

February 14, 2018

Financial Results for the Nine Months Ended December 31, 2017

Asahi Mutual Life Insurance Company (the “Company” ; President: Hiroki Kimura) announces financial results for the nine months ended December 31, 2017.

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1. Business Highlights

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

(i) Policies in Force

	As of March 31, 2017		As of December 31, 2017			
	Number of policies (Thousands)	Amount (100 millions of Yen)	Number of policies (Thousands)	Amount (100 millions of Yen)		Changes (%, Pre-FYE)
				Changes (%, Pre-FYE)	Changes (%, Pre-FYE)	
Individual insurance	7,173	181,705	7,171	100.0	169,648	93.4
Individual annuities	615	26,820	592	96.3	25,440	94.9
Group insurance	—	13,286	—	—	13,140	98.9
Group annuities	—	187	—	—	180	96.5

Notes:

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

(ii) New Policies

	Nine months ended December 31, 2016			
	Number of policies (Thousands)	Amount (100 millions of Yen)		
		New policies	Net increase by conversion	
Individual insurance	549	1,149	2,929	(1,780)
Individual annuities	15	437	575	(138)
Group insurance	—	36	36	—
Group annuities	—	—	—	—

	Nine months ended December 31, 2017					
	Number of policies (Thousands)	Changes (%, YoY)	Amount (100 millions of Yen)			
			Changes (%, YoY)	New policies	Net increase by conversion	
Individual insurance	518	94.3	1,014	88.3	2,494	(1,479)
Individual annuities	—	—	(133)	—	—	(133)
Group insurance	—	—	136	375.9	136	—
Group annuities	—	—	—	—	—	—

Notes:

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

(2) Annualized Premiums

(i) Policies in Force

(100 millions of Yen)

	As of March 31, 2017	As of December 31, 2017	
			Changes (%, Pre-FYE)
Individual insurance	3,764	3,757	99.8
Individual annuities	1,594	1,529	95.9
Total	5,359	5,287	98.6
Third-sector products	1,978	2,046	103.4

(ii) New Policies

(100 millions of Yen)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017	Changes
			(%, YoY)
Individual insurance	230	204	88.9
Individual annuities	16	(2)	—
Total	246	201	82.0
Third-sector products	183	167	91.4

Notes:

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

2. Investment Results of General Account Assets

(1) Asset Composition

(Millions of Yen)

	As of March 31, 2017		As of December 31, 2017	
	Amount	Percentage	Amount	Percentage
Cash, deposits, call loans	152,480	2.8	207,316	3.7
Monetary claims bought	33,202	0.6	30,797	0.6
Securities	4,125,107	76.8	4,310,973	77.9
Domestic bonds	2,895,636	53.9	2,918,561	52.8
Domestic stocks	282,959	5.3	346,096	6.3
Foreign securities	869,024	16.2	963,348	17.4
Foreign bonds	642,030	12.0	697,902	12.6
Foreign stocks and other foreign securities	226,993	4.2	265,446	4.8
Other securities	77,487	1.4	82,965	1.5
Loans	557,761	10.4	501,240	9.1
Policy loans	57,577	1.1	51,498	0.9
Industrial and consumer loans	500,184	9.3	449,742	8.1
Real estate	401,557	7.5	398,250	7.2
Deferred tax assets	22,725	0.4	6,380	0.1
Others	76,821	1.4	77,042	1.4
Allowance for possible loan losses	(487)	(0.0)	(415)	(0.0)
Total	5,369,169	100.0	5,531,586	100.0
Foreign currency-denominated assets	908,336	16.9	1,129,202	20.4

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

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

(Millions of Yen)

