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Annual Report 2017

Year Ended March 31, 2017

Asahi Mutual Life Insurance Company

ASAHI LIFE

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Aiming to be continuously chosen by our customers as a trusted company

Thank you for your continued support for Asahi Life.

Since I have been elected President in April 2017, I have been working my hardest to meet the expectations of all our policyholders and plan to continue to do so in the coming years.

During the fiscal year ended March 31, 2017 (fiscal year 2016), the Japanese economy was able to sustain a gradual recovery because of the Bank of Japan's ongoing monetary easing policies as well as the improvement in employment and income conditions. Overseas, the U.S. economy continued to grow steadily, but due to a sluggish growth in emerging countries such as China, the growth of the world economy remained moderate.

Amid these conditions, Asahi Life continued to work on the three revolutionary themes published in our medium-term (fiscal years started April 1, 2015 and ending March 31, 2018) business plan, "*SHINKA* (progress)-Challenging the Future". These themes aim to help us achieve our corporate vision, "Asahi Life: a company that 'loves its customers' and which supports each individual's 'living'",

- *SHINKA* (progress) in our business model to meet the diverse needs of our customers
- *SHINKA* (progress) in our organization and way of working to become a company that loves its customers
- *SHINKA* (progress) in our financial soundness to support our customers throughout their lives

In terms of our company's insurance business performance in fiscal year 2016, annualized premiums from new policies and annualized premiums from policies in force for third sector products, upon which we focus, have steadily developed, which can be accounted to the strong sales of new products such as dementia insurance. This development can be seen in both the sales representative and independent agency channels. As a result, we are proud to say that we have achieved our strategic objective in the medium-term business plan, a strong sales growth of protection-type products through the independent agency channels (*1), one year ahead of schedule. This follows our achievement of reversing annualized premiums from policies in force for protection-type products (*2) from the sales representative channel in the fiscal year ended March 31, 2016 (fiscal year 2015), which is also one of our strategic objectives.

In terms of earnings, while fundamental profit was down from fiscal year 2015, our ordinary profit increased compared to that from the same period.

In terms of financial soundness, our solvency margin ratio improved compared to that in fiscal year 2015.

(*1) 2.5 times growth of annualized premiums from new policies for protection-type products (¥4 billion) compared to those in the fiscal year ended March 31, 2015 (fiscal year 2014).

(*2) Protection-type products are the total of death protection and third sector products (e.g. medical insurance and nursing care insurance).

The fiscal year ending March 31, 2018 (fiscal year 2017) marks the final year of our medium-term business plan. To actualize our corporate vision, we will take the below actions with utmost consideration of the viewpoint of our customers.

[Development of Progressive Products through Careful and Thorough Marketing]

Asahi Life will continue to focus on three strategic markets, namely, the senior, female and management personnel markets. As such, we want to develop a more customer-oriented approach by conducting careful and thorough marketing activities to gain a deep understanding of the respective needs of each of the three markets.

With respect to senior market, we aim to be the industry leader in terms of the number of policies in force (*3) in the nursing care insurance sector. We will do this by proposing "*Anshin Kaigo*", a nursing care insurance, and "*Anshin Kaigo* with Dementia Insurance", for our senior customers.

For our female customers, we will develop a brand behind the concept of supporting women to "live life well, being who you are" as well as continue to press forward in proposing "*Yasashisa* (kindness) Plus". Further, we will also work to meet the needs of working women through our sales of "*Shunyu* (income) Support Insurance" and "Policy Riders for Mental Illness", both of which we started offering in April 2017.

Moreover, for our management personnel customers, we will continue to provide the highly-acclaimed "Prime Stage", a nursing care term insurance, for corporate customers.

(*3) The number of policies in force for nursing care insurance for customers of 40 years of age and older.

[Customer Service Quality Improvement]

Asahi Life has established its "Strategy to Improve Customer Service" and promotes simpler and quicker sign-up procedures based on this.

This will specifically involve introducing a system in January 2018 that will automatically read a doctor's medical certificate and determine the payment of benefits to customers in order to expedite benefit payment operations. Furthermore, in January 2019, we will introduce another system through which claims for benefits as well as procedures such as requests for beneficiary changes can be dealt with on a portable device (tablet) carried by our sales representatives.

We have also been considering to utilize big data and artificial intelligence (AI) in providing new products and services to our customers.

[Establishment of a Multi-channel Structure that Optimizes Access to Customers]

Asahi Life will strive to build an industry-leading top-quality sales representative structure that truly helps our customers by combining the specialized knowledge and service level that they demand with the strengths of face-to-face consulting.

Regarding our independent agency channels, we will not only be strengthening sales through existing channels such as walk-in insurance shops and telemarketing, which we are currently expanding, but also engage in the development of new channels. Moreover, we also plan to strengthen the sales support structure for tax accountant agencies, which we have been working to actively expand since fiscal year 2016.

In addition to these efforts, we will commit to the pursuit of our three revolutionary themes by working towards improving our organization and operations with utmost consideration of the viewpoint of customers and strengthening our financial soundness.

March 2018 will mark the 130th year since our founding. Through the solid implementation of our medium-term business plan, we aim to be our customers' continuous choice as a trusted company.

We look forward to receiving your continued support.

木村 博紀

Hiroki Kimura
President and Representative Director

2. Medium-term Business Plan

In April 2015, Asahi Life announced its medium-term business plan, "*SHINKA*-Challenging the Future", covering three fiscal years ending March 31, 2018, and established a corporate vision. Under this vision, we are taking actions with utmost consideration of the viewpoint of our customers such that we will be their continuous choice as a trusted company.

* "*Shinka*" which means both "true value" and "progress" in Japanese, implies demonstrating our "true value" through "progress" in our business model and way of working.

Corporate Vision

"Asahi Life: a company that 'loves its customers' and which supports each individual's 'living'"

We aim to be continuously chosen by our customers as a trusted company and one that demonstrates our true value in supporting our customers' living. We will do this by taking their viewpoints into utmost consideration in everything that we do and by being a company that loves its customers.

Three revolutionary themes to achieve our corporate vision

Theme 1 — Progress in our business model to meet the diverse needs of our customers

- Develop progressive products through careful and thorough marketing
- Rapidly improve customer service quality
- Establish a multi-channel structure that optimizes access to customers

Theme 2 — Progress in our organization and way of working to become a company that loves its customers

- Create mechanisms to encourage business improvement in terms of the customers' viewpoint
- Shift resources to more customer-facing roles
- Encourage the activities of diverse personnel that can bring about changes

Theme 3 — Progress in our financial soundness to support our customers throughout their lives

- Secure and expand asset management revenues and continue to improve management efficiency
- Strengthen financial soundness and establish a more sophisticated enterprise risk management structure

3. Business Overview

Overview

Asahi Life was established in 1888 as the second modern life insurance company in Japan under the name Teikoku Life Insurance Company (*Teikoku Seimei Hoken Kabushiki Gaisha*). We became a mutual company and changed our name to Asahi Mutual Life Insurance Company (*Asahi Seimei Hoken Sogo Gaisha*) in 1947.

Our core business is life insurance for individuals in Japan, with a specific strategic focus on offering protection-type products, including medical and nursing care products which we believe can provide stable profits despite financial market fluctuations.

We have been enhancing and aim to further enhance our financial soundness through the accumulation of surplus and recapitalization measures. As of March 31, 2017, we had non-consolidated solvency margin ratios of 742.7 percent, and an insurer financial strength ratings of BB+ (Stable Outlook) from Fitch and BB (Stable Outlook) from R&I.

Products

Asahi Life offers a variety of individual life insurance products, with a focus on protection-type products including medical and nursing care products, aimed at serving its customers' financial needs, and continually reviews, updates and expands its product offerings to respond to the needs of its customers while maintaining its focus on individual life insurance.

Our main products for individual life insurance are flexible life insurance products named "*Hoken-ou* Plus", targeting male customers, and "*Yasashisa* Plus" targeting female customers. Each product allows customers to mix and match from a portfolio of insurance products to create a customized insurance plan.

Sales Channels

To optimize access to its customers, Asahi Life operates a multi-channel sales structure utilizing the sales representative channel and the independent agency channels to provide retail products to its customers.

Our sales representatives, who provide face-to-face customer service, comprise our most significant distribution channel. As of March 31, 2017, we employed a total of 12,122 sales representatives. As of April 1, 2017, we had 625 sales offices located throughout Japan.

Our sales representatives engage in customized consulting at the time of taking out a policy in order to meet the diverse needs and lifestyles of customers, as well as regular after-sales service including the regular provision of information tailored to changes in the life-cycle of the customer. In order to continue to be chosen by our customers as a trusted company, we work to grow high-quality sales representatives who not only have knowledge of life insurance products, but are also knowledgeable in various financial instruments, social insurance, tax and other related matters.

Although we continuously strengthen our sales representative channel, we also have been diversifying our distribution channel by utilizing independent agencies, such as walk-in insurance shops, telemarketing and tax accountants.

Business Performance (Annualized Premiums)

● New Policies for Individual Insurance/Individual Annuities

(Billions of Yen)

Years ended March 31	2016	2017	Year-over-year
New policies	29.9	34.1	114.0%
Third sector products	21.2	26.6	125.2%

● Surrendered and Lapsed Policies for Individual Insurance/Individual Annuities

(Billions of Yen)

Years ended March 31	2016	2017	Year-over-year
Surrendered and lapsed policies	21.1	20.8	98.3%
Surrender and lapse ratio	3.90%	3.87%	(0.03pts)

● Policies in Force for Individual Insurance/Individual Annuities

(Billions of Yen)

As of March 31	2016	2017	Year-over-year
Policies in force	538.9	535.9	99.4%
Third sector products	183.6	197.8	107.7%

● New Policies for Protection-type Products

(Billions of Yen)

Years ended March 31	2016	2017	Year-over-year
New policies	26.4	31.3	118.7%
Sales representative channel	23.9	27.3	114.4%
Independent agency channels	2.5	4.0	159.0%

● Policies in Force for Protection-type Products

(Billions of Yen)

As of March 31	2016	2017	Year-over-year
Policies in force	301.7	311.2	103.2%
Sales representative channel	296.9	303.2	102.1%
Independent agency channels	4.8	8.0	166.5%

Note:
1. All entries are on an annualized premium basis.
   Annualized premiums from new policies, surrendered and lapsed policies, and policies in force are as follows.
   - 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).
   - Third sector is the total of premiums from third sector products and premiums from policy riders allotted to third sector protection, such as with accidents, illness, nursing care etc.
2. Surrender and lapse ratio is calculated by dividing the annualized premiums from surrendered and lapsed policies (surrender + lapse + reduction - revival) by annualized premiums from policies in force as of the end of the previous fiscal year. Year-over-year column indicates the change from the previous fiscal year.
3. Protection-type products are the total of death protection and third sector products.

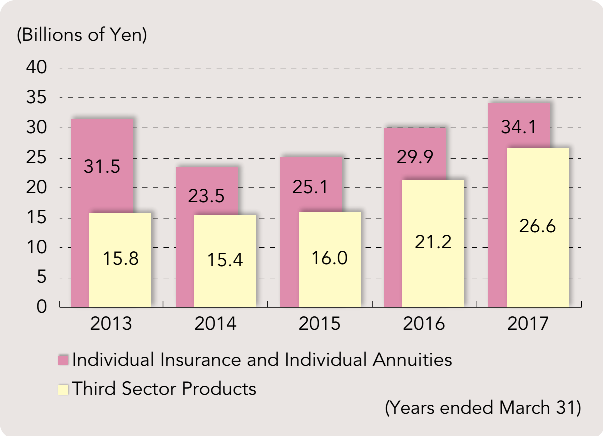
Annualized premiums from new policies (new policies and net increase by conversion) grew to 114.0% of the previous fiscal year. Among these, third sector products grew significantly to 125.2% of the previous fiscal year.

Annualized premiums from surrendered and lapsed policies (surrender + lapse + reduction - revival) this fiscal year ended at 98.3% of the previous fiscal year.

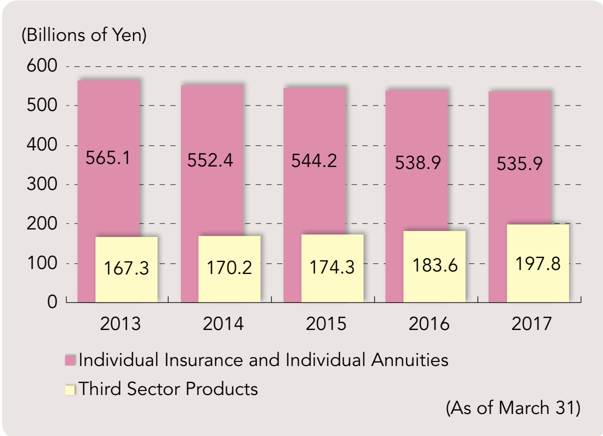
Annualized premiums from policies in force resulted to 99.4% of the previous fiscal year. Among these, third sector products were at 107.7% of the previous fiscal year.

Annualized premiums from policies in force for protection-type products, on which Asahi Life focuses, grew to 103.2% of the previous fiscal year, with the upward trend successfully maintained.

Annualized Premiums from New Policies



Annualized Premiums from Policies in Force



Fundamental Profit

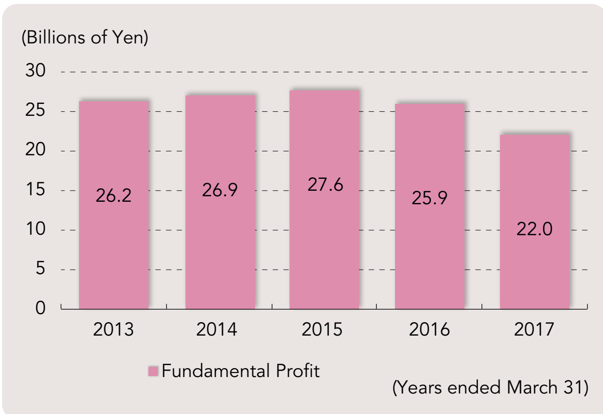
(Billions of Yen)

Years ended March 31	2016	2017	Year-over-year
Fundamental profit	25.9	22.0	(3.8)
Expense margins	8.6	4.4	(4.2)
Mortality and morbidity gains	82.2	79.8	(2.4)
Negative spread amount	(65.0)	(62.1)	+2.8

Note: Negative spread amount is displayed as a negative value.

Despite improvement in the negative spread amount, fundamental profit was ¥22.0 billion for the year ended March 31, 2017. This resulted mainly from a reduction in expense margins which is consequently brought about by the increase in operating expenses accompanying sales performance growth.

Fundamental Profit



Financial Soundness

● **Net Unrealized Gains/Losses on Securities (with fair value, general account)**

Net unrealized gains on securities were ¥464.7 billion as of March 31, 2017.

(Billions of Yen)

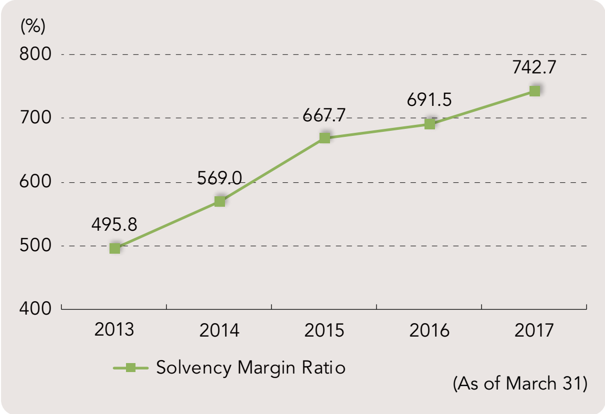
As of March 31	2016	2017	Year-over-year
Securities	578.8	464.7	(114.0)
Domestic stocks	64.9	111.8	+46.9
Domestic bonds	466.8	345.8	(121.0)
Foreign securities	46.0	3.6	(42.4)
Other securities	(4.2)	(0.3)	+3.9

● **Solvency Margin Ratio**

As of March 31	2016	2017	Year-over-year
Solvency margin ratio	691.5%	742.7%	+51.2pts

The solvency margin ratio was 742.7% as of March 31, 2017.

Solvency Margin Ratio



● **Adjusted Net Assets**

Adjusted net assets were ¥930.4 billion as of March 31, 2017.

(Billions of Yen)

As of March 31	2016	2017	Year-over-year
Adjusted net assets	996.2	930.4	(65.8)

Capital Base

Foundation funds, which are the counterparts of paid-in capital for joint stock corporations, serve as the primary source of capital for Japanese mutual companies. Unlike paid-in capital, however, foundation funds have a stated maturity and accrue interest payment obligations. If the principal amount of the foundation funds is repaid by insurance companies out of their net assets, the amounts repaid are carried in the capital portion of the balance sheet as reserve for redemption of foundation funds. As of March 31, 2017, the balance of foundation funds was ¥126.0 billion and the amount of reserve for redemption of foundation funds was ¥131.0 billion, respectively.

Additionally, we have also worked on strengthening our financial soundness by accumulating internal reserves and raising funds in the form of subordinated debt which, while accounted for as a liability, function largely like capital.

Results of Operations

Statements of Income (Billions of Yen)

Years ended March 31	2016	2017	Year-over-year
Ordinary income:	652.7	679.9	104.2%
Premium and other income:	401.4	383.7	95.6%
Insurance premiums from individual insurance and individual annuities	383.5	365.3	95.3%
Investment income:	128.0	161.2	126.0%
Interest, dividends and other income	114.3	111.1	97.2%
Gains on sales of securities	4.5	40.3	895.5%
Other ordinary income:	123.1	134.9	109.6%
Reversal of policy reserves	101.0	114.5	113.3%
Ordinary expenses:	637.8	641.0	100.5%
Claims and other payments:	466.7	463.8	99.4%
Claims	137.1	135.2	98.6%
Annuities	121.9	128.6	105.5%
Surrender benefits	107.1	94.2	87.9%
Investment expenses:	37.4	41.7	111.4%
Losses on sales of securities	10.3	11.0	106.5%
Losses on valuation of securities	1.6	0.0	1.0%
Operating expenses	97.9	101.4	103.6%
Other ordinary expenses	35.6	33.9	95.2%
Ordinary profit	14.8	38.9	263.3%
Extraordinary gains:	10.4	1.2	11.9%
Gains on disposal of fixed assets	0.5	1.2	219.7%
Reversal of reserve for price fluctuation	9.9	-	-
Extraordinary losses:	1.2	5.3	431.4%
Losses on disposal of fixed assets	0.3	1.6	483.6%
Impairment losses	0.9	1.3	147.3%
Provision for reserve for price fluctuation	-	2.0	-
Surplus before income taxes	24.0	34.8	145.0%
Total income taxes	6.4	5.6	86.4%
Net surplus	17.5	29.2	166.7%

Ordinary income increased by ¥27.2 billion to ¥679.9 billion (104.2% of the previous fiscal year) for the year ended March 31, 2017. Among this, premium and other income decreased by ¥17.7 billion to ¥383.7 billion (95.6% of the previous fiscal year) which can be mainly accounted to suspension of sales of single premium saving-type products. Investment income increased by ¥33.2 billion to ¥161.2 billion (126.0% of the previous fiscal year) primarily because of an increase in gains on sales of securities. Other ordinary income increased by ¥11.7 billion to ¥134.9 billion (109.6% of the previous fiscal year). This was primarily attributable to the increase in reversal of policy reserves by ¥13.4 billion to ¥114.5 billion (113.3% of the previous fiscal year).

