Notes to Non-Consolidated Financial Statements

1. Basis of Preparation of Financial Statements

The financial statements are prepared in accordance with the Insurance Business Law and the Enforcement Regulations thereunder, and in accordance with standard accounting principles and procedures followed by life insurance companies in Japan.

2. Significant Accounting Policies

(1) Application of New Accounting Standards

The Accounting Standards for Financial Instruments

(a) The Accounting Standards for Financial Instruments (Opinion on Setting Accounting Standards for Financial Instruments, the Business Accounting Deliberation Council, January 22, 1999) are applied starting from FY2000. Changes include the valuation of securities, derivative transactions, and hedge accounting.

(b) These changes have increased both ordinary profits and surplus before taxes for FY2000 by ¥179,782 million.

(c) The amendment of the Enforcement Regulations of the Insurance Business Law in conjunction with the application of Accounting Standards for Financial Instruments (Opinion on Setting Accounting Standards for Financial Instruments, the Business Accounting Deliberation Council, January 22, 1999) in FY2000 has resulted in these changes in notation for the Operations and Surplus.

i) The difference in interest rate adjustments for bonds and debentures had been recorded in profit and loss on gains on securities redeemed. From this fiscal year, it is included in interest and dividends on securities.

ii) All income and expenses accruing from money-placed-in-trust is recorded under losses on money-placed-in-trust.

iii) Income and expenses related to derivative transactions are recorded under expenses for derivative financial instruments.

iv) Income and expenses related to separate accounts had been included in the investment income and gain and investment expenses and losses. From this fiscal year, they are included in losses on separate account assets investment.

The Accounting Standards for Foreign Currency Translation

(a) The Accounting Standards for Foreign Currency Translation after amendment (Opinion on Setting Accounting Standards for Foreign Currency Translation, the Business Accounting Deliberation Council, October 22, 1999) are applied starting from FY2000.

(b) These changes have increased both ordinary profits and surplus before taxes for FY2000 by ¥1,531 million.

The Accounting Standards for Retirement Benefits

(a) The Accounting Standards for Retirement Benefits (Opinion on Setting Accounting Standards for Retirement Benefits, the Business Accounting Deliberation Council, June 16, 1998) are applied starting from FY2000.

(b) These changes have increased ordinary profits by ¥22,579 million, and increased surplus before taxes for FY2000 by ¥8,828 million.

(C) Retirement allowances and retirement annuities are included in retirement benefits starting FY2000.

(2) Securities

(a) Trading Securities are stated at fair value.

(b) Held-to-Maturity Debt Securities are stated at amortized cost using the moving average.

(c) Stock Securities Issued by Subsidiaries and Affiliates are stated at cost using the moving average.

(d) Other Securities are:

•Securities for which market quotations are available are stated at fair value.

•Securities for which market quotations are unavailable

i) Bonds and debentures (including bonds issued overseas) for which the difference in acquisition amounts are recognized as the difference in interest rate adjustments are stated at amortized cost using the moving average.

ii) Securities that are not classified in categories (a) through (d)-i are stated at cost using the moving average.

•Net unrealized gains on “Other Securities” are reported as “Net unrealized gains on investments” in the surplus at a net-of-tax amount.

(3) Derivative Transactions

Derivative transactions are stated at fair value.

(4) Depreciation of Real Estate and Movables

Depreciation of buildings is determined according to the straight line method, while depreciation of movables is determined according to the declining balance method.

(5) Depreciation of Computer Software

Depreciation of computer software included under miscellaneous assets is calculated according to the straight line method based on the useful life of the product.

(6) Foreign Exchange Rate

Assets and liabilities other than the stock issued by subsidiaries and affiliates are converted into yen at the exchange rates prevailing on the last business day of March. The stock issued by subsidiaries and affiliates is converted into yen at the exchange rates prevailing on the date of their acquisition.

(7) Reserves for Possible Loan Losses

a. Reserves for possible loan losses are calculated according to the company's internal standards for risk assessment of assets and the rules for the write-off and provision of reserves. All loans are assessed by the departments concerned and the results are audited by the independent Auditing Department.

b. For loans to legally bankrupt and substantially bankrupt borrowers, reserves are provided at the balance outstanding after the direct deduction shown below and deduction of the net amount collectible through the disposal of collateral or the execution of guarantees.

c. For loans to borrowers with high likelihood of bankruptcy, reserves are provided at the required portion of the balance outstanding, based on a general assessment of financial solvency, after deduction of the net amount collectible through the disposal of collateral or the execution of guarantees.

d. Reserves for possible loan losses on other loans are calculated on a historical basis according to the actual rate of loan losses over a given period.

e. For overseas loans in specific countries, specific reserves for country risk are provided at the balance considered uncollectible, based on the assessment of the political and economic conditions of the individual countries. Specific reserves for country risk include reserves for foreign investment losses.

f. Where loans to legally bankrupt or substantially bankrupt borrowers are covered by collateral or guarantees, the balance after deduction of the assessed value of the collateral and the amount considered to be collectible through the execution of guarantees is directly deducted from the loans outstanding. In FY2000, these direct deductions amounted to ¥28,453 million.

