and other factors. Excessive risk-taking is restricted since front offices make investment within those caps. Policies and framework for large-lot borrowers have been formulated in order to prevent credit concentration by monitoring compliance, etc. That credit management has been conducted by the credit and risk management sections, and has been periodically reported to the board of directors, etc. Additionally, the internal audit section has also checked credit management status.

Credit risk of security issuers and counterparty risk with respect to derivative transactions are managed by the credit section, which sets upper limits for each counterparty and financial instrument and periodically monitors credit information, and by the risk management section, which periodically monitors current exposures.

d) Supplementary Explanation for Fair Value of Financial Instruments

As well as the value based on market prices, fair values of financial instruments include values which are reasonably calculated in case market prices do not exist. As the calculation of those values adopts certain assumptions, those values may vary in case different assumptions are applied.

## (2) Fair Value of Financial Instruments

The carrying amount on the consolidated balance sheet, fair value and differences between carrying amount and fair value as of March 31, 2021 were as follows. The following tables do not include financial instruments whose fair value is extremely difficult to recognize. (Please refer to (Note 2).)

| As of March 31, 2021                                   | Carrying amount   | Fair value        | Gains (Losses)   |
|--------------------------------------------------------|-------------------|-------------------|------------------|
| (Unit: million yen)                                    |                   |                   |                  |
| (1) Cash and deposits .....                            | 383,214           | 383,214           | -                |
| (2) Call loans .....                                   | 403,700           | 403,700           | -                |
| (3) Monetary claims bought .....                       | 252,140           | 252,140           | -                |
| (4) Money held in trust .....                          | 7,716             | 7,716             | -                |
| (5) Securities                                         |                   |                   |                  |
| a. Trading securities .....                            | 936,743           | 936,743           | -                |
| b. Held-to-maturity bonds .....                        | 48,646            | 50,321            | 1,675            |
| c. Policy-reserve-matching bonds .....                 | 13,332,171        | 15,520,087        | 2,187,915        |
| d. Stock of subsidiaries and affiliate companies ..... | 343               | 451               | 108              |
| e. Available-for-sale securities .....                 | 18,844,324        | 18,844,324        | -                |
| (6) Loans .....                                        | 2,576,064         |                   |                  |
| Reserve for possible loan losses (*1) .....            | (850)             |                   |                  |
|                                                        | 2,575,213         | 2,633,115         | 57,901           |
| <b>Total assets .....</b>                              | <b>36,784,211</b> | <b>39,031,813</b> | <b>2,247,601</b> |
| (1) Bonds payable .....                                | 476,277           | 509,676           | 33,399           |
| (2) Payable under repurchase agreements .....          | 2,301,762         | 2,301,762         | -                |
| (3) Long-term borrowings .....                         | 390,600           | 390,394           | (205)            |
| <b>Total liabilities .....</b>                         | <b>3,168,639</b>  | <b>3,201,832</b>  | <b>33,193</b>    |
| Derivative transactions (* 2)                          |                   |                   |                  |
| a. Hedge accounting not applied .....                  | [5,691]           | [5,691]           | -                |
| b. Hedge accounting applied .....                      | [295,152]         | [295,773]         | (621)            |
| <b>Total derivative transactions .....</b>             | <b>[300,843]</b>  | <b>[301,465]</b>  | <b>(621)</b>     |

(\*1) Excluding general reserves for possible loan losses and specific reserves for possible loan losses related to loans.

(\*2) Credits/debts from derivative transactions are presented on a net basis. Figures in [ ] are net debts.

## (Note 1) Notes to Methods for Calculating Fair Value of Financial Instruments, Securities and Derivative Transactions

### ● Assets

#### (1) Cash and deposits

Since deposits are close to maturity or have no maturity and their fair value is close to the carrying amounts, fair value is based on the carrying amount.

#### (2) Call loans

Since all call loans are close to due date and their fair value is close to the carrying amounts, fair value of call loans is based on their carrying amount.

#### (3) Monetary claims bought

The fair value of monetary claims bought is based on the reasonably calculated price.

#### (4) Money held in trust

The fair value of stocks is based on the price on stock exchanges and that of bonds is based on the price on bond markets or price presented by counterparty financial institutions. The fair value of mutual funds is based on unit price.

