

August 9, 2018

Financial Results for the Three Months Ended June 30, 2018

Asahi Mutual Life Insurance Company (the “Company” ; President: Hiroki Kimura)
announces financial results for the three months ended June 30, 2018.

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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, 2018		As of June 30, 2018			
	Number of policies (Thousands)	Amount (100 millions of Yen)	Number of policies (Thousands)	Amount (100 millions of Yen)		
				Changes (%, Pre-FYE)	Changes (%, Pre-FYE)	
Individual insurance	7,186	166,410	7,163	99.7	162,808	97.8
Individual annuities	584	25,039	578	98.9	24,691	98.6
Group insurance	—	13,235	—	—	14,020	105.9
Group annuities	—	178	—	—	176	98.5

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

	Three months ended June 30, 2017			
	Number of policies (Thousands)	Amount (100 millions of Yen)		
		New policies	Net increase by conversion	
Individual insurance	159	235	716	(481)
Individual annuities	—	(33)	—	(33)
Group insurance	—	55	55	—
Group annuities	—	—	—	—

	Three months ended June 30, 2018					
	Number of policies (Thousands)	Changes (%, YoY)	Amount (100 millions of Yen)			
			Changes (%, YoY)	New policies	Net increase by conversion	
Individual insurance	153	96.6	343	145.7	687	(344)
Individual annuities	—	—	(19)	—	—	(19)
Group insurance	—	—	808	1,447.0	808	—
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, 2018	As of June 30, 2018	
			Changes (%, Pre-FYE)
Individual insurance	3,813	3,840	100.7
Individual annuities	1,511	1,498	99.1
Total	5,324	5,338	100.3
Third-sector products	2,063	2,063	100.0

(ii) New Policies

(100 millions of Yen)

	Three months ended June 30, 2017	Three months ended June 30, 2018	Changes
			(%, YoY)
Individual insurance	60	102	167.4
Individual annuities	(0)	(0)	—
Total	60	101	168.8
Third-sector products	51	39	75.3

Notes:

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

2. Investment Results of General Account Assets

(1) Asset Composition

(Millions of Yen)

	As of March 31, 2018		As of June 30, 2018	
	Amount	Percentage	Amount	Percentage
Cash, deposits, call loans	194,302	3.6	185,947	3.4
Monetary claims bought	30,151	0.6	29,477	0.5
Securities	4,161,052	77.5	4,295,491	78.3
Domestic bonds	2,845,690	53.0	2,802,939	51.1
Domestic stocks	323,118	6.0	343,439	6.3
Foreign securities	917,147	17.1	1,067,878	19.5
Foreign bonds	690,912	12.9	829,148	15.1
Foreign stocks and other foreign securities	226,235	4.2	238,729	4.3
Other securities	75,096	1.4	81,234	1.5
Loans	484,169	9.0	475,216	8.7
Policy loans	49,637	0.9	48,342	0.9
Industrial and consumer loans	434,532	8.1	426,874	7.8
Real estate	394,631	7.4	393,557	7.2
Deferred tax assets	16,187	0.3	11,569	0.2
Others	87,085	1.6	97,752	1.8
Allowance for possible loan losses	(394)	(0.0)	(399)	(0.0)
Total	5,367,186	100.0	5,488,613	100.0
Foreign currency-denominated assets	1,054,537	19.6	1,169,993	21.3