Ordinary expenses increased by ¥3.1 billion to ¥641.0 billion (100.5% of the previous fiscal year) for the year ended March 31, 2017. Among this, claims and other payments decreased by ¥2.9 billion to ¥463.8 billion (99.4% of the previous fiscal year) mainly due to a reduction in surrender benefits. Investment expenses increased by ¥4.2 billion to ¥41.7 billion (111.4% of the previous fiscal year). Operating expenses increased by ¥3.5 billion to ¥101.4 billion (103.6% of the previous fiscal year) mainly due to an increase in expenditures accompanying growth in sales performance.

As a result, ordinary profit increased by ¥24.1 billion to ¥38.9 billion (263.3% of the previous fiscal year) for the year ended March 31, 2017.

Extraordinary gains decreased by ¥9.2 billion to ¥1.2 billion (11.9% of the previous fiscal year), and extraordinary losses increased by ¥4.1 billion to ¥5.3 billion (431.4% of the previous fiscal year). Total income taxes decreased by ¥0.8 billion to ¥5.6 billion (86.4% of the previous fiscal year).

As a result of the above factors, net surplus increased by ¥11.7 billion to ¥29.2 billion (166.7% of the previous fiscal year) for the year ended March 31, 2017.

Assets, Liabilities and Net Assets

Selected Assets Data

(Billions of Yen)

As of March 31	2016	2017	Year-over-year
Total assets:	5,524.1	5,398.2	(125.9)
Cash, deposits and call loans	213.6	154.1	(59.5)
Monetary claims bought	41.9	33.2	(8.7)
Securities:	4,138.5	4,152.3	+13.7
Domestic bonds	2,903.2	2,902.1	(1.1)
Domestic stocks	249.2	293.8	+44.6
Foreign securities	914.6	878.8	(35.7)
Loans	620.9	557.7	(63.2)
Tangible fixed assets	417.7	406.1	(11.6)
Deferred tax assets	22.7	22.7	(0.0)
Others	68.5	71.9	+3.4

Selected Liabilities/Net Assets Data

(Billions of Yen)

As of March 31	2016	2017	Year-over-year
Total liabilities:	5,195.0	5,039.2	(155.8)
Policy reserves and other reserves:	4,887.3	4,768.3	(118.9)
Policy reserves	4,814.6	4,700.1	(114.5)
Bonds payable	-	40.3	+40.3
Others	307.7	230.5	(77.2)
Total net assets:	329.0	358.9	+29.8
Total foundation funds and others:	310.6	333.5	+22.9
Foundation funds	126.0	126.0	-
Reserve for redemption of foundation funds	120.0	131.0	+11.0
Surplus:	64.3	76.3	+11.9
Reserve for future losses	0.2	0.2	+0.0
Other surplus:	64.1	76.0	+11.9
Reserve for fund redemption	35.5	36.0	+0.5
Equalized reserve for dividends to policyholders	10.4	8.7	(1.7)
Unappropriated surplus (loss)	18.1	31.3	+13.1
Total valuation and translation adjustments:	18.4	25.3	+6.9
Net unrealized gains (losses) on available-for-sale securities, net of tax	62.9	71.1	+8.1
Land revaluation differences	(44.5)	(45.7)	(1.2)
Total liabilities and net assets	5,524.1	5,398.2	(125.9)

As of March 31, 2017, the amount of total assets was ¥5,398.2 billion with securities accounting for ¥4,152.3 billion, loans at ¥557.7 billion, and tangible fixed assets at ¥406.1 billion. Among securities, the amount of domestic stocks increased mainly due to a stock price increase. The amount of foreign securities decreased because of a drop in the fair value of foreign bonds reflecting a rise in US interest rates.

The amount of total liabilities was ¥5,039.2 billion, and among this, policy reserves decreased by ¥114.5 billion to ¥4,700.1 billion mainly due to a reduction in policies in force of saving-type products.

The amount of total net assets was ¥358.9 billion, among which total foundation funds and others amounted to ¥333.5 billion, with total valuation and translation adjustments amounting to ¥25.3 billion. Accompanying the redemption of foundation funds totaling ¥11 billion in August 2016, the same amount was transferred from reserve for fund redemption to reserve for redemption of foundation funds, while ¥11.5 billion was newly set aside as reserve for fund redemption.

Investments (General Account)

Investment Environment

During the fiscal year ended March 31, 2017, the Japanese economy was able to sustain a gradual recovery because of the Bank of Japan's ongoing monetary easing policies as well as the improvement in employment and income conditions. Overseas, the U.S. economy continued to grow steadily, but due to a sluggish growth in emerging countries such as China, the growth of the world economy remained moderate.

The yield on newly issued 10-year Japanese Government Bonds (JGBs) transitioned from negative levels at the end of the previous fiscal year to around 0% at the end of this fiscal year due to the introduction of quantitative and qualitative monetary easing with yield curve control by the Bank of Japan in September 2016.

The Nikkei Stock Average increased from ¥16,758 at the end of previous fiscal year to ¥18,909 at the end of this fiscal year, due to heightened expectations of business performance recovery backed by the depreciation of the yen after the U.S. presidential elections.

With regard to the foreign exchange rate, the yen has strengthened against the U.S. dollar, once below ¥100, reflecting the result of the British referendum in June 2016, but transitioned weaker due to the rise in the U.S. interest rate after the U.S. presidential election. As of the end of this fiscal year, the yen was valued at ¥112 against the U.S. dollar.

Investment Policy

Asahi Life structures its asset portfolio concentrating on yen interest-bearing assets such as domestic bonds and loans, taking into consideration the liability characteristics of insurance policies. In addition, under the current prolonged low domestic interest rate environment, we endeavors to improve profitability through investments in relatively higher yield products such as foreign currency-denominated bonds while taking into account foreign exchange risks.

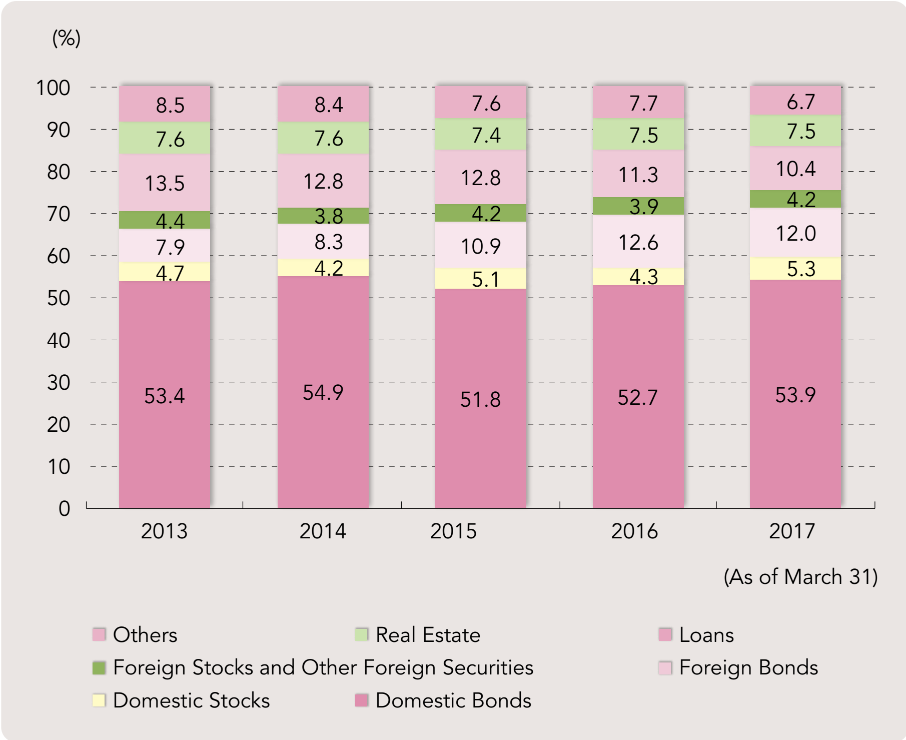
Overview of Investment Performance

During the fiscal year ended March 31, 2017, Asahi Life has increased the allocation of its investments to relatively higher yielding assets such as foreign currency-denominated bonds while adequately managing foreign exchange risks. On the other hand, considering the low domestic interest rate environment, we limited the allocation to yen interest bearing assets.

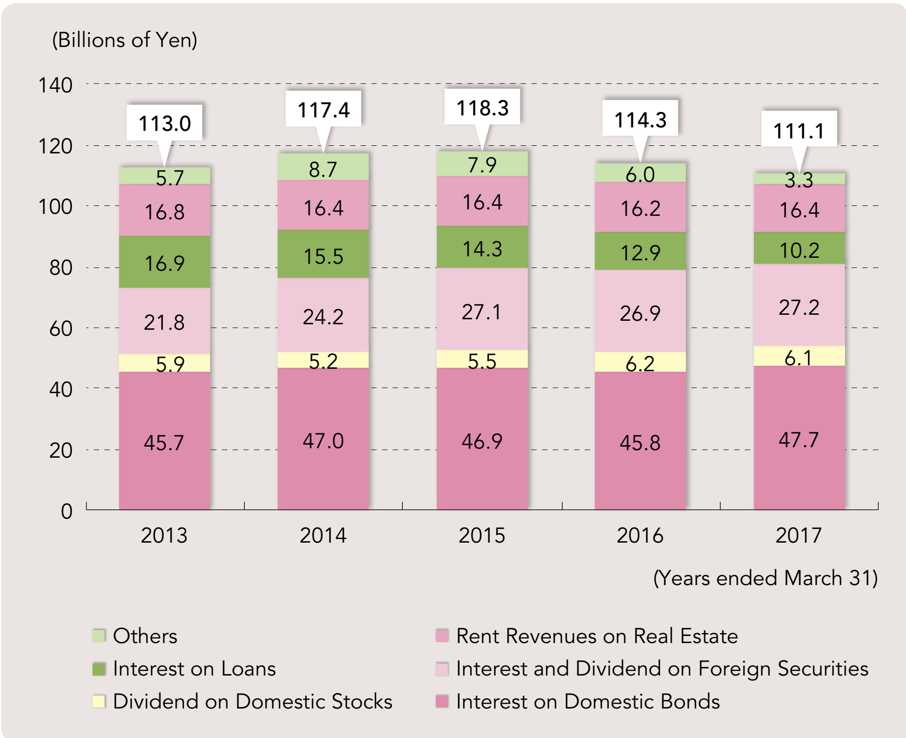
- For domestic bonds, we mainly purchased assets with yield spreads such as corporate bonds, while limiting the allocation to government bonds, considering the low-interest rate environment.
- For loans, we limited the total amount of loans in consideration of the low-interest rate environment.
- We kept the balance of domestic stocks unchanged to keep the price fluctuation risk reduced.
- For foreign securities, we worked to improve the yield through purchasing currency-hedged foreign currency-denominated bonds. Additionally, we have increased the allocation to alternative investments* with the aim to diversify investments and expand investment opportunities.
- We made efforts to improve real estate profitability by reviewing rent levels of rental real estate properties and improving operating rates.

* These are investment methods such as infra-funds, real estate investment trusts or derivative financial instruments, which are alternative investments to the traditional investment assets such as stocks and bonds.

Investment Composition Ratio



Interest, Dividends and Other Income



Corporate Governance

Basic Philosophy on Corporate Governance

Recognizing that the life insurance industry has an important role in supporting the Japanese society in cooperation with the social security system, Asahi Life holds a basic management philosophy of "Sincere Service." This is guided by the idea that fulfilling our responsibility to our customers, society and our employees is fundamental to our business.

Based on our management philosophy, we work to maintain a strong cooperation with all of our stakeholders and promote corporate social responsibility-based management centered on the following:

- Engaging in business that prioritizes the improvement of customer satisfaction
- Co-existence with society through continued engagement to create a prosperous society, and;
- Improvement of employee satisfaction through the creation of a comfortable workplace that fosters employees.

We are also making efforts to achieve effective corporate governance in order to both maintain our financial soundness and make decisions in a transparent, fair, quick and decisive manner.

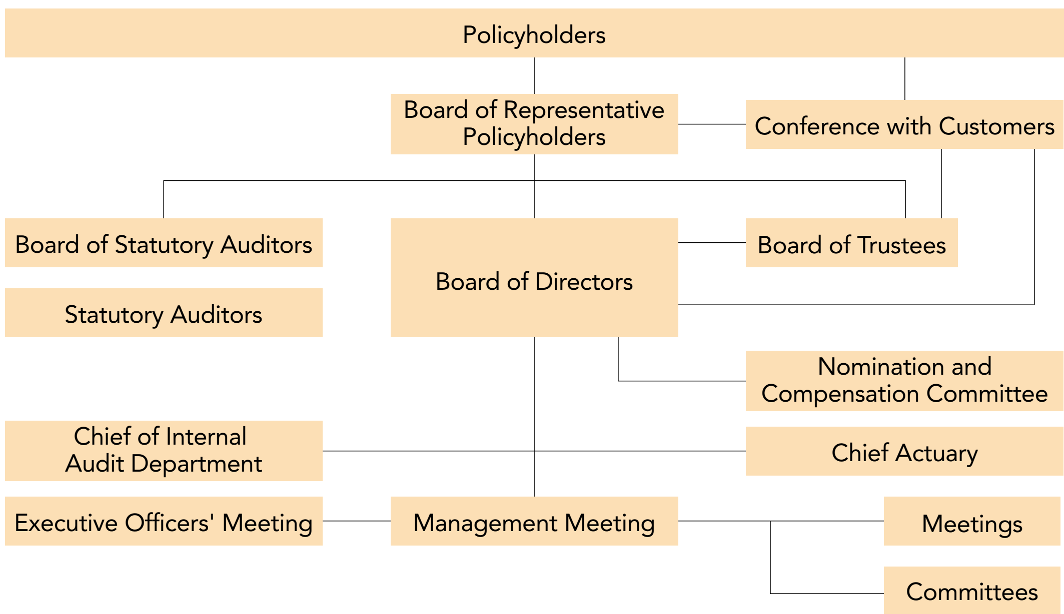
In December 2015, we established and released our Basic Policy on Corporate Governance, which set forth our basic philosophy on corporate governance, the structure of our organization and operating policy, with the aim of making explicit the transparency and fairness of our corporate governance.

Overview of the Corporate Governance Structure

Asahi Life is a mutual company. A mutual company is a corporate structure in which policyholders (excluding holders of non-participating policies) may directly participate in the management. Instead of holding a General Meeting of Policyholders, we have established a Board of Representative Policyholders. This serves as the highest decision-making body which consists of representatives elected from among our policyholders.

Additionally, in accordance to the institutional design required by the Insurance Business Act, we have opted to be a company with a Board of Statutory Auditors. The Board of Directors makes decisions on basic company management issues and supervises the execution of the duties of the directors. While the Board of Statutory Auditors also supervises the execution of the duties of the directors, they do this as an independent body entrusted by the policyholders.

Management Organization



Board of Representative Policyholders

Framework and Functions of the Board of Representative Policyholders

Asahi Life has adopted a mutual company corporate structure that is only permitted for insurance companies in Japan. While a General Meeting of Policyholders serves as the highest decision-making body in mutual companies, we have established a Board of Representative Policyholders, in accordance to the Insurance Business Act, in place of holding a General Meeting of Policyholders. This board serves to represent our 2.07 million policyholders.

The main issues reported and resolutions made in the Board of Representative Policyholders are as follows.

Reported issues:
  Business reports,
  balance sheets,
  statements of income,
  statements of changes in net assets,
  operational reports specific to the mutual company structure

Resolutions:
  Appropriation of surplus,
  allotment of dividends to policyholders,
  changes in articles of incorporation,
  appointment of nominating committee members for representative policyholders,
  appointment of trustees,
  appointment of directors/statutory auditors,
  etc.

Basic Policy on the Internal Control Structure

Asahi Life's Board of Directors has established the Basic Policy on the Internal Control Structure to ensure appropriate operations. We continuously strive to strengthen our compliance and risk management structures in accordance with this basic policy.

Protecting Customer Information

Management System to Appropriately Protect Information Assets

Asahi Life keeps personal information related to our customers' policies or health status, to the extent that is necessary for our business.

Recognizing that keeping such information secure is a crucial management issue, we have not only established a framework to protect customer information, but also persistently promote the strict implementation of such, in full consideration of the relevant laws and ordinances.

Furthermore, we have also formulated a Security Policy to provide appropriate protection for our customers' information. All employees perform appropriate and strict information management based on this policy to both fulfill our responsibility towards our policyholders and the society, and further improve the credibility of our company.

Promoting Compliance

Asahi Life positions compliance with laws and ordinances as one of the most critical issues of management, needed to conduct sound, transparent and fair business as well as to maintain the trust of our customers. We work to foster a corporate culture that both promotes and emphasizes compliance.

All employees devote themselves to legally compliant and appropriate business. We strive to prevent any illegal or inappropriate practices and will also endeavor to make quick and appropriate responses in the event that any illegal or inappropriate business practices are encountered.

Basic Policy/Compliance with Standards

Asahi Life has established the Basic Policy on Compliance and Compliance Standards as the primary guidelines to be observed by all employees. These are made widely and thoroughly known through our Compliance Manual and rigorous training. All employees must conduct and are conducting business strictly in accordance with these policy and standards.

Furthermore, we have also created the Compliance Program which includes a detailed action plan. By implementing this action plan and making periodical reviews, we are doing our best efforts to establish a higher level of compliance framework.

Organization/System

Asahi Life holds discussions on compliance, one of the most crucial aspects of management, with our Compliance Committee. The Committee is composed of our Company President as chair, Management Meeting members and third-party lawyers, who provide their expert opinions on specific subject matters. Additionally, a department that controls compliance, and which implements measures to promote it throughout the company, has been established to strengthen our pursuit of this issue.

Risk Management Structure

Overview

The environment surrounding life insurance companies is constantly changing. Against such a background, Asahi Life believes it is very important to accurately ascertain various risks and to manage them appropriately and strictly. Doing so helps to stabilize profits, and boost financial health, which eventually leads to an increased corporate value. In order to ensure the fulfillment of our long-term obligations from our insurance policies, we value risk management as one of our most important management issues and are working to further improve and strengthen our risk management structure.

Risk Management Structure

Asahi Life's Board of Directors has established a Basic Policy on Risk Management. This is a corporate-wide policy that aims to implement appropriate risk management towards the achievement of our management objectives.

Within this Basic Policy, we have identified the various types and locations of risks faced by a life insurance company, and with respect to each risk, set down certain risk management methods and management structures.

Further, with regard to each identified risk, we have established policies, regulations and rules with respect thereto.

