まごころ、ずっと、未来へ

130th ANNIVERSARY since 1888

Annual Report 2018

Year Ended March 31, 2018

Asahi Mutual Life Insurance Company

ASAHI LIFE

Contents

Aiming to be a company that contributes to society and continues to be customers' trusted choice

Thank you for your continued support for Asahi Life.

Founded in 1888, Asahi Life operates according to the basic management philosophy of "Sincere Service," and we have thrived due to the support of our many customers. It is thanks to you that in March 2018 we celebrated the 130th anniversary of our founding.

We are deeply grateful to have had this opportunity to spend these years with you.

In the fiscal year ended March 31, 2018 (fiscal year 2017), Asahi Life's insurance business (annualized premiums) saw growth in new policies for protection-type products*, which are a focus of our company, while in-force policies for protection-type protects maintained their trend of a net increase. Earnings were solid, as fundamental profit saw large growth compared to the previous fiscal year. The solvency margin ratio (an indicator of soundness) also continued to improve.

Meanwhile, the decline of Japan's population and the diversification of customer lifestyles and needs are predicted to accelerate further in the next decade and beyond. In this context, we believe that Asahi Life must clearly perceive the potential for new insurance needs stemming from the coming social changes, such as the era of the 100-year lifespan, greater health awareness, and increasing populations of working women and singles, and we must work to further demonstrate the value of our company to society.

* Protection-type products are the total of death protection insurance and third-sector insurance such as medical insurance, nursing care insurance, and non-participating group medical insurance sold through the agency channels.

It is with this mindset that we launched our new mid-term management plan "TRY NEXT" in April 2018. As a company that "supports each and every individual life," we aim to increase our visibility by providing distinctive, pioneering products and services and being "a company that contributes to society and continues to be customers' trusted choice".

We look forward to receiving your continued support.

木村 博紀

Hiroki Kimura
President and Representative Director

2. Review of the Previous Mid-term Management Plan "SHINKA" (FY 2015-2017)

Although total customer volume (individual / corporate) did not meet our strategic targets, it is growing steadily.

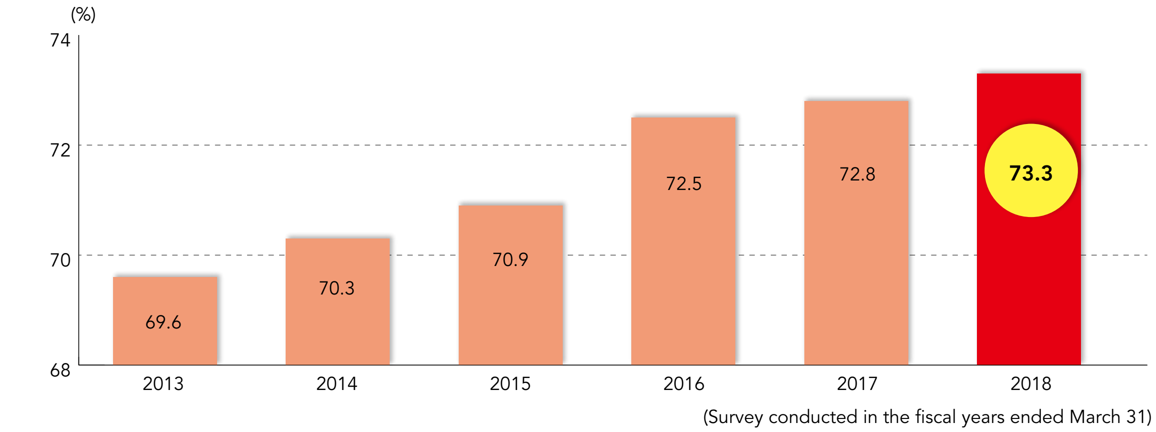
New and in-force policies for protection-type products*, a focus of our company, are also seeing steady growth and have met their strategic targets.

* Protection-type products are the total of death protection insurance and third-sector insurance such as medical insurance, nursing care insurance, and non-participating group medical insurance sold through the agency channels.

Strategic targets				Target achievement status
Corporate vision	Customer evaluations	Satisfaction according to the customer satisfaction survey	80% or higher	Determined via the FY 2018 survey Note: Satisfaction in the FY 2017 survey was 73.3%
Corporate vision	Number of customers	Number of individual customers	2.55 million	Increase from 2.489 million at year-end FY 2014 to 2.518 million at year-end FY 2017
Corporate vision	Number of customers	Number of corporate customers	43,000	Increase from approx. 34,000 at year-end FY 2014 to approx. 39,000 at year-end FY 2017
Sales	Sales representative channel	No. 1 in the industry for the most in-force nursing care insurance policies*		Achieved in FY 2017 (approx. 562,000 in-force policies at year-end FY 2017)
Sales	Sales representative channel	Reverse the declining trend of in-force annualized premiums for protection-type products and achieve a positive trend		Achieved in FY 2015
Sales	Independent agency channels for individual customers	2.5x growth in annualized premiums from new policies for protection-type products		Achieved in FY 2016
Sales	Independent agency channels for individual customers	4x growth in annualized premiums from policies in force for protection-type products		Achieved in FY 2017

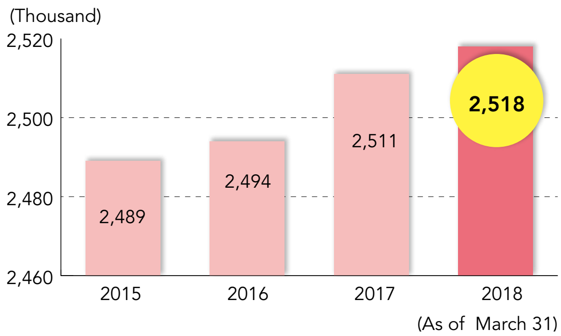
* In-house survey. "In-force nursing care insurance policies" refers to such policies for customers aged 40 and older.

■ Satisfaction according to the customer satisfaction survey

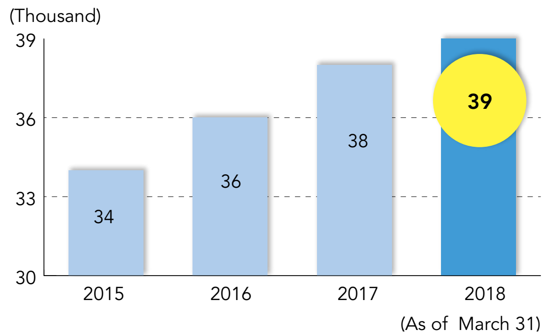


Note: The survey has been conducted based on responses to approximately 4,000 postcards (6,000 postcards prior to fiscal years ended March 31, 2017) randomly sent to the Company's customers.

■ Number of individual customers



■ Number of corporate customers



3. New Mid-term Management Plan “TRY NEXT”

“TRY NEXT – Realizing Growth and Shaping the Future” is Asahi Life’s new three-year mid-term management plan effective for the FY 2018-2020 period.

Corporate Vision

Asahi Life: a company that contributes to society and continues to be customers’ trusted choice, supporting each and every individual life

Theme 1: Building upon Asahi Life’s distinctiveness

(1) Working to establish an unparalleled market presence in nursing care insurance
(2) Further promoting its multi-channel distribution strategy
(3) Developing new structures for approaching customers

Theme 2: Improving profitability

(1) Reforms aimed at establishing a sales representative structure that offers the highest quality in the industry
(2) Innovations in business operations through the use of information and communications technology (ICT)
(3) More sophisticated asset management

Theme 3: Shaping the future

(1) Development of personnel for the future
(2) Development of products and services utilizing ICT and strengthening of digital marketing
(3) Overseas business

■ Strategic targets (The following have been set as targets for the FY 2020)

Number of customers	2.58 million individual customers Approx. 43,000 corporate customers	(Approx. +60,000 from FY 2017) (Approx. +3,000 from FY 2017)
Annualized premiums from policies in force for protection-type products	¥347.0 billion Of which, ¥283.0 billion is insurance for individual customers	(+¥27.7 billion from FY 2017) (+¥9.7 billion from FY 2017)
Nursing care insurance	98,000 new policies Target aimed at achieving “no. 1 in the industry” for the most new nursing care insurance policies	(+6% from FY 2017)

4. 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.

We have been improving our financial soundness and aim to further improve it through the accumulation of surplus and recapitalization measures. As of March 31, 2018, we had non-consolidated solvency margin ratio of 808.5 percent, and insurer financial strength ratings of BB+ (Positive 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. We continually review, update, and expand our product offerings to serve the needs of our customers while maintaining our focus on individual life insurance.

Our main products for individual customers 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 Channel

To optimize access to its customers, Asahi Life operates a multi-channel sales structure utilizing its sales representative channel and 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, 2018, we employed a total of 11,696 sales representatives. As of April 1, 2018, we had 607 sales offices located throughout Japan.

Our sales representatives engage in customized consulting when a policy is signed in order to meet the diverse needs and lifestyles of customers, and they also provide regular after-sales service including the regular provision of information tailored to changes in the life-cycle of the customer. In order to contribute to society and continue to be chosen by customers as a trusted company, we work to cultivate 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 channels by utilizing independent agencies, such as walk-in insurance shops, telemarketing, and tax accountants.

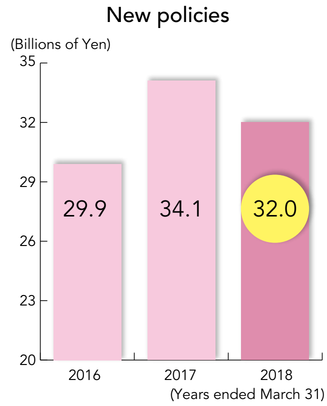
Business Performance (Annualized Premiums)

● New Policies for Individual Insurance/Individual Annuities

Annualized premiums from new policies ended at 94.1% of the previous fiscal year.
Among these, third-sector products were at 80.8% of the previous fiscal year.