(8) Reserves for Retirement Benefits

To provide for the payment of retirement benefits in the future, the retirement benefits are provided at the amount accrued at the end of the year, based on the Accounting Standards for Retirement Benefits.

(9) Reserves for Losses on Sales of Claims

Reserves for losses on sales of claims are for those claims sold to the Cooperative Credit Purchasing Company, Ltd., in accordance with Article 287-2 of the Commercial Law.

(10) Reserves for Support to Specific Borrowers

Reserves for support to specific borrowers are provided in accordance with Article 287-2 of the Commercial Law, based on a rational assessment of the amount of financial support that will be required in the future.

(11) Reserves for Asset Value Fluctuations

Reserves for asset value fluctuations are calculated in accordance with Article 115 of the Insurance Business Law.

(12) Accumulated Reserves for Contingencies

Accumulated reserves for contingencies are provided in accordance with Article 11-2 of the Enforcement Regulations of the Insurance Business Law.

(13) Method of the Hedge Accounting

Hedging transaction has been accounted for in accordance with the Opinion on Setting Accounting Standards for Financial Instruments (the Business Accounting Deliberation Council, January 22, 1999) starting FY2000. Mainly, interest rate swaps are used for the purpose of hedging the risk of future interest rate changes related to loans, which are treated exceptionally.

(14) Consumption Tax

Consumption and local consumption taxes and the base price are recorded separately. Note that deferred consumption taxes on assets that do not qualify as deductive expenses are recorded as prepaid expenses and amortized on a straight line basis over a five year period. Other consumption taxes that do not qualify as deductive expenses are recorded as expenses for the fiscal year in which they are incurred.

(15) Liability Reserves

Liability reserves are provided in accordance with Article 116 of the Insurance Business Law. The amount is calculated using the following methods.

a. Reserves for policies subject to the standard liability reserve requirement are calculated according to ordinances stipulated by the Prime Minister.

b. Reserves for other policies are calculated on the basis of the net level premium method.

3. Balance Sheet

(1) Depreciation of Real Estate and Movables

Accumulated depreciation for real estate and movables totaled ¥327,113 million.

(2) Assets and Liabilities for Separate Accounts

Combined assets and liabilities for separate accounts, prescribed in Article 118 of the Insurance Business Law, amounted to ¥1,068,990 million.

(3) Net Assets

The amount of net assets in accordance with the provisions of Article 55-2-6 of the Insurance Business Law is ¥471,267 million.

(4) Monetary Claims on and Liabilities to Subsidiaries

Total monetary claims receivable from the company's subsidiaries amounted to ¥23,103 million, while total monetary liabilities owed to subsidiaries amounted to ¥1,541 million.

(5) Leased Movables

The company holds leased movables, including computers and peripherals, in addition to the real estate and movables reported on the Balance Sheet.

(6) Reserves for Policyholder Dividends

Changes in the reserves for policyholder dividends for FY2000 are shown below:

a. Amount at the end of FY1999 .... ¥525,390 million
b. Transfer from surplus for FY1999 .... ¥120,752 million
c. Dividends to policyholders in FY2000 ...... ¥161,903 million
d. Interest on reserves .... ¥ 2,238 million
e. Balance at the end of FY2000 .... ¥486,477 million

(7) Assets and Liabilities Denominated in Foreign Currencies

Assets denominated in foreign currencies totaled ¥1,070,696 million.

(The main foreign currencies are EUR4,030 million and US$3,550 million.)

Liabilities denominated in foreign currencies totaled ¥2,793 million.

(The main foreign currency is US$20 million.)

(8) Foundation Fund

Foundation fund was raised by ¥40,000 million in accordance with Article 60 of the Insurance Business Law.

Total foundation fund amounted to ¥160,000 million when reserves with amortization of foundation funds are taken into account.

(9) Foundation Fund Amortization

Foundation fund was amortized by ¥20,000 million.

(10) Assets Pledged as Collateral

Assets pledged as collateral amounted to ¥62,868 million.

(11) Non-Performing Loans

a. Non-performing loans are classified according to the three categories of loans to bankrupt borrowers, past due loans, and restructured loans.
b. Loans to bankrupt borrowers are nonaccrual loans whose borrowers are recognized to qualify under conditions prescribed in Articles 96-1-3 and 96-1-4 of the Enforcement Regulations of the Corporate Income Tax Law. Accrued interest is not recorded as income due to substantial doubt over ability to collect interest or principal because of delay in payment for extended periods. These loans totaled ¥3,136 million.
c. Past due loans are nonaccrual loans, other than loans to bankrupt borrowers and loans whose interest payments are postponed to support the reconstruction efforts of borrowers. These loans totaled ¥16,957 million. Accrued interest was not recorded as income.
d. Restructured loans, excluding the above, totaled ¥22,589 million. Restructured loans are those subject to certain favorable concessions, including reduced interest rates or moratorium on interest payment, moratorium on repayment, or release of credit, which are made to support the reconstruction efforts of borrowers.
e. The estimated uncollectible amount for loans to bankrupt borrowers and past due loans was directly deducted from the outstanding balance. These deductions came to ¥11,749 million for loans to bankrupt borrowers and ¥16,703 million for past due loans.