Each risk management department in our company works to control risk appropriately through regular identification and reporting in accordance to the Basic Policy as well as other rules and regulations.

Furthermore, as the surrounding risks are not necessarily independent in a way that one may affect another, we have controlled this by establishing a department that manages risk at an enterprise level.

The status of our risk management is reported to our Board of Directors and Management Meeting, upon which, management decisions are made. Moreover, the appropriateness of our risk management structure is audited by our Internal Audit Department.

Enterprise Risk Management

Asahi Life promotes Enterprise Risk Management, in order to secure financial soundness and improve profitability through grasping the overall risks with respect to the business as a whole. This also helps us to implement countermeasures based on the degree of importance of risks based on qualitative and quantitative risk evaluation.

Additionally, we implement Own Risk and Solvency Assessment (ORSA), a process to evaluate our management risks and own capital and promote the integration of risk management with our business strategy.

With respect to qualitative risk evaluation, we ascertain our risk profile and specify crucial risks to management by identifying not only current but also potential risks which are discovered through our Control Self-Assessment (CSA) which we conduct in each operational division. We also strive to identify risks at an early stage and to reduce these risks through measures such as warning analysis.

With respect to quantitative risk evaluation, we evaluate the sufficiency of our own capital by comparing the aggregate risk amount with our management strength such as our own capital. After which, we can confirm the appropriateness of our asset/liability strategy and risk/return strategy. Moreover, we also quantitatively evaluate the sufficiency of our own capital based on the economic value.

Asset Liability Management (ALM)

Asahi Life engages in asset liability management (ALM) that is guided by the asset and risk management policies established by liability groups. Asahi Life engages in asset liability management (ALM) that is guided by the asset and risk management policies established by liability groups. These liability groups are categorized according to the characteristics of insurance policies. Based on the asset and risk management policies, we confirm the appropriateness of an investment. We structure our asset portfolio concentrating on yen interest-bearing assets such as domestic bonds and loans, taking into consideration the liability characteristics of insurance policies. A portion of domestic bonds are classified as policy-reserve-matching bonds, which are valued at the amortized cost, with the aim of reducing the impact of interest rate fluctuation.

Officers (as of July 4, 2017)

Chairman of the Board and Representative Director
Yoshiki Sato

President and Representative Director
Hiroki Kimura

Representative Director and Senior Managing Executive Officer
Masayuki Yamashita

Director and Managing Executive Officer
Kiyoshi Ikeda

Director and Managing Executive Officer
Tatsuya Kikuchi

Director and Managing Executive Officer
Hiroshi Tatara

Director and Managing Executive Officer
Yasuhiro Iguchi

Director and Executive Officer
Yukihiro Fujioka

Director
Kazuko Ohya(1)

Director
Takashi Tsukamoto(1)

Director
Kenji Watanabe(1)

Standing Statutory Auditor
Hiroyuki Somekawa

Standing Statutory Auditor
Hiroshi Hirosaka

Statutory Auditor
Junnosuke Furukawa(2)

Statutory Auditor
Yukio Machida(2)

Statutory Auditor
Tadayuki Seki(2)

(1) Outside director
(2) Outside statutory auditor

Consolidated Balance Sheets

Asahi Mutual Life Insurance Company and its Consolidated Subsidiaries

As of March 31	Millions of Yen 2017	Millions of Yen 2016	Millions of U.S. Dollars 2017
ASSETS:			
Cash and deposits	¥ 35,511	¥ 36,133	$ 316
Call loans	122,000	181,000	1,087
Monetary claims bought	33,202	41,906	295
Money held in trust	0	10	0
Securities	4,148,686	4,134,926	36,979
Loans	557,761	620,988	4,971
Tangible fixed assets:			
Land	232,995	240,255	2,076
Buildings	167,538	170,998	1,493
Lease assets	2,015	2,484	17
Construction in progress	1,033	1,462	9
Other tangible fixed assets	2,575	2,645	22
	406,159	417,845	3,620
Intangible fixed assets:			
Software	14,130	12,916	125
Other intangible fixed assets	19,154	17,463	170
	33,285	30,380	296
Reinsurance receivables	194	32	1
Other assets	39,595	38,986	352
Net defined benefit assets	11	–	0
Deferred tax assets	22,947	23,889	204
Customers' liabilities under acceptances and guarantees	14	17	0
Allowance for possible loan losses	(487)	(578)	(4)
Total assets	**¥ 5,398,884**	**¥ 5,525,539**	**$ 48,122**
LIABILITIES:			
Policy reserves and other reserves:			
Reserve for outstanding claims	¥ 27,364	¥ 27,950	$ 243
Policy reserves	4,700,145	4,814,646	41,894
Reserve for dividends to policyholders	40,861	44,720	364
	4,768,371	4,887,317	42,502
Reinsurance payables	127	95	1
Bonds payable	40,349	–	359
Other liabilities	139,189	216,138	1,240
Net defined benefit liabilities	37,757	42,399	336
Reserve for price fluctuation	36,580	34,530	326
Deferred tax liabilities for land revaluation	18,091	18,569	161
Acceptances and guarantees	14	17	0
Total liabilities	**5,040,479**	**5,199,069**	**44,928**
NET ASSETS:			
Foundation funds	126,000	126,000	1,123
Reserve for redemption of foundation funds	131,000	120,000	1,167
Reserve for revaluation	281	281	2
Consolidated surplus	76,065	64,102	678
Total foundation funds and others	333,347	310,384	2,971
Net unrealized gains (losses) on available-for-sale securities, net of tax	71,105	62,954	633
Land revaluation differences	(45,762)	(44,527)	(407)
Accumulated remeasurements of defined benefit plans	(358)	(2,420)	(3)
Total accumulated other comprehensive income	24,983	16,006	222
Non-controlling interests	73	79	0
Total net assets	**358,404**	**326,470**	**3,194**
Total liabilities and net assets	**¥ 5,398,884**	**¥ 5,525,539**	**$ 48,122**

Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Asahi Mutual Life Insurance Company and its Consolidated Subsidiaries

[Consolidated Statements of Income]

For the years ended March 31	Millions of Yen 2017	Millions of Yen 2016	Millions of U.S. Dollars 2017
Ordinary income:			
Premium and other income	¥ 383,776	¥ 401,499	$ 3,420
Investment income:			
Interest, dividends and other income	110,945	114,094	988
Gains on sales of securities	40,391	4,510	360
Reversal of allowance for possible loan losses	85	2,080	0
Other investment income	7,244	7,063	64
Investment gains on separate accounts	2,320	–	20
	160,986	127,749	1,434
Other ordinary income	138,951	127,443	1,238
Total ordinary income	**683,715**	**656,692**	**6,094**
Ordinary expenses:			
Claims and other payments:			
Claims	135,234	137,141	1,205
Annuities	128,659	121,939	1,146
Benefits	97,962	95,534	873
Surrender benefits	94,226	107,181	839
Other payments	7,725	4,945	68
	463,808	466,742	4,134
Provision for policy reserves and other reserves:			
Provision for interest on policyholders' dividend reserves	33	46	0
	33	46	0
Investment expenses:			
Interest expenses	4,042	3,451	36
Losses on trading securities	–	16	–
Losses on sales of securities	11,025	10,349	98
Losses on valuation of securities	16	1,647	0
Losses on derivative financial instruments	11,264	609	100
Foreign exchange losses	325	3,739	2
Write-offs of loans	0	1	0
Depreciation of rental real estate and other assets	5,500	5,492	49
Other investment expenses	9,561	10,471	85
Investment losses on separate accounts	–	1,685	–
	41,737	37,465	372
Operating expenses	105,072	101,872	936
Other ordinary expenses	33,818	35,565	301
Total ordinary expenses	**644,469**	**641,692**	**5,744**
Ordinary profit	**39,245**	**14,999**	**349**
Extraordinary gains:			
Gains on disposal of fixed assets	1,243	566	11
Reversal of reserve for price fluctuation	–	9,910	–
	1,243	10,476	11
Extraordinary losses:			
Losses on disposal of fixed assets	1,635	338	14
Impairment losses	1,333	905	11
Provision for reserve for price fluctuation	2,050	–	18
Other extraordinary losses	344	–	3
	5,363	1,243	47
Surplus before income taxes	**35,126**	**24,232**	**313**
Income taxes:			
Current	3,859	676	34
Deferred	1,952	5,939	17
Total income taxes	**5,812**	**6,616**	**51**
Net surplus	**29,313**	**17,616**	**261**
Net surplus attributable to non-controlling interests	**31**	**38**	**0**
Net surplus attributable to the Parent Company	**¥ 29,282**	**¥ 17,577**	**$ 261**

[Consolidated Statements of Comprehensive Income]

For the years ended March 31	Millions of Yen 2017	Millions of Yen 2016	Millions of U.S. Dollars 2017
Net surplus	**¥ 29,313**	**¥ 17,616**	**$ 261**
Other comprehensive income:			
Net unrealized gains (losses) on available-for-sale securities, net of tax	8,150	(46,636)	72
Land revaluation differences	–	532	–
Remeasurements of defined benefit plans	2,061	671	18
Total other comprehensive income	**10,212**	**(45,432)**	**91**
Comprehensive income:			
Comprehensive income attributable to the Parent Company	39,494	(27,854)	352
Comprehensive income attributable to non-controlling interests	31	38	0
Total comprehensive income	**¥ 39,526**	**¥ (27,816)**	**$ 352**

Consolidated Statements of Changes in Net Assets

Asahi Mutual Life Insurance Company and its Consolidated Subsidiaries

Millions of Yen

For the year ended March 31, 2017	Foundation funds and others				
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Consolidated surplus	Total foundation funds and others
Beginning balance	**¥ 126,000**	**¥ 120,000**	**¥ 281**	**¥ 64,102**	**¥ 310,384**
Changes in the fiscal year:					
Issuance of foundation funds	11,000				11,000
Additions to reserve for dividends to policyholders				(1,767)	(1,767)
Additions to reserve for redemption of foundation funds		11,000		(11,000)	
Payment of interest on foundation funds				(5,787)	(5,787)
Net surplus attributable to the Parent Company				29,282	29,282
Redemption of foundation funds	(11,000)				(11,000)
Reversal of land revaluation differences				1,235	1,235
Net changes, excluding foundation funds and others					
Net changes in the fiscal year	**–**	**11,000**	**–**	**11,963**	**22,963**
Ending balance	**¥ 126,000**	**¥ 131,000**	**¥ 281**	**¥ 76,065**	**¥ 333,347**

Millions of Yen

For the year ended March 31, 2017	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Net unrealized gains (losses) on available-for-sale securities, net of tax	Land revaluation differences	Accumulated remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Beginning balance	**¥ 62,954**	**¥ (44,527)**	**¥ (2,420)**	**¥ 16,006**	**¥ 79**	**¥ 326,470**
Changes in the fiscal year:						
Issuance of foundation funds						11,000
Additions to reserve for dividends to policyholders						(1,767)
Additions to reserve for redemption of foundation funds						
Payment of interest on foundation funds						(5,787)
Net surplus attributable to the Parent Company						29,282
Redemption of foundation funds						(11,000)
Reversal of land revaluation differences						1,235
Net changes, excluding foundation funds and others	8,150	(1,235)	2,061	8,976	(5)	8,971
Net changes in the fiscal year	**8,150**	**(1,235)**	**2,061**	**8,976**	**(5)**	**31,934**
Ending balance	**¥ 71,105**	**¥ (45,762)**	**¥ (358)**	**¥ 24,983**	**¥ 73**	**¥ 358,404**

Millions of U.S. Dollars

For the year ended March 31, 2017	Foundation funds and others				
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Consolidated surplus	Total foundation funds and others
Beginning balance	**$ 1,123**	**$ 1,069**	**$ 2**	**$ 571**	**$ 2,766**
Changes in the fiscal year:					
Issuance of foundation funds	98				98
Additions to reserve for dividends to policyholders				(15)	(15)
Additions to reserve for redemption of foundation funds		98		(98)	
Payment of interest on foundation funds				(51)	(51)
Net surplus attributable to the Parent Company				261	261
Redemption of foundation funds	(98)				(98)
Reversal of land revaluation differences				11	11
Net changes, excluding foundation funds and others					
Net changes in the fiscal year	**–**	**98**	**–**	**106**	**204**
Ending balance	**$ 1,123**	**$ 1,167**	**$ 2**	**$ 678**	**$ 2,971**

Millions of U.S. Dollars

For the year ended March 31, 2017	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Net unrealized gains (losses) on available-for-sale securities, net of tax	Land revaluation differences	Accumulated remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Beginning balance	**$ 561**	**$ (396)**	**$ (21)**	**$ 142**	**$ 0**	**$ 2,909**
Changes in the fiscal year:						
Issuance of foundation funds						98
Additions to reserve for dividends to policyholders						(15)
Additions to reserve for redemption of foundation funds						
Payment of interest on foundation funds						(51)
Net surplus attributable to the Parent Company						261
Redemption of foundation funds						(98)
Reversal of land revaluation differences						11
Net changes, excluding foundation funds and others	72	(11)	18	80	(0)	79
Net changes in the fiscal year	**72**	**(11)**	**18**	**80**	**(0)**	**284**
Ending balance	**$ 633**	**$ (407)**	**$ (3)**	**$ 222**	**$ 0**	**$ 3,194**

Millions of Yen

For the year ended March 31, 2016	Foundation funds and others				
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Consolidated surplus	Total foundation funds and others
Beginning balance	¥ 166,000	¥ –	¥ 281	¥ 177,543	¥ 343,825
Changes in the fiscal year:					
Issuance of foundation funds	80,000				80,000
Additions to reserve for dividends to policyholders				(1,940)	(1,940)
Additions to reserve for redemption of foundation funds		120,000		(120,000)	
Payment of interest on foundation funds				(7,638)	(7,638)
Net surplus attributable to the Parent Company				17,577	17,577
Redemption of foundation funds	(120,000)				(120,000)
Reversal of land revaluation differences				(1,439)	(1,439)
Net changes, excluding foundation funds and others					
Net changes in the fiscal year	**(40,000)**	**120,000**	**–**	**(113,441)**	**(33,441)**
Ending balance	**¥ 126,000**	**¥ 120,000**	**¥ 281**	**¥ 64,102**	**¥ 310,384**

Millions of Yen

For the year ended March 31, 2016	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Net unrealized gains (losses) on available-for-sale securities, net of tax	Land revaluation differences	Accumulated remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Beginning balance	¥ 109,591	¥ (46,499)	¥ (3,092)	¥ 59,999	¥ 80	¥ 403,905
Changes in the fiscal year:						
Issuance of foundation funds						80,000
Additions to reserve for dividends to policyholders						(1,940)
Additions to reserve for redemption of foundation funds						
Payment of interest on foundation funds						(7,638)
Net surplus attributable to the Parent Company						17,577
Redemption of foundation funds						(120,000)
Reversal of land revaluation differences						(1,439)
Net changes, excluding foundation funds and others	(46,636)	1,972	671	(43,992)	(1)	(43,994)
Net changes in the fiscal year	**(46,636)**	**1,972**	**671**	**(43,992)**	**(1)**	**(77,435)**
Ending balance	**¥ 62,954**	**¥ (44,527)**	**¥ (2,420)**	**¥ 16,006**	**¥ 79**	**¥ 326,470**

Consolidated Statements of Cash Flows

Asahi Mutual Life Insurance Company and its Consolidated Subsidiaries

For the years ended March 31	Millions of Yen 2017	Millions of Yen 2016	Millions of U.S. Dollars 2017
I. Cash flows from operating activities			
Surplus before income taxes	¥ 35,126	¥ 24,232	$ 313
Depreciation of rental real estate and other assets	5,500	5,492	49
Depreciation	9,881	9,151	88
Impairment losses	1,333	905	11
Increase (decrease) in reserve for outstanding claims	(585)	(1,743)	(5)
Increase (decrease) in policy reserves	(114,500)	(101,089)	(1,020)
Provision for interest on policyholders' dividend reserves	33	46	0
Increase (decrease) in allowance for possible loan losses	(85)	(2,080)	(0)
Increase (decrease) in net defined benefit liabilities	(1,789)	(1,258)	(15)
Increase (decrease) in reserve for price fluctuation	2,050	(9,910)	18
Interest, dividends and other income	(110,945)	(114,094)	(988)
(Gains) losses on securities	(31,669)	9,172	(282)
(Gains) losses on derivative financial instruments	11,264	609	100
Interest expenses	4,042	3,451	36
Foreign exchange (gains) losses, net	325	3,739	2
(Gains) losses on tangible fixed assets	(84)	(320)	(0)
(Increase) decrease in reinsurance receivables	(161)	(20)	(1)
(Increase) decrease in other assets except from investing and financing activities	(1,385)	(669)	(12)
Increase (decrease) in reinsurance payables	31	60	0
Increase (decrease) in other liabilities except from investing and financing activities	520	332	4
Others, net	7,296	4,124	65
Subtotal	(183,802)	(169,870)	(1,638)
Interest, dividends and other income received	116,136	118,627	1,035
Interest paid	(3,957)	(3,248)	(35)
Dividends to policyholders paid	(5,660)	(5,701)	(50)
Income taxes (paid) refunded	(185)	(1,997)	(1)
Net cash provided by (used in) operating activities	**(77,469)**	**(62,189)**	**(690)**
II. Cash flows from investing activities			
Purchases of monetary claims bought	(500)	(3,000)	(4)
Proceeds from sales and redemptions of monetary claims bought	9,198	17,837	81
Proceeds from decreases in money held in trust	9	–	0
Purchases of securities	(968,725)	(630,464)	(8,634)
Proceeds from sales and redemptions of securities	993,520	533,844	8,855
Disbursements for loans	(66,526)	(111,197)	(592)
Proceeds from collections of loans	125,897	201,615	1,122
Proceeds from derivative financial instruments	(20,059)	22,259	(178)
Increase (decrease) in payables under securities borrowing transactions	(53,610)	53,610	(477)
①Total of investing activities	19,204	84,505	171
[I + ①]	(58,265)	22,315	(519)
Purchases of tangible fixed assets	(7,447)	(10,608)	(66)
Proceeds from sales of tangible fixed assets	8,341	5,478	74
Others, net	(7,903)	(7,963)	(70)
Net cash provided by (used in) investing activities	**12,194**	**71,412**	**108**
III. Cash flows from financing activities			
Proceeds from debt borrowing	2,000	40,000	17
Redemption of debt borrowing	(30,000)	–	(267)
Proceeds from issuance of bonds	40,349	–	359
Proceeds from issuance of foundation funds	11,000	80,000	98
Redemption of foundation funds	(11,000)	(120,000)	(98)
Payment of interest on foundation funds	(5,787)	(7,638)	(51)
Dividends paid to non-controlling interests	(37)	(39)	(0)
Others, net	(871)	(838)	(7)
Net cash provided by (used in) financing activities	**5,652**	**(8,516)**	**50**
IV. Net increase (decrease) in cash and cash equivalents	**(59,622)**	**705**	**(531)**
V. Cash and cash equivalents at the beginning of the year	**217,133**	**216,427**	**1,935**
VI. Cash and cash equivalents at the end of the year	**¥ 157,511**	**¥ 217,133**	**$ 1,403**

Notes to Consolidated Financial Statements

Asahi Mutual Life Insurance Company and its Consolidated Subsidiaries

I. Presentation of Consolidated Financial Statements

1. Basis of Presentation

The accompanying consolidated financial statements have been prepared from the accounts maintained by Asahi Mutual Life Insurance Company (the "Company") and its consolidated subsidiaries in accordance with the provisions set forth in the Insurance Business Act of Japan and its related rules and regulations applicable to the mutual life insurance industry and in conformity with accounting principles generally accepted in Japan, which are different in certain respects from accounting principles generally accepted in countries and jurisdictions other than Japan.