(Billions of Yen)

Years ended March 31	2016	2017	2018	Year-over-year
New policies	29.9	34.1	32.0	94.1%
Third-sector products	21.2	26.6	21.5	80.8%

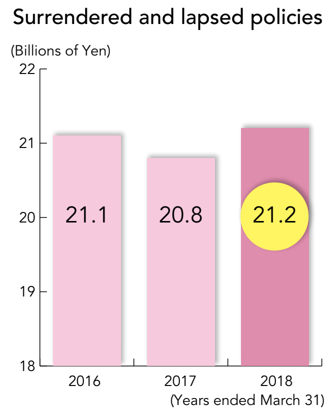


● Surrendered and Lapsed Policies for Individual Insurance/Individual Annuities

Annualized premiums from surrendered and lapsed policies reached 102.1% of the previous fiscal year.

(Billions of Yen)

Years ended March 31	2016	2017	2018	Year-over-year
Surrendered and lapsed policies	21.1	20.8	21.2	102.1%
Surrender and lapse ratio	3.90%	3.87%	3.97%	+0.10 points

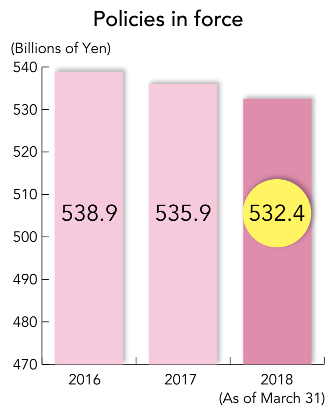


● Policies in Force for Individual Insurance/Individual Annuities

Annualized premiums from policies in force were at 99.3% relative to the end of the previous fiscal year.
Among these, third-sector products were at 104.3% relative to the end of the previous fiscal year.

(Billions of Yen)

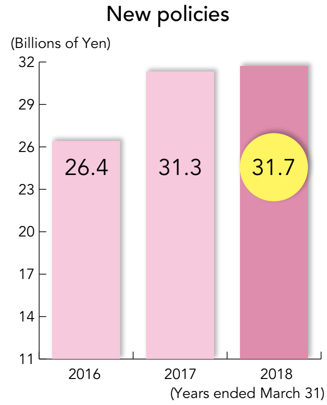
As of March 31	2016	2017	2018	Year-over-year
Policies in force	538.9	535.9	532.4	99.3%
Third-sector products	183.6	197.8	206.3	104.3%



New Policies for Protection-type Products

(Billions of Yen)

Years ended March 31	2016	2017	2018	Year-over-year
New policies	26.4	31.3	31.7	101.0%
Sales representative channel	23.9	27.3	27.2	99.7%
Independent agency channels for individual customers	2.5	4.0	4.4	109.8%

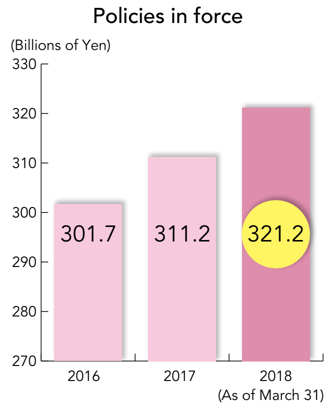


Policies in Force for Protection-type Products

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

(Billions of Yen)

As of March 31	2016	2017	2018	Year-over-year
Policies in force	301.7	311.2	321.2	103.2%
Sales representative channel	296.9	303.2	310.0	102.3%
Independent agency channels for individual customers	4.8	8.0	11.1	138.2%



Notes:

1. Surrendered and lapsed policies are measured as cancellation plus expiration and reduction less revival.
2. Protection-type products are the total of death protection insurance and third-sector insurance such as medical insurance, nursing care insurance, and non-participating group medical insurance sold through the agency channels.

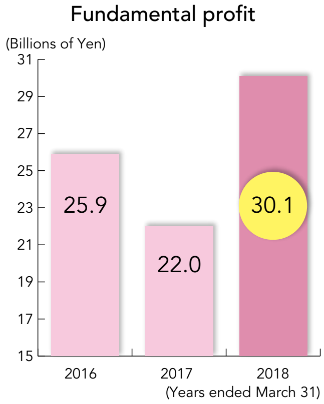
Financial Performance

Fundamental Profit

Due to increases in mortality and morbidity gains resulting from declines in death benefit payments and other payments, as well as improvement in the negative spread amount, fundamental profit increased relative to the previous fiscal year to ¥30.1 billion.

(Billions of Yen)

Years ended March 31	2016	2017	2018	Year-over-year
Fundamental profit	25.9	22.0	30.1	+8.0
Expense margins	8.6	4.4	3.6	(0.7)
Mortality and morbidity gains	82.2	79.8	84.2	+4.4
Negative spread amount	(65.0)	(62.1)	(57.7)	+4.4

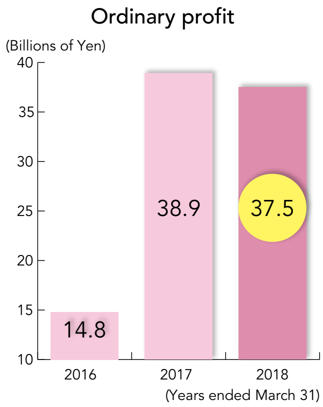


Ordinary Profit, Net Surplus

Ordinary profit was ¥37.5 billion, with a net surplus of ¥25.9 billion.

(Billions of Yen)

Years ended March 31	2016	2017	2018	Year-over-year
Ordinary profit	14.8	38.9	37.5	(1.4)
Net surplus	17.5	29.2	25.9	(3.2)

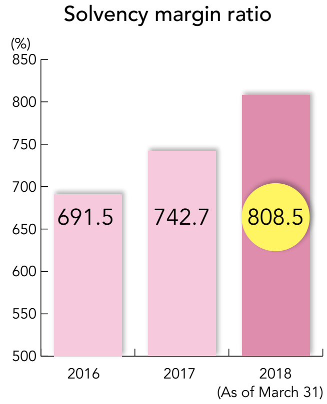


Financial Soundness

Solvency Margin Ratio

Solvency margin ratio increased 65.8 points relative to the end of the previous fiscal year, raising it to 808.5%.

As of March 31	2016	2017	2018	Year-over-year
Solvency margin ratio	691.5%	742.7%	808.5%	+65.8 points

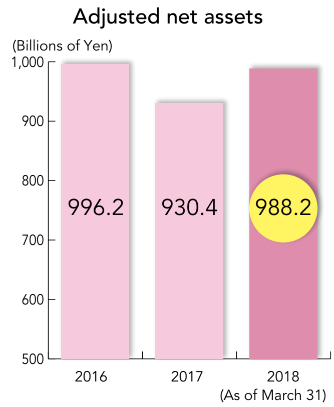


Adjusted Net Assets

Adjusted net assets were ¥988.2 billion, an increase of ¥57.7 billion relative to the end of the previous fiscal year.

(Billions of Yen)

As of March 31	2016	2017	2018	Year-over-year
Adjusted net assets	996.2	930.4	988.2	+57.7



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

Net unrealized gains on securities were ¥451.0 billion as of March 31, 2018.

(Billions of Yen)

As of March 31	2016	2017	2018	Year-over-year
Securities	578.8	464.7	451.0	(13.6)
Domestic stocks	64.9	111.8	152.1	+40.2
Domestic bonds	466.8	345.8	309.1	(36.6)
Foreign securities	46.0	3.6	(12.3)	(16.0)
Other securities	(4.2)	(0.3)	(1.0)	(0.7)

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 Insurance Business Act requires that an amount equivalent to the repayment be set aside in the net assets portion of the balance sheet as reserve for redemption of foundation funds. As of March 31, 2018, 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	2017	2018	Year-over-year
Ordinary income:	679.9	652.2	95.9%
Premium and other income:	383.7	384.9	100.3%
Insurance premiums from individual insurance and individual annuities	365.3	364.9	99.9%
Investment income:	161.2	166.5	103.3%
Interest, dividends and other income	111.1	109.9	98.9%
Gains on sales of securities	40.3	46.7	115.8%
Other ordinary income:	134.9	100.6	74.6%
Reversal of policy reserves	114.5	83.2	72.7%
Ordinary expenses:	641.0	614.6	95.9%
Claims and other payments:	463.8	438.9	94.6%
Claims	135.2	124.8	92.3%
Annuities	128.6	129.8	100.9%
Benefits	97.9	82.2	84.0%
Investment expenses:	41.7	38.5	92.3%
Losses on sales of securities	11.0	2.2	20.7%
Losses on valuation of securities	0.0	0.1	889.5%
Operating expenses	101.4	102.3	100.9%
Other ordinary expenses	33.9	33.8	99.6%
Ordinary profit	38.9	37.5	96.3%
Extraordinary gains:	1.2	0.1	15.7%
Gains on disposal of fixed assets	1.2	0.1	15.7%
Extraordinary losses:	5.3	5.4	101.6%
Losses on disposal of fixed assets	1.6	1.5	94.1%
Impairment losses	1.3	1.7	133.4%
Provision for reserve for price fluctuation	2.0	2.1	103.9%
Surplus before income taxes	34.8	32.2	92.6%
Total income taxes	5.6	6.3	112.4%
Net surplus	29.2	25.9	88.8%

Ordinary income decreased to ¥652.2 billion (95.9% of the previous fiscal year) for the year ended March 31, 2018. Within this category, premium and other income increased to ¥384.9 billion (100.3% of the previous fiscal year). Investment income increased to ¥166.5 billion (103.3% of the previous fiscal year) primarily because of an increase in gains on sales of securities. Other ordinary income decreased to ¥100.6 billion (74.6% of the previous fiscal year). This was primarily attributable to the decrease in reversal of policy reserves to ¥83.2 billion (72.7% of the previous fiscal year).