#### (5) Securities

The fair value of stocks is based on the price on stock exchanges and that of bonds is based on the price on bond markets or price presented by counterparty financial institutions. The fair value of mutual funds is based on unit

price. As for ownership stakes in partnerships, the amount equivalent to partnership interest in fair value of the partnership assets is recorded as fair value of the stake in the partnership.

#### (6) Loans

The fair value of loans is calculated by discounting future cash flows of the subject loan, using interest rates corresponding to the internal credit rating and remaining period which are assumed to be applied to new loans to the subject borrower.

Additionally, for risk-monitored loans, reserve for possible loan losses is calculated based on the present value of estimated future cash flows or the amount deemed recoverable from collateral and guarantees and the fair value is close to the carrying amount on the consolidated balance sheet minus reserve for possible loan losses at the end of the fiscal year. Therefore, that amount (the carrying amount on the consolidated balance sheet minus reserve for possible loan losses) is recorded as fair value for risk-monitored loans.

Also, loans without a due date because of their characteristics that their exposure is limited to the amount of their collaterals, are deemed to have fair value close to book value, taking into account estimated repayment period and interest rates. Therefore, their book value is recorded as the fair value.

### • **Liabilities**

#### (1) Bonds payable

The fair value of bonds is based on the price on the bond market.

#### (2) Payables under repurchase agreements

Since the terms of all payables under repurchase agreements are short and their fair value is close to the carrying amounts, fair value is based on the carrying amount.

#### (3) Long-term borrowings

The fair value of long-term borrowings is calculated by discounting future cash flows, using interest rates corresponding to internal credit rating and remaining periods which are assumed to be applied to new borrowings.

### • **Derivative Transactions**

The breakdown of derivative transactions is (1) currency-related transactions; (2) interest-related transactions; (3) stock-related transactions; and (4) bond-related transactions, etc. The fair value of the instruments is based on the closing exchange-traded prices and the prices quoted from financial institutions, etc.

(Note 2) Financial instruments whose fair value is extremely difficult to recognize are as follows and are not included in the fair value of (5) Securities in (Note 1)

| As of March 31, 2021                       | Carrying amount<br>(Unit: million yen) |
|--------------------------------------------|----------------------------------------|
| 1. Unlisted domestic stocks (*1)(*2) ..... | 49,781                                 |
| 2. Unlisted foreign stocks(*1)(*2).....    | 25,234                                 |
| 3. Other foreign securities(*1)(*2).....   | -                                      |
| 4. Other securities(*1)(*2).....           | 225,035                                |
| <b>Total</b>                               | <b>300,051</b>                         |

(\*1) These securities cannot be assigned a market value because of unavailability of tradable markets, and they are excluded from disclosure of fair value.

(\*2) The Company recorded impairment charges of ¥1,192 million for the fiscal year ended March 31, 2021

## 17. **Real Estate for Rent**

The Company owns a number of commercial buildings, including land, for rent in various locations, including Tokyo. Net rental income from such real estate for rent for the fiscal year ended March 31, 2021 was ¥35,836 million. The rental income was included in investment income and the rental expense was included in investment expenses. The Company recorded gains on sale of ¥2,548 million and impairment loss of ¥2,528 million on rental real estate as extraordinary gains and extraordinary losses respectively for the fiscal year ended March 31, 2021.

The carrying amount, net change during the year and the fair value of such rental real estate, were as follows:

(Unit: million yen)

|                               |           |
|-------------------------------|-----------|
| Carrying amount               |           |
| Beginning balance .....       | 788,201   |
| Net change for the year ..... | (814)     |
| Ending balance .....          | 787,387   |
| Fair value                    | 1,056,203 |

(\*1) The carrying amount of rental real estate on the balance sheet was acquisition costs net of accumulated depreciation and impairments.

(\*2) Net change in the carrying amount included cost of acquisition of the real estate of ¥30,668 million, sale of the real estate of ¥19,468 million, depreciation expense of ¥13,165 million, and impairment loss of ¥2,528 million.

(\*3) The Company calculates the fair value of the majority of the rental real estate based on real estate appraisal standards and assessment by an independent appraiser, and others based on internal but reasonable estimates.