In addition, the notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

Amounts of less than one million yen have been eliminated. As a result, total amounts in yen shown herein do not necessarily agree with the sum of the individual amounts.

In preparing the accompanying consolidated financial statements, certain reclassifications have been made to the consolidated financial statements issued domestically in order to present them in a format which is more familiar to readers outside Japan.

2. U.S. Dollar Amounts

The translations of yen amounts into U.S. dollar amounts are included solely for the convenience of the reader and have been made, as a matter of arithmetical computation only, at the rate of ¥112.19 = US$1.00, the effective rate of exchange at the balance sheet date of March 31, 2017.

The translations should not be construed as representations that such yen amounts have been or could in the future be, converted into U.S. dollars at that or any other rates.

3. Principles of Consolidation

(1) Scope of consolidation

The consolidated subsidiaries for the years ended March 31, 2017 and 2016 are listed below:

Info Techno Asahi Co., Ltd.
Asahi Life Asset Management Co., Ltd.
Asahi Nvest Investment Advisory Co., Ltd.

The major unconsolidated subsidiary is Asahi Real Estate Management Co., Ltd.

Unconsolidated subsidiaries are excluded from the scope of consolidation, as each one of them is small in terms of its total assets, amount of sales, net income for the year and surplus and is sufficiently immaterial to reasonable judgment with regards to its impact on the financial position and results of operation of the Company's group.

(2) Application of equity method

Unconsolidated subsidiaries and affiliates (such as Asahi Real Estate Management Co., Ltd, etc.) 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) Fiscal year-end of consolidated subsidiaries

The fiscal year-end of the consolidated subsidiaries is March 31.

(4) Amortization of goodwill

Goodwill is fully expensed as incurred.

II. Notes to Consolidated Balance Sheets

1. Significant Accounting Policies

(1) Valuation methods of securities

The valuation of securities, including deposits and monetary claims bought which are equivalent to securities is as follows:

i) Trading securities are stated at fair market value. Costs of sales are determined by the moving average method.

ii) Held-to-maturity debt securities are stated at amortized cost under the straight-line method, cost being determined by the moving average method.

iii) Policy-reserve-matching bonds are stated at amortized cost under the straight-line method, cost being determined by the moving average method in accordance with "Temporary Treatment of Accounting and Auditing Concerning Policy-reserve-matching Bonds in Insurance Industry" (Industry Audit Committee Report No. 21 issued by the Japanese Institute of Certified Public Accountants ("JICPA")).

iv) Investments in unconsolidated subsidiaries and affiliates not accounted for under the equity method are stated at cost.

v) Available-for-sale securities with fair market value are stated at fair market value based on the market prices at the end of the fiscal year, except for domestic stocks, domestic exchange-traded funds, domestic listed real estate investment trusts, foreign exchange-traded funds for which hedge accounting is not applied and foreign currency-denominated bonds for which hedge accounting is not applied. Such securities are stated based on the average of the market value during the final month of the fiscal year. Costs of sales are determined by the moving average method. Net unrealized gains or losses on these available-for-sale securities, net of taxes, are recorded as a separate component of net assets.

Available-for-sale securities whose fair values are deemed extremely difficult to determine are stated at cost, cost being determined by the moving average method, except for public and corporate bonds including foreign bonds, of which the difference between acquisition cost and face value is considered to be an adjustment of interest. Such bonds are stated at amortized cost under the straight-line method, cost being determined by the moving average method.

(2) Policy-reserve-matching bonds

The Company classifies bonds held with the aim of matching the duration to outstanding insurance liabilities within the sub-groups (categorized by insurance type, investment policy and other factors) of individual life insurance and individual annuities as policy-reserve-matching bonds in accordance with "Temporary Treatment of Accounting and Auditing Concerning Policy-reserve-matching Bonds in Insurance Industry" (Industry Audit Committee Report No. 21 issued by the JICPA on November 16, 2000).

Since the fiscal year starting from April 1, 2016, the Company changed its liability cash flow, which is the premise of assessing the duration to outstanding insurance liabilities, from a "Term of future 25 years" to a "Term of future 30 years" for the sub-group including Individual life Insurance and Individual Annuities (excluding Whole Life Insurance with variable interest rate accumulation, Accumulation Insurance with variable interest rates and New Single Premium Individual Annuity effective on and after April 2, 2012). This is for the purpose of gradually transitioning the Company's investment portfolio to a liability-matching portfolio. This change did not have any effects on the consolidated balance sheet and consolidated statement of income as of and for the year ended March 31, 2017.

(3) Valuation methods of derivative financial instruments

Derivative financial instruments are stated at fair market value.

(4) Revaluation of land

The Company revalued the land for business purposes based on the Act on Revaluation of Land (Act No. 34 promulgated on March 31, 1998). The difference between fair value and book value resulting from the revaluation, net of related taxes, is recorded as land revaluation differences as a separate component of net assets and the related tax is recorded as deferred tax liabilities for revaluation.

■ Date of revaluation: March 31, 2001

■ Method of revaluation as prescribed for in Article 3, Paragraph 3 of the said Act:

The calculation is based on the publicly announced appraisal value with certain adjustments set forth in Article 2, Item 1 of the Enforcement Ordinance of the Act on Revaluation of Land (Government Ordinance No. 119 promulgated on March 31, 1998) or the appraisal value set forth in Article 2, Item 5 of the said Ordinance with certain reasonable adjustments.

	Millions of Yen		Millions of U.S. Dollars
As of March 31	2017	2016	2017
Difference between the fair value of the revalued land at end of fiscal year and its book value after revaluation based on Article 10 of said Act	¥ (6,525)	¥ (14,917)	$ (58)

(5) Depreciation of tangible fixed assets

Depreciation of the Company's tangible fixed assets is calculated by the following methods.

■ Tangible fixed assets (excluding lease assets): Declining-balance method

However, buildings are depreciated using the straight-line method.

■ Lease assets related to finance lease transactions that do not transfer ownership: Straight-line method over the lease term with no residual value

(6) Foreign currency translation

Foreign currency-denominated assets and liabilities (excluding the shares of unconsolidated subsidiaries and affiliates) are translated into Japanese yen at the effective exchange rate prevailing at the balance sheet date, except for foreign exchange-traded funds for which hedge accounting is not applied and foreign currency-denominated bonds for which hedge accounting is not applied categorized as available-for-sale securities with fair market value. Such securities are translated into Japanese yen at the average of the effective exchange rate during the final month of the fiscal year.

(7) Allowance for possible loan losses

Allowance for possible loan losses is provided in accordance with the Company's standards of self-assessment and write-offs and reserves on credit quality:

i) For credit to borrowers who are legally bankrupt such as being in bankruptcy proceedings or civil rehabilitation (hereinafter "legally bankrupt borrowers") and who are substantially bankrupt (hereinafter "substantially bankrupt borrowers"), the Company provides the remaining amount of credits after the direct write-off described below and the deductions of the amount expected to be collected through the disposal of collateral or the execution of guarantees.

ii) For credit to borrowers who are not currently bankrupt but have a high risk of bankruptcy (hereinafter "not currently bankrupt borrowers"), the Company provides the amounts deemed as necessary considering the borrowers' ability to pay, within the amounts after deductions of the amount expected to be collected through the disposal of collateral or the execution of guarantees.

iii) For credit to borrowers other than the above, the Company provides the amounts calculated by multiplying the borrowers' balance by the actual ratio of bad debt losses on defaults during a certain past period.

All credit is assessed by the relevant departments in accordance with the Company's standards of self-assessment on credit quality. The results of the assessment are reviewed by the audit department, which is independent of business-related divisions. Subsequently, allowance for possible loan losses is provided based on the results of these assessments.

For consolidated subsidiaries, the Company records the allowance amounts deemed necessary in accordance mainly with the Company's standards of self-assessment and write-offs and reserves on credit quality.

For credit to legally bankrupt borrowers and substantially bankrupt borrowers, the amounts remaining after deductions of collateral value or the amounts collectible through the execution of guarantees are written-off directly from the borrower's balance as the estimated uncollectible amounts. The amounts written-off as of March 31, 2017 and 2016 were ¥215 million (US$1 million) and ¥219 million, respectively.

(8) Accounting for employees' retirement benefits and method of amortizing retirement benefit expenses

Net defined benefit liabilities and assets are presented for the employees' retirement benefits after deducting pension plan assets from retirement benefit obligations, based on estimated amounts as of the balance sheet date.

The Company uses the following methods of accounting in relation to retirement benefits.

■ The retirement benefit obligation is attributed to each period by the benefit formula method.

■ Actuarial differences are amortized under the straight-line method over a period of seven years, which is shorter than the average remaining years of service of the eligible employees, starting from the following year.

■ Prior service cost is charged to income when incurred.

(9) Reserve for price fluctuation

Reserve for price fluctuation is calculated in accordance with Article 115 of the Insurance Business Act.

(10) Accounting for hedging activities

Hedging activities are accounted for in accordance with the "Accounting Standards for Financial Instruments" (Accounting Standards Board of Japan ("ASBJ") Statement No. 10).

The Company applies deferred hedge accounting and the exceptional accounting treatment ("Tokurei-shori") for interest rate swaps used to hedge the cash flow volatility of certain loans.

The Company also applies fair value hedge accounting for hedging activities related to foreign exchange rate fluctuation exposures on certain bonds and investment trusts denominated in foreign currencies.

The Company also applies designated hedge accounting ("Furiate-shori") for currency swaps used to hedge foreign exchange rate fluctuation exposures on the foreign currency-denominated bonds issued by the Company.

The Company also applies designated hedge accounting ("Furiate-shori") for the foreign currency-denominated transactions other than the above.

The effectiveness of a hedge is mostly assessed by a ratio analysis, comparing the fluctuations in the fair value or cash flows of hedged items and hedging instruments.

(11) Accounting for consumption taxes

The Company accounts for consumption tax and local consumption tax by the tax-exclusion method. The consumption taxes on certain assets, which are not deductible from consumption taxes withheld and that are stipulated to be deferred under the Corporation Tax Act of Japan are deferred as prepaid expenses and amortized equally over five years.

Consumption taxes other than deferred consumption taxes are recognized as an expense when incurred.

(12) Policy reserves

Policy reserves are based on Article 116 of the Insurance Business Act and the premium reserve at the end of fiscal year is calculated by the following method:

In regard to the policies subject to the standard policy reserves, the method as prescribed by the Commissioner of Financial Services Agency (Japanese Ministry of Finance Public Notice No. 48, 1996) is applied.

In regard to the policies not subject to the standard policy reserves, the net level premium method is applied.

(13) Software

Capitalized software for internal use owned by the Company and its subsidiaries (included in intangible fixed assets in the consolidated balance sheets) is amortized using the straight-line method over the estimated useful lives.

2. Accounting Changes

(1) *Notes for the fiscal year ended March 31, 2017*

ASBJ Guidance No. 26 “Implementation Guidance on Recoverability of Deferred Tax Assets” has been applied since the fiscal year ended March 31, 2017.

(2) *Notes for the fiscal year ended March 31, 2016*

“Revised Accounting Standard for Business Combinations” (ASBJ Statement No. 21, September 13, 2013; hereafter the “Business Combinations Accounting Standard”), “Revised Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013; hereafter the “Consolidation Accounting Standard”), and “Revised Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013; hereafter the “Business Divestitures Accounting Standard”) have been applied from the beginning of the fiscal year ended March 31, 2016.

Under the revised accounting standards, the differences arising from changes in the Company’s ownership interests in subsidiaries when the Company retains control are recorded in surplus, and acquisition-related costs are recorded as expenses for the fiscal year in which the costs are incurred. For business combinations implemented on or after April 1, 2015, the accounting method has been changed to reflect adjustments to the allocated acquisition costs on the finalization of the provisional accounting treatments in the consolidated financial statements for the fiscal year in which the business combination occurs. In addition, the presentation method of net surplus was changed and the account name “minority interests” was changed to “non-controlling interests”. In the consolidated statement of cash flows for the fiscal year ended March 31, 2016, cash flows related to the acquisition or sale of shares of subsidiaries that do not result in a change in the scope of consolidation are classified into cash flows from financing activities, while cash flows related to expenses arising from the acquisition of shares of subsidiaries that result in a change in the scope of consolidation or the acquisition or sale of shares of subsidiaries that do not result in a change in the scope of consolidation are classified into cash flows from operating activities.

With respect to the application of the Accounting Standard regarding business combinations, the transitional treatments prescribed in Article 58-2(4) of the Business Combinations Accounting Standard, Article 44-5(4) of the Consolidation Accounting Standard and Article 57-4(4) of the Business Divestitures Accounting Standard has been applied prospectively on and after April 1, 2015.

There was no impact on income/loss as a result of these changes.

3. Accounting Standards and Guidances Issued but Not Yet Effective

Notes for the fiscal year ended March 31, 2016

An accounting guidance issued by the fiscal year-end but not yet effective is “Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26), and the overview is as follows.

(i) Overview

The accounting treatment on recoverability of deferred tax assets still basically follows the framework of the “Auditing Treatment Regarding Judgment of the Recoverability of Deferred Tax Assets” outlined in the Japanese Institute of Certified Public Accountants Industry Audit Committee Statement No. 66, i.e. a framework for estimating deferred tax assets by classifying entities into five categories and calculating the amount according to those categories, but it has made necessary revisions on the following treatments.

(a) Accounting treatments of entities not satisfying any of the category criteria from (Category 1) to (Category 5).

(b) Category criteria of (Category 2) and (Category 3).

(c) Accounting treatments of unscheduled deductible temporary differences for entities in (Category 2).

(d) Accounting treatments for reasonably estimated period for taxable income before temporary differences for entities in (Category 3).

(e) Accounting treatments for entities satisfying the category criteria of (Category 4) and also falling in (Category 2) or (Category 3).

(ii) Schedule date of adoption

The above revisions are scheduled to be applied from the beginning of the fiscal year ending March 31, 2017.

(iii) Effects of application of the Accounting Standards and relevant regulations

The effects of the application are under assessment at the time of preparing these consolidated financial statements.

4. Financial Instruments

Asset management of the general accounts other than the separate accounts stipulated in Article 118 Paragraph 1 of the Insurance Business Act is conducted based on the following principles.

- For accumulation whole life with varying interest rates, accumulation insurance with varying interest rates and new single premium individual annuities which have an effective date on or after April 2, 2012, the Company mainly invests in domestic bonds, engaging in matching asset liability management, or Matching ALM, which aims at matching the duration to outstanding insurance liabilities to avoid interest rate fluctuation risks.
- For individual life insurance and individual annuities other than above, the Company holds yen-denominated fixed income investments, including bonds and loans, as the core of its asset portfolio. The Company also holds domestic stocks, foreign securities and real estate assets to enhance its profitability.

Derivatives are mainly used to hedge market price fluctuation risk and exchange rate fluctuation risk regarding securities and exchange rate fluctuation risk related to the foreign currency-denominated bonds issued by the Company. As the major financial instruments, securities are exposed to market risk and credit risk, loans are exposed to credit risk and exchange rate fluctuation risk, and derivatives are exposed to market risk and credit risk.

In administrating market risks, the following two methods are used. One is the quantitative risk management of securities etc. using the Value at Risk ("VaR") method and the other is the risk management by stress test and sensitivity analysis which analyze the effect on the Company's whole portfolio, simulating scenarios of deteriorating market environments. This is for the purpose of managing an appropriate asset allocation within the ranges of acceptable risks.

In administrating credit risks, the Company assigns in-house credit ratings to our borrowers in accordance with the creditworthiness of each borrower. Strict credit research of each borrower before lending as well as following up on any changes of creditworthiness of each borrower after lending are implemented. Maximum limits of credit are set up for each borrower in accordance with its credit risks to avoid the concentration of credit risks on specific corporations and specific corporation groups. Through all these measures, the amounts of credit risks are controlled within an acceptable range.

The balance sheet amounts, fair values and the differences between them of major financial assets and liabilities as of March 31, 2017 and 2016 were as follows:

Millions of Yen

As of March 31	2017		
	Balance Sheet Amount	Fair Value	Difference
Cash and deposits	¥ 35,511	¥ 35,511	¥ –
Call loans	122,000	122,000	–
Monetary claims bought	33,202	36,880	3,677
Trading securities	–	–	–
Held-to-maturity debt securities	33,202	36,880	3,677
Policy-reserve-matching bonds	–	–	–
Available-for-sale securities	–	–	–
Securities	4,032,059	4,406,304	374,245
Trading securities	27,242	27,242	–
Held-to-maturity debt securities	338,885	380,831	41,946
Policy-reserve-matching bonds	2,161,957	2,494,257	332,299
Available-for-sale securities	1,503,974	1,503,974	–
Loans	557,761	571,768	14,006
Policy loans	57,577	57,577	–
Industrial and consumer loans	500,184	514,191	14,006
Total assets	4,780,534	5,172,465	391,930
Bonds payable	40,349	42,854	2,505
Loans payable	97,000	96,715	(284)
Total liabilities	137,349	139,569	2,220
Derivative financial instruments	6,622	6,622	–
Hedge accounting not applied	1,241	1,241	–
Hedge accounting applied	5,381	5,381	–

* Assets and liabilities generated by derivative financial instruments are offset and presented net. Net liabilities in total are presented in parentheses.

Millions of U.S. Dollars

As of March 31	2017		
	Balance Sheet Amount	Fair Value	Difference
Cash and deposits	$ 316	$ 316	$ –
Call loans	1,087	1,087	–
Monetary claims bought	295	328	32
Trading securities	–	–	–
Held-to-maturity debt securities	295	328	32
Policy-reserve-matching bonds	–	–	–
Available-for-sale securities	–	–	–
Securities	35,939	39,275	3,335
Trading securities	242	242	–
Held-to-maturity debt securities	3,020	3,394	373
Policy-reserve-matching bonds	19,270	22,232	2,961
Available-for-sale securities	13,405	13,405	–
Loans	4,971	5,096	124
Policy loans	513	513	–
Industrial and consumer loans	4,458	4,583	124
Total assets	42,611	46,104	3,493
Bonds payable	359	381	22
Loans payable	864	862	(2)
Total liabilities	1,224	1,244	19
Derivative financial instruments	59	59	–
Hedge accounting not applied	11	11	–
Hedge accounting applied	47	47	–

* Assets and liabilities generated by derivative financial instruments are offset and presented net. Net liabilities in total are presented in parentheses.