Ordinary expenses decreased to ¥614.6 billion (95.9% of the previous fiscal year) for the year ended March 31, 2018. Within this category, claims and other payments decreased to ¥438.9 billion (94.6% of the previous fiscal year). Investment expenses decreased to ¥38.5 billion (92.3% of the previous fiscal year) mainly due to lower losses on sales of securities. Operating expenses increased to ¥102.3 billion (100.9% of the previous fiscal year).

As a result, ordinary profit decreased to ¥37.5 billion (96.3% of the previous fiscal year) for the year ended March 31, 2018.

Extraordinary gains decreased to ¥0.1 billion (15.7% of the previous fiscal year), and extraordinary losses increased to ¥5.4 billion (101.6% of the previous fiscal year). Total income taxes totaled ¥6.3 billion.

As a result of the above factors, net surplus decreased to ¥25.9 billion (88.8% of the previous fiscal year) for the year ended March 31, 2018.

Assets, Liabilities and Net Assets

● Selected Assets Data

(Billions of Yen)

As of March 31	2017	2018	Year-over-year
Total assets:	5,398.2	5,396.5	(1.6)
Cash, deposits and call loans	154.1	195.6	+41.5
Monetary claims bought	33.2	30.1	(3.0)
Securities:	4,152.3	4,188.8	+36.5
Domestic bonds	2,902.1	2,852.5	(49.6)
Domestic stocks	293.8	334.3	+40.4
Foreign securities	878.8	926.8	+48.0
Loans	557.7	484.1	(73.5)
Tangible fixed assets	406.1	401.0	(5.0)
Deferred tax assets	22.7	16.1	(6.5)
Others	71.9	80.4	+8.5

● Selected Liabilities/Net Assets Data

(Billions of Yen)

As of March 31	2017	2018	Year-over-year
Total liabilities:	5,039.2	5,008.4	(30.8)
Policy reserves and other reserves:	4,768.3	4,682.2	(86.1)
Policy reserves	4,700.1	4,616.9	(83.2)
Bonds payable	40.3	40.3	-
Others	230.5	285.8	+55.2
Total net assets:	358.9	388.0	+29.1
Total foundation funds and others:	333.5	353.1	+19.5
Foundation funds	126.0	126.0	-
Reserve for redemption of foundation funds	131.0	131.0	-
Surplus:	76.3	95.9	+19.5
Reserve for future losses	0.2	0.2	+0.0
Other surplus:	76.0	95.6	+19.5
Reserve for fund redemption	36.0	48.6	+12.6
Equalized reserve for dividends to policyholders	8.7	9.6	+0.9
Unappropriated surplus (loss)	31.3	37.3	+6.0
Total valuation and translation adjustments:	25.3	34.9	+9.5
Net unrealized gains (losses) on available-for-sale securities, net of tax	71.1	81.2	+10.1
Land revaluation differences	(45.7)	(46.3)	(0.6)
Total liabilities and net assets	5,398.2	5,396.5	(1.6)

As of March 31, 2018, the amount of total assets was ¥5,396.5 billion with securities accounting for ¥4,188.8 billion, loans at ¥484.1 billion, and tangible fixed assets at ¥401.0 billion. In securities, we partially reduced our balance of domestic bonds and increased our balance of relatively higher-yield foreign bonds.

The amount of total liabilities was ¥5,008.4 billion, and among this, policy reserves decreased by ¥83.2 billion to ¥4,616.9 billion mainly due to a reduction in policies in force for savings-type products.

The amount of total net assets was ¥388.0 billion, among which total foundation funds and others amounted to ¥353.1 billion, with total valuation and translation adjustments amounting to ¥34.9 billion.

Investments (General Account)

Investment Environment

During the fiscal year ended March 31, 2018, the Japanese economy was able to sustain a gradual recovery due to the Bank of Japan's ongoing monetary easing policies as well as improvement in employment and income conditions.

Overseas, the U.S. and European economies continued to grow steadily, and growth in emerging countries such as China began to show signs of recovery, resulting in a resumption of gradual growth in the world overall.

The yield on newly issued 10-year Japanese Government Bonds (JGBs), the benchmark for long-term interest rates, remained around 0% due to a resumption of quantitative and qualitative monetary easing with yield curve controls by the Bank of Japan.

The Nikkei Stock Average rose from ¥18,909 at the end of previous fiscal year to ¥21,454 at the end of this fiscal year, due in part to higher corporate profits throughout the economy.

The yen continued to strengthen against the U.S. dollar in and after January due in part to concerns regarding U.S. trade policy, moving from ¥112 at the end of previous fiscal year to ¥106 against the U.S. dollar at the end of this fiscal year.

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. We are working to improve investment earnings in an environment of low domestic interest rates by investing in foreign currency-denominated bonds and alternative investments*, which have relatively higher yields, while still working to keep foreign exchange risk low.

In addition, we are working to improve the investment efficiency of assets under custody from customers by promoting better corporate value and continuous growth in companies in which we invest through proper voting and dialogue with those companies, based on Japan's Stewardship Code.

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

Overview of Investment Performance

In FY 2017, we limited allocations to yen interest-bearing assets while focusing funding on currency-hedged, foreign currency-denominated bonds, as well as on alternative investments.

For domestic bonds, we mainly purchased assets with yield spreads such as corporate bonds, while limiting the allocation to government bonds.

For loans, we attempted to limit our total amount of loans due to the low-interest rate environment.

We kept the balance of domestic stocks unchanged to control price fluctuation risk.

For foreign securities, we worked to improve yields by purchasing currency-hedged, foreign currency-denominated bonds. Additionally, we have increased our balance of alternative investments with the aim of diversifying and expanding investment opportunities.

We made an effort to improve real estate profitability by reviewing rent levels of rental real estate properties and improving operating rates.

Corporate Governance

Basic Philosophy on Corporate Governance

Recognizing that the life insurance industry plays an important role in supporting 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 responsibilities to our customers, society, and our employees is fundamental to our business.

Based on our basic management philosophy, we work to maintain 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.

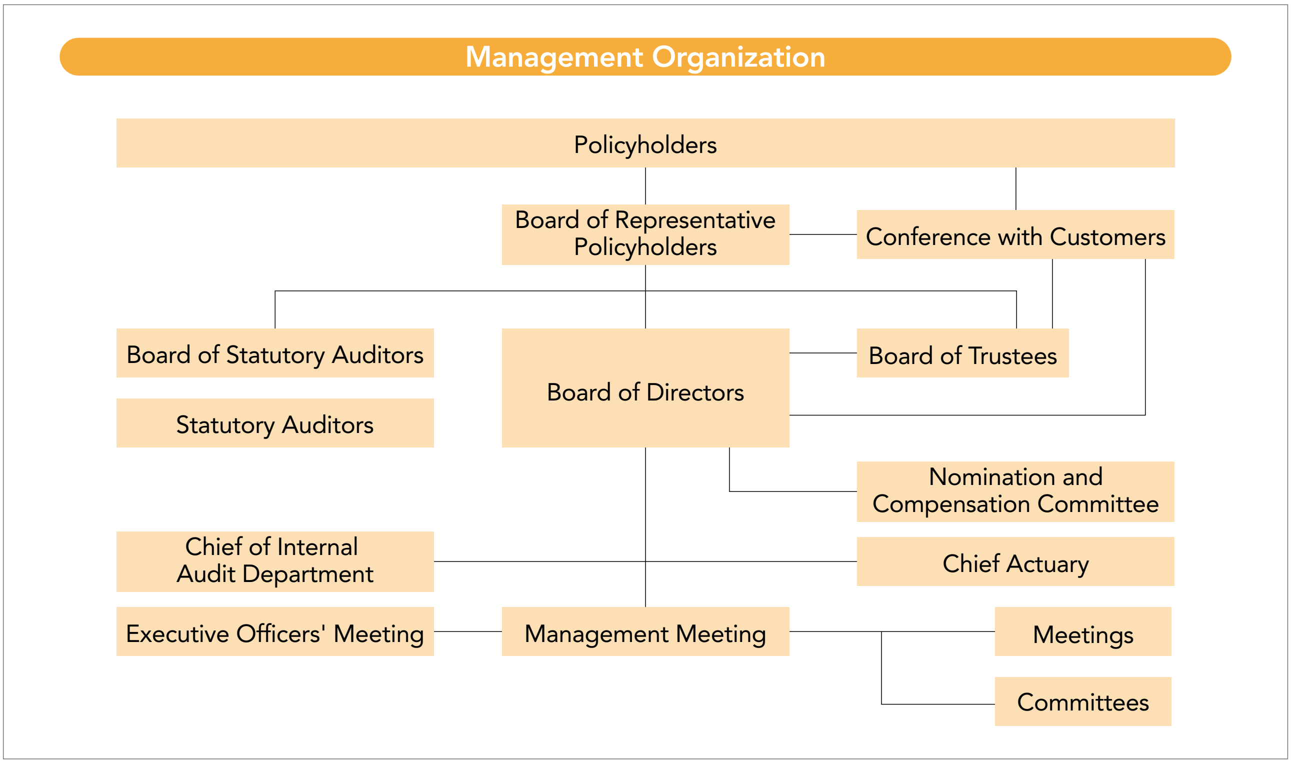
We are also making efforts to achieve effective corporate governance in order to both maintain our financial soundness and make decisions in a transparent, fair, quick, and decisive manner.