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, 2018					As of June 30, 2018				
	Book value	Fair value	Gains/losses			Book value	Fair value	Gains/losses		
				Gains	Losses				Gains	Losses
Held-to-maturity debt securities	353,761	397,636	43,874	43,900	(25)	349,219	393,339	44,120	44,142	(22)
Policy-reserve-matching bonds	2,094,251	2,397,856	303,605	313,125	(9,519)	2,084,463	2,367,306	282,843	291,308	(8,465)
Stocks of subsidiaries	—	—	—	—	—	—	—	—	—	—
Available-for-sale securities	1,563,573	1,667,178	103,604	174,341	(70,736)	1,689,890	1,815,397	125,506	191,509	(66,002)
Domestic bonds	588,848	583,152	(5,696)	8,594	(14,290)	559,965	554,054	(5,911)	8,270	(14,181)
Domestic stocks	151,964	304,117	152,153	159,772	(7,618)	155,382	324,561	169,178	177,640	(8,462)
Foreign securities	746,635	704,812	(41,823)	4,446	(46,270)	891,885	855,547	(36,338)	4,123	(40,461)
Foreign bonds	569,387	535,588	(33,799)	3,116	(36,915)	702,621	673,829	(28,791)	3,179	(31,970)
Foreign stocks and other foreign securities	177,247	169,223	(8,024)	1,329	(9,354)	189,263	181,717	(7,546)	944	(8,491)
Other securities	76,125	75,096	(1,028)	1,528	(2,557)	82,657	81,234	(1,422)	1,473	(2,896)
Monetary claims bought	—	—	—	—	—	—	—	—	—	—
Negotiable certificates of deposit	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—
Total	4,011,587	4,462,671	451,084	531,366	(80,282)	4,123,573	4,576,043	452,469	526,959	(74,489)
Domestic bonds	2,851,386	3,160,551	309,165	332,986	(23,821)	2,808,850	3,096,687	287,836	310,493	(22,656)
Domestic stocks	151,964	304,117	152,153	159,772	(7,618)	155,382	324,561	169,178	177,640	(8,462)
Foreign securities	901,959	889,570	(12,389)	33,880	(46,270)	1,047,204	1,040,987	(6,217)	34,244	(40,461)
Foreign bonds	724,711	720,347	(4,364)	32,551	(36,915)	857,940	859,269	1,329	33,299	(31,970)
Foreign stocks and other foreign securities	177,247	169,223	(8,024)	1,329	(9,354)	189,263	181,717	(7,546)	944	(8,491)
Other securities	76,125	75,096	(1,028)	1,528	(2,557)	82,657	81,234	(1,422)	1,473	(2,896)
Monetary claims bought	30,151	33,335	3,184	3,198	(14)	29,477	32,572	3,094	3,107	(12)
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, 2018	As of June 30, 2018
Held-to-maturity debt securities	—	—
Unlisted foreign bonds	—	—
Others	—	—
Policy-reserve-matching bonds	—	—
Stocks of subsidiaries	5,063	5,013
Available-for-sale securities	70,950	70,877
Unlisted domestic stocks (except over-the-counter stocks)	13,937	13,864
Unlisted foreign stocks (except over-the-counter stocks)	57,012	57,012
Unlisted foreign bonds	—	—
Others	—	—
Total	76,013	75,890