As of March 31	Millions of Yen		
	2016		
	Balance Sheet Amount	Fair Value	Difference
Cash and deposits	¥ 36,133	¥ 36,133	¥ –
Call loans	181,000	181,000	–
Monetary claims bought	41,906	47,107	5,200
Trading securities	–	–	–
Held-to-maturity debt securities	41,906	47,107	5,200
Policy-reserve-matching bonds	–	–	–
Available-for-sale securities	–	–	–
Securities	4,015,742	4,508,412	492,670
Trading securities	27,615	27,615	–
Held-to-maturity debt securities	369,795	423,587	53,791
Policy-reserve-matching bonds	2,236,439	2,675,317	438,878
Available-for-sale securities	1,381,892	1,381,892	–
Loans	620,988	640,660	19,671
Policy loans	68,813	68,813	–
Industrial and consumer loans	552,175	571,846	19,671
Total assets	4,895,771	5,413,313	517,542
Loans payable	125,000	126,598	1,598
Total liabilities	125,000	126,598	1,598
Derivative financial instruments	3,750	3,750	–
Hedge accounting not applied	1,102	1,102	–
Hedge accounting applied	2,647	2,647	–

* Assets and liabilities generated by derivative financial instruments are offset and presented net. Net liabilities in total are presented in parentheses.

(1) Securities including deposits and monetary claims bought which are treated as securities based on "Accounting Standards for Financial Instruments" (ASBJ Statement No. 10)

As for available-for-sale securities of which market value is readily available, domestic stocks, domestic exchange-traded funds, domestic listed real estate investment trusts, foreign exchange-traded funds for which hedge accounting is not applied and foreign currency-denominated bonds for which hedge accounting is not applied are stated at the average of the market value during the final month of the fiscal year. Available-for-sale securities of which market value is readily available excluding the securities mentioned above are stated at the market value at the balance sheet date.

Other securities of which market value is readily available are stated at market value at the balance sheet date.

Unlisted stocks and others of which market value is not readily available are not subject to fair value disclosure and are therefore not included in the table above because it is regarded as extremely difficult to determine their fair value.

The amounts of the unlisted stocks and others reported in the consolidated balance sheets were ¥116,627 million (US$1,039 million) and ¥119,184 million as of March 31, 2017 and 2016, respectively.

(2) Loans and loans payable

As credit exposure for policy loans without specific repayment periods is limited to the amount of the cash surrender value, the Company and subsidiaries consider book value as fair value with the assumption that fair value approximates book value in light of factors such as projected repayment period and interest terms.

As for industrial and consumer loans and loans payable, the fair value of loans is primarily stated at theoretical prices calculated by discounting the future cash flows to the present value. The fair value of loans to legally bankrupt borrowers, substantially bankrupt borrowers and not currently bankrupt borrowers is stated at the amounts by deducting estimated losses from the book value before direct write-offs.

(3) Bonds payable

The fair value of bonds payable is based on the market value, etc. as of March 31, 2017.

(4) Derivative financial instruments

The fair values of options traded over the counter are based on the quoted prices offered by counterparty financial institutions.

The fair values of foreign currency forward contracts are stated at theoretical prices based on the TTM at the balance sheet date.

Regarding the derivative transactions for which designated hedge accounting ("Furiate-shori") of currency swaps is applied, these fair values are included in bonds payable since they are treated together with hedged bonds payable.

5. Investments and Rental Properties

The Company holds investment and rental properties such as office buildings in Tokyo and other areas. The carrying amounts and the fair values of investment and rental properties were ¥270,353 million (US$2,409 million) and ¥252,559 million (US$2,251 million) as of March 31, 2017 and ¥279,054 million and ¥254,884 million as of March 31, 2016, respectively. The fair value is mainly based on the value (including some adjustments using the reference prices) of real estate appraisal report prepared by the external real-estate appraiser in accordance with real estate appraisal standards.

6. Securities Lent under Lending Agreements

The amount of securities lent under lending agreements was ¥48,674 million as of March 31, 2016.

7. Loans Receivable

The total amounts of loans to bankrupt borrowers, delinquent loans, delinquent loans three or more months past due and restructured loans, which were included in loans, ¥1,166 million (US$10 million) and ¥1,421 million as of March 31, 2017 and 2016, respectively.

i) Loans to bankrupt borrowers were ¥0 million (US$0 million) and ¥0 million as of March 31, 2017 and 2016, respectively.

ii) Delinquent loans were ¥1,015 million (US$9 million) and ¥1,180 million as of March 31, 2017 and 2016, respectively.

iii) Delinquent loans three or more months past due were ¥112 million (US$1 million) and ¥189 million as of March 31, 2017 and 2016, respectively.

iv) Restructured loans were ¥38 million (US$0 million) and ¥51 million as of March 31, 2017 and 2016, respectively.

Loans to bankrupt borrowers represent loans, excluding the balances already written-off, which meet the conditions prescribed in Article 96 Paragraph 1 Items 3 and 4 of the Enforcement Regulations of the Corporate Tax Act. Moreover, accruing interest on these loans is not recorded as income after determining that principal of or interest on these loans is unlikely to be collected due to the significant delay in repayment of principal or interest payments or for other reasons.

Accruing interest on delinquent loans is not recorded as income due to the same reasons as described above, and delinquent loans exclude loans to bankrupt borrowers and loans for which interest payments have been suspended and rescheduled to assist and support the borrowers in the restructuring of their businesses.

Delinquent loans three or more months past due are loans for which interest payments or repayments of principal are delinquent for three months or more from the due dates under the terms of the related loan agreements, excluding those loans classified as loans to bankrupt borrowers and delinquent loans.

Restructured loans are loans for which certain concessions favorable to borrowers, such as interest reduction or exemptions, rescheduling of due dates of principal or interest payments, waivers of claim or other terms, have been negotiated for the purpose of assisting and supporting the borrowers in the restructuring of their businesses. This category excludes loans classified as loans to bankrupt borrowers, delinquent loans and delinquent loans three or more months past due.

The direct write-offs related to loans decreased the amounts of loans to bankrupt borrowers described above by ¥22 million (US$0 million) and ¥23 million as of March 31, 2017 and 2016, respectively.

In addition, the direct write-offs related to loans decreased delinquent loans described above by ¥193 million (US$1 million) and ¥196 million as of March 31, 2017 and 2016, respectively.

8. Accumulated Depreciation of Tangible Fixed Assets

Accumulated depreciation of tangible fixed assets totaled ¥277,959 million (US$2,477 million) and ¥275,650 million as of March 31, 2017 and 2016, respectively.

9. Separate Accounts

Total assets in separate accounts provided for in Article 118 of the Insurance Business Act were ¥29,199 million (US$260 million) and ¥28,910 million as of March 31, 2017 and 2016, respectively. The amounts of separate account liabilities were the same as separate account assets.

10. Receivables from/Payables to Directors and Audit Board Members

There were no receivables from directors and audit board members as of March 31, 2017 and 2016, respectively. The total amounts of payables to directors and audit board members were ¥20 million (US$0 million) and ¥20 million as of March 31, 2017 and 2016, respectively.

11. Reserve for Dividends to Policyholders

	Millions of Yen		Millions of U.S. Dollars
For the years ended March 31	2017	2016	2017
Balance at the beginning of the fiscal year	¥ 44,720	¥ 48,434	$ 398
Transfer to reserve from surplus in the previous fiscal year	1,767	1,940	15
Dividends to policyholders paid out during the fiscal year	5,660	5,701	50
Increase in interest	65	102	0
Decrease in others	31	56	0
Balance at the end of the fiscal year	¥ 40,861	¥ 44,720	$ 364

12. Stocks of Unconsolidated Subsidiaries and Affiliates

The amounts of stocks of unconsolidated subsidiaries and affiliates the Company held as of March 31, 2017 and 2016 were ¥604 million (US$5 million) and ¥604 million, respectively.

13. Pledged Assets

Assets pledged as collateral as of March 31, 2017 and 2016 were securities in the amount of ¥3,748 million (US$33 million) and ¥10,683 million, respectively.

14. Redemption of Foundation Funds

(1) *Notes for the fiscal year ended March 31, 2017*

Accompanying the redemption of foundation funds totaling ¥11,000 million (US$98 million), in accordance with Article 56 of the Insurance Business Act, the Company transferred the same amount from reserve for fund redemption to reserve for redemption of foundation funds.

(2) *Notes for the fiscal year ended March 31, 2016*

Accompanying the redemption of foundation funds totaling ¥120,000 million, in accordance with Article 56 of the Insurance Business Act, the Company transferred the same amount from reserve for fund redemption to reserve for redemption of foundation funds.

15. Additional Foundation Funds

(1) *Notes for the fiscal year ended March 31, 2017*

In accordance with Article 60 of the Insurance Business Act, the Company raised additional foundation funds totaling ¥11,000 million (US$98 million).

(2) *Notes for the fiscal year ended March 31, 2016*

In accordance with Article 60 of the Insurance Business Act, the Company raised additional foundation funds totaling ¥80,000 million. Furthermore the Company carried out financing of additional subordinated loans totaling ¥40,000 million.

16. Assets with Rights to Sell

The Company has the legal right to sell or collateralize securities borrowed under loan agreements. The market values of these assets that were not sold or mortgaged as of March 31, 2017 and 2016 were ¥8,295 million (US$73 million) and ¥4,235 million, respectively. No assets were mortgaged as of March 31, 2017 and 2016.

17. Commitment Line

As of March 31, 2017 and 2016, there were unused commitment line agreements under which the Company is the lender of ¥3,500 million (US$31 million) and ¥3,500 million, respectively.

18. Subordinated Bonds

As of March 31, 2017, bonds payable are subordinated bonds, for which the repayments are subordinated to other obligations.

19. Subordinated Loans

As of March 31, 2017 and 2016, other liabilities included subordinated loans of ¥97,000 million (US$864 million) and ¥125,000 million, respectively, for which the repayments are subordinated to other obligations.

20. Contributions to Policyholders Protection Corporation

The estimated future contributions to the Life Insurance Policyholders Protection Corporation of Japan under Article 259 of the Insurance Business Act as of March 31, 2017 and 2016 were ¥10,391 million (US$92 million) and ¥11,546 million, respectively. These contributions are charged as operating expenses in the fiscal years in which they are paid.

21. Deferred Taxes

(1) Deferred tax assets/liabilities were recognized as follows:

	Millions of Yen		Millions of U.S. Dollars
As of March 31	2017	2016	2017
Deferred tax assets	¥ 62,625	¥ 70,343	$ 558
Valuation allowance for deferred tax assets	20,809	27,472	185
Subtotal	41,816	42,871	372
Deferred tax liabilities	18,868	18,981	168
Net deferred tax assets (liabilities)	¥ 22,947	¥ 23,889	$ 204

Major components of deferred tax assets/liabilities were as follows:

As of March 31	Millions of Yen 2017	Millions of Yen 2016	Millions of U.S. Dollars 2017
Deferred tax assets			
Net defined benefit liabilities	¥ 10,538	¥ 11,848	$ 93
Reserve for price fluctuation	10,205	9,633	90
Impairment losses	8,422	8,653	75
Contingency reserve	8,392	8,141	74
Losses on valuation of securities	7,309	9,326	65
Tax loss carried forward	6,497	11,666	57
Deferred tax liabilities			
Net unrealized gains on available-for-sale securities	18,023	18,218	160

(2) The statutory tax rates were 28.1% and 28.7% for the years ended March 31, 2017 and 2016. The main factors causing the differences between the statutory tax rates and the actual effective tax rates after considering deferred taxes were as follows:

For the years ended March 31	2017	2016
Change of valuation allowance for deferred tax assets	(7.9)%	1.3%
Interest on foundation funds	(4.5)%	(7.9)%
Impact from a change in the tax rate	–	4.5%

(3) From the end of the year ended March 31, 2016, the statutory tax rate used to measure deferred tax assets and liabilities recoverable during the period within two years was changed from 28.7% to 28.1%, and the statutory tax rate used to measure deferred tax assets and liabilities recoverable after two years was changed from 28.7% to 27.9% in accordance with the “Act for Partial Amendment of the Income Tax Act” (Act No. 15 in 2016) and the “Act for Partial Amendment of the Local Tax Act” (Act No. 13 in 2016).

Due to this change, as of March 31, 2016, deferred tax assets of the Company in the consolidated balance sheet decreased by ¥583 million, deferred tax liabilities for land revaluation in the consolidated balance sheet decreased by ¥532 million, and deferred income taxes of the Company in the consolidated statement of income increased by ¥1,098 million.

22. Accrued Retirement Benefits and Net Defined Benefit Liabilities

(1) Summary of retirement benefit plans

As defined benefit plan, the Company and its consolidated subsidiaries have defined benefit corporate pension plans, which are funded-type, and lump-sum retirement allowance plans which are non-funded type but resulted in funded type due to setting of employee pension trust.

(2) Defined benefit plan

i) Reconciliation of beginning and ending balance of retirement benefit obligations

For the years ended March 31	Millions of Yen 2017	Millions of Yen 2016	Millions of U.S. Dollars 2017
Retirement benefit obligations at the beginning of the current fiscal year	¥ 49,674	¥ 51,489	$ 442
Service cost	2,045	2,201	18
Interest cost	497	515	4
Actuarial difference occurred during the fiscal year	(248)	1,009	(2)
Retirement benefit payments	(5,199)	(5,541)	(46)
Retirement benefit obligations at the end of the fiscal year	¥ 46,769	¥ 49,674	$ 416

ii) Reconciliation of beginning and ending balance of pension plan assets

	Millions of Yen		Millions of U.S. Dollars
For the years ended March 31	2017	2016	2017
Pension plan assets at the beginning of the fiscal year	¥ 7,275	¥ 6,851	$ 64
Expected return on pension plan assets	68	79	0
Actuarial difference occurred during the fiscal year	1,700	346	15
Contributions by the employer	196	195	1
Retirement benefit payments	(216)	(198)	(1)
Pension plan assets at the end of the fiscal year	¥ 9,024	¥ 7,275	$ 80

iii) Reconciliation of retirement benefit obligation and pension plan assets with net defined benefit liabilities presented on the consolidated balance sheets

	Millions of Yen		Millions of U.S. Dollars
As of March 31	2017	2016	2017
a. Funded plan retirement benefit obligation	¥ 46,769	¥ 49,674	$ 416
b. Pension plan assets	(9,024)	(7,275)	(80)
c. Net amount of liabilities and assets presented on the consolidated balance sheet	37,745	42,399	336
d. Net defined benefit liabilities	37,757	42,399	336
e. Net defined benefit assets	(11)	–	(0)
f. Net amount of liabilities and assets presented on the consolidated balance sheet	¥ 37,745	¥ 42,399	$ 336

iv) Breakdown of retirement benefit expenses

	Millions of Yen		Millions of U.S. Dollars
For the years ended March 31	2017	2016	2017
Service cost	¥ 2,045	¥ 2,201	$ 18
Interest cost	497	515	4
Expected return on pension plan assets	(68)	(79)	(0)
Amortization of actuarial differences	904	1,636	8
Amortization of prior service cost	6	6	0
Retirement benefit expenses related to defined benefit plan	¥ 3,386	¥ 4,280	$ 30

v) Breakdown of items included in other comprehensive income

The breakdown of items included in other comprehensive income (before tax effects) was as follows:

	Millions of Yen		Millions of U.S. Dollars
For the years ended March 31	2017	2016	2017
Amortization of actuarial differences	¥ 2,854	¥ 972	$ 25
Amortization of prior service cost	6	6	0
Total	¥ 2,860	¥ 979	$ 25

vi) Breakdown of items included in accumulated other comprehensive income

The breakdown of items included in total accumulated other comprehensive income (before tax effects) was as follows:

	Millions of Yen		Millions of U.S. Dollars
For the years ended March 31	2017	2016	2017
Unrecognized actuarial differences	¥ 481	¥ 3,335	$ 4
Unrecognized prior service cost	19	26	0
Total	¥ 501	¥ 3,362	$ 4

vii) Breakdown of main pension plan assets

The breakdown of main asset categories as a percentage of pension plan assets was as follows:

As of March 31	2017	2016
Stocks	53%	43%
Bonds	11%	12%
Others	36%	45%
Total	100%	100%

viii) Method for determining the expected long-term rate of return

To determine the expected long-term rate of return on pension plan assets, the Company takes into account the present and future allocation of pension plan assets, and the present and expected future long-term rate of return on the diverse range of assets that makes up the pension assets.

ix) Underlying actuarial assumptions

The main underlying actuarial assumptions were as follows:

As of March 31	2017	2016
Discount rate	1.0%	1.0%
Expected long-term rate of return on pension plan assets	0.9%	1.1%
Defined benefit corporate pension plans	1.6%	1.9%

III. Notes to Consolidated Statements of Income

1. Investment Income and Expenses

The major components of gains on sales of securities were as follows:

	Millions of Yen		Millions of U.S. Dollars
For the years ended March 31	2017	2016	2017
Domestic bonds	¥ 25,787	¥ 3,320	$ 229
Domestic stocks and other securities	2,727	712	24
Foreign securities	11,875	477	105

The major components of losses on sales of securities were as follows:

	Millions of Yen		Millions of U.S. Dollars
For the years ended March 31	2017	2016	2017
Domestic bonds	¥ 24	¥ 111	$ 0
Domestic stocks and other securities	184	5,649	1
Foreign securities	10,816	4,589	96

The major components of losses on valuation of securities were as follows:

	Millions of Yen		Millions of U.S. Dollars
For the years ended March 31	**2017**	**2016**	**2017**
Domestic stocks and other securities	¥ 11	¥ 1,629	$ 0
Foreign securities	5	18	0

Losses on trading securities were losses on sales of ¥16 million for the fiscal year ended March 31, 2016.

Losses on derivative financial instruments included net valuation losses of ¥121 million (US$1 million) and gains of ¥620 million for the fiscal years ended March 31, 2017 and 2016, respectively.

2. Impairment Losses of Fixed Assets

For the years ended March 31, 2017 and 2016, impairment losses of fixed assets by the Company were as follows:

(1) Method of grouping

Real estate and other assets used for insurance business operations are classified as one asset group as a whole. Other assets such as real estate for rent and unused real estate are classified as one group individually.

(2) Background information on recognizing the impairment losses

As the profitability of certain real estate for rent dropped down significantly due to a decrease in the level of rental income and a declining trend in the market prices of land, the Company reduced the book values of such real estate for rent and unused real estate to their recoverable amounts. The write-downs were recognized as impairment losses and included in the extraordinary losses.

(3) Asset groups for which impairment losses were recognized and losses by classification of fixed assets

	Millions of Yen	Millions of U.S. Dollars
For the year ended March 31	**2017**	**2017**
Real estate for rent:		
Land	¥ 357	$ 3
Building	418	3
Total real estate for rent(i)	775	6
Unused real estate:		
Land	403	3
Building	154	1
Total unused real estate (ii)	557	4
Total:		
Land	760	6
Building	572	5
Total (i)+(ii)	¥ 1,333	$ 11

* The disclosure for the fiscal year ended March 31, 2016 has been omitted since this is considered immaterial.