In December 2015, we established and published our Basic Policy on Corporate Governance, which set forth our basic philosophy on corporate governance and the structure of our organization and operating policy, with the aim of making explicit the transparency and fairness of our corporate governance. In accordance with this Basic Policy, we are working to achieve practical corporate governance, sustained growth, and medium- to long-term improvement in corporate value.

Overview of the Corporate Governance Structure

Asahi Life is a mutual company. A mutual company is a corporate structure in which individual 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 with 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 Statutory Auditors also supervise the execution of the duties of the directors, they do this as an independent body entrusted by the policyholders.



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 2.02 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.

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 among all executives and employees 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 attempting to establish a more advanced compliance framework.

Organization/System

Asahi Life holds discussions on compliance with the Compliance Committee. The Committee is composed of the Company President as chair, as well as Management Meeting members and third-party lawyers. The Committee discusses compliance issues with the expert input of the third-party lawyers. Additionally, a compliance control department implements specific measures pertaining to compliance.

Protecting Customer Information

Management System to Appropriately Protect Information Assets

Asahi Life maintains customers' personal information related to their policies and health status insofar that the information is needed for business purposes. Recognizing that keeping such customer information secure is a crucial management issue, we have established a framework to protect customer information, personal information, and personally identifiable information. We strictly implement that framework based on 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.

Risk Management Structure

Overview

The environment surrounding life insurance companies is constantly changing. Against such a backdrop, 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 increased corporate value. In order to ensure the fulfillment of our long-term obligations with respect to 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 company-wide policy that aims to implement appropriate risk management towards the achievement of our management targets.

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 (ERM)

Asahi Life promotes Enterprise Risk Management (ERM) in order to secure financial soundness and improve profitability through perception of overall risk facing the company and management of those risks throughout the company. We implement countermeasures as appropriate for the importance of risks, where necessary, based on a risk appetite policy that determines the amount and type of risk we will take, with associated monitoring of whether the risks we are taking are adhering to this policy.

Additionally, we implement the Own Risk and Solvency Assessment (ORSA), a process to evaluate our management risks and own capital, and pursue risk management that is integrated 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 (surplus) based on both accounting standards and economic value. We then use this data to confirm the appropriateness of our asset/liability strategy and risk/return strategy. Specifically, for economic value-based evaluation, we monitor and manage the sufficiency of current surplus against overall risk volume (i.e. the Economic Solvency Ratio, ESR), and we work to improve that ratio by setting ESR targets.

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. 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 our investments. We structure our asset portfolio concentrating on yen interest-bearing assets such as domestic bonds and loans, taking into consideration the adaptation of existing assets to the liability characteristics of insurance policies. The majority of domestic bonds are classified as policy-reserve-matching bonds, which are valued at their amortized cost, with the aim of reducing the impact of interest rate fluctuation.

Officers (as of July 3, 2018)

Chairman of the Board and Representative Director
Yoshiki Sato

President and Representative Director
Hiroki Kimura

Director and Senior Managing Executive Officer
Tatsuya Kikuchi

Director and Managing Executive Officer
Hiroshi Tatara

Director and Managing Executive Officer
Yasuhiro Iguchi

Director and Managing Executive Officer
Yukihiro Fujioka

Director and Executive Officer
Ryouichi Motoda

Director and Executive Officer
Kenichiro Ishijima

Director
Kazuko Ohya(1)

Director
Takashi Tsukamoto(1)

Director
Kenji Watanabe(1)

Standing Statutory Auditor
Hiroyuki Somekawa

Standing Statutory Auditor
Hiroshi Hirosaka

Statutory Auditor
Yukio Machida(2)

Statutory Auditor
Tadayuki Seki(2)

Statutory Auditor
Mitsuyoshi Shibata(2)

(1) Outside director
(2) Outside statutory auditor

Consolidated Balance Sheets

Asahi Mutual Life Insurance Company and its Consolidated Subsidiaries

	Millions of Yen				Millions of U.S. Dollars	
As of March 31	2018		2017		2018	
ASSETS:						
Cash and deposits	¥	36,143	¥	35,511	$	340
Call loans		164,000		122,000		1,543
Monetary claims bought		30,151		33,202		283
Securities		4,185,104		4,148,686		39,392
Loans		484,169		557,761		4,557
Tangible fixed assets:						
Land		230,913		232,995		2,173
Buildings		162,593		167,538		1,530
Lease assets		3,946		2,015		37
Construction in progress		1,134		1,033		10
Other tangible fixed assets		2,473		2,575		23
		401,061		406,159		3,775
Intangible fixed assets:						
Software		20,691		14,130		194
Other intangible fixed assets		13,044		19,154		122
		33,735		33,285		317
Reinsurance receivables		812		194		7
Other assets		46,632		39,595		438
Net defined benefit assets		351		11		3
Deferred tax assets		16,062		22,947		151
Customers' liabilities under acceptances and guarantees		10		14		0
Allowance for possible loan losses		(394)		(487)		(3)
Total assets	**¥**	**5,397,841**	**¥**	**5,398,884**	**$**	**50,807**
LIABILITIES:						
Policy reserves and other reserves:						
Reserve for outstanding claims	¥	28,368	¥	27,364	$	267
Policy reserves		4,616,919		4,700,145		43,457
Reserve for dividends to policyholders		36,959		40,861		347
		4,682,246		4,768,371		44,072
Reinsurance payables		311		127		2
Bonds payable		40,349		40,349		379
Other liabilities		194,908		139,189		1,834
Net defined benefit liabilities		35,056		37,757		329
Reserve for price fluctuation		38,710		36,580		364
Deferred tax liabilities for land revaluation		17,762		18,091		167
Acceptances and guarantees		10		14		0
Total liabilities		**5,009,355**		**5,040,479**		**47,151**
NET ASSETS:						
Foundation funds		126,000		126,000		1,185
Reserve for redemption of foundation funds		131,000		131,000		1,233
Reserve for revaluation		281		281		2
Consolidated surplus		95,832		76,065		902
Total foundation funds and others		353,114		333,347		3,323
Net unrealized gains (losses) on available-for-sale securities, net of tax		81,293		71,105		765
Land revaluation differences		(46,380)		(45,762)		(436)
Accumulated remeasurements of defined benefit plans		377		(358)		3
Total accumulated other comprehensive income		35,290		24,983		332
Non-controlling interests		81		73		0
Total net assets		**388,486**		**358,404**		**3,656**
Total liabilities and net assets	**¥**	**5,397,841**	**¥**	**5,398,884**	**$**	**50,807**

Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Asahi Mutual Life Insurance Company and its Consolidated Subsidiaries

[Consolidated Statements of Income]

	Millions of Yen		Millions of U.S. Dollars
For the years ended March 31	2018	2017	2018
Ordinary income:			
Premium and other income	¥ 384,953	¥ 383,776	$ 3,623
Investment income:			
Interest, dividends and other income	109,723	110,945	1,032
Gains on sales of securities	46,779	40,391	440
Reversal of allowance for possible loan losses	74	85	0
Other investment income	7,355	7,244	69
Investment gains on separate accounts	2,384	2,320	22
	166,318	160,986	1,565
Other ordinary income	105,698	138,951	994
Total ordinary income	**656,971**	**683,715**	**6,183**
Ordinary expenses:			
Claims and other payments:			
Claims	124,809	135,234	1,174
Annuities	129,879	128,659	1,222
Benefits	82,264	97,962	774
Surrender benefits	95,710	94,226	900
Other payments	6,302	7,725	59
	438,966	463,808	4,131
Provision for policy reserves and other reserves:			
Provision for reserve for outstanding claims	1,003	–	9
Provision for interest on policyholders' dividend reserves	4	33	0
	1,008	33	9
Investment expenses:			
Interest expenses	4,449	4,042	41
Losses on sales of securities	2,285	11,025	21
Losses on valuation of securities	145	16	1
Losses on derivative financial instruments	13,891	11,264	130
Foreign exchange losses	2,530	325	23
Write-offs of loans	1	0	0
Depreciation of rental real estate and other assets	5,596	5,500	52
Other investment expenses	9,641	9,561	90
	38,542	41,737	362
Operating expenses	106,653	105,072	1,003
Other ordinary expenses	33,712	33,818	317
Total ordinary expenses	**618,883**	**644,469**	**5,825**
Ordinary profit	**38,088**	**39,245**	**358**
Extraordinary gains:			
Gains on disposal of fixed assets	194	1,243	1
	194	1,243	1
Extraordinary losses:			
Losses on disposal of fixed assets	1,538	1,635	14
Impairment losses	1,778	1,333	16
Provision for reserve for price fluctuation	2,130	2,050	20
Other extraordinary losses	–	344	–
	5,446	5,363	51
Surplus before income taxes	**32,836**	**35,126**	**309**
Income taxes:			
Current	6,946	3,859	65
Deferred	(318)	1,952	(2)
Total income taxes	**6,628**	**5,812**	**62**
Net surplus	**26,207**	**29,313**	**246**
Net surplus attributable to non-controlling interests	**39**	**31**	**0**
Net surplus attributable to the Parent Company	**¥ 26,168**	**¥ 29,282**	**$ 246**

[Consolidated Statements of Comprehensive Income]