	As of March 31, 2017					As of December 31, 2017				
	Book value	Fair value	Gains/losses			Book value	Fair value	Gains/losses		
				Gains	Losses				Gains	Losses
Held-to-maturity debt securities	371,278	416,896	45,617	45,701	(83)	357,837	404,435	46,598	46,637	(39)
Policy-reserve-matching bonds	2,161,957	2,494,257	332,299	348,124	(15,824)	2,108,691	2,401,646	292,954	306,128	(13,173)
Stocks of subsidiaries	—	—	—	—	—	—	—	—	—	—
Available-for-sale securities	1,417,128	1,503,956	86,828	131,145	(44,316)	1,614,443	1,769,189	154,745	193,237	(38,491)
Domestic bonds	550,475	551,345	870	8,259	(7,388)	636,697	638,159	1,461	8,383	(6,921)
Domestic stocks	152,037	263,893	111,855	117,840	(5,984)	157,752	327,056	169,304	175,375	(6,071)
Foreign securities	636,825	611,229	(25,595)	2,440	(28,035)	740,822	721,007	(19,814)	4,479	(24,294)
Foreign bonds	506,871	486,287	(20,584)	1,744	(22,329)	560,505	542,573	(17,932)	2,299	(20,231)
Foreign stocks and other foreign securities	129,953	124,942	(5,010)	695	(5,706)	180,316	178,434	(1,882)	2,180	(4,062)
Other securities	77,789	77,487	(302)	2,605	(2,907)	79,171	82,965	3,794	4,999	(1,204)
Monetary claims bought	—	—	—	—	—	—	—	—	—	—
Negotiable certificates of deposit	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—
Total	3,950,364	4,415,109	464,745	524,970	(60,225)	4,080,972	4,575,271	494,298	546,003	(51,704)
Domestic bonds	2,894,765	3,240,626	345,860	369,135	(23,274)	2,917,100	3,223,171	306,071	326,187	(20,115)
Domestic stocks	152,037	263,893	111,855	117,840	(5,984)	157,752	327,056	169,304	175,375	(6,071)
Foreign securities	792,568	796,222	3,653	31,689	(28,035)	896,151	908,009	11,857	36,152	(24,294)
Foreign bonds	662,615	671,279	8,664	30,993	(22,329)	715,834	729,575	13,740	33,971	(20,231)
Foreign stocks and other foreign securities	129,953	124,942	(5,010)	695	(5,706)	180,316	178,434	(1,882)	2,180	(4,062)
Other securities	77,789	77,487	(302)	2,605	(2,907)	79,171	82,965	3,794	4,999	(1,204)
Monetary claims bought	33,202	36,880	3,677	3,699	(21)	30,797	34,067	3,270	3,289	(18)
Negotiable certificates of deposit	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—

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

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

(Millions of Yen)

	As of March 31, 2017	As of December 31, 2017
Held-to-maturity debt securities	—	—
Unlisted foreign bonds	—	—
Others	—	—
Policy-reserve-matching bonds	—	—
Stocks of subsidiaries	5,093	5,063
Available-for-sale securities	116,024	100,989
Unlisted domestic stocks (except over-the-counter stocks)	13,972	13,976
Unlisted foreign stocks (except over-the-counter stocks)	102,051	87,012
Unlisted foreign bonds	—	—
Others	—	—
Total	121,117	106,052

(Reference)

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

(Millions of Yen)

	As of March 31, 2017					As of December 31, 2017				
	Book value	Fair value	Gains/losses		Book value	Fair value	Gains/losses			
			Gains	Losses			Gains	Losses		
Held-to-maturity debt securities	371,278	416,896	45,617	45,701	(83)	357,837	404,435	46,598	46,637	(39)
Policy-reserve-matching bonds	2,161,957	2,494,257	332,299	348,124	(15,824)	2,108,691	2,401,646	292,954	306,128	(13,173)
Stocks of subsidiaries	5,093	5,093	—	—	—	5,063	5,063	—	—	—
Available-for-sale securities	1,533,152	1,619,979	86,827	131,145	(44,317)	1,715,433	1,870,178	154,745	193,237	(38,492)
Domestic bonds	550,475	551,345	870	8,259	(7,388)	636,697	638,159	1,461	8,383	(6,921)
Domestic stocks	166,010	277,865	111,855	117,840	(5,984)	171,729	341,033	169,304	175,375	(6,071)
Foreign securities	738,876	713,280	(25,596)	2,440	(28,036)	827,834	808,019	(19,815)	4,479	(24,295)
Foreign bonds	506,871	486,287	(20,584)	1,744	(22,329)	560,505	542,573	(17,932)	2,299	(20,231)
Foreign stocks and other foreign securities	232,004	226,993	(5,011)	695	(5,707)	267,329	265,446	(1,883)	2,180	(4,063)
Other securities	77,789	77,487	(302)	2,605	(2,907)	79,171	82,965	3,794	4,999	(1,204)
Monetary claims bought	—	—	—	—	—	—	—	—	—	—
Negotiable certificates of deposit	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—
Total	4,071,481	4,536,226	464,744	524,970	(60,226)	4,187,025	4,681,323	494,297	546,003	(51,705)
Domestic bonds	2,894,765	3,240,626	345,860	369,135	(23,274)	2,917,100	3,223,171	306,071	326,187	(20,115)
Domestic stocks	171,103	282,959	111,855	117,840	(5,984)	176,792	346,096	169,304	175,375	(6,071)
Foreign securities	894,620	898,273	3,652	31,689	(28,036)	983,164	995,021	11,857	36,152	(24,295)
Foreign bonds	662,615	671,279	8,664	30,993	(22,329)	715,834	729,575	13,740	33,971	(20,231)
Foreign stocks and other foreign securities	232,004	226,993	(5,011)	695	(5,707)	267,329	265,446	(1,883)	2,180	(4,063)
Other securities	77,789	77,487	(302)	2,605	(2,907)	79,171	82,965	3,794	4,999	(1,204)
Monetary claims bought	33,202	36,880	3,677	3,699	(21)	30,797	34,067	3,270	3,289	(18)
Negotiable certificates of deposit	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—