## 18. Securities Lending

Securities lent under lending agreements are included in the consolidated balance sheet. The total balance of securities lent as of March 31, 2021 was ¥ 2,246,652 million.

## 19. Problem Loans

As of March 31, 2021, the amounts of credits to bankrupt borrowers, delinquent loans, loans past due for three months or more, and restructured loans, which were included in loans, were as follows:

(Unit: million yen)

|                                               |       |
|-----------------------------------------------|-------|
| Credits to bankrupt borrowers .....           | 67    |
| Delinquent loans .....                        | 3,216 |
| Loans past due for three months or more ..... | -     |
| Restructured loans .....                      | 833   |
| Total .....                                   | 4,117 |

Credits to bankrupt borrowers represent non-accrual loans, excluding the balances already written off, which meet the conditions prescribed in Article 96, Paragraph 1, Item 3 (a) to (e) or Item 4 of the Order for Enforcement of the Corporation Tax Act (Cabinet Order 97,1965). Interest accruals of such loans are suspended since the principal of or interest on such loans is unlikely to be collected.

Delinquent loans are credits that are delinquent other than credits to bankrupt borrowers and loans for which interest payments have been suspended to assist and support the borrowers in the restructuring of their businesses.

Loans past due for three months or more are loans for which interest or principal payments are delinquent for three months or more under the terms of the loans excluding those classified as credits to bankrupt borrowers or delinquent loans.

Restructured loans are loans for which certain concessions favorable to borrowers, such as interest reductions or exemptions, postponement of principal or interest payments, release from repayment or other agreements have been negotiated for the purpose of assisting and supporting the borrowers in the restructuring of their businesses. This category excludes loans classified as credits to bankrupt borrowers, delinquent loans, and loans past due for three months or more.

As a result of the direct write-off of loans described in Note 7, the decreases in credits to bankrupt borrowers and delinquent loans were as follows:

(Unit: million yen)

|                                     |   |
|-------------------------------------|---|
| Credits to bankrupt borrowers ..... | 1 |
| Delinquent loans .....              | - |

## 20. Assets and Liabilities Held in Separate Accounts

The total amount of assets held in separate accounts defined in Article 118 Paragraph 1 of the Insurance Business Act was ¥1,575,100 million. Separate account liabilities were the same amount as the separate account assets.

## 21. Contingent Liabilities

Guarantee for debt obligations of a separate company were as follows:

|                                   |                     |
|-----------------------------------|---------------------|
|                                   | (Unit: million yen) |
| Dai-ichi Life Holdings, Inc. .... | 250,002             |

## 22. Changes in Reserve for Policyholder Dividends

Changes in reserve for policyholder dividends were as follows:

|                                                        |                     |
|--------------------------------------------------------|---------------------|
|                                                        | (Unit: million yen) |
| Balance at the beginning of the fiscal year .....      | 399,742             |
| Dividends paid during the fiscal year .....            | 84,461              |
| Interest accrual during the fiscal year .....          | 8,218               |
| Provision for reserve for policyholder dividends ..... | 77,500              |
| Balance at the end of the fiscal year .....            | 400,999             |

## 23. Stock of Subsidiaries and Affiliated Companies

The amount of stocks of and stakes in non-consolidated subsidiaries and affiliated companies the Company held as of March 31, 2021 were as follows:

|               |                     |
|---------------|---------------------|
|               | (Unit: million yen) |
| Stocks .....  | 4,788               |
| Capital ..... | 166,145             |
| Total .....   | 170,933             |

## 24. Organizational Change Surplus

As of March 31, 2021, the amount of organizational change surplus stipulated in Article 91 of the Insurance Business Act was ¥ 117,776 million.

## 25. Assets Pledged as Collateral / Secured Liabilities

The amounts of securities and cash and deposits pledged as collateral were as follows:

|                         |                     |
|-------------------------|---------------------|
|                         | (Unit: million yen) |
| Securities .....        | 2,308,573           |
| Cash and deposits ..... | 86                  |
| Total .....             | 2,308,659           |

The amounts of secured liabilities were as follows:

|                                            |                     |
|--------------------------------------------|---------------------|
|                                            | (Unit: million yen) |
| Payables under repurchase agreements ..... | 2,301,762           |

The amounts of "Securities" pledged as collateral under repurchase agreements as of March 31, 2021 was ¥ 2,074,617 million.