For the years ended March 31	Millions of Yen 2018	Millions of Yen 2017	Millions of U.S. Dollars 2018
Net surplus	**¥ 26,207**	**¥ 29,313**	**$ 246**
Other comprehensive income:			
Net unrealized gains (losses) on available-for-sale securities, net of tax	10,188	8,150	95
Remeasurements of defined benefit plans	735	2,061	6
Total other comprehensive income	**10,924**	**10,212**	**102**
Comprehensive income:			
Comprehensive income attributable to the Parent Company	37,092	39,494	349
Comprehensive income attributable to non-controlling interests	39	31	0
Total comprehensive income	**¥ 37,132**	**¥ 39,526**	**$ 349**

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, 2018	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**	**¥ 131,000**	**¥ 281**	**¥ 76,065**	**¥ 333,347**
Changes in the fiscal year:					
Additions to reserve for dividends to policyholders				(1,519)	(1,519)
Payment of interest on foundation funds				(5,499)	(5,499)
Net surplus attributable to the Parent Company				26,168	26,168
Reversal of land revaluation differences				617	617
Net changes, excluding foundation funds and others					
Net changes in the fiscal year	**–**	**–**	**–**	**19,766**	**19,766**
Ending balance	**¥ 126,000**	**¥ 131,000**	**¥ 281**	**¥ 95,832**	**¥ 353,114**

Millions of Yen

For the year ended March 31, 2018	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	**¥ 71,105**	**¥ (45,762)**	**¥ (358)**	**¥ 24,983**	**¥ 73**	**¥ 358,404**
Changes in the fiscal year:						
Additions to reserve for dividends to policyholders						(1,519)
Payment of interest on foundation funds						(5,499)
Net surplus attributable to the Parent Company						26,168
Reversal of land revaluation differences						617
Net changes, excluding foundation funds and others	10,188	(617)	735	10,306	7	10,314
Net changes in the fiscal year	**10,188**	**(617)**	**735**	**10,306**	**7**	**30,081**
Ending balance	**¥ 81,293**	**¥ (46,380)**	**¥ 377**	**¥ 35,290**	**¥ 81**	**¥ 388,486**

Millions of U.S. Dollars

For the year ended March 31, 2018	Foundation funds and others				
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Consolidated surplus	Total foundation funds and others
Beginning balance	**$ 1,185**	**$ 1,233**	**$ 2**	**$ 715**	**$ 3,137**
Changes in the fiscal year:					
Additions to reserve for dividends to policyholders				(14)	(14)
Payment of interest on foundation funds				(51)	(51)
Net surplus attributable to the Parent Company				246	246
Reversal of land revaluation differences				5	5
Net changes, excluding foundation funds and others					
Net changes in the fiscal year	**–**	**–**	**–**	**186**	**186**
Ending balance	**$ 1,185**	**$ 1,233**	**$ 2**	**$ 902**	**$ 3,323**

Millions of U.S. Dollars

For the year ended March 31, 2018	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	**$ 669**	**$ (430)**	**$ (3)**	**$ 235**	**$ 0**	**$ 3,373**
Changes in the fiscal year:						
Additions to reserve for dividends to policyholders						(14)
Payment of interest on foundation funds						(51)
Net surplus attributable to the Parent Company						246
Reversal of land revaluation differences						5
Net changes, excluding foundation funds and others	95	(5)	6	97	0	97
Net changes in the fiscal year	**95**	**(5)**	**6**	**97**	**0**	**283**
Ending balance	**$ 765**	**$ (436)**	**$ 3**	**$ 332**	**$ 0**	**$ 3,656**

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**

Consolidated Statements of Cash Flows

Asahi Mutual Life Insurance Company and its Consolidated Subsidiaries

For the years ended March 31	Millions of Yen 2018	Millions of Yen 2017	Millions of U.S. Dollars 2018
I. Cash flows from operating activities			
Surplus before income taxes	¥ 32,836	¥ 35,126	$ 309
Depreciation of rental real estate and other assets	5,596	5,500	52
Depreciation	10,133	9,881	95
Impairment losses	1,778	1,333	16
Increase (decrease) in reserve for outstanding claims	1,003	(585)	9
Increase (decrease) in policy reserves	(83,226)	(114,500)	(783)
Provision for interest on policyholders' dividend reserves	4	33	0
Increase (decrease) in allowance for possible loan losses	(74)	(85)	(0)
Increase (decrease) in net defined benefit liabilities	(1,942)	(1,789)	(18)
Increase (decrease) in reserve for price fluctuation	2,130	2,050	20
Interest, dividends and other income	(109,723)	(110,945)	(1,032)
(Gains) losses on securities	(46,733)	(31,669)	(439)
(Gains) losses on derivative financial instruments	13,891	11,264	130
Interest expenses	4,449	4,042	41
Foreign exchange (gains) losses, net	2,530	325	23
(Gains) losses on tangible fixed assets	970	(84)	9
(Increase) decrease in reinsurance receivables	(617)	(161)	(5)
(Increase) decrease in other assets except from investing and financing activities	(903)	(1,385)	(8)
Increase (decrease) in reinsurance payables	184	31	1
Increase (decrease) in other liabilities except from investing and financing activities	1,612	520	15
Others, net	6,606	7,296	62
Subtotal	(159,491)	(183,802)	(1,501)
Interest, dividends and other income received	113,182	116,136	1,065
Interest paid	(4,446)	(3,957)	(41)
Dividends to policyholders paid	(5,426)	(5,660)	(51)
Income taxes (paid) refunded	(4,827)	(185)	(45)
Net cash provided by (used in) operating activities	**(61,010)**	**(77,469)**	**(574)**
II. Cash flows from investing activities			
Purchases of monetary claims bought	(500)	(500)	(4)
Proceeds from sales and redemptions of monetary claims bought	3,544	9,198	33
Proceeds from decreases in money held in trust	–	9	–
Purchases of securities	(643,165)	(968,725)	(6,053)
Proceeds from sales and redemptions of securities	632,895	993,520	5,957
Disbursements for loans	(52,331)	(66,526)	(492)
Proceeds from collections of loans	120,479	125,897	1,134
Proceeds from derivative financial instruments	17,673	(20,059)	166
Increase (decrease) in payables under securities borrowing transactions	44,967	(53,610)	423
①Total of investing activities	123,564	19,204	1,163
[I + ①]	62,554	(58,265)	588
Purchases of tangible fixed assets	(6,603)	(7,447)	(62)
Proceeds from sales of tangible fixed assets	1,782	8,341	16
Others, net	(8,611)	(7,903)	(81)
Net cash provided by (used in) investing activities	**110,132**	**12,194**	**1,036**
III. Cash flows from financing activities			
Proceeds from debt borrowing	–	2,000	–
Redemption of debt borrowing	–	(30,000)	–
Proceeds from issuance of bonds	–	40,349	–
Proceeds from issuance of foundation funds	–	11,000	–
Redemption of foundation funds	–	(11,000)	–
Payment of interest on foundation funds	(5,499)	(5,787)	(51)
Dividends paid to non-controlling interests	(31)	(37)	(0)
Others, net	(958)	(871)	(9)
Net cash provided by (used in) financing activities	**(6,490)**	**5,652**	**(61)**
IV. Net increase (decrease) in cash and cash equivalents	**42,631**	**(59,622)**	**401**
V. Cash and cash equivalents at the beginning of the year	**157,511**	**217,133**	**1,482**
VI. Cash and cash equivalents at the end of the year	**¥ 200,143**	**¥ 157,511**	**$ 1,883**

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.

The Insurance Business Act shall prescribe the disclosure of a single fiscal year. The Company provides the disclosure of comparative financial information corresponding to each comparative fiscal year in the presented financial statements for use by readers outside Japan.

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 ¥106.24 = US$1.00, the effective rate of exchange at the balance sheet date of March 31, 2018.

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 as of March 31, 2018 and 2017 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 (straight-line method) determined by the moving average method.

iii) Policy-reserve-matching bonds, which are 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")), are stated at amortized cost (straight-line method) determined by the moving average method.

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 except for the following are stated at fair market value based on the market prices at the end of the fiscal year. Available-for-sale securities with fair market value, of which domestic stocks, domestic exchange-traded funds, domestic listed real estate investment trusts, foreign exchange-traded funds for which hedge accounting is not applied, foreign bond 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 fair market value based on the average of the market prices during the final month of the fiscal year. Costs of sales are determined by the moving average method. Available-for-sale securities with extreme difficulty of measuring fair market value, of which public and corporate bonds including foreign bonds with the difference between acquisition cost and face value recognized as an adjustment of interest, are stated at amortized cost (straight-line method) determined by the moving average method. The other securities are stated at cost determined by the moving average method. Net unrealized gains or losses on these available-for-sale securities, net of tax, are recorded as a separate component of net assets.

(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).

Notes for the fiscal year ended March 31, 2017

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 determined by the real-estate appraiser set forth in Article 2, Item 5 of the said Ordinance with certain reasonable adjustments.

Notes for the fiscal year ended March 31, 2017

Millions of Yen

As of March 31	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)

(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, foreign bond 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, 2018 and 2017 were ¥60 million (US$0 million) and ¥215 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 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 and its subsidiaries account 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

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. 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 quantifies the credit risks of entire portfolio through VaR method and controls the amount of risks within an acceptable range. Furthermore, 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 Company endeavors to develop high quality portfolio.