(12) Securities Lent

Securities lent under consumption loan agreements, excluding sales and repurchase transactions ("repo") had been recorded as securities lending. From this fiscal year, such securities will be recorded separately by asset class. The Balance Sheet amount of the securities lent under consumption loan agreements, including repo was ¥809,429 million.

(13) The balance of funds not yet provided in financing through commitment line agreements for loans

The balance of funds not yet provided in financing through commitment line agreements for loans totaled ¥10,272 million.

(14) Contribution to Policyholders' Protection Fund

The amount of the future contribution to the Policyholders' Protection Fund, which was succeeded by the Life Insurance Policyholders Protection Corporation of Japan in accordance with Article 140-5 of the Supplementary Provisions of the Financial System Reform Law, is estimated at ¥12,291 million.

The contribution is recorded as an operating expense at the time of payment.

(15) Contribution to Life Insurance Policyholders' Protection Corporation of Japan

The amount of the future contribution to the Life Insurance Policyholders' Protection Corporation of Japan, founded in accordance with Article 259 of the Insurance Business Law, is estimated at ¥40,547 million.

The contribution is recorded as an operating expense at the time of payment.

(16) Liability for Retirement Benefits

Itemization of Liability for Retirement Benefits are listed below:

a. Benefit obligation	–¥288,763 million
b. Plan assets	¥105,522 million
c. Non-accumulated liability for retirement benefits (a+b)	–¥183,241 million
d. Unrecognized transition amount	¥ 55,005 million
e. Unrecognized actuarial loss	¥ 3,551 million
f. Unrecognized prior service cost	–¥ 2,068 million
g. Pre-paid plan cost	¥ 12,957 million
h. Reserves for retirement benefits (c+d+e+f–g)	–¥139,709 million

Calculation of Liability for Retirement Benefits are listed below:

a. Allocation of expected retirement benefit payments
Fixed payments over a period of time

b. Discount rate	3.0%
c. Expected rate of return on plan assets	3.0%
d. Years for amortization of transition amount	5 years
e. Years for amortization of actuarial loss	10 years
f. Years for amortization of prior service cost	10 years

(17) Deferred Tax Assets and Liabilities

a. Deferred tax assets, which amount to ¥249,537 million, consists mainly of ¥103,209 million on policy reserves, ¥40,635 million on reserves for retirement benefits, ¥32,571 million on reserves for asset value fluctuations, ¥30,403 million on losses on securities appraised, and ¥19,258 million on reserves for possible loan losses.

b. Deferred tax liabilities, which amount to ¥273,611 million, consists mainly of ¥270,451 million on unrealized gains of "other securities."

c. The statutory effective income tax rate for FY2000 was 36.15%, while the tax burden ratio came to 39.11% as a result of tax effect accounting.

(18) Revaluation of Land for Business

a. Land used for the company's business was revalued at publicly disclosed prices, in accordance with the law governing revaluation of land, at the end of FY1999.

b. Estimated taxes on the balance on revaluation of land are reported as deferred tax liabilities on revaluation of land under Liabilities. The net gains on revaluation of land after deducting the estimated taxes are reported as revaluation reserves of land under Surplus.

c. The difference in the total market value at the end of FY2000 for the land for business use revalued in accordance with Article 10 of the law and the total book value of the said land for business use after revaluation. –¥19,434 million

(19) Subsidiaries' Shares

The shares of subsidiaries were valued at ¥145,392 million.

4. Operations and Surplus

(1) Transactions with Subsidiaries

Total profits from transactions with the company's subsidiaries amounted to ¥5,860 million, while total expenses amounted to ¥15,359 million.

(2) Gains on Securities Sold

Gains on securities sold are listed below:
¥1,754 million from domestic bonds, ¥87,313 million from domestic stocks, and ¥6,252 million from foreign securities.

(3) Losses on Securities Sold

Losses on securities sold are listed below:
¥7,097 million from domestic bonds, ¥24,292 million from domestic stocks, and ¥14,500 million from foreign securities.

(4) Losses on Securities Appraised

Losses on securities appraised are listed below:
¥14,736 million from domestic stocks, and ¥483 million from foreign securities.

(5) Losses on Money-placed-in-trust

Losses on money-placed-in-trust are included valuation gains of ¥1,159 million

(6) Expenses for Derivative Financial Instruments

Expenses for derivative financial instruments include valuation losses of ¥7,400 million.

(7) Cost of Retirement Benefits

Itemization of cost of retirement benefits are listed below:

a. Service cost	¥ 8,820 million
b. Interest cost	¥ 8,862 million
c. Expected return on plan assets	–¥ 2,851 million
d. Amortization of transition amount	¥13,751 million
e. Amortization of actuarial loss	¥ 394 million
f. Amortization of prior service cost	–¥ 167 million

Net Benefit Cost amounted to ¥28,809 million. (a+b+c+d+e+f)