## 26. Net Assets per Share

The amount of net assets per share of the Company as of March 31, 2021 was ¥530,692,467.11.

## 27. Employees' Retirement Benefits

### (1) Overview of Employees' Retirement Benefit Plan of the Company

As a defined benefit plan for its sales representatives, the Company has established and maintained a benefit plan consisting of retirement lump sum grants and company administered pension. For its administrative personnel, the Company has established and maintained a benefit plan consisting of defined benefit corporate pension and retirement lump sum grants as a defined benefit plan and defined contribution pension as a defined contribution plan.

(2) Defined Benefit Plan

a) Reconciliations of beginning and ending balances of projected benefit obligations

|                                                                                               | (Unit: million yen) |
|-----------------------------------------------------------------------------------------------|---------------------|
| a. Beginning balance of the projected benefit obligations .....                               | 684,256             |
| b. Service cost .....                                                                         | 25,769              |
| c. Interest cost .....                                                                        | 2,050               |
| d. Accruals of actuarial (gains) and losses .....                                             | 5,543               |
| e. Payment of retirement benefits .....                                                       | (32,125)            |
| f. Accruals of past service cost .....                                                        | 2,160               |
| g. Others .....                                                                               | (883)               |
| <b>h. Ending balance of the projected benefit obligation (a + b + c + d + e + f + g).....</b> | <b>686,771</b>      |

b) Reconciliations of beginning and ending balances of pension assets

|                                                                     | (Unit: million yen) |
|---------------------------------------------------------------------|---------------------|
| a. Beginning balance of pension assets .....                        | 253,121             |
| b. Estimated return on assets .....                                 | 1,753               |
| c. Accruals of actuarial (gains) and losses .....                   | 28,511              |
| d. Contribution from the employer .....                             | 6,746               |
| e. Payment of retirement benefits .....                             | (10,254)            |
| <b>f. Ending balance of pension assets (a + b + c + d + e).....</b> | <b>279,877</b>      |

c) Reconciliations of year-end balance of projected benefit obligations and pension assets, and net defined benefit liabilities and assets that have been recorded in the balance sheet

|                                                                                                 | (Unit: million yen) |
|-------------------------------------------------------------------------------------------------|---------------------|
| a. Projected benefit obligation for funded pensions .....                                       | 365,467             |
| b. Pension assets .....                                                                         | (279,877)           |
| <b>c. Subtotal (a + b) .....</b>                                                                | <b>85,590</b>       |
| d. Projected benefit obligation for unfunded pensions .....                                     | 321,304             |
| <b>e. Net of assets and liabilities recorded in the consolidated balance sheet (c+ d) .....</b> | <b>406,894</b>      |
| f. Net defined benefit liabilities .....                                                        | 406,894             |
| g. Net defined benefit assets .....                                                             | -                   |
| <b>h. Net of assets and liabilities recorded in the balance sheet (f+ g) .....</b>              | <b>406,894</b>      |

d) Amount of the components of retirement benefit expenses

|                                                                                              | (Unit: million yen) |
|----------------------------------------------------------------------------------------------|---------------------|
| a. Service cost .....                                                                        | 25,769              |
| b. Interest cost .....                                                                       | 2,050               |
| c. Expected return on assets .....                                                           | (1,753)             |
| d. Expense of actuarial (gains) and losses .....                                             | 5,618               |
| e. Expense of past service cost .....                                                        | (136)               |
| f. Others .....                                                                              | 190                 |
| <b>g. Retirement benefit expenses for defined benefit plans (a + b + c + d + e + f).....</b> | <b>31,738</b>       |

e) Remeasurements of defined benefit plans

Breakdown of items recorded in remeasurements of defined benefit plans (before applicable tax effect) was as follows:

|                                |                     |
|--------------------------------|---------------------|
|                                | (Unit: million yen) |
| Past service cost              | (2,297)             |
| Actuarial gains (losses) ..... | 28,672              |
| <b>Total .....</b>             | <b>26,375</b>       |