The balance sheet amounts, fair values and the differences between those of major financial assets and liabilities as of March 31, 2018 and 2017 were as follows:

Millions of Yen

As of March 31	2018		
	Balance Sheet Amount	Fair Value	Difference
Cash and deposits	¥ 36,143	¥ 36,143	¥ –
Call loans	164,000	164,000	–
Monetary claims bought	30,151	33,335	3,184
Trading securities	–	–	–
Held-to-maturity debt securities	30,151	33,335	3,184
Policy-reserve-matching bonds	–	–	–
Available-for-sale securities	–	–	–
Securities	4,113,581	4,457,878	344,297
Trading securities	27,816	27,816	–
Held-to-maturity debt securities	324,314	365,006	40,692
Policy-reserve-matching bonds	2,094,251	2,397,856	303,605
Available-for-sale securities	1,667,198	1,667,198	–
Loans	484,169	494,561	10,391
Policy loans	49,637	49,637	–
Industrial and consumer loans	434,532	444,924	10,391
Total assets	4,828,046	5,185,919	357,873
Bonds payable	40,349	43,585	3,236
Loans payable	97,000	96,768	(231)
Total liabilities	137,349	140,354	3,005
Derivative financial instruments	9,980	9,980	–
Hedge accounting not applied	1,811	1,811	–
Hedge accounting applied	8,169	8,169	–

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

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	2018		
	Balance Sheet Amount	Fair Value	Difference
Cash and deposits	$ 340	$ 340	$ –
Call loans	1,543	1,543	–
Monetary claims bought	283	313	29
Trading securities	–	–	–
Held-to-maturity debt securities	283	313	29
Policy-reserve-matching bonds	–	–	–
Available-for-sale securities	–	–	–
Securities	38,719	41,960	3,240
Trading securities	261	261	–
Held-to-maturity debt securities	3,052	3,435	383
Policy-reserve-matching bonds	19,712	22,570	2,857
Available-for-sale securities	15,692	15,692	–
Loans	4,557	4,655	97
Policy loans	467	467	–
Industrial and consumer loans	4,090	4,187	97
Total assets	45,444	48,813	3,368
Bonds payable	379	410	30
Loans payable	913	910	(2)
Total liabilities	1,292	1,321	28
Derivative financial instruments	93	93	–
Hedge accounting not applied	17	17	–
Hedge accounting applied	76	76	–

* 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, foreign bond 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 ¥71,523 million (US$673 million) and ¥116,627 million as of March 31, 2018 and 2017, 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 its 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 values of bonds payable are based on the market values, etc. as of March 31, 2018 and 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.

4. 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 ¥267,163 million (US$2,514 million) and ¥264,669 million (US$2,491 million) as of March 31, 2018 and ¥270,353 million and ¥252,559 million as of March 31, 2017, 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.

5. Securities Lent under Lending Agreements

The amount of securities lent under lending agreements was ¥121,177 million (US$1,140 million) as of March 31, 2018.

6. Loans

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 ¥906 million (US$8 million) and ¥1,166 million as of March 31, 2018 and 2017, respectively.

i) Loans to bankrupt borrowers were ¥0 million (US$0 million) and ¥0 million as of March 31, 2018 and 2017, respectively.

ii) Delinquent loans were ¥748 million (US$7 million) and ¥1,015 million as of March 31, 2018 and 2017, respectively.

iii) Delinquent loans three or more months past due were ¥120 million (US$1 million) and ¥112 million as of March 31, 2018 and 2017, respectively.

iv) Restructured loans were ¥36 million (US$0 million) and ¥38 million as of March 31, 2018 and 2017, 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 ¥13 million (US$0 million) and ¥22 million as of March 31, 2018 and 2017, respectively.

In addition, the direct write-offs related to loans decreased delinquent loans described above by ¥46 million (US$0 million) and ¥193 million as of March 31, 2018 and 2017, respectively.

7. Accumulated Depreciation of Tangible Fixed Assets

Accumulated depreciation of tangible fixed assets totaled ¥279,695 million (US$2,632 million) and ¥277,959 million as of March 31, 2018 and 2017, respectively.

8. Separate Accounts

Total assets in separate accounts provided for in Article 118 of the Insurance Business Act were ¥29,382 million (US$276 million) and ¥29,199 million as of March 31, 2018 and 2017, respectively. The amounts of separate account liabilities were the same as separate account assets.

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

There were no receivables from directors and audit board members as of March 31, 2018 and 2017, respectively. The total amounts of payables to directors and audit board members were ¥15 million (US$0 million) and ¥20 million as of March 31, 2018 and 2017, respectively.

10. Reserve for Dividends to Policyholders

	Millions of Yen		Millions of U.S. Dollars
For the years ended March 31	2018	2017	2018
Balance at the beginning of the fiscal year	¥ 40,861	¥ 44,720	$ 384
Transfer to reserve from surplus in the previous fiscal year	1,519	1,767	14
Dividends to policyholders paid out during the fiscal year	5,426	5,660	51
Increase in interest	58	65	0
Decrease in others	53	31	0
Balance at the end of the fiscal year	¥ 36,959	¥ 40,861	$ 347

11. Stocks of Unconsolidated Subsidiaries and affiliates

The amounts of stocks of unconsolidated subsidiaries and affiliates the Company held as of March 31, 2018 and 2017 were ¥574 million (US$5 million) and ¥604 million, respectively.

12. Pledged Assets

Assets pledged as collateral as of March 31, 2018 and 2017 were securities in the amount of ¥4,325 million (US$40 million) and ¥3,748 million, respectively.

13. Redemption of Foundation Funds

Notes for the fiscal year ended March 31, 2017

Accompanying the redemption of foundation funds totaling ¥11,000 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.

14. Additional Foundation Funds

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.

15. 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, 2018 and 2017 were ¥73,317 million (US$690 million) and ¥8,295 million, respectively. No assets were mortgaged as of March 31, 2018 and 2017.

16. Commitment Line

As of March 31, 2018 and 2017, there were unused commitment line agreements under which the Company is the lender of ¥4,101 million (US$38 million) and ¥3,500 million, respectively.

17. Subordinated Bonds

As of March 31, 2018 and 2017, bonds payable are subordinated bonds, for which the repayments are subordinated to other obligations.

18. Subordinated Loans

As of March 31, 2018 and 2017, other liabilities included subordinated loans of ¥97,000 million (US$913 million) and ¥97,000 million, respectively, for which the repayments are subordinated to other obligations.

19. 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, 2018 and 2017 were ¥9,750 million (US$91 million) and ¥10,391 million, respectively. These contributions are charged as operating expenses in the fiscal years in which they are paid.

20. Deferred Taxes

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

	Millions of Yen		Millions of U.S. Dollars
As of March 31	2018	2017	2018
Deferred tax assets	¥ 61,321	¥ 62,625	$ 577
Valuation allowance for deferred tax assets	21,494	20,809	202
Subtotal	39,827	41,816	374
Deferred tax liabilities	23,765	18,868	223
Net deferred tax assets (liabilities)	¥ 16,062	¥ 22,947	$ 151

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

Millions of Yen

As of March 31	2018
Deferred tax assets	
Contingency reserve	¥ 14,140
Reserve for price fluctuation	10,800
Net defined benefit liabilities	9,780
Impairment losses	8,526
Losses on valuation of securities	5,546
Net unrealized losses on available-for-sale securities	3,988
Deferred tax liabilities	
Net unrealized gains on available-for-sale securities	22,605

Millions of Yen

As of March 31	2017
Deferred tax assets	
Net defined benefit liabilities	¥ 10,538
Reserve for price fluctuation	10,205
Impairment losses	8,422
Contingency reserve	8,392
Losses on valuation of securities	7,309
Tax loss carried forward	6,497
Deferred tax liabilities	
Net unrealized gains on available-for-sale securities	18,023

Millions of U.S. Dollars

As of March 31	2018
Deferred tax assets	
Contingency reserve	$ 133
Reserve for price fluctuation	101
Net defined benefit liabilities	92
Impairment losses	80
Losses on valuation of securities	52
Net unrealized losses on available-for-sale securities	37
Deferred tax liabilities	
Net unrealized gains on available-for-sale securities	212

(2) The statutory tax rates were 28.1% and 28.1% for the fiscal years ended March 31, 2018 and 2017. 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	2018	2017
Interest on foundation funds	(4.7)%	(4.5)%
Change of valuation allowance for deferred tax assets	(3.7)%	(7.9)%

21. 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

	Millions of Yen		Millions of U.S. Dollars
For the years ended March 31	2018	2017	2018
Retirement benefit obligations at the beginning of the current fiscal year	¥ 46,769	¥ 49,674	$ 440
Service cost	2,029	2,045	19
Interest cost	468	497	4
Actuarial difference occurred during the fiscal year	1,473	(248)	13
Retirement benefit payments	(4,998)	(5,199)	(47)
Retirement benefit obligations at the end of the fiscal year	¥ 45,743	¥ 46,769	$ 430

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	2018	2017	2018
Pension plan assets at the beginning of the fiscal year	¥ 9,024	¥ 7,275	$ 84
Expected return on pension plan assets	70	68	0
Actuarial difference occurred during the fiscal year	1,944	1,700	18
Contributions by the employer	203	196	1
Retirement benefit payments	(204)	(216)	(1)
Pension plan assets at the end of the fiscal year	¥ 11,038	¥ 9,024	$ 103

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

	Millions of Yen		Millions of U.S. Dollars
As of March 31	2018	2017	2018
a. Funded plan retirement benefit obligation	¥ 45,743	¥ 46,769	$ 430
b. Pension plan assets	(11,038)	(9,024)	(103)
c. Net amount of liabilities and assets presented on the consolidated balance sheet	34,704	37,745	326
d. Net defined benefit liabilities	35,056	37,757	329
e. Net defined benefit assets	(351)	(11)	(3)
f. Net amount of liabilities and assets presented on the consolidated balance sheet	¥ 34,704	¥ 37,745	$ 326

iv) Breakdown of retirement benefit expenses

For the years ended March 31	Millions of Yen 2018	Millions of Yen 2017	Millions of U.S. Dollars 2018
Service cost	¥ 2,029	¥ 2,045	$ 19
Interest cost	468	497	4
Expected return on pension plan assets	(70)	(68)	(0)
Amortization of actuarial differences	545	904	5
Amortization of prior service cost	6	6	0
Retirement benefit expenses related to defined benefit plan	¥ 2,979	¥ 3,386	$ 28

v) Breakdown of items included in other comprehensive income

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

For the years ended March 31	Millions of Yen 2018	Millions of Yen 2017	Millions of U.S. Dollars 2018
Amortization of actuarial differences	¥ 1,015	¥ 2,854	$ 9
Amortization of prior service cost	6	6	0
Total	¥ 1,022	¥ 2,860	$ 9