(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, 2018					As of June 30, 2018				
	Book value	Fair value	Gains/losses			Book value	Fair value	Gains/losses		
				Gains	Losses				Gains	Losses
Held-to-maturity debt securities	353,761	397,636	43,874	43,900	(25)	349,219	393,339	44,120	44,142	(22)
Policy-reserve-matching bonds	2,094,251	2,397,856	303,605	313,125	(9,519)	2,084,463	2,367,306	282,843	291,308	(8,465)
Stocks of subsidiaries	5,063	5,063	—	—	—	5,013	5,013	—	—	—
Available-for-sale securities	1,634,524	1,738,127	103,603	174,341	(70,737)	1,760,767	1,886,273	125,505	191,509	(66,003)
Domestic bonds	588,848	583,152	(5,696)	8,594	(14,290)	559,965	554,054	(5,911)	8,270	(14,181)
Domestic stocks	165,901	318,054	152,153	159,772	(7,618)	169,247	338,425	169,178	177,640	(8,462)
Foreign securities	803,648	761,823	(41,824)	4,446	(46,271)	948,897	912,558	(36,339)	4,123	(40,463)
Foreign bonds	569,387	535,588	(33,799)	3,116	(36,915)	702,621	673,829	(28,791)	3,179	(31,970)
Foreign stocks and other foreign securities	234,260	226,235	(8,025)	1,329	(9,355)	246,276	238,729	(7,547)	944	(8,492)
Other securities	76,125	75,096	(1,028)	1,528	(2,557)	82,657	81,234	(1,422)	1,473	(2,896)
Monetary claims bought	—	—	—	—	—	—	—	—	—	—
Negotiable certificates of deposit	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—
Total	4,087,600	4,538,684	451,083	531,366	(80,283)	4,199,464	4,651,933	452,468	526,959	(74,490)
Domestic bonds	2,851,386	3,160,551	309,165	332,986	(23,821)	2,808,850	3,096,687	287,836	310,493	(22,656)
Domestic stocks	170,964	323,118	152,153	159,772	(7,618)	174,260	343,439	169,178	177,640	(8,462)
Foreign securities	958,972	946,582	(12,390)	33,880	(46,271)	1,104,217	1,097,999	(6,218)	34,244	(40,463)
Foreign bonds	724,711	720,347	(4,364)	32,551	(36,915)	857,940	859,269	1,329	33,299	(31,970)
Foreign stocks and other foreign securities	234,260	226,235	(8,025)	1,329	(9,355)	246,276	238,729	(7,547)	944	(8,492)
Other securities	76,125	75,096	(1,028)	1,528	(2,557)	82,657	81,234	(1,422)	1,473	(2,896)
Monetary claims bought	30,151	33,335	3,184	3,198	(14)	29,477	32,572	3,094	3,107	(12)
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, 2018	As of June 30, 2018
Assets:		
Cash and deposits	31,635	33,694
Call loans	164,000	153,000
Monetary claims bought	30,151	29,477
Securities:	4,188,869	4,323,827
National government bonds	1,866,902	1,842,937
Local government bonds	48,785	51,460
Corporate bonds	936,856	914,396
Domestic stocks	334,335	354,135
Foreign securities	926,893	1,079,662
Loans:	484,169	475,216
Policy loans	49,637	48,342
Industrial and consumer loans	434,532	426,874
Tangible fixed assets	401,011	399,690
Intangible fixed assets	34,355	34,070
Reinsurance receivables	812	419
Other assets	45,629	57,184
Prepaid pension cost	70	56
Deferred tax assets	16,187	11,569
Customers' liabilities under acceptances and guarantees	10	9
Allowance for possible loan losses	(394)	(399)
Total assets	5,396,507	5,517,817

(Millions of Yen)

	As of March 31, 2018	As of June 30, 2018
Liabilities:		
Policy reserves and other reserves:	4,682,246	4,666,548
Reserve for outstanding claims	28,368	26,274
Policy reserves	4,616,919	4,602,263
Reserve for dividends to policyholders	36,959	38,011
Reinsurance payables	311	160
Bonds payable	40,349	40,349
Other liabilities:	193,656	309,682
Income taxes payable	3,321	3,580
Lease obligations	3,946	3,677
Asset retirement obligations	243	244
Others	186,144	302,179
Reserve for employees' retirement benefits	35,365	35,130
Reserve for price fluctuation	38,710	39,280
Deferred tax liabilities for land revaluation	17,762	17,758
Acceptances and guarantees	10	9
Total liabilities	5,008,412	5,108,919
Net assets:		
Foundation funds	126,000	126,000
Reserve for redemption of foundation funds	131,000	131,000
Reserve for revaluation	281	281
Surplus:	95,901	99,363
Reserve for future losses	266	291
Other surplus:	95,635	99,072
Reserve for fund redemption	48,600	61,200
Equalized reserve for dividends to policyholders	9,678	9,258
Unappropriated surplus (loss)	37,356	28,614
Total foundation funds and others	353,183	356,645
Net unrealized gains (losses) on available-for-sale securities, net of tax	81,292	98,577
Land revaluation differences	(46,380)	(46,325)
Total valuation and translation adjustments	34,912	52,252
Total net assets	388,095	408,898
Total liabilities and net assets	5,396,507	5,517,817

4. Unaudited Non-consolidated Statements of Income

(Millions of Yen)