f) Accumulated remeasurements of defined benefit plans

Breakdown of items recorded in accumulated remeasurements of defined benefit plans (before applicable tax effect) was as follows:

|                                             |                     |
|---------------------------------------------|---------------------|
|                                             | (Unit: million yen) |
| Unrecognized past service cost              | 1,339               |
| Unrecognized actuarial gains (losses) ..... | 5,416               |
| <b>Total .....</b>                          | <b>6,755</b>        |

g) Pension assets

i. The main components of the pension assets

Ratios of the major assets to the total pension assets were as follows:

|                                      |             |
|--------------------------------------|-------------|
| Stocks .....                         | 70%         |
| Assets under joint management .....  | 15%         |
| Life insurance general account ..... | 4%          |
| Bonds .....                          | 3%          |
| Others .....                         | 8%          |
| <b>Total .....</b>                   | <b>100%</b> |

Note: The proportion of retirement benefit trust to total pension assets that has been set for the unfunded retirement benefit plans as of March 31, 2021 was 53%.

ii. The method of setting the expected long-term rate of return on pension assets

To determine the expected long-term rate of return on pension assets, the Company has taken into account the allocation of pension assets at present and in future, and long-term rate of return on a variety of assets that make up the pension assets at present and in future.

h) Calculation basis of actuarial gains and losses

Major assumptions of basis of actuarial calculation as of the fiscal year-end were as follows:

|                                         |       |
|-----------------------------------------|-------|
| Discount rate .....                     | 0.30% |
| Expected long-term rate of return       |       |
| Defined benefit corporate pension ..... | 1.40% |
| Employee pension trust .....            | 0.00% |

i) Defined Contribution Plan

Required amounts of contribution to defined contribution plans of the Company for the fiscal years ended March 31, 2021 was ¥1,566million.

## 28. Securities Borrowing

Securities borrowed under borrowing agreements can be sold or pledged as collateral. As of March 31, 2021, the market value of the securities which were not sold or pledged as collateral was ¥ 2,343 million. None of the securities were pledged as collateral as of March 31, 2021.

## 29. Commitment Line

As of March 31, 2021, there were unused commitment line agreements, under which the Company was the lenders, of ¥ 78,478 million.

**30. Subordinated Debt and Other Liabilities**

As of March 31, 2021, other liabilities included subordinated debt of ¥390,600 million, whose repayment is subordinated to other obligations.

**31. Bonds Payable**

As of March 31, 2021, bonds payable included foreign currency-denominated subordinated bonds of ¥ 476,277 million, whose repayment is subordinated to other obligations.

**32. Obligations to the Life Insurance Policyholders Protection Corporation of Japan**

The estimated future obligations of the Company to the Life Insurance Policyholders Protection Corporation of Japan under Article 259 of the Insurance Business Act as of March 31, 2021 were ¥ 44,307 million. These obligations will be recognized as operating expenses for the years in which they are paid.

### III. NOTES TO UNAUDITED CONSOLIDATED STATEMENT OF EARNINGS FOR THE FISCAL YEAR ENDED March 31, 2021

#### 1. Accounting Policies for Premium and Other Income and Benefits and Claims for the Company

##### (1) Premium and other income (excluding reinsurance income)

Premium and other income (excluding reinsurance income) is recorded for insurance contracts for which insurance premium has been received and the insurer's liability under the insurance contracts has commenced by the relevant amounts received.

Of premium and other income (excluding reinsurance income), 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 69, Paragraph 1, Item 2 of the Ordinance for Enforcement of the Insurance Business Act.

##### (2) Benefits and claims (excluding ceding reinsurance commissions)

Benefits and claims (excluding ceding reinsurance commissions) are recorded for contracts 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, reserves for outstanding claims are set aside for claims, etc. for which the Company has a payment due but has not paid, or for which the occurrence of the insured events have not been reported but the Company finds that insured events have already occurred, as of the end of the fiscal year.

Effective the fiscal year ended March 31, 2021, the Company discloses "principles and procedures of the accounting treatment adopted in cases where the provisions of relevant accounting standards, etc. are unclear" with the adoption of the "Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections" (ASBJ Statement No. 24 revised on March 31, 2020), in the consolidated financial statements.