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

(3) Fair Value Information on Money Held in Trust

The Company doesn't hold money held in trust.

3. Unaudited Non-consolidated Balance Sheets

(Millions of Yen)

	As of March 31, 2017	As of December 31, 2017
Assets:		
Cash and deposits	32,100	30,632
Call loans	122,000	178,000
Monetary claims bought	33,202	30,797
Securities:	4,152,349	4,340,602
National government bonds	1,929,361	1,872,747
Local government bonds	55,807	56,099
Corporate bonds	916,978	996,559
Domestic stocks	293,841	357,916
Foreign securities	878,872	974,314
Loans:	557,761	501,240
Policy loans	57,577	51,498
Industrial and consumer loans	500,184	449,742
Tangible fixed assets	406,105	402,051
Intangible fixed assets	33,521	35,002
Reinsurance receivables	194	337
Other assets	38,719	37,981
Deferred tax assets	22,725	6,380
Customers' liabilities under acceptances and guarantees	14	11
Allowance for possible loan losses	(487)	(415)
Total assets	5,398,207	5,562,621

(Millions of Yen)

	As of March 31, 2017	As of December 31, 2017
Liabilities:		
Policy reserves and other reserves:	4,768,371	4,687,720
Reserve for outstanding claims	27,364	26,289
Policy reserves	4,700,145	4,622,733
Reserve for dividends to policyholders	40,861	38,697
Reinsurance payables	127	65
Bonds payable	40,349	40,349
Other liabilities:	138,429	298,074
Income taxes payable	1,435	8,541
Lease obligations	2,015	1,374
Asset retirement obligations	240	243
Others	134,737	287,915
Reserve for employees' retirement benefits	37,307	36,433
Reserve for price fluctuation	36,580	38,250
Deferred tax liabilities for land revaluation	18,091	18,020
Acceptances and guarantees	14	11
Total liabilities	5,039,270	5,118,925
Net assets:		
Foundation funds	126,000	126,000
Reserve for redemption of foundation funds	131,000	131,000
Reserve for revaluation	281	281
Surplus:	76,313	109,680
Reserve for future losses	242	266
Other surplus:	76,071	109,414
Reserve for fund redemption	36,000	48,600
Equalized reserve for dividends to policyholders	8,718	9,678
Unappropriated surplus (loss)	31,353	51,136
Total foundation funds and others	333,595	366,962
Net unrealized gains (losses) on available-for-sale securities, net of tax	71,104	122,676
Land revaluation differences	(45,762)	(45,943)
Total valuation and translation adjustments	25,341	76,733
Total net assets	358,937	443,695
Total liabilities and net assets	5,398,207	5,562,621