	Three months ended June 30, 2017	Three months ended June 30, 2018
Ordinary income:	174,090	170,615
Premium and other income:	93,501	97,443
Insurance premiums	93,144	97,018
Investment income:	52,955	53,020
Interest, dividends and other income	25,520	24,940
Gains on sales of securities	24,432	23,463
Investment gains on separate accounts	1,114	560
Other ordinary income	27,632	20,150
Ordinary expenses:	149,287	153,386
Claims and other payments:	104,941	100,711
Claims	30,977	30,573
Annuities	27,710	27,741
Benefits	22,291	17,919
Surrender benefits	22,690	23,388
Other payments	1,187	906
Provision for policy reserves and other reserves:	1	1
Provision for interest on policyholders' dividend reserves	1	1
Investment expenses:	10,154	17,173
Interest expenses	1,103	1,107
Losses on sales of securities	1,140	5,875
Losses on valuation of securities	49	24
Losses on derivative financial instruments	3,935	6,056
Operating expenses	25,729	26,745
Other ordinary expenses	8,462	8,754
Ordinary profit	24,802	17,228
Extraordinary gains	0	-
Extraordinary losses:	682	764
Losses on disposal of fixed assets	96	55
Impairment losses	56	139
Provision for reserve for price fluctuation	530	570
Surplus before income taxes	24,119	16,463
Income taxes including deferred taxes	2,830	4,716
Total income taxes	2,830	4,716
Net surplus	21,288	11,747

Notes to Unaudited Non-consolidated Financial Statements

Notes to Unaudited Non-consolidated Balance Sheet

1. Accounting Procedures Specific to Quarterly Financial Statements

As the proposed appropriation of surplus for the fiscal year ended March 31, 2018 was approved at the annual meeting of representative policyholders held on July 3, 2018, it is included in the non-consolidated balance sheet as of June 30, 2018.

2. Securities Lent under Lending Agreements

The amount of securities lent under lending agreements was ¥201,164 million as of June 30, 2018.

3. Reserve for Dividends to Policyholders

The change in reserve for dividends to policyholders for the reporting period ended June 30, 2018 was as follows:

	<u>Millions of Yen</u>
	<u>Three months ended June 30, 2018</u>
Balance at the beginning of the reporting period	¥ 36,959
Transfer to reserve from surplus in the previous fiscal year	1,963
Dividends to policyholders paid out during the reporting period	912
Increase in interest	1
Balance at the end of the reporting period	¥ 38,011

5. Breakdown of Ordinary Profit (Fundamental Profit)

(Millions of Yen)

		Three months ended June 30, 2017	Three months ended June 30, 2018
Fundamental profit	A	5,566	3,614
Capital gains		24,500	25,685
Gains on money held in trust		—	—
Gains on trading securities		—	—
Gains on sales of securities		24,432	23,463
Gains on derivative financial instruments		—	—
Foreign exchange gains		68	2,221
Other capital gains		—	—
Capital losses		5,125	11,957
Losses on money held in trust		—	—
Losses on trading securities		—	—
Losses on sales of securities		1,140	5,875
Losses on valuation of securities		49	24
Losses on derivative financial instruments		3,935	6,056
Foreign exchange losses		—	—
Other capital losses		—	—
Net capital gains (losses)	B	19,374	13,727
Fundamental profit plus net capital gains (losses)	A+B	24,941	17,342
Other one-time gains		10	11
Reinsurance revenue		—	—
Reversal of contingency reserve		—	—
Reversal of specific allowance for possible loan losses		10	11
Others		—	—
Other one-time losses		150	125
Reinsurance premiums		—	—
Provision for contingency reserve		150	125
Provision for specific allowance for possible loan losses		—	—
Provision for allowance for specified overseas loans		—	—
Write-offs of loans		0	0
Others		—	—
Net other one-time gains (losses)	C	(139)	(113)
Ordinary profit	A+B+C	24,802	17,228

6. Solvency Margin Ratio

(Millions of Yen)

		As of March 31, 2018	As of June 30, 2018
Total solvency margin	(A)	787,114	821,861
Foundation funds and surplus		344,953	355,125
Reserve for price fluctuation		38,710	39,280
Contingency reserve		50,682	50,807
General allowance for possible loan losses		17	33
(Net unrealized gains on available-for-sale securities (before tax effect) and deferred hedge gains (before tax effect)) × 90% (in case of losses: × 100%)		93,243	112,955
Net unrealized gains on land × 85% (in case of losses: × 100%)		(10,499)	(10,336)
Excess amount of policy reserves based on full-time Zillmer method		122,802	125,212
Qualifying subordinated debt		136,949	134,549
Excess amount of policy reserves based on full-time Zillmer method and qualifying subordinated debt excluded from the calculation of solvency margin		—	—
Deduction		—	—
Others		10,256	14,234
Total amount of risk	$\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$ (B)	194,693	204,703
Insurance risk	R_1	14,415	14,288
Third sector insurance risk	R_8	9,450	9,495
Risk of assumed yield	R_2	78,490	77,939
Minimum guarantee risk	R_7	1,076	1,079
Investment risk	R_3	109,368	119,814
Operational risk	R_4	4,256	4,452
Solvency margin ratio	(A) / {(1/2) × (B)} × 100	808.5%	802.9%