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:

For the years ended March 31	Millions of Yen 2018	Millions of Yen 2017	Millions of U.S. Dollars 2018
Unrecognized actuarial differences	¥ (534)	¥ 481	$ (5)
Unrecognized prior service cost	13	19	0
Total	¥ (521)	¥ 501	$ (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	2018	2017
Stocks	60%	53%
Bonds	9%	11%
Others	31%	36%
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	2018	2017
Discount rate	1.0%	1.0%
Expected long-term rate of return on pension plan assets	0.7%	0.9%
Defined benefit corporate pension plans	1.7%	1.6%

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	2018	2017	2018
Domestic bonds	¥ 44,891	¥ 25,787	$ 422
Domestic stocks and other securities	1,709	2,727	16
Foreign securities	178	11,875	1

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	2018	2017	2018
Domestic bonds	¥ 549	¥ 24	$ 5
Domestic stocks and other securities	487	184	4
Foreign securities	1,249	10,816	11

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	2018	2017	2018
Domestic stocks and other securities	¥ 49	¥ 11	$ 0
Foreign securities	96	5	0

Losses on derivative financial instruments included net valuation losses of ¥76 million (US$0 million) and losses of ¥121 million for the fiscal years ended March 31, 2018 and 2017, respectively.

2. Impairment Losses of Fixed Assets

For the fiscal years ended March 31, 2018 and 2017, 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	2018	2017	2018
Real estate for rent:			
Land	¥ 518	¥ 357	$ 4
Building	699	418	6
Total real estate for rent (i)	1,217	775	11
Unused real estate:			
Land	369	403	3
Building	191	154	1
Total unused real estate (ii)	560	557	5
Total:			
Land	888	760	8
Building	890	572	8
Total (i)+(ii)	¥ 1,778	¥ 1,333	$ 16

(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% and 3.6% for the fiscal years ended March 31, 2018 and 2017, respectively. 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	2018	2017	2018
Net unrealized gains on available-for-sale securities, net of tax			
Amount incurred during the fiscal year	¥ 18,028	¥ 9,685	$ 169
Reclassification adjustments	(1,251)	(3,823)	(11)
Before tax adjustment	16,776	5,861	157
Tax effects	(6,587)	2,288	(62)
Net unrealized gains on available-for-sale securities, net of tax	10,188	8,150	95
Accumulated remeasurements of defined benefit plans			
Amount incurred during the fiscal year	470	1,949	4
Reclassification adjustments	552	911	5
Before tax adjustment	1,022	2,860	9
Tax effects	(286)	(799)	(2)
Accumulated remeasurements of defined benefit plans	735	2,061	6
Total other comprehensive income	¥ 10,924	¥ 10,212	$ 102

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, 2018 and 2017, and the consolidated statements of income, the consolidated statements of comprehensive income, the consolidated statements of changes in net assets, and the consolidated statements of 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, 2018 and 2017, 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 16, 2018
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 2018	Millions of Yen 2017	Millions of U.S. Dollars 2018
ASSETS:			
Cash and deposits:			
Cash	¥ 242	¥ 260	$ 2
Deposits	31,392	31,840	295
	31,635	32,100	297
Call loans	164,000	122,000	1,543
Monetary claims bought	30,151	33,202	283
Securities:			
National government bonds	1,866,902	1,929,361	17,572
Local government bonds	48,785	55,807	459
Corporate bonds	936,856	916,978	8,818
Domestic stocks	334,335	293,841	3,146
Foreign securities	926,893	878,872	8,724
Other securities	75,096	77,487	706
	4,188,869	4,152,349	39,428
Loans:			
Policy loans	49,637	57,577	467
Industrial and consumer loans	434,532	500,184	4,090
	484,169	557,761	4,557
Tangible fixed assets:			
Land	230,913	232,995	2,173
Buildings	162,583	167,527	1,530
Lease assets	3,946	2,015	37
Construction in progress	1,134	1,033	10
Other tangible fixed assets	2,432	2,531	22
	401,011	406,105	3,774
Intangible fixed assets:			
Software	21,295	14,647	200
Other intangible fixed assets	13,059	18,874	122
	34,355	33,521	323
Reinsurance receivables	812	194	7
Other assets:			
Accounts receivable	4,029	3,307	37
Prepaid expenses	3,418	3,046	32
Accrued income	17,198	17,040	161
Money on deposit	3,408	3,423	32
Derivative financial instruments	12,525	8,005	117
Cash collateral paid for financial instruments	3,748	2,482	35
Suspense payments	238	194	2
Other assets	1,061	1,218	9
	45,629	38,719	429
Prepaid pension cost	70	–	0
Deferred tax assets	16,187	22,725	152
Customers' liabilities under acceptances and guarantees	10	14	0
Allowance for possible loan losses	(394)	(487)	(3)
Total assets	**¥ 5,396,507**	**¥ 5,398,207**	**$ 50,795**

As of March 31	Millions of Yen 2018	Millions of Yen 2017	Millions of U.S. Dollars 2018
LIABILITIES:			
Policy reserves and other reserves:			
Reserve for outstanding claims	¥ 28,368	¥ 27,364	$ 267
Policy reserves	4,616,919	4,700,145	43,457
Reserve for dividends to policyholders	36,959	40,861	347
	4,682,246	4,768,371	44,072
Reinsurance payables	311	127	2
Bonds payable	40,349	40,349	379
Other liabilities:			
Payables under securities borrowing transactions	44,967	–	423
Loans payable	97,000	97,000	913
Income taxes payable	3,321	1,435	31
Accounts payable	6,869	5,143	64
Accrued expenses	8,889	8,053	83
Deferred income	184	192	1
Deposits received	454	364	4
Guarantee deposits received	17,433	18,171	164
Derivative financial instruments	2,544	1,382	23
Cash collateral received for financial instruments	7,630	4,190	71
Lease obligations	3,946	2,015	37
Asset retirement obligations	243	240	2
Suspense receipts	171	238	1
	193,656	138,429	1,822
Reserve for employees' retirement benefits	35,365	37,307	332
Reserve for price fluctuation	38,710	36,580	364
Deferred tax liabilities for land revaluation	17,762	18,091	167
Acceptances and guarantees	10	14	0
Total liabilities	**5,008,412**	**5,039,270**	**47,142**
NET ASSETS:			
Foundation funds	126,000	126,000	1,185
Reserve for redemption of foundation funds	131,000	131,000	1,233
Reserve for revaluation	281	281	2
Surplus:			
Reserve for future losses	266	242	2
Other surplus:			
Reserve for fund redemption	48,600	36,000	457
Equalized reserve for dividends to policyholders	9,678	8,718	91
Unappropriated surplus (loss)	37,356	31,353	351
Subtotal	95,635	76,071	900
	95,901	76,313	902
Total foundation funds and others	353,183	333,595	3,324
Net unrealized gains (losses) on available–for–sale securities, net of tax	81,292	71,104	765
Land revaluation differences	(46,380)	(45,762)	(436)
Total valuation and translation adjustments	34,912	25,341	328
Total net assets	**388,095**	**358,937**	**3,653**
Total liabilities and net assets	**¥ 5,396,507**	**¥ 5,398,207**	**$ 50,795**

Non-consolidated Statements of Income

Asahi Mutual Life Insurance Company

For the years ended March 31	Millions of Yen 2018	Millions of Yen 2017	Millions of U.S. Dollars 2018
Ordinary income:			
Premium and other income:			
Insurance premiums	¥ 383,422	¥ 383,514	$ 3,609
Reinsurance revenue	1,531	262	14
	384,953	383,776	3,623
Investment income:			
Interest, dividends and other income:			
Interest and dividends on securities	84,322	83,449	793
Interest on loans	8,371	10,250	78
Rent revenue from real estate	16,354	16,485	153
Other interest and dividends	929	1,013	8
	109,978	111,199	1,035
Gains on sales of securities	46,779	40,389	440
Reversal of allowance for possible loan losses	74	85	0
Other investment income	7,379	7,268	69
Investment gains on separate accounts	2,384	2,320	22
	166,597	161,263	1,568
Other ordinary income:			
Fund receipt from deposit of claims paid	13,793	16,427	129
Reversal of reserve for employees' retirement benefits	1,942	1,789	18
Reversal of reserve for outstanding claims	–	585	–
Reversal of policy reserves	83,226	114,500	783
Other ordinary income	1,713	1,653	16
	100,674	134,956	947
Total ordinary income	**652,225**	**679,996**	**6,139**
Ordinary expenses:			
Claims and other payments:			
Claims	124,809	135,234	1,174
Annuities	129,879	128,659	1,222
Benefits	82,264	97,962	774
Surrender benefits	95,710	94,226	900
Other payments	5,656	7,378	53
Reinsurance premiums	645	346	6
	438,966	463,808	4,131
Provision for policy reserves and other reserves:			
Provision for reserve for outstanding claims	1,003	–	9
Provision for interest on policyholders' dividend reserves	4	33	0
	1,008	33	9
Investment expenses:			
Interest expenses	4,449	4,042	41
Losses on sales of securities	2,285	11,025	21
Losses on valuation of securities	145	16	1
Losses on derivative financial instruments	13,891	11,264	130
Foreign exchange losses	2,530	326	23
Write-offs of loans	1	0	0
Depreciation of rental real estate and other assets	5,596	5,500	52
Other investment expenses	9,641	9,561	90
	38,542	41,737	362
Operating expenses	102,337	101,452	963
Other ordinary expenses:			
Claim deposit payments	14,767	15,456	139
Taxes	7,405	7,293	69
Depreciation	10,354	10,126	97
Other ordinary expenses	1,299	1,101	12
	33,827	33,977	318
Total ordinary expenses	**614,681**	**641,009**	**5,785**
Ordinary profit	**37,543**	**38,986**	**353**