4. Unaudited Non-consolidated Statements of Income

(Millions of Yen)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017
Ordinary income:	504,717	513,667
Premium and other income:	288,501	285,905
Insurance premiums	288,444	284,842
Investment income:	116,894	136,798
Interest, dividends and other income	79,574	80,913
Gains on sales of securities	28,146	46,197
Investment gains on separate accounts	2,119	3,573
Other ordinary income	99,321	90,963
Ordinary expenses:	475,429	460,147
Claims and other payments:	348,053	330,500
Claims	102,928	94,042
Annuities	97,157	98,499
Benefits	69,855	62,290
Surrender benefits	71,867	70,870
Other payments	6,055	4,412
Provision for policy reserves and other reserves:	32	3
Provision for interest on policyholders' dividend reserves	32	3
Investment expenses:	26,219	28,699
Interest expenses	2,802	3,346
Losses on sales of securities	3,764	1,573
Losses on valuation of securities	16	70
Losses on derivative financial instruments	8,128	12,112
Operating expenses	75,570	75,928
Other ordinary expenses	25,553	25,016
Ordinary profit	29,288	53,520
Extraordinary gains:	950	89
Gains on disposal of fixed assets	950	89
Extraordinary losses:	3,930	2,016
Losses on disposal of fixed assets	893	189
Impairment losses	1,157	157
Provision for reserve for price fluctuation	1,620	1,670
Other extraordinary losses	259	-
Surplus before income taxes	26,308	51,592
Income taxes including deferred taxes	5,306	11,387
Total income taxes	5,306	11,387
Net surplus	21,001	40,205

Notes to Unaudited Non-consolidated Financial Statements

Notes to Unaudited Non-consolidated Balance Sheet

1. Securities Lent under Lending Agreements

The amount of securities lent under lending agreements was ¥233,250 million as of December 31, 2017.

2. Reserve for Dividends to Policyholders

The change in reserve for dividends to policyholders for the reporting period ended December 31, 2017 was as follows:

	<u>Millions of Yen</u>
	<u>Nine months ended December 31, 2017</u>
Balance at the beginning of the reporting period	¥ 40,861
Transfer to reserve from surplus in the previous fiscal year	1,519
Dividends to policyholders paid out during the reporting period	3,686
Increase in interest	3
Balance at the end of the reporting period	¥ 38,697

5. Breakdown of Ordinary Profit (Fundamental Profit)

(Millions of Yen)

		Nine months ended December 31, 2016	Nine months ended December 31, 2017
Fundamental profit	A	12,075	20,931
Capital gains		29,652	46,725
Gains on money held in trust		—	—
Gains on trading securities		—	—
Gains on sales of securities		28,146	46,197
Gains on derivative financial instruments		—	—
Foreign exchange gains		1,505	527
Other capital gains		—	—
Capital losses		11,909	13,756
Losses on money held in trust		—	—
Losses on trading securities		—	—
Losses on sales of securities		3,764	1,573
Losses on valuation of securities		16	70
Losses on derivative financial instruments		8,128	12,112
Foreign exchange losses		—	—
Other capital losses		—	—
Net capital gains (losses)	B	17,743	32,968
Fundamental profit plus net capital gains (losses)	A+B	29,819	53,899
Other one-time gains		69	70
Reinsurance revenue		—	—
Reversal of contingency reserve		—	—
Reversal of specific allowance for possible loan losses		69	70
Others		—	—
Other one-time losses		600	450
Reinsurance premiums		—	—
Provision for contingency reserve		600	450
Provision for specific allowance for possible loan losses		—	—
Provision for allowance for specified overseas loans		—	—
Write-offs of loans		0	0
Others		—	—
Other one-time gains (losses)	C	(531)	(379)
Ordinary profit	A+B+C	29,288	53,520

6. Solvency Margin Ratio

(Millions of Yen)

		As of March 31, 2017	As of December 31, 2017
Total solvency margin	(A)	700,120	819,276
Foundation funds and surplus		326,576	361,134
Reserve for price fluctuation		36,580	38,250
Contingency reserve		30,082	30,532
General allowance for possible loan losses		14	19
(Net unrealized gains on available-for-sale securities (before tax effect) and deferred hedge gains (before tax effect)) × 90% (in case of losses: × 100%)		78,144	139,270
Net unrealized gains on land × 85% (in case of losses: × 100%)		(28,052)	(28,156)
Excess amount of policy reserves based on full-time Zillmer method		111,415	119,974
Qualifying subordinated debt		137,349	136,949
Excess amount of policy reserves based on full-time Zillmer method and qualifying subordinated debt excluded from the calculation of solvency margin		—	—
Deduction		—	—
Others		8,011	21,302
Total amount of risk	$\sqrt{(R_1+R_2)^2+(R_3+R_4+R_5)^2}+R_6$ (B)	188,516	210,046
Insurance risk	R_1	15,177	14,563
Third sector insurance risk	R_5	9,176	9,393
Risk of assumed yield	R_2	82,034	79,357
Minimum guarantee risk	R_6	1,096	1,084
Investment risk	R_3	99,628	123,642
Operational risk	R_4	4,142	4,560
Solvency margin ratio	$(A) / \{(1/2) \times (B)\} \times 100$	742.7%	780.0%