(4) Calculation method of recoverable amounts

The recoverable amounts of real estate for rent are determined at net realizable value or value in use. The recoverable amounts for unused assets are net realizable value. Value in use is determined as the estimated net future cash flows, reflecting the volatility risk, discounted at 3.6% for the year ended March 31, 2017. Net realizable value is calculated based on the appraisal value in accordance with "Real Estate Appraisal Standards" or the publicly announced appraisal value after deducting expected disposal costs.

IV. Notes to Consolidated Statements of Comprehensive Income

Other Comprehensive Income

The reclassification adjustments and tax effect amounts related to other comprehensive income were as follows:

	Millions of Yen		Millions of U.S. Dollars
For the years ended March 31	2017	2016	2017
Net unrealized gains on available-for-sale securities, net of tax			
Amount incurred during the fiscal year	¥ 9,685	¥ (68,715)	$ 86
Reclassification adjustments	(3,823)	9,015	(34)
Before tax adjustment	5,861	(59,699)	52
Tax effects	2,288	13,062	20
Net unrealized gains on available-for-sale securities, net of tax	8,150	(46,636)	72
Land revaluation differences			
Amount incurred during the fiscal year	–	–	–
Reclassification adjustments	–	–	–
Before tax adjustment	–	–	–
Tax effects	–	532	–
Land revaluation differences	–	532	–
Accumulated remeasurements of defined benefit plans			
Amount incurred during the fiscal year	1,949	(663)	17
Reclassification adjustments	911	1,642	8
Before tax adjustment	2,860	979	25
Tax effects	(799)	(307)	(7)
Accumulated remeasurements of defined benefit plans	2,061	671	18
Total other comprehensive income	¥ 10,212	¥ (45,432)	$ 91

V. Notes to Consolidated Statements of Cash Flows

Scope of Cash and Cash Equivalents

For the purpose of presenting the consolidated statements of cash flows, cash and cash equivalents are comprised of cash on hand, demand deposits and all highly liquid short-term investments with a maturity of three months or less when purchased, which are readily convertible into cash and present an insignificant risk of changes in value.

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Independent Auditor's Report

The Board of Directors
Asahi Mutual Life Insurance Company

We have audited the accompanying consolidated financial statements of Asahi Mutual Life Insurance Company and its consolidated subsidiaries, which comprise the consolidated balance sheets as of March 31, 2017and 2016, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the years then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Insurance Business Act and related rules and regulations applicable to the mutual life insurance industry and accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Asahi Mutual Life Insurance Company and its consolidated subsidiaries as of March 31, 2017and 2016, and their consolidated financial performance and cash flows for the years then ended in accordance with the Insurance Business Act and related rules and regulations applicable to the mutual life insurance industry and accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 2.

Ernst & Young ShinNihon LLC

May 17, 2017
Tokyo, Japan

A member firm of Ernst & Young Global Limited

Non-consolidated Balance Sheets

Asahi Mutual Life Insurance Company

As of March 31	Millions of Yen 2017	Millions of Yen 2016	Millions of U.S. Dollars 2017
ASSETS:			
Cash and deposits:			
Cash	¥ 260	¥ 277	$ 2
Deposits	31,840	32,393	283
	32,100	32,670	286
Call loans	122,000	181,000	1,087
Monetary claims bought	33,202	41,906	295
Securities:			
National government bonds	1,929,361	2,067,291	17,197
Local government bonds	55,807	47,714	497
Corporate bonds	916,978	788,290	8,173
Domestic stocks	293,841	249,233	2,619
Foreign securities	878,872	914,609	7,833
Other securities	77,487	71,417	690
	4,152,349	4,138,558	37,011
Loans:			
Policy loans	57,577	68,813	513
Industrial and consumer loans	500,184	552,175	4,458
	557,761	620,988	4,971
Tangible fixed assets:			
Land	232,995	240,255	2,076
Buildings	167,527	170,985	1,493
Lease assets	2,015	2,484	17
Construction in progress	1,033	1,462	9
Other tangible fixed assets	2,531	2,602	22
	406,105	417,790	3,619
Intangible fixed assets:			
Software	14,647	13,468	130
Other intangible fixed assets	18,874	17,275	168
	33,521	30,744	298
Reinsurance receivables	194	32	1
Other assets:			
Accounts receivable	3,307	7,120	29
Prepaid expenses	3,046	2,648	27
Accrued income	17,040	17,539	151
Money on deposit	3,423	3,467	30
Derivative financial instruments	8,005	6,742	71
Cash collateral paid for financial instruments	2,482	–	22
Suspense payments	194	257	1
Other assets	1,218	523	10
	38,719	38,299	345
Deferred tax assets	22,725	22,744	202
Customers' liabilities under acceptances and guarantees	14	17	0
Allowance for possible loan losses	(487)	(578)	(4)
Total assets	**¥ 5,398,207**	**¥ 5,524,175**	**$ 48,116**

As of March 31	Millions of Yen 2017	Millions of Yen 2016	Millions of U.S. Dollars 2017
LIABILITIES:			
Policy reserves and other reserves:			
Reserve for outstanding claims	¥ 27,364	¥ 27,950	$ 243
Policy reserves	4,700,145	4,814,646	41,894
Reserve for dividends to policyholders	40,861	44,720	364
	4,768,371	4,887,317	42,502
Reinsurance payables	127	95	1
Bonds payable	40,349	–	359
Other liabilities:			
Payables under securities borrowing transactions	–	53,610	–
Loans payable	97,000	125,000	864
Income taxes payable	1,435	53	12
Accounts payable	5,143	4,696	45
Accrued expenses	8,053	7,711	71
Deferred income	192	71	1
Deposits received	364	336	3
Guarantee deposits received	18,171	17,913	161
Derivative financial instruments	1,382	2,992	12
Cash collateral received for financial instruments	4,190	–	37
Lease obligations	2,015	2,472	17
Asset retirement obligations	240	237	2
Suspense receipts	238	373	2
	138,429	215,470	1,233
Reserve for employees' retirement benefits	37,307	39,096	332
Reserve for price fluctuation	36,580	34,530	326
Deferred tax liabilities for land revaluation	18,091	18,569	161
Acceptances and guarantees	14	17	0
Total liabilities	**5,039,270**	**5,195,098**	**44,917**
NET ASSETS:			
Foundation funds	126,000	126,000	1,123
Reserve for redemption of foundation funds	131,000	120,000	1,167
Reserve for revaluation	281	281	2
Surplus:			
Reserve for future losses	242	219	2
Other surplus:			
Reserve for fund redemption	36,000	35,500	320
Equalized reserve for dividends to policyholders	8,718	10,485	77
Unappropriated surplus (loss)	31,353	18,163	279
Subtotal	76,071	64,149	678
	76,313	64,368	680
Total foundation funds and others	333,595	310,650	2,973
Net unrealized gains (losses) on available-for-sale securities, net of tax	71,104	62,953	633
Land revaluation differences	(45,762)	(44,527)	(407)
Total valuation and translation adjustments	25,341	18,426	225
Total net assets	**358,937**	**329,077**	**3,199**
Total liabilities and net assets	**¥ 5,398,207**	**¥ 5,524,175**	**$ 48,116**

Non-consolidated Statements of Income

Asahi Mutual Life Insurance Company

For the years ended March 31	Millions of Yen 2017	Millions of Yen 2016	Millions of U.S. Dollars 2017
Ordinary income:			
Premium and other income:			
Insurance premiums	¥ 383,514	¥ 401,413	$ 3,418
Reinsurance revenue	262	86	2
	383,776	401,499	3,420
Investment income:			
Interest, dividends and other income			
Interest and dividends on securities	83,449	83,211	743
Interest on loans	10,250	12,900	91
Rent revenue from real estate	16,485	16,249	146
Other interest and dividends	1,013	1,982	9
	111,199	114,345	991
Gains on sales of securities	40,389	4,510	360
Reversal of allowance for possible loan losses	85	2,080	0
Other investment income	7,268	7,088	64
Investment gains on separate accounts	2,320	–	20
	161,263	128,024	1,437
Other ordinary income:			
Fund receipt from deposit of claims paid	16,427	17,417	146
Reversal of reserve for employees' retirement benefits	1,789	1,251	15
Reversal of reserve for outstanding claims	585	1,743	5
Reversal of policy reserves	114,500	101,089	1,020
Other ordinary income	1,653	1,675	14
	134,956	123,178	1,202
Total ordinary income	**679,996**	**652,702**	**6,061**
Ordinary expenses:			
Claims and other payments:			
Claims	135,234	137,141	1,205
Annuities	128,659	121,939	1,146
Benefits	97,962	95,534	873
Surrender benefits	94,226	107,181	839
Other payments	7,378	4,708	65
Reinsurance premiums	346	236	3
	463,808	466,742	4,134
Provision for policy reserves and other reserves:			
Provision for interest on policyholders' dividend reserves	33	46	0
	33	46	0
Investment expenses:			
Interest expenses	4,042	3,451	36
Losses on trading securities	–	16	–
Losses on sales of securities	11,025	10,349	98
Losses on valuation of securities	16	1,647	0
Losses on derivative financial instruments	11,264	609	100
Foreign exchange losses	326	3,739	2
Write-offs of loans	0	1	0
Depreciation of rental real estate and other assets	5,500	5,492	49
Other investment expenses	9,561	10,471	85
Investment losses on separate accounts	–	1,685	–
	41,737	37,465	372
Operating expenses	101,452	97,950	904
Other ordinary expenses:			
Claim deposit payments	15,456	18,263	137
Taxes	7,293	6,957	65
Depreciation	10,126	9,393	90
Other ordinary expenses	1,101	1,074	9
	33,977	35,688	302
Total ordinary expenses	**641,009**	**637,893**	**5,713**
Ordinary profit	**38,986**	**14,808**	**347**

For the years ended March 31	Millions of Yen 2017	Millions of Yen 2016	Millions of U.S. Dollars 2017
Extraordinary gains:			
Gains on disposal of fixed assets	1,243	566	11
Reversal of reserve for price fluctuation	–	9,910	–
	1,243	10,476	11
Extraordinary losses:			
Losses on disposal of fixed assets	1,633	337	14
Impairment losses	1,333	905	11
Provision for reserve for price fluctuation	2,050	–	18
Other extraordinary losses	344	–	3
	5,361	1,242	47
Surplus before income taxes	**34,869**	**24,041**	**310**
Income taxes:			
Current	3,777	551	33
Deferred	1,828	5,937	16
Total income taxes	**5,605**	**6,489**	**49**
Net surplus	**¥ 29,263**	**¥ 17,552**	**$ 260**

Non-consolidated Statements of Changes in Net Assets

Asahi Mutual Life Insurance Company

Millions of Yen

For the year ended March 31, 2017	Foundation funds and others								
				Surplus					
					Other surplus				
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Reserve for future losses	Reserve for fund redemption	Equalized reserve for dividends to policyholders	Unappropriated surplus (loss)	Total surplus	Total foundation funds and others
Beginning balance	**¥126,000**	**¥ 120,000**	**¥ 281**	**¥ 219**	**¥ 35,500**	**¥ 10,485**	**¥ 18,163**	**¥ 64,368**	**¥310,650**
Changes in the fiscal year:									
Issuance of foundation funds	11,000								11,000
Additions to reserve for dividends to policyholders							(1,767)	(1,767)	(1,767)
Additions to reserve for future losses				23			(23)		
Additions to reserve for redemption of foundation funds		11,000			(11,000)			(11,000)	
Payment of interest on foundation funds							(5,787)	(5,787)	(5,787)
Net surplus							29,263	29,263	29,263
Redemption of foundation funds	(11,000)								(11,000)
Additions to reserve for fund redemption					11,500		(11,500)		
Reversal of equalized reserve for dividends to policyholders						(1,767)	1,767		
Reversal of land revaluation differences							1,235	1,235	1,235
Net changes, excluding foundation funds and others									
Net changes in the fiscal year	**–**	**11,000**	**–**	**23**	**500**	**(1,767)**	**13,189**	**11,944**	**22,944**
Ending balance	**¥126,000**	**¥131,000**	**¥ 281**	**¥ 242**	**¥ 36,000**	**¥ 8,718**	**¥ 31,353**	**¥ 76,313**	**¥333,595**

Millions of Yen

For the year ended March 31, 2017	Valuation and translation adjustments			Total net assets
	Net unrealized gains (losses) on available-for-sale securities, net of tax	Land revaluation differences	Total valuation and translation adjustments	
Beginning balance	**¥ 62,953**	**¥ (44,527)**	**¥ 18,426**	**¥ 329,077**
Changes in the fiscal year:				
Issuance of foundation funds				11,000
Additions to reserve for dividends to policyholders				(1,767)
Additions to reserve for future losses				
Additions to reserve for redemption of foundation funds				
Payment of interest on foundation funds				(5,787)
Net surplus				29,263
Redemption of foundation funds				(11,000)
Additions to reserve for fund redemption				
Reversal of equalized reserve for dividends to policyholders				
Reversal of land revaluation differences				1,235
Net changes, excluding foundation funds and others	8,150	(1,235)	6,915	6,915
Net changes in the fiscal year	**8,150**	**(1,235)**	**6,915**	**29,859**
Ending balance	**¥ 71,104**	**¥ (45,762)**	**¥ 25,341**	**¥ 358,937**

Millions of U.S. Dollars

For the year ended March 31, 2017	Foundation funds and others								
				Surplus					
					Other surplus				
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Reserve for future losses	Reserve for fund redemption	Equalized reserve for dividends to policyholders	Unappropriated surplus (loss)	Total surplus	Total foundation funds and others
Beginning balance	**$ 1,123**	**$ 1,069**	**$ 2**	**$ 1**	**$ 316**	**$ 93**	**$ 161**	**$ 573**	**$ 2,768**
Changes in the fiscal year:									
Issuance of foundation funds	98								98
Additions to reserve for dividends to policyholders							(15)	(15)	(15)
Additions to reserve for future losses				0			(0)		
Additions to reserve for redemption of foundation funds		98			(98)			(98)	
Payment of interest on foundation funds							(51)	(51)	(51)
Net surplus							260	260	260
Redemption of foundation funds	(98)								(98)
Additions to reserve for fund redemption					102		(102)		
Reversal of equalized reserve for dividends to policyholders						(15)	15		
Reversal of land revaluation differences							11	11	11
Net changes, excluding foundation funds and others									
Net changes in the fiscal year	**–**	**98**	**–**	**0**	**4**	**(15)**	**117**	**106**	**204**
Ending balance	**$ 1,123**	**$ 1,167**	**$ 2**	**$ 2**	**$ 320**	**$ 77**	**$ 279**	**$ 680**	**$ 2,973**

Millions of U.S. Dollars

For the year ended March 31, 2017	Valuation and translation adjustments			Total net assets
	Net unrealized gains (losses) on available-for-sale securities, net of tax	Land revaluation differences	Total valuation and translation adjustments	
Beginning balance	**$ 561**	**$ (396)**	**$ 164**	**$ 2,933**
Changes in the fiscal year:				
Issuance of foundation funds				98
Additions to reserve for dividends to policyholders				(15)
Additions to reserve for future losses				
Additions to reserve for redemption of foundation funds				
Payment of interest on foundation funds				(51)
Net surplus				260
Redemption of foundation funds				(98)
Additions to reserve for fund redemption				
Reversal of equalized reserve for dividends to policyholders				
Reversal of land revaluation differences				11
Net changes, excluding foundation funds and others	72	(11)	61	61
Net changes in the fiscal year	**72**	**(11)**	**61**	**266**
Ending balance	**$ 633**	**$ (407)**	**$ 225**	**$ 3,199**

Millions of Yen

For the year ended March 31, 2016	Foundation funds and others								
				Surplus					
					Other surplus				
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Reserve for future losses	Reserve for fund redemption	Equalized reserve for dividends to policyholders	Unappropriated surplus (loss)	Total surplus	Total foundation funds and others
Beginning balance	**¥ 166,000**	**¥ –**	**¥ 281**	**¥ 179**	**¥ 152,000**	**¥ 6,915**	**¥ 18,740**	**¥ 177,835**	**¥ 344,117**
Changes in the fiscal year:									
Issuance of foundation funds	80,000								80,000
Additions to reserve for dividends to policyholders							(1,940)	(1,940)	(1,940)
Additions to reserve for future losses				40			(40)		
Additions to reserve for redemption of foundation funds		120,000			(120,000)			(120,000)	
Payment of interest on foundation funds							(7,638)	(7,638)	(7,638)
Net surplus							17,552	17,552	17,552
Redemption of foundation funds	(120,000)								(120,000)
Additions to reserve for fund redemption					3,500		(3,500)		
Reversal of equalized reserve for dividends to policyholders						3,570	(3,570)		
Reversal of land revaluation differences							(1,439)	(1,439)	(1,439)
Net changes, excluding foundation funds and others									
Net changes in the fiscal year	**(40,000)**	**120,000**	**–**	**40**	**(116,500)**	**3,570**	**(576)**	**(113,466)**	**(33,466)**
Ending balance	**¥ 126,000**	**¥ 120,000**	**¥ 281**	**¥ 219**	**¥ 35,500**	**¥ 10,485**	**¥ 18,163**	**¥ 64,368**	**¥ 310,650**

Millions of Yen

For the year ended March 31, 2016	Valuation and translation adjustments			Total net assets
	Net unrealized gains (losses) on available-for-sale securities, net of tax	Land revaluation differences	Total valuation and translation adjustments	
Beginning balance	**¥ 109,589**	**¥ (46,499)**	**¥ 63,090**	**¥ 407,207**
Changes in the fiscal year:				
Issuance of foundation funds				80,000
Additions to reserve for dividends to policyholders				(1,940)
Additions to reserve for future losses				
Additions to reserve for redemption of foundation funds				
Payment of interest on foundation funds				(7,638)
Net surplus				17,552
Redemption of foundation funds				(120,000)
Additions to reserve for fund redemption				
Reversal of equalized reserve for dividends to policyholders				
Reversal of land revaluation differences				(1,439)
Net changes, excluding foundation funds and others	(46,635)	1,972	(44,663)	(44,663)
Net changes in the fiscal year	**(46,635)**	**1,972**	**(44,663)**	**(78,130)**
Ending balance	**¥ 62,953**	**¥ (44,527)**	**¥ 18,426**	**¥ 329,077**

Non-consolidated Statements of Proposed Appropriation of Surplus (Loss)

Asahi Mutual Life Insurance Company

For the years ended March 31	Millions of Yen 2017	Millions of Yen 2016	Millions of U.S. Dollars 2017
Unappropriated surplus (loss)	**¥ 31,353**	**¥ 18,163**	**$ 279**
Reversal of Voluntary surplus reserve	**–**	**1,767**	**–**
Reversal of equalized reserve for dividends to policyholders	–	1,767	–
Total	**31,353**	**19,931**	**279**
Appropriation of surplus (loss)	**20,603**	**19,077**	**183**
Reserve for dividends to policyholders	1,519	1,767	13
Net surplus (loss)	19,083	17,310	170
Reserve for future losses	24	23	0
Interest on foundation funds	5,499	5,787	49
Voluntary surplus reserves	13,560	11,500	120
Reserve for fund redemption	12,600	11,500	112
Equalized reserve for dividends to policyholders	960	–	8
Surplus (loss) carried forward	**¥ 10,750**	**¥ 853**	**$ 95**

Notes to Non-consolidated Financial Statements

Asahi Mutual Life Insurance Company

I. Presentation of Non-consolidated Financial Statements

1. Basis of Presentation

The accompanying non-consolidated financial statements have been prepared from the accounts maintained by Asahi Mutual Life Insurance Company (the "Company") in accordance with the provisions set forth in the Insurance Business Act of Japan and its related rules and regulations applicable to the mutual life insurance industry and in conformity with accounting principles generally accepted in Japan, which are different in certain respects from accounting principles generally accepted in countries and jurisdictions other than Japan.