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, 2018	As of June 30, 2018
Individual variable insurance	29,382	29,243
Individual variable annuities	—	—
Group annuity products	—	—
Total	29,382	29,243

(2) Sum Insured of Policies in Force

(i) Individual Variable Insurance

	As of March 31, 2018		As of June 30, 2018	
	Number of policies (Thousands)	Amount (Millions of Yen)	Number of policies (Thousands)	Amount (Millions of Yen)
Individual variable insurance (fixed term)	0	5	0	5
Individual variable insurance (whole life)	14	98,383	14	97,766
Total	14	98,388	14	97,771

(ii) Individual Variable Annuities

	As of March 31, 2018		As of June 30, 2018	
	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)

	Three months ended June 30, 2017	Three months ended June 30, 2018
Ordinary income	174,890	171,298
Ordinary profit	24,627	16,803
Net surplus attributable to the Parent Company	21,166	11,477
Comprehensive income	38,787	28,906

(Millions of Yen)

	As of March 31, 2018	As of June 30, 2018
Total assets	5,397,841	5,518,888
Solvency margin ratio	815.4%	809.3%

(2) Scope of Consolidation and Application of Equity Method

Number of consolidated subsidiaries: 3

Unconsolidated subsidiaries 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, 2018	As of June 30, 2018
Assets:		
Cash and deposits	36,143	37,355
Call loans	164,000	153,000
Monetary claims bought	30,151	29,477
Securities	4,185,104	4,320,062
Loans	484,169	475,216
Tangible fixed assets	401,061	399,737
Intangible fixed assets	33,735	33,475
Reinsurance receivables	812	419
Other assets	46,632	58,591
Net defined benefit assets	351	318
Deferred tax assets	16,062	11,623
Customers' liabilities under acceptances and guarantees	10	9
Allowance for possible loan losses	(394)	(399)
Total assets	5,397,841	5,518,888

(Millions of Yen)

	As of March 31, 2018	As of June 30, 2018
Liabilities:		
Policy reserves and other reserves:	4,682,246	4,666,548
Reserve for outstanding claims	28,368	26,274
Policy reserves	4,616,919	4,602,263
Reserve for dividends to policyholders	36,959	38,011
Reinsurance payables	311	160
Bonds payable	40,349	40,349
Other liabilities	194,908	310,991
Net defined benefit liabilities	35,056	34,666
Reserve for price fluctuation	38,710	39,280
Deferred tax liabilities for land revaluation	17,762	17,758
Acceptances and guarantees	10	9
Total liabilities	5,009,355	5,109,764
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	95,832	99,024
Total foundation funds and others	353,114	356,306
Net unrealized gains (losses) on available-for-sale securities, net of tax	81,293	98,577
Land revaluation differences	(46,380)	(46,325)
Accumulated remeasurements of defined benefit plans	377	512
Total accumulated other comprehensive income	35,290	52,764
Non-controlling interests	81	52
Total net assets	388,486	409,123
Total liabilities and net assets	5,397,841	5,518,888

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

【Unaudited Consolidated Statements of Income】

(Millions of Yen)