#### 2. Net Income per Share

Net income per share for the fiscal year ended March 31, 2021 was ¥32,509,940.19. Diluted net income per share for the same period is not presented because there were no existing diluted shares.

#### 3. Impairment Losses on Fixed Assets

Details of impairment losses on fixed assets for the fiscal year ended March 31, 2021 were as follows:

##### (1) Method of Grouping Assets

Real estate and other assets used for insurance business purposes are recognized as one asset group. Each property for rent and property not in use, which is not used for insurance business purposes, is deemed to be an independent asset group.

##### (2) Background for Recognition of Impairment Losses

As a result of significant declines in profitability or market value of some asset groups, the Company wrote down the book value of these assets to the recoverable value, and reported such write-off as impairment losses in extraordinary losses.

##### (3) Breakdown of Impairment Losses

Impairment losses by asset group for the fiscal year ended March 31, 2021 were as follows:

|                        |                                                 | (Unit: million yen) |       |     |       |
|------------------------|-------------------------------------------------|---------------------|-------|-----|-------|
| Real estate for rent   | Morioka city,<br>Iwate prefecture               | 1                   | 25    | 31  | 57    |
| Real estate not in use | Takamatsu city,<br>Kagawa prefecture and others | 22                  | 1,741 | 752 | 2,494 |
| Total                  | -                                               | 23                  | 1,767 | 784 | 2,552 |

#### (4) Calculation of Recoverable Value

Value in use or net sale value is used as the recoverable value of real estate for rent, and net sale value is used as the recoverable value of real estate not in use. A discount rate of 2.17% for the fiscal year ended March 31, 2021 was applied for discounting future cash flows in the calculation of value in use. Estimated disposal value, appraisal value based on real estate appraisal standards, or appraisal value based on publicly assessed land value for tax purposes is used as the net sale value.

**IV. NOTES TO UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE FISCAL YEAR ENDED MARCH 31, 2021**

|                                                                                                          |                     |
|----------------------------------------------------------------------------------------------------------|---------------------|
|                                                                                                          | (Unit: million yen) |
| Net unrealized gains (losses) on securities, net of tax                                                  |                     |
| Amount incurred during the fiscal year ended March 31, 2021                                              | 1,078,176           |
| Amount reclassified                                                                                      | (217,755)           |
| Before tax adjustment                                                                                    | 860,420             |
| Tax effect                                                                                               | (240,229)           |
| Net unrealized gains (losses) on securities, net of tax                                                  | 620,191             |
| Deferred hedge gains (losses)                                                                            |                     |
| Amount incurred during the fiscal year ended March 31, 2021                                              | (34,139)            |
| Amount reclassified                                                                                      | (286)               |
| Before tax adjustment                                                                                    | (34,426)            |
| Tax effect                                                                                               | 9,611               |
| Deferred hedge gains (losses)                                                                            | (24,814)            |
| Foreign currency translation adjustments                                                                 |                     |
| Amount incurred during the fiscal year ended March 31, 2021                                              | 592                 |
| Amount reclassified                                                                                      | -                   |
| Before tax adjustment                                                                                    | 592                 |
| Tax effect                                                                                               | -                   |
| Foreign currency translation adjustments                                                                 | 592                 |
| Remeasurements of defined benefit plans, net of tax                                                      |                     |
| Amount incurred during the fiscal year ended March 31, 2021                                              | 20,816              |
| Amount reclassified                                                                                      | 5,558               |
| Before tax adjustment                                                                                    | 26,375              |
| Tax effect                                                                                               | (7,363)             |
| Remeasurements of defined benefit plans                                                                  | 19,011              |
| Share of other comprehensive income of subsidiaries and affiliates accounted for under the equity method |                     |
| Amount incurred during the fiscal year ended March 31, 2021                                              | 0                   |
| Amount reclassified                                                                                      | -                   |
| Share of other comprehensive income of subsidiaries and affiliates accounted for under the equity method | 0                   |
| Total other comprehensive income                                                                         | 614,980             |

**V. NOTES TO UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FISCAL YEAR  
ENDED March 31, 2021**

**1. Scope of Cash and Cash Equivalents**

Cash and cash equivalents in the consolidated statement of cash flows consist of cash on hand, demand deposits and short-term investments with a maturity of three months or less from the date of acquisition, which are readily convertible into cash and have an insignificant risk of changes in value.