In addition, the notes to the non-consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

Amounts of less than one million yen have been eliminated. As a result, total amounts in yen shown herein do not necessarily agree with the sum of the individual amounts.

In preparing the accompanying non-consolidated financial statements, certain reclassifications have been made to the non-consolidated financial statements issued domestically in order to present them in a format which is more familiar to readers outside Japan.

2. U.S. Dollar Amounts

The translations of yen amounts into U.S. dollar amounts are included solely for the convenience of the reader and have been made, as a matter of arithmetical computation only, at the rate of ¥112.19 = US$1.00, the effective rate of exchange at the balance sheet date of March 31, 2017.

The translations should not be construed as representations that such yen amounts have been or could in the future be, converted into U.S. dollars at that or any other rate.

II. Notes to Non-consolidated Balance Sheets

1. Significant Accounting Policies

(1) Valuation methods of securities

The valuation of securities, including deposits and monetary claims bought which are equivalent to securities is as follows:

i) Trading securities are stated at fair market value. Costs of sales are determined by the moving average method.

ii) Held-to-maturity debt securities are stated at amortized cost under the straight-line method, cost being determined by the moving average method.

iii) Policy-reserve-matching bonds are stated at amortized cost under the straight-line method, cost being determined by the moving average method in accordance with "Temporary Treatment of Accounting and Auditing Concerning Policy-reserve-matching Bonds in Insurance Industry" (Industry Audit Committee Report No. 21 issued by the Japanese Institute of Certified Public Accountants ("JICPA")).

iv) Investments in subsidiaries and affiliates are stated at cost.

v) Available-for-sale securities with fair market value are stated at fair market value based on the market prices at the end of the fiscal year, except for domestic stocks, domestic exchange-traded funds, domestic listed real estate investment trusts, foreign exchange-traded funds for which hedge accounting is not applied and foreign currency-denominated bonds for which hedge accounting is not applied. Such securities are stated based on the average of the market value during the final month of the fiscal year. Costs of sales are determined by the moving average method. Net unrealized gains or losses on these available-for-sale securities, net of taxes, are recorded as a separate component of net assets.

Available-for-sale securities whose fair values are deemed extremely difficult to determine are stated at cost, cost being determined by the moving average method, except for public and corporate bonds including foreign bonds, of which the difference between acquisition cost and face value is considered to be an adjustment of interest. Such bonds are stated at amortized cost under the straight-line method, cost being determined by the moving average method.

(2) Policy-reserve-matching bonds

The Company classifies bonds held with the aim of matching the duration to outstanding insurance liabilities within the sub-groups (categorized by insurance type, investment policy and other factors) of individual life insurance and individual annuities as policy-reserve-matching bonds in accordance with "Temporary Treatment of Accounting and Auditing Concerning Policy-reserve-matching Bonds in Insurance Industry" (Industry Audit Committee Report No. 21 issued by the JICPA on November 16, 2000).

Since the fiscal year starting from April 1, 2016, the Company changed its liability cash flow, which is the premise of assessing the duration to outstanding insurance liabilities, from a "Term of future 25 years" to a "Term of future 30 years" for the sub-group including Individual life Insurance and Individual Annuities (excluding Whole Life Insurance with variable interest rate accumulation, Accumulation Insurance with variable interest rates and New Single Premium Individual Annuity effective on and after April 2, 2012). This is for the purpose of gradually transitioning the Company's investment portfolio to a liability-matching portfolio. This change did not have any effects on the non-consolidated balance sheet and non-consolidated statement of income as of and for the year ended March 31, 2017.

(3) Valuation methods of derivative financial instruments

Derivative financial instruments are stated at fair market value.

(4) Revaluation of land

The Company revalued the land for business purposes based on the Act on Revaluation of Land (Act No. 34 promulgated on March 31, 1998). The difference between fair value and book value resulting from the revaluation, net of related taxes, is recorded as land revaluation differences as a separate component of net assets and the related tax is recorded as deferred tax liabilities for revaluation.

■ Date of revaluation: March 31, 2001

■ Method of revaluation as prescribed for in Article 3, Paragraph 3 of the said Act:

The calculation is based on the publicly announced appraisal value with certain adjustments set forth in Article 2, Item 1 of the Enforcement Ordinance of the Act on Revaluation of Land (Government Ordinance No. 119 promulgated on March 31, 1998) or the appraisal value set forth in Article 2, Item 5 of the said Ordinance with certain reasonable adjustments.

	Millions of Yen		Millions of U.S. Dollars
As of March 31	2017	2016	2017
Difference between the fair value of the revalued land at end of fiscal year and its book value after revaluation based on Article 10 of said Act	¥ (6,525)	¥ (14,917)	$ (58)

(5) Depreciation of tangible fixed assets

Depreciation of the Company's tangible fixed assets is calculated by the following methods.

■ Tangible fixed assets (excluding lease assets): Declining-balance method

However, buildings are depreciated using the straight-line method.

■ Lease assets related to finance lease transactions that do not transfer ownership: Straight-line method over the lease term with no residual value

(6) Foreign currency translation

Foreign currency-denominated assets and liabilities are translated into Japanese yen at the effective exchange rate prevailing at the balance sheet date, except for foreign exchange-traded funds for which hedge accounting is not applied and foreign currency-denominated bonds for which hedge accounting is not applied categorized as available-for-sale securities with fair market value. Such securities are translated into Japanese yen at the average of the effective exchange rate during the final month of the fiscal year.

(7) Allowance for possible loan losses

Allowance for possible loan losses is provided in accordance with the Company's standards of self-assessment and write-offs and reserves on credit quality:

i) For credit to borrowers who are legally bankrupt such as being in bankruptcy proceedings or civil rehabilitation (hereinafter "legally bankrupt borrowers") and who are substantially bankrupt (hereinafter "substantially bankrupt borrowers"), the Company provides the remaining amount of credits after the direct write-off described below and the deductions of the amount expected to be collected through the disposal of collateral or the execution of guarantees.

ii) For credit to borrowers who are not currently bankrupt but have a high risk of bankruptcy (hereinafter "not currently bankrupt borrowers"), the Company provides the amounts deemed as necessary considering the borrowers' ability to pay, within the amounts after deductions of the amount expected to be collected through the disposal of collateral or the execution of guarantees.

iii) For credit to borrowers other than the above, the Company provides the amounts calculated by multiplying the borrowers' balance by the actual ratio of bad debt losses on defaults during a certain past period.

All credit is assessed by the relevant departments in accordance with the Company's standards of self-assessment on credit quality. The results of the assessment are reviewed by the audit department, which is independent of business-related divisions. Subsequently, allowance for possible loan losses is provided based on the results of these assessments.

For credit to legally bankrupt borrowers and substantially bankrupt borrowers, the amounts remaining after deductions of collateral value or the amounts collectible through the execution of guarantees are written-off directly from the borrower's balance as the estimated uncollectible amounts. The amounts written-off as of March 31, 2017 and 2016 were ¥215 million (US$1 million) and ¥219 million, respectively.

(8) Accounting for employees' retirement benefits and method of amortizing retirement benefit expenses

Reserve for employees' retirement benefits is presented for the employees' retirement benefits based on projected benefit obligation and pension plan assets at the balance sheet date.

The Company uses the following methods of accounting in relation to retirement benefits.

- The retirement benefit obligation is attributed to each period by the benefit formula method.
- Actuarial differences are amortized under the straight-line method over a period of seven years, which is shorter than the average remaining years of service of the eligible employees, starting from the following year.
- Prior service cost is charged to income when incurred.

(9) Reserve for price fluctuation

Reserve for price fluctuation is calculated in accordance with Article 115 of the Insurance Business Act.

(10) Accounting for hedging activities

Hedging activities are accounted for in accordance with the "Accounting Standards for Financial Instruments" (Accounting Standards Board of Japan ("ASBJ") Statement No. 10).

The Company applies deferred hedge accounting and the exceptional accounting treatment ("Tokurei-shori") for interest rate swaps used to hedge the cash flow volatility of certain loans.

The Company also applies fair value hedge accounting for hedging activities related to foreign exchange rate fluctuation exposures on certain bonds and investment trusts denominated in foreign currencies.

The Company also applies designated hedge accounting ("Furiate-shori") for currency swaps used to hedge foreign exchange rate fluctuation exposures on the foreign currency-denominated bonds issued by the Company.

The Company also applies designated hedge accounting (“Furiate-shori”) for the foreign currency-denominated transactions other than the above.

The effectiveness of a hedge is mostly assessed by a ratio analysis, comparing the fluctuations in the fair value or cash flows of hedged items and hedging instruments.

(11) Accounting for consumption taxes

The Company accounts for consumption tax and local consumption tax by the tax-exclusion method. The consumption taxes on certain assets, which are not deductible from consumption taxes withheld and that are stipulated to be deferred under the Corporation Tax Act of Japan are deferred as prepaid expenses and amortized equally over five years.

Consumption taxes other than deferred consumption taxes are recognized as an expense when incurred.

(12) Policy reserves

Policy reserves are based on Article 116 of the Insurance Business Act and the premium reserve at the end of fiscal year is calculated by the following method:

In regard to the policies subject to the standard policy reserves, the method as prescribed by the Commissioner of Financial Services Agency (Japanese Ministry of Finance Public Notice No. 48, 1996) is applied.

In regard to the policies not subject to the standard policy reserves, the net level premium method is applied.

(13) Software

Capitalized software for internal use owned by the Company is amortized using the straight-line method over the estimated useful lives.

2. Accounting Changes

Notes for the fiscal year ended March 31, 2017

ASBJ Guidance No. 26 “Implementation Guidance on Recoverability of Deferred Tax Assets” has been applied since the fiscal year ended March 31, 2017.

3. Accounting Standards and Guidances Issued but Not Yet Effective

Notes for the fiscal year ended March 31, 2016

An accounting guidance issued by the fiscal year-end but not yet effective is “Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26), and the overview is as follows.

(i) Overview

The accounting treatment on recoverability of deferred tax assets still basically follows the framework of the “Auditing Treatment Regarding Judgment of the Recoverability of Deferred Tax Assets” outlined in the Japanese Institute of Certified Public Accountants Industry Audit Committee Statement No. 66, i.e. a framework for estimating deferred tax assets by classifying entities into five categories and calculating the amount according to those categories, but it has made necessary revisions on the following treatments.

(a) Accounting treatments of entities not satisfying any of the category criteria from (Category 1) to (Category 5).

(b) Category criteria of (Category 2) and (Category 3).

(c) Accounting treatments of unscheduled deductible temporary differences for entities in (Category 2).

(d) Accounting treatments for reasonably estimated period for taxable income before temporary differences for entities in (Category 3).

(e) Accounting treatments for entities satisfying the category criteria of (Category 4) and also falling in (Category 2) or (Category 3).

(ii) Schedule date of adoption

The above revisions are scheduled to be applied from the beginning of the fiscal year ending March 31, 2017.

(iii) Effects of application of the Accounting Standards and relevant regulations

The effects of the application are under assessment at the time of preparing these consolidated financial statements.

4. Financial Instruments

Asset management of the general accounts other than the separate accounts stipulated in Article 118 Paragraph 1 of the Insurance Business Act is conducted based on the following principles.

- For accumulation whole life with varying interest rates, accumulation insurance with varying interest rates and new single premium individual annuities which have an effective date on or after April 2, 2012, the Company mainly invests in domestic bonds, engaging in matching asset liability management, or Matching ALM, which aims at matching the duration to outstanding insurance liabilities to avoid interest rate fluctuation risks.
- For individual life insurance and individual annuities other than above, the Company holds yen-denominated fixed income investments, including bonds and loans, as the core of its asset portfolio. The Company also holds domestic stocks, foreign securities and real estate assets to enhance its profitability.

Derivatives are mainly used to hedge market price fluctuation risk and exchange rate fluctuation risk regarding securities and exchange rate fluctuation risk related to the foreign currency-denominated bonds issued by the Company. As the major financial instruments, securities are exposed to market risk and credit risk, loans are exposed to credit risk and exchange rate fluctuation risk, and derivatives are exposed to market risk and credit risk.

In administrating market risks, the following two methods are used. One is the quantitative risk management of securities etc. using the Value at Risk ("VaR") method and the other is the risk management by stress test and sensitivity analysis which analyze the effect on the Company's whole portfolio, simulating scenarios of deteriorating market environments. This is for the purpose of managing an appropriate asset allocation within the ranges of acceptable risks.

In administrating credit risks, the Company assigns in-house credit ratings to our borrowers in accordance with the creditworthiness of each borrower. Strict credit research of each borrower before lending as well as following up on any changes of creditworthiness of each borrower after lending are implemented. Maximum limits of credit are set up for each borrower in accordance with its credit risks to avoid the concentration of credit risks on specific corporations and specific corporation groups. Through all these measures, the amounts of credit risks are controlled within an acceptable range.

The balance sheet amounts, fair values and the differences between them of major financial assets and liabilities as of March 31, 2017 and 2016 were as follows:

Millions of Yen

As of March 31	2017		
	Balance Sheet Amount	Fair Value	Difference
Cash and deposits	¥ 32,100	¥ 32,100	¥ –
Call loans	122,000	122,000	–
Monetary claims bought	33,202	36,880	3,677
Trading securities	–	–	–
Held-to-maturity debt securities	33,202	36,880	3,677
Policy-reserve-matching bonds	–	–	–
Available-for-sale securities	–	–	–
Securities	4,031,232	4,405,471	374,239
Trading securities	27,242	27,242	–
Held-to-maturity debt securities	338,076	380,015	41,939
Policy-reserve-matching bonds	2,161,957	2,494,257	332,299
Available-for-sale securities	1,503,956	1,503,956	–
Loans	557,761	571,768	14,006
Policy loans	57,577	57,577	–
Industrial and consumer loans	500,184	514,191	14,006
Total assets	4,776,297	5,168,221	391,923
Bonds payable	40,349	42,854	2,505
Loans payable	97,000	96,715	(284)
Total liabilities	137,349	139,569	2,220
Derivative financial instruments	6,622	6,622	–
Hedge accounting not applied	1,241	1,241	–
Hedge accounting applied	5,381	5,381	–

* Assets and liabilities generated by derivative financial instruments are offset and presented net. Net liabilities in total are presented in parentheses.

Millions of U.S. Dollars

As of March 31	2017		
	Balance Sheet Amount	Fair Value	Difference
Cash and deposits	$ 286	$ 286	$ –
Call loans	1,087	1,087	–
Monetary claims bought	295	328	32
Trading securities	–	–	–
Held-to-maturity debt securities	295	328	32
Policy-reserve-matching bonds	–	–	–
Available-for-sale securities	–	–	–
Securities	35,932	39,267	3,335
Trading securities	242	242	–
Held-to-maturity debt securities	3,013	3,387	373
Policy-reserve-matching bonds	19,270	22,232	2,961
Available-for-sale securities	13,405	13,405	–
Loans	4,971	5,096	124
Policy loans	513	513	–
Industrial and consumer loans	4,458	4,583	124
Total assets	42,573	46,066	3,493
Bonds payable	359	381	22
Loans payable	864	862	(2)
Total liabilities	1,224	1,244	19
Derivative financial instruments	59	59	–
Hedge accounting not applied	11	11	–
Hedge accounting applied	47	47	–

* Assets and liabilities generated by derivative financial instruments are offset and presented net. Net liabilities in total are presented in parentheses.

As of March 31	Millions of Yen		
	2016		
	Balance Sheet Amount	Fair Value	Difference
Cash and deposits	¥ 32,670	¥ 32,670	¥ –
Call loans	181,000	181,000	–
Monetary claims bought	41,906	47,107	5,200
Trading securities	–	–	–
Held-to-maturity debt securities	41,906	47,107	5,200
Policy-reserve-matching bonds	–	–	–
Available-for-sale securities	–	–	–
Securities	4,014,885	4,507,543	492,658
Trading securities	27,615	27,615	–
Held-to-maturity debt securities	368,981	422,762	53,780
Policy-reserve-matching bonds	2,236,439	2,675,317	438,878
Available-for-sale securities	1,381,849	1,381,849	–
Loans	620,988	640,660	19,671
Policy loans	68,813	68,813	–
Industrial and consumer loans	552,175	571,846	19,671
Total assets	4,891,451	5,408,982	517,531
Loans payable	125,000	126,598	1,598
Total liabilities	125,000	126,598	1,598
Derivative financial instruments	3,750	3,750	–
Hedge accounting not applied	1,102	1,102	–
Hedge accounting applied	2,647	2,647	–

* Assets and liabilities generated by derivative financial instruments are offset and presented net. Net liabilities in total are presented in parentheses.

(1) Securities including deposits and monetary claims bought which are treated as securities based on "Accounting Standards for Financial Instruments" (ASBJ Statement No. 10)

As for available-for-sale securities of which market value is readily available, domestic stocks, domestic exchange-traded funds, domestic listed real estate investment trusts, foreign exchange-traded funds for which hedge accounting is not applied and foreign currency-denominated bonds for which hedge accounting is not applied are stated at the average of the market value during the final month of the fiscal year. Available-for-sale securities of which market value is readily available excluding the securities mentioned above are stated at the market value at the balance sheet date.

Other securities of which market value is readily available are stated at market value at the balance sheet date.

Unlisted stocks and others of which market value is not readily available are not subject to fair value disclosure and are therefore not included in the table above because it is regarded as extremely difficult to determine their fair value.

The amounts of the unlisted stocks and others reported in the non-consolidated balance sheets were ¥121,116 million (US$1,079 million) and ¥123,673 million as of March 31, 2017 and 2016, respectively.

(2) Loans and loans payable

As credit exposure for policy loans without specific repayment periods is limited to the amount of the cash surrender value, the Company considers book value as fair value with the assumption that fair value approximates book value in light of factors such as projected repayment period and interest terms.

As for industrial and consumer loans and loans payable, the fair value of loans is primarily stated at theoretical prices calculated by discounting the future cash flows to the present value. The fair value of loans to legally bankrupt borrowers, substantially bankrupt borrowers and not currently bankrupt borrowers is stated at the amounts by deducting estimated losses from the book value before direct write-offs.