Notes:

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

7. Status of Separate Account

(1) Separate Account Assets by Products

(Millions of Yen)

	As of March 31, 2017	As of December 31, 2017
Individual variable insurance	29,199	31,107
Individual variable annuities	—	—
Group annuity products	—	—
Total	29,199	31,107

(2) Sum Insured of Policies in Force

(i) Individual Variable Insurance

	As of March 31, 2017		As of December 31, 2017	
	Number of policies (Thousands)	Amount (Millions of Yen)	Number of policies (Thousands)	Amount (Millions of Yen)
Individual variable insurance (fixed term)	0	9	0	5
Individual variable insurance (whole life)	14	102,134	14	99,308
Total	14	102,143	14	99,313

(ii) Individual Variable Annuities

	As of March 31, 2017		As of December 31, 2017	
	Number of policies (Thousands)	Amount (Millions of Yen)	Number of policies (Thousands)	Amount (Millions of Yen)
Individual variable annuities	—	—	—	—
Total	—	—	—	—

8. Status of the Company, Subsidiaries and Affiliates

(1) Selected Financial Data

(Millions of Yen)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017
Ordinary income	507,205	516,707
Ordinary profit	29,285	53,593
Net surplus attributable to the Parent Company	20,942	40,302
Comprehensive income	23,578	92,317

(Millions of Yen)

	As of March 31, 2017	As of December 31, 2017
Total assets	5,398,884	5,564,141
Solvency margin ratio	748.0%	785.6%

(2) Scope of Consolidation and Application of Equity Method

Number of consolidated subsidiaries: 3

Unconsolidated subsidiaries and affiliates are immaterial in terms of their impact on consolidated net income and surplus, and also immaterial as a whole, therefore, the equity method is not applied.

(3) Unaudited Consolidated Balance Sheets

(Millions of Yen)

	As of March 31, 2017	As of December 31, 2017
Assets:		
Cash and deposits	35,511	34,071
Call loans	122,000	178,000
Monetary claims bought	33,202	30,797
Securities	4,148,686	4,336,839
Loans	557,761	501,240
Tangible fixed assets	406,159	402,101
Intangible fixed assets	33,285	34,937
Reinsurance receivables	194	337
Other assets	39,595	39,505
Net defined benefit assets	11	26
Deferred tax assets	22,947	6,688
Customers' liabilities under acceptances and guarantees	14	11
Allowance for possible loan losses	(487)	(415)
Total assets	5,398,884	5,564,141

(Millions of Yen)

	As of March 31, 2017	As of December 31, 2017
Liabilities:		
Policy reserves and other reserves:	4,768,371	4,687,720
Reserve for outstanding claims	27,364	26,289
Policy reserves	4,700,145	4,622,733
Reserve for dividends to policyholders	40,861	38,697
Reinsurance payables	127	65
Bonds payable	40,349	40,349
Other liabilities	139,189	299,573
Net defined benefit liabilities	37,757	36,479
Reserve for price fluctuation	36,580	38,250
Deferred tax liabilities for land revaluation	18,091	18,020
Acceptances and guarantees	14	11
Total liabilities	5,040,479	5,120,470
Net assets:		
Foundation funds	126,000	126,000
Reserve for redemption of foundation funds	131,000	131,000
Reserve for revaluation	281	281
Consolidated surplus	76,065	109,529
Total foundation funds and others	333,347	366,811
Net unrealized gains (losses) on available-for-sale securities, net of tax	71,105	122,676
Land revaluation differences	(45,762)	(45,943)
Accumulated remeasurements of defined benefit plans	(358)	55
Total accumulated other comprehensive income	24,983	76,788
Non-controlling interests	73	70
Total net assets	358,404	443,671
Total liabilities and net assets	5,398,884	5,564,141