	Three months ended June 30, 2017	Three months ended June 30, 2018
Ordinary income:	174,890	171,298
Premium and other income	93,501	97,443
Investment income:	52,737	52,500
Interest, dividends and other income	25,308	24,427
Gains on sales of securities	24,432	23,463
Investment gains on separate accounts	1,114	560
Other ordinary income	28,651	21,353
Ordinary expenses:	150,263	154,494
Claims and other payments:	104,941	100,711
Claims	30,977	30,573
Annuities	27,710	27,741
Benefits	22,291	17,919
Surrender benefits	22,690	23,388
Other payments	1,187	906
Provision for policy reserves and other reserves:	1	1
Provision for interest on policyholders' dividend reserves	1	1
Investment expenses:	10,154	17,173
Interest expenses	1,103	1,107
Losses on sales of securities	1,140	5,875
Losses on valuation of securities	49	24
Losses on derivative financial instruments	3,935	6,056
Operating expenses	26,743	27,892
Other ordinary expenses	8,424	8,716
Ordinary profit	24,627	16,803
Extraordinary gains	0	-
Extraordinary losses:	682	764
Losses on disposal of fixed assets	96	55
Impairment losses	56	139
Provision for reserve for price fluctuation	530	570
Surplus before income taxes	23,944	16,038
Income taxes including deferred taxes	2,769	4,550
Total income taxes	2,769	4,550
Net surplus	21,174	11,487
Net surplus attributable to non-controlling interests	8	10
Net surplus attributable to the Parent Company	21,166	11,477

【Unaudited Consolidated Statements of Comprehensive Income】

(Millions of Yen)

	Three months ended June 30, 2017	Three months ended June 30, 2018
Net surplus	21,174	11,487
Other comprehensive income:	17,612	17,418
Net unrealized gains (losses) on available-for-sale securities, net of tax	17,474	17,283
Remeasurements of defined benefit plans	138	134
Comprehensive income:	38,787	28,906
Comprehensive income attributable to the Parent Company	38,778	28,896
Comprehensive income attributable to non-controlling interests	8	10

Notes to Unaudited Consolidated Financial Statements

I. Notes to Unaudited Consolidated Balance Sheet

1. Accounting Procedures Specific to Quarterly Financial Statements

As the proposed appropriation of surplus for the fiscal year ended March 31, 2018 was approved at the annual meeting of representative policyholders held on July 3, 2018, it is included in the consolidated balance sheet as of June 30, 2018.

2. Securities Lent under Lending Agreements

The amount of securities lent under lending agreements was ¥201,164 million as of June 30, 2018.

3. Reserve for Dividends to Policyholders

The change in reserve for dividends to policyholders for the reporting period ended June 30, 2018 was as follows:

	<u>Millions of Yen</u>
	<u>Three months ended June 30, 2018</u>
Balance at the beginning of the reporting period	¥ 36,959
Transfer to reserve from surplus in the previous fiscal year	1,963
Dividends to policyholders paid out during the reporting period	912
Increase in interest	1
Balance at the end of the reporting period	<u>¥ 38,011</u>

II. Note to Unaudited Consolidated Statement of Income

Depreciation

For the reporting period ended June 30, 2018, the total amount of depreciation and depreciation of rental real estate and other assets was ¥4,188 million.

(5) Consolidated Solvency Margin Ratio

(Millions of yen)

		As of March 31, 2018	As of June 30, 2018
Total solvency margin	(A)	788,037	822,746
Foundation funds and surplus		345,401	355,352
Reserve for price fluctuation		38,710	39,280
Contingency reserve		50,682	50,807
Catastrophe loss reserve		—	—
General allowance for possible loan losses		19	35
(Net unrealized gains on available-for-sale securities (before tax effect) and deferred hedge gains (before tax effect)) × 90% (in case of losses: × 100%)		93,244	112,955
Net unrealized gains on land × 85% (in case of losses: × 100%)		(10,499)	(10,336)
Sum of unrealized actuarial differences and unrealized past service cost		521	656
Excess amount of policy reserves based on full-time Zillmer method		122,802	125,212
Qualifying subordinated debt		136,949	134,549
Excess amount of policy reserves based on full-time Zillmer method and qualifying subordinated debt excluded from the calculation of solvency margin		—	—
Deduction		(50)	—
Others		10,256	14,234
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)	193,282	203,306
Insurance risk	R ₁	14,415	14,288
Ordinary insurance risk	R ₅	—	—
Disaster insurance risk	R ₆	—	—
Third sector insurance risk	R ₈	9,450	9,495
Small amount short-term insurance provider insurance risk	R ₉	—	—
Risk of assumed yield	R ₂	78,490	77,939
Minimum guarantee risk	R ₇	1,076	1,079
Investment risk	R ₃	107,974	118,435
Operational risk	R ₄	4,228	4,424
Solvency margin ratio	(A) / {(1/2) × (B)} × 100	815.4%	809.3%

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.