(3) Bonds payable

The fair value of bonds payable is based on the market value, etc. as of March 31, 2017.

(4) Derivative financial instruments

The fair values of options traded over the counter are based on the quoted prices offered by counterparty financial institutions.

The fair values of foreign currency forward contracts are stated at theoretical prices based on the TTM at the balance sheet date.

Regarding the derivative transactions for which designated hedge accounting ("Furiate-shori") of currency swaps is applied, these fair values are included in bonds payable since they are treated together with hedged bonds payable.

5. Investments and Rental Properties

The Company holds investment and rental properties such as office buildings in Tokyo and other areas. The carrying amounts and the fair values of investment and rental properties were ¥271,407 million (US$2,419 million) and ¥253,384 million (US$2,258 million) as of March 31, 2017 and ¥280,134 million and ¥255,709 million as of March 31, 2016, respectively. The fair value is mainly based on the value (including some adjustments using the reference prices) of real estate appraisal report prepared by the external real-estate appraiser in accordance with real estate appraisal standards.

6. Securities Lent under Lending Agreements

The amount of securities lent under lending agreements was ¥48,674 million as of March 31, 2016.

7. Loans Receivable

The total amounts of loans to bankrupt borrowers, delinquent loans, delinquent loans three or more months past due and restructured loans, which were included in loans, were ¥1,166 million (US$10 million) and ¥1,421 million as of March 31, 2017 and 2016, respectively.

i) Loans to bankrupt borrowers were ¥0 million (US$0 million) and ¥0 million as of March 31, 2017 and 2016, respectively.

ii) Delinquent loans were ¥1,015 million (US$9 million) and ¥1,180 million as of March 31, 2017 and 2016, respectively.

iii) Delinquent loans three or more months past due were ¥112 million (US$1 million) and ¥189 million as of March 31, 2017 and 2016, respectively.

iv) Restructured loans were ¥38 million (US$0 million) and ¥51 million as of March 31, 2017 and 2016, respectively.

Loans to bankrupt borrowers represent loans, excluding the balances already written-off, which meet the conditions prescribed in Article 96 Paragraph 1 Items 3 and 4 of the Enforcement Regulations of the Corporate Tax Act. Moreover, accruing interest on these loans is not recorded as income after determining that principal of or interest on these loans is unlikely to be collected due to the significant delay in repayment of principal or interest payments or for other reasons.

Accruing interest on delinquent loans is not recorded as income due to the same reasons as described above, and delinquent loans exclude loans to bankrupt borrowers and loans for which interest payments have been suspended and rescheduled to assist and support the borrowers in the restructuring of their businesses.

Delinquent loans three or more months past due are loans for which interest payments or repayments of principal are delinquent for three months or more from the due dates under the terms of the related loan agreements, excluding those loans classified as loans to bankrupt borrowers and delinquent loans.

Restructured loans are loans for which certain concessions favorable to borrowers, such as interest reduction or exemptions, rescheduling of due dates of principal or interest payments, waivers of claim or other terms, have been negotiated for the purpose of assisting and supporting the borrowers in the restructuring of their businesses. This category excludes loans classified as loans to bankrupt borrowers, delinquent loans and delinquent loans three or more months past due.

The direct write-offs related to loans decreased the amounts of loans to bankrupt borrowers described above by ¥22 million (US$0 million) and ¥23 million as of March 31, 2017 and 2016, respectively.

In addition, the direct write-offs related to loans decreased delinquent loans described above by ¥193 million (US$1 million) and ¥196 million as of March 31, 2017 and 2016, respectively.

8. Accumulated Depreciation of Tangible Fixed Assets

Accumulated depreciation of tangible fixed assets totaled ¥277,798 million (US$2,476 million) and ¥275,451 million as of March 31, 2017 and 2016, respectively.

9. Separate Accounts

Total assets in separate accounts provided for in Article 118 of the Insurance Business Act were ¥29,199 million (US$260 million) and ¥28,910 million as of March 31, 2017 and 2016, respectively. The amounts of separate account liabilities were the same as separate account assets.

10. Receivables from/Payables to Subsidiaries

The total amounts of receivables from/payables to subsidiaries were ¥275 million (US$2 million) and ¥1,948 million (US$17 million) as of March 31, 2017 and ¥263 million and ¥1,737 million as of March 31, 2016, respectively.

11. Receivables from/Payables to Directors and Audit Board Members

There were no receivables from directors and audit board members as of March 31, 2017 and 2016. The total amounts of payables to directors and audit board members were ¥20 million (US$0 million) and ¥20 million as of March 31, 2017 and 2016, respectively.

12. Deferred Taxes

(1) Deferred tax assets/liabilities were recognized as follows:

	Millions of Yen		Millions of U.S. Dollars
As of March 31	2017	2016	2017
Deferred tax assets	¥ 62,340	¥ 69,189	$ 555
Valuation allowance for deferred tax assets	20,803	27,466	185
Subtotal	41,537	41,723	370
Deferred tax liabilities	18,811	18,978	167
Net deferred tax assets (liabilities)	¥ 22,725	¥ 22,744	$ 202

Major components of deferred tax assets/liabilities were as follows:

	Millions of Yen		Millions of U.S. Dollars
As of March 31	2017	2016	2017
Deferred tax assets			
Reserve for employees' retirement benefits	¥ 10,417	¥ 10,926	$ 92
Reserve for price fluctuation	10,205	9,633	90
Impairment losses	8,422	8,653	75
Contingency reserve	8,392	8,141	74
Losses on valuation of securities	7,305	9,323	65
Tax loss carried forward	6,484	11,666	57
Deferred tax liabilities			
Net unrealized gains on available-for-sale securities	18,023	18,218	160

(2) The statutory tax rates were 28.1% and 28.7% for the years ended March 31, 2017 and 2016, respectively. The main factors causing the differences between the statutory tax rates and the actual effective tax rates after considering deferred taxes were as follows:

For the years ended March 31	2017	2016
Change of valuation allowance for deferred tax assets	(7.9)%	1.3%
Interest on foundation funds	(4.5)%	(8.0)%
Impact from a change in the tax rate	–	4.5%

(3) From the end of the year ended March 31, 2016, the statutory tax rate used to measure deferred tax assets and liabilities recoverable during the period within two years was changed from 28.7% to 28.1% and the statutory tax rates used to measure deferred tax assets and liabilities recoverable after two years was changed from 28.7% to 27.9% in accordance with the "Act for Partial Amendment of the Income Tax Act" (Act No. 15 in 2016) and the "Act for Partial Amendment of the Local Tax Act" (Act No. 13 in 2016).

Due to this change, as of March 31, 2016, deferred tax assets decreased by ¥576 million, deferred tax liabilities for land revaluation decreased by ¥532 million, and deferred income taxes increased by ¥1,092 million.

13. Reserve for Dividends to Policyholders

	Millions of Yen		Millions of U.S. Dollars
For the years ended March 31	2017	2016	2017
Balance at the beginning of the fiscal year	¥ 44,720	¥ 48,434	$ 398
Transfer to reserve from surplus in the previous fiscal year	1,767	1,940	15
Dividends to policyholders paid out during the fiscal year	5,660	5,701	50
Increase in interest	65	102	0
Decrease in others	31	56	0
Balance at the end of the fiscal year	¥ 40,861	¥ 44,720	$ 364

14. Stocks of Subsidiaries and Affiliates

The amounts of stocks of subsidiaries and affiliates the Company held as of March 31, 2017 and 2016 were ¥5,093 million (US$45 million) and ¥5,093 million, respectively.

15. Pledged Assets

Assets pledged as collateral as of March 31, 2017 and 2016 were securities in the amount of ¥3,748 million (US$33 million) and ¥10,683 million, respectively.

16. Policy Reserves for the Reinsurance Contracts

Policy reserves for the reinsurance contracts provided in accordance with Article 71 Paragraph 1 of the Enforcement Regulation of the Insurance Business Act (hereinafter "policy reserves for ceded reinsurance") were ¥130 million (US$1 million) and ¥84 million as of March 31, 2017 and 2016, respectively.

17. Adjustment to Redemption of Foundation Funds and Appropriation of Net Surplus

The total amounts of adjustment to redemption of foundation funds and appropriation of net surplus defined in Article 30 Paragraph 2 of the Enforcement Regulation of the Insurance Business Act were ¥71,386 million (US$636 million) and ¥63,235 million as of March 31, 2017 and 2016, respectively.

18. Redemption of Foundation Funds

(1) *Notes for the fiscal year ended March 31, 2017*

Accompanying the redemption of foundation funds totaling ¥11,000 million (US$98 million), in accordance with Article 56 of the Insurance Business Act, the Company transferred the same amount from reserve for fund redemption to reserve for redemption of foundation funds.

(2) *Notes for the fiscal year ended March 31, 2016*

Accompanying the redemption of foundation funds totaling ¥120,000 million, in accordance with Article 56 of the Insurance Business Act, the Company transferred the same amount from reserve for fund redemption to reserve for redemption of foundation funds.

19. Additional Foundation Funds

(1) *Notes for the fiscal year ended March 31, 2017*

In accordance with Article 60 of the Insurance Business Act, the Company raised additional foundation funds totaling ¥11,000 million (US$98 million).

(2) *Notes for the fiscal year ended March 31, 2016*

In accordance with Article 60 of the Insurance Business Act, the Company raised additional foundation funds totaling ¥80,000 million. Furthermore the Company carried out financing of additional subordinated loans totaling ¥40,000 million.

20. Assets with Rights to Sell

The Company has the legal right to sell or collateralize securities borrowed under loan agreements.

The market values of these assets that were not sold or mortgaged as of March 31, 2017 and 2016 were ¥8,295 million (US$73 million) and ¥4,235 million, respectively. No assets were mortgaged as of March 31, 2017 and 2016.

21. Commitment Line

As of March 31, 2017 and 2016, there were unused commitment line agreements under which the Company is the lender of ¥3,500 million (US$31 million) and ¥3,500 million, respectively.

22. Subordinated Bonds

As of March 31, 2017, bonds payable are subordinated bonds, for which the repayments are subordinated to other obligations.

23. Subordinated Loans

As of March 31, 2017 and 2016, other liabilities included subordinated loans of ¥97,000 million (US$864 million) and ¥125,000 million, respectively, for which the repayments are subordinated to other obligations.

24. Contributions to Policyholders Protection Corporation

The estimated future contributions to the Life Insurance Policyholders Protection Corporation of Japan under Article 259 of the Insurance Business Act as of March 31, 2017 and 2016 were ¥10,391 million (US$92 million) and ¥11,546 million, respectively. These contributions are charged as operating expenses in the fiscal years in which they are paid.

25. Reserve for Employees' Retirement Benefits

(1) Summary of retirement benefit plans

As defined benefit plan, the Company has defined benefit corporate pension plans, which are funded-type, and lump-sum retirement allowance plans which are non-funded type but resulted in funded type due to setting of employee pension trust.

(2) Defined benefit plan

i) Reconciliation of beginning and ending balance of retirement benefit obligations

	Millions of Yen		Millions of U.S. Dollars
For the years ended March 31	2017	2016	2017
Retirement benefit obligations at the beginning of the current fiscal year	¥ 49,209	¥ 51,075	$ 438
Service cost	1,990	2,152	17
Interest cost	492	510	4
Actuarial difference occurred during the fiscal year	(251)	1,005	(2)
Retirement benefit payments	(5,190)	(5,535)	(46)
Retirement benefit obligations at the end of the fiscal year	¥ 46,250	¥ 49,209	$ 412

ii) Reconciliation of beginning and ending balance of pension plan assets

	Millions of Yen		Millions of U.S. Dollars
For the years ended March 31	2017	2016	2017
Pension plan assets at the beginning of the fiscal year	¥ 6,816	¥ 6,445	$ 60
Expected return on pension plan assets	58	71	0
Actuarial difference occurred during the fiscal year	1,697	360	15
Contributions by the employer	127	131	1
Retirement benefit payments	(207)	(191)	(1)
Pension plan assets at the end of the fiscal year	¥ 8,493	¥ 6,816	$ 75

iii) Reconciliation of retirement benefit obligation and pension plan assets with reserve for employees' retirement benefits presented on the non-consolidated balance sheets

	Millions of Yen		Millions of U.S. Dollars
As of March 31	2017	2016	2017
a. Funded plan retirement benefit obligation	¥ 46,250	¥ 49,209	$ 412
b. Pension plan assets	(8,493)	(6,816)	(75)
c. a + b	37,757	42,392	336
d. Unrecognized actuarial differences	(449)	(3,296)	(4)
e. Reserve for employees' retirement benefits	¥ 37,307	¥ 39,096	$ 332

iv) Breakdown of retirement benefit expenses

	Millions of Yen		Millions of U.S. Dollars
For the years ended March 31	2017	2016	2017
Service cost	¥ 1,990	¥ 2,152	$ 17
Interest cost	492	510	4
Expected return on pension plan assets	(58)	(71)	(0)
Amortization of actuarial differences	897	1,630	8
Retirement benefit expenses related to defined benefit plan	¥ 3,321	¥ 4,222	$ 29

v) Breakdown of main pension plan assets

The breakdown of main asset categories as a percentage of pension plan assets was as follows:

As of March 31	2017	2016
Stocks	54%	44%
Bonds	7%	8%
Others	39%	48%
Total	100%	100%

vi) Method for determining the expected long-term rate of return

To determine the expected long-term rate of return on pension plan assets, the Company takes into account the present and future allocation of pension plan assets, and the present and expected future long-term rate of return on the diverse range of assets that makes up the pension assets.

vii) Underlying actuarial assumptions

The main underlying actuarial assumptions were as follows:

As of March 31	2017	2016
Discount rate	1.0%	1.0%
Expected long-term rate of return on pension plan assets	0.9%	1.1%
Defined benefit corporate pension plans	1.6%	1.9%

III. Notes to Non-consolidated Statements of Income

1. Transactions with Subsidiaries

The total amounts of revenues and expenditures in connection with subsidiaries were ¥431 million (US$3 million) and ¥9,990 million (US$89 million) for the fiscal year ended March 31, 2017 and ¥203 million and ¥10,279 million for the fiscal year ended March 31, 2016, respectively.

2. Investment Income and Expenses

The major components of gains on sales of securities were as follows:

	Millions of Yen		Millions of U.S. Dollars
For the years ended March 31	2017	2016	2017
Domestic bonds	¥ 25,787	¥ 3,320	$ 229
Domestic stocks and other securities	2,725	712	24
Foreign securities	11,875	477	105

The major components of losses on sales of securities were as follows:

	Millions of Yen		Millions of U.S. Dollars
For the years ended March 31	2017	2016	2017
Domestic bonds	¥ 24	¥ 111	$ 0
Domestic stocks and other securities	184	5,649	1
Foreign securities	10,816	4,589	96

The major components of losses on valuation of securities were as follows:

	Millions of Yen		Millions of U.S. Dollars
For the years ended March 31	2017	2016	2017
Domestic stocks and other securities	¥ 11	¥ 1,629	$ 0
Foreign securities	5	18	0

Losses on trading securities were losses on sales of ¥16 million for the fiscal year ended March 2016.

Losses on derivative financial instruments included net valuation losses of ¥121 million (US$1 million) and gains of ¥620 million for the fiscal years ended March 31, 2017 and 2016, respectively.

3. Policy Reserves for the Reinsurance Contracts

Provisions of policy reserves for ceded reinsurance considered in calculating reversal of policy reserves for the fiscal years ended March 31, 2017 and 2016 were ¥46 million (US$0 million) and ¥26 million, respectively.

4. Impairment Losses of Fixed Assets

For the fiscal years ended March 31, 2017 and 2016, impairment losses of fixed assets by the Company were as follows:

(1) Method of grouping

Real estate and other assets used for insurance business operations are classified as one asset group as a whole. Other assets such as real estate for rent and unused real estate are classified as one group individually.

(2) Background information on recognizing the impairment losses

As the profitability of certain real estate for rent dropped down significantly due to a decrease in the level of rental income and a declining trend in the market prices of land, the Company reduced the book values of such real estate for rent and unused real estate to their recoverable amounts. The write-downs were recognized as impairment losses and included in the extraordinary losses.

(3) Asset groups for which impairment losses were recognized and losses by classification of fixed assets

	Millions of Yen	Millions of U.S. Dollars
For the year ended March 31	2017	2017
Real estate for rent:		
Land	¥ 357	$ 3
Building	418	3
Total real estate for rent(i)	775	6
Unused real estate:		
Land	403	3
Building	154	1
Total unused real estate (ii)	557	4
Total:		
Land	760	6
Building	572	5
Total (i)+(ii)	¥ 1,333	$ 11

* The disclosures for the fiscal year ended March 31, 2016 has been omitted since this is considered immaterial.

(4) Calculation method of recoverable amounts

The recoverable amounts of real estate for rent are determined at net realizable value or value in use. The recoverable amounts for unused assets are net realizable value. Value in use is determined as the estimated net future cash flows, reflecting the volatility risk, discounted at 3.6% for the fiscal year ended March 31, 2017. Net realizable value is calculated based on the appraisal value in accordance with “Real Estate Appraisal Standards” or the publicly announced appraisal value after deducting expected disposal costs.

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Independent Auditor's Report

The Board of Directors
Asahi Mutual Life Insurance Company

We have audited the accompanying non-consolidated financial statements of Asahi Mutual Life Insurance Company, which comprise the non-consolidated balance sheets as of March 31, 2017and 2016, and the non-consolidated statements of income, changes in net assets, and non-consolidated statements of proposed appropriation of surplus(loss) for the years then ended and a summary of significant accounting policies, other explanatory information, and supplementary schedule, all expressed in Japanese yen.

Management's Responsibility for the Non-consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these non-consolidated financial statements in accordance with the Insurance Business Act and related rules and regulations applicable to the mutual life insurance industry and accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these non-consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the non-consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the non-consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the non-consolidated financial statements, whether due to fraud or error. The purpose of an audit of the non-consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the non-consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the non-consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the non-consolidated financial statements referred to above present fairly, in all material respects, the non-consolidated financial position of Asahi Mutual Life Insurance Company as of March 31, 2017and 2016, and its non-consolidated financial performance for the years then ended in accordance with the Insurance Business Act and related rules and regulations applicable to the mutual life insurance industry and accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these non-consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying non-consolidated financial statements have been properly translated on the basis described in Note 2.

Ernst & Young ShinNihon LLC

May 17, 2017
Tokyo, Japan

8. Company Overview (as of March 31, 2017)

Tokyo Head Office

Tama Head Office

Daitabashi Office

Name:	Asahi Mutual Life Insurance Company
Founded:	March 1, 1888
Total Assets:	5.3982 trillion yen
Offices:	58 branches; 625 sales offices (as of April 1, 2017)
Employees:	16,449 (staff: 4,327; sales representatives: 12,122)
Tokyo Head Office:	6-1, Otemachi 2-chome, Chiyoda-ku, Tokyo 100-8103, Japan Tel: 81-3-6225-3111