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

【Unaudited Consolidated Statements of Income】

(Millions of Yen)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017
Ordinary income:	507,205	516,707
Premium and other income	288,501	285,905
Investment income:	116,639	136,540
Interest, dividends and other income	79,335	80,673
Gains on sales of securities	28,148	46,197
Investment gains on separate accounts	2,119	3,573
Other ordinary income	102,065	94,261
Ordinary expenses:	477,919	463,114
Claims and other payments:	348,053	330,500
Claims	102,928	94,042
Annuities	97,157	98,499
Benefits	69,855	62,290
Surrender benefits	71,867	70,870
Other payments	6,055	4,412
Provision for policy reserves and other reserves:	32	3
Provision for interest on policyholders' dividend reserves	32	3
Investment expenses:	26,220	28,699
Interest expenses	2,802	3,346
Losses on sales of securities	3,764	1,573
Losses on valuation of securities	16	70
Losses on derivative financial instruments	8,128	12,112
Operating expenses	78,208	79,005
Other ordinary expenses	25,404	24,905
Ordinary profit	29,285	53,593
Extraordinary gains:	950	89
Gains on disposal of fixed assets	950	89
Extraordinary losses:	3,931	2,016
Losses on disposal of fixed assets	894	189
Impairment losses	1,157	157
Provision for reserve for price fluctuation	1,620	1,670
Other extraordinary losses	259	-
Surplus before income taxes	26,304	51,666
Income taxes including deferred taxes	5,339	11,334
Total income taxes	5,339	11,334
Net surplus	20,965	40,331
Net surplus attributable to non-controlling interests	22	28
Net surplus attributable to the Parent Company	20,942	40,302

【Unaudited Consolidated Statements of Comprehensive Income】

(Millions of Yen)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017
Net surplus	20,965	40,331
Other comprehensive income:	2,613	51,985
Net unrealized gains (losses) on available-for-sale securities, net of tax	1,929	51,571
Remeasurements of defined benefit plans	683	414
Comprehensive income:	23,578	92,317
Comprehensive income attributable to the Parent Company	23,555	92,288
Comprehensive income attributable to non-controlling interests	22	28

Notes to Unaudited Consolidated Financial Statements

I. Notes to Unaudited Consolidated Balance Sheet

1. Securities Lent under Lending Agreements

The amount of securities lent under lending agreements was ¥233,250 million as of December 31, 2017.

2. Reserve for Dividends to Policyholders

The change in reserve for dividends to policyholders for the reporting period ended December 31, 2017 was as follows:

	<u>Millions of Yen</u>
	<u>Nine months ended December 31, 2017</u>
Balance at the beginning of the reporting period	¥ 40,861
Transfer to reserve from surplus in the previous fiscal year	1,519
Dividends to policyholders paid out during the reporting period	3,686
Increase in interest	3
Balance at the end of the reporting period	¥ 38,697

II. Note to Unaudited Consolidated Statement of Income

Depreciation

For the reporting period ended December 31, 2017, the total amount of depreciation and depreciation of rental real estate and other assets was ¥11,506 million.

(5) Consolidated Solvency Margin Ratio

(Millions of yen)

	As of March 31, 2017	As of December 31, 2017
Total solvency margin (A)	699,823	819,619
Foundation funds and surplus	326,828	361,613
Reserve for price fluctuation	36,580	38,250
Contingency reserve	30,082	30,532
Catastrophe loss reserve	—	—
General allowance for possible loan losses	15	21
(Net unrealized gains on available-for-sale securities (before tax effect) and deferred hedge gains (before tax effect)) × 90% (in case of losses: × 100%)	78,145	139,270
Net unrealized gains on land × 85% (in case of losses: × 100%)	(28,052)	(28,156)
Sum of unrealized actuarial differences and unrealized past service cost	(501)	(87)
Excess amount of policy reserves based on full-time Zillmer method	111,415	119,974
Qualifying subordinated debt	137,349	136,949
Excess amount of policy reserves based on full-time Zillmer method and qualifying subordinated debt excluded from the calculation of solvency margin	—	—
Deduction	(50)	(50)
Others	8,011	21,302
Total amount of risk $\sqrt{(\sqrt{R_1^2 + R_5^2 + R_8 + R_9})^2 + (R_2 + R_3 + R_7)^2} + R_4 + R_6$ (B)	187,100	208,634
Insurance risk R_1	15,177	14,563
Ordinary insurance risk R_5	—	—
Disaster insurance risk R_6	—	—
Third sector insurance risk R_8	9,176	9,393
Small amount short-term insurance provider insurance risk R_9	—	—
Risk of assumed yield R_2	82,034	79,357
Minimum guarantee risk R_7	1,096	1,084
Investment risk R_3	98,227	122,248
Operational risk R_4	4,114	4,532
Solvency margin ratio $(A) / \{(1/2) \times (B)\} \times 100$	748.0%	785.6%

Notes:

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

(6) Segment Information

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