**VI. NOTES TO UNAUDITED CONSOLIDATED STATEMENT OF CHANGE IN NET ASSETS FOR THE FISCAL YEAR ENDED March 31, 2021**

**1. Type and Number of Shares Outstanding**

|                    | At the beginning of<br>the year | Increase | Decrease | As of<br>March<br>31, 2021 |
|--------------------|---------------------------------|----------|----------|----------------------------|
|                    | (Unit: thousands shares)        |          |          |                            |
| Common stock ..... | 6                               | -        | -        | 6                          |

**2. Dividends on Common Stock**

(1) Cash Dividends

|                     |                                                               |
|---------------------|---------------------------------------------------------------|
| Date of resolution  | June 17, 2020 (at the Annual General Meeting of Shareholders) |
| Type of shares      | Common stock                                                  |
| Total dividends     | ¥101,079 million                                              |
| Dividends per share | ¥16,846,500                                                   |
| Record date         | March 31, 2020                                                |
| Effective date      | June 18, 2020                                                 |
| Dividend resource   | Retained earnings                                             |

|                     |                                                                        |
|---------------------|------------------------------------------------------------------------|
| Date of resolution  | August 12, 2020 (at the Extraordinary General Meeting of Shareholders) |
| Type of shares      | Common stock                                                           |
| Total dividends     | ¥49,999 million                                                        |
| Dividends per share | ¥8,333,300                                                             |
| Record date         | -                                                                      |
| Effective date      | August 13, 2020                                                        |
| Dividend resource   | Retained earnings                                                      |

(2) Dividends in Kind

|                                        |                                                                            |
|----------------------------------------|----------------------------------------------------------------------------|
| Date of resolution                     | August 12, 2020 (at the Extraordinary General Meeting of Shareholders) (*) |
| Type of shares                         | Common stock                                                               |
| Type of the dividend<br>property       | Securities                                                                 |
| Book value of the<br>dividend property | ¥5,740,000                                                                 |
| Record date                            | -                                                                          |
| Effective date                         | August 31, 2020                                                            |
| Dividend resource                      | Retained earnings                                                          |

(\*) At the Extraordinary General Meeting of Shareholders on August 12, 2020, the Company decided to transfer the securities the Company had held to Dai-ichi life Holdings, Inc. as a dividend in kind, and carried it out on August 31, 2020.

(3) Dividends, the record date of which was March 31, 2021, to be paid out in the year ending March 31, 2022

|                     |                                                               |
|---------------------|---------------------------------------------------------------|
| Date of resolution  | June 16, 2021 (at the Annual General Meeting of Shareholders) |
| Type of shares      | Common stock                                                  |
| Total dividends     | ¥158,716 million                                              |
| Dividends per share | ¥26,452,800                                                   |
| Record date         | March 31, 2021                                                |
| Effective date      | June 17, 2021                                                 |
| Dividend resource   | Retained earnings                                             |

|                     |                                                               |
|---------------------|---------------------------------------------------------------|
| Date of resolution  | June 16, 2021 (at the Annual General Meeting of Shareholders) |
| Type of shares      | Common stock                                                  |
| Total dividends     | ¥49,999 million                                               |
| Dividends per share | ¥8,333,300                                                    |
| Record date         | March 31, 2021                                                |
| Effective date      | June 17, 2021                                                 |
| Dividend resource   | Capital surplus                                               |

(7) Consolidated Risk-Monitored Loans

| (millions of yen)                       |                              |
|-----------------------------------------|------------------------------|
| Category                                | Year ended<br>March 31, 2021 |
| Credits to bankrupt borrowers           | 67                           |
| Delequent loans                         | 3,216                        |
| Loans past due for three months or more | -                            |
| Restructured loans                      | 833                          |
| Total                                   | 4,117                        |
| [Percentage of total loans]             | [ 0.16%]                     |

Note:

1. For loans and claims to bankrupt and substantially bankrupt obligors, the unrecoverable amount is calculated by deducting the amount deemed recoverable from collateral and guarantees from the amount of the loans and claims and is directly written off from the amount of the loans and claims. The write-offs relating to bankrupt borrowers in the fiscal years ended March 31, 2021 were 1 million yen.
2. Credits 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. Accrual of interest on such loans have been suspended based upon a determination that collection or repayment of principal or interest is unlikely due to significant delay in payment of principal or interest or for some other reason.
3. Delinquent loans are credits that are delinquent other than credits to bankrupt borrowers and loans for which interest payments have been suspended to assist and support the borrowers in the restructuring of their businesses.
4. Loans past due for three months or more are loans for which interest or principal payments are delinquent for three months or more under the terms of the loans, excluding those loans classified as credits to bankrupt borrowers or delinquent loans.
5. Restructured loans are loans for which certain concessions favorable to borrowers, such as interest reductions or exemptions, postponement of principal or interest payments, release from repayment or other agreements have been negotiated for the purpose of assisting and supporting the borrowers in the restructuring of their businesses. This category excludes loans classified as credits to bankrupt borrowers, delinquent loans, and loans past due for three months or more.

## (8) Consolidated Solvency Margin Ratio

(millions of yen)

|                                                                                                                     | As of March 31, 2020 | As of March 31, 2021 |
|---------------------------------------------------------------------------------------------------------------------|----------------------|----------------------|
| Total solvency margin <b>(A)</b>                                                                                    | 6,121,744            | 6,817,494            |
| Common stock, etc. *1                                                                                               | 529,037              | 470,534              |
| Reserve for price fluctuations                                                                                      | 215,453              | 233,453              |
| Contingency reserve                                                                                                 | 628,493              | 599,893              |
| Catastrophe loss reserve                                                                                            | -                    | -                    |
| General reserve for possible loan losses                                                                            | 117                  | 333                  |
| (Net unrealized gains (losses) on securities (before tax) and deferred hedge gains (losses) (before tax) ) × 90% *2 | 2,390,159            | 3,154,539            |
| Net unrealized gains (losses) on real estate × 85% *2                                                               | 243,896              | 255,652              |
| Sum of unrecognized actuarial differences and unrecognized past service cost                                        | (33,294)             | (6,395)              |
| Policy reserves in excess of surrender values                                                                       | 2,164,285            | 2,164,644            |
| Qualifying subordinated debt                                                                                        | 759,277              | 866,877              |
| Excluded portion of policy reserves in excess of surrender values and qualifying subordinated debt                  | (754,610)            | (825,614)            |
| Excluded items                                                                                                      | (98,497)             | (168,653)            |
| Others                                                                                                              | 77,427               | 72,228               |
| Total 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>(B)</b>               | 1,238,988            | 1,438,710            |
| Insurance risk $R_1$                                                                                                | 64,717               | 67,456               |
| General insurance risk $R_5$                                                                                        | -                    | -                    |
| Catastrophe risk $R_6$                                                                                              | -                    | -                    |
| 3rd sector insurance risk $R_8$                                                                                     | 172,223              | 166,267              |
| Small amount and short-term insurance risk $R_9$                                                                    | -                    | -                    |
| Assumed investment yield risk $R_2$                                                                                 | 191,118              | 179,312              |
| Guaranteed minimum benefit risk $R_7$ *3                                                                            | 3,039                | 2,910                |
| Investment risk $R_3$                                                                                               | 992,934              | 1,204,518            |
| Business risk $R_4$                                                                                                 | 28,480               | 32,409               |
| Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$                                                     | 988.1%               | 947.7%               |

\*1: Expected disbursements from capital outside the Company and accumulated other comprehensive income, etc. are excluded.

\*2: Multiplied by 100% if losses.

\*3: Calculated by standard method.

Note: The above figures are calculated based on Article 86-2 and 88 of the Enforcement Regulations of Insurance Business Act, and Notification of the Financial Services Agency No. 23, 2011.

## (9) Segment Information

The Company on a consolidated basis did not operate any businesses categorized in segments other than its own core life insurance business, and therefore segment information was omitted.