For the years ended March 31	Millions of Yen 2018	Millions of Yen 2017	Millions of U.S. Dollars 2018
Extraordinary gains:			
Gains on disposal of fixed assets	194	1,243	1
	194	1,243	1
Extraordinary losses:			
Losses on disposal of fixed assets	1,538	1,633	14
Impairment losses	1,778	1,333	16
Provision for reserve for price fluctuation	2,130	2,050	20
Other extraordinary losses	–	344	–
	5,446	5,361	51
Surplus before income taxes	**32,291**	**34,869**	**303**
Income taxes:			
Current	6,680	3,777	62
Deferred	(377)	1,828	(3)
Total income taxes	**6,303**	**5,605**	**59**
Net surplus	**¥ 25,988**	**¥ 29,263**	**$ 244**

Non-consolidated Statements of Changes in Net Assets

Asahi Mutual Life Insurance Company

Millions of Yen

For the year ended March 31, 2018	Foundation funds and others								
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Surplus					Total foundation funds and others
				Reserve for future losses	Other surplus			Total surplus	
					Reserve for fund redemption	Equalized reserve for dividends to policyholders	Unappropriated surplus (loss)		
Beginning balance	**¥126,000**	**¥131,000**	**¥ 281**	**¥ 242**	**¥ 36,000**	**¥ 8,718**	**¥ 31,353**	**¥ 76,313**	**¥333,595**
Changes in the fiscal year:									
Additions to reserve for dividends to policyholders							(1,519)	(1,519)	(1,519)
Additions to reserve for future losses				24			(24)		
Payment of interest on foundation funds							(5,499)	(5,499)	(5,499)
Net surplus							25,988	25,988	25,988
Additions to reserve for fund redemption					12,600		(12,600)		
Additions to equalized reserve for dividends to policyholders						960	(960)		
Reversal of land revaluation differences							617	617	617
Net changes, excluding foundation funds and others									
Net changes in the fiscal year	**–**	**–**	**–**	**24**	**12,600**	**960**	**6,003**	**19,587**	**19,587**
Ending balance	**¥126,000**	**¥131,000**	**¥ 281**	**¥ 266**	**¥ 48,600**	**¥ 9,678**	**¥ 37,356**	**¥ 95,901**	**¥353,183**

Millions of Yen

For the year ended March 31, 2018	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	**¥ 71,104**	**¥ (45,762)**	**¥ 25,341**	**¥ 358,937**
Changes in the fiscal year:				
Additions to reserve for dividends to policyholders				(1,519)
Additions to reserve for future losses				
Payment of interest on foundation funds				(5,499)
Net surplus				25,988
Additions to reserve for fund redemption				
Additions to equalized reserve for dividends to policyholders				
Reversal of land revaluation differences				617
Net changes, excluding foundation funds and others	10,188	(617)	9,570	9,570
Net changes in the fiscal year	**10,188**	**(617)**	**9,570**	**29,158**
Ending balance	**¥ 81,292**	**¥ (46,380)**	**¥ 34,912**	**¥ 388,095**

Millions of U.S. Dollars

For the year ended March 31, 2018	Foundation funds and others								
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Surplus					Total foundation funds and others
				Reserve for future losses	Other surplus			Total surplus	
					Reserve for fund redemption	Equalized reserve for dividends to policyholders	Unappropriated surplus (loss)		
Beginning balance	$ 1,185	$ 1,233	$ 2	$ 2	$ 338	$ 82	$ 295	$ 718	$ 3,140
Changes in the fiscal year:									
Additions to reserve for dividends to policyholders							(14)	(14)	(14)
Additions to reserve for future losses				0			(0)		
Payment of interest on foundation funds							(51)	(51)	(51)
Net surplus							244	244	244
Additions to reserve for fund redemption					118		(118)		
Additions to equalized reserve for dividends to policyholders						9	(9)		
Reversal of land revaluation differences							5	5	5
Net changes, excluding foundation funds and others									
Net changes in the fiscal year	–	–	–	0	118	9	56	184	184
Ending balance	$ 1,185	$ 1,233	$ 2	$ 2	$ 457	$ 91	$ 351	$ 902	$ 3,324

Millions of U.S. Dollars

For the year ended March 31, 2018	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	$ 669	$ (430)	$ 238	$ 3,378
Changes in the fiscal year:				
Additions to reserve for dividends to policyholders				(14)
Additions to reserve for future losses				
Payment of interest on foundation funds				(51)
Net surplus				244
Additions to reserve for fund redemption				
Additions to equalized reserve for dividends to policyholders				
Reversal of land revaluation differences				5
Net changes, excluding foundation funds and others	95	(5)	90	90
Net changes in the fiscal year	95	(5)	90	274
Ending balance	$ 765	$ (436)	$ 328	$ 3,653

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**

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

Asahi Mutual Life Insurance Company

For the years ended March 31	Millions of Yen 2018	Millions of Yen 2017	Millions of U.S. Dollars 2018
Unappropriated surplus (loss)	**¥ 37,356**	**¥ 31,353**	**$ 351**
Reversal of Voluntary surplus reserves:	**420**	**–**	**3**
Reversal of equalized reserve for dividends to policyholders	420	–	3
Total	**37,777**	**31,353**	**355**
Appropriation of surplus (loss):	**20,854**	**20,603**	**196**
Reserve for dividends to policyholders	1,963	1,519	18
Net surplus (loss):	18,891	19,083	177
Reserve for future losses	25	24	0
Interest on foundation funds	6,266	5,499	58
Voluntary surplus reserves:	12,600	13,560	118
Reserve for fund redemption	12,600	12,600	118
Equalized reserve for dividends to policyholders	–	960	–
Surplus (loss) carried forward	**¥ 16,922**	**¥ 10,750**	**$ 159**

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.

The Insurance Business Act shall prescribe the disclosure of a single fiscal year. The Company provides the disclosure of comparative financial information corresponding to each comparative fiscal year in the presented financial statements for use by readers outside Japan.

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 ¥106.24 = US$1.00, the effective rate of exchange at the balance sheet date of March 31, 2018.

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 (straight-line method) determined by the moving average method.

iii) Policy-reserve-matching bonds, which are 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")), are stated at amortized cost (straight-line method) determined by the moving average method.

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

v) Available-for-sale securities with fair market value except for the following are stated at fair market value based on the market prices at the end of the fiscal year. Available-for-sale securities with fair market value, of which domestic stocks, domestic exchange-traded funds, domestic listed real estate investment trusts, foreign exchange-traded funds for which hedge accounting is not applied, foreign bond 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 fair market value based on the average of the market prices during the final month of the fiscal year. Costs of sales are determined by the moving average method. Available-for-sale securities with extreme difficulty of measuring fair market value, of which public and corporate bonds including foreign bonds with the difference between acquisition cost and face value recognized as an adjustment of interest, are stated at amortized cost (straight-line method) determined by the moving average method. The other securities are stated at cost determined by the moving average method. Net unrealized gains or losses on these available-for-sale securities, net of tax, are recorded as a separate component of net assets.

(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).

Notes for the fiscal year ended March 31, 2017

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 determined by the real-estate appraiser set forth in Article 2, Item 5 of the said Ordinance with certain reasonable adjustments.

Notes for the fiscal year ended March 31, 2017

Millions of Yen

As of March 31	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)

(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, foreign bond 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, 2018 and 2017 were ¥60 million (US$0 million) and ¥215 million, respectively.

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

Reserve for employees' retirement benefits and prepaid pension cost are 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 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. 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 quantifies the credit risks of entire portfolio through VaR method and controls the amount of risks within an acceptable range. Furthermore, 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 Company endeavors to develop high quality portfolio.

The balance sheet amounts, fair values and the differences between those of major financial assets and liabilities as of March 31, 2018 and 2017 were as follows:

Millions of Yen

As of March 31	2018		
	Balance Sheet Amount	Fair Value	Difference
Cash and deposits	¥ 31,635	¥ 31,635	¥ –
Call loans	164,000	164,000	–
Monetary claims bought	30,151	33,335	3,184
Trading securities	–	–	–
Held-to-maturity debt securities	30,151	33,335	3,184
Policy-reserve-matching bonds	–	–	–
Available-for-sale securities	–	–	–
Securities	4,112,857	4,457,152	344,295
Trading securities	27,816	27,816	–
Held-to-maturity debt securities	323,610	364,300	40,690
Policy-reserve-matching bonds	2,094,251	2,397,856	303,605
Available-for-sale securities	1,667,178	1,667,178	–
Loans	484,169	494,561	10,391
Policy loans	49,637	49,637	–
Industrial and consumer loans	434,532	444,924	10,391
Total assets	4,822,813	5,180,685	357,871
Bonds payable	40,349	43,585	3,236
Loans payable	97,000	96,768	(231)
Total liabilities	137,349	140,354	3,005
Derivative financial instruments	9,980	9,980	–
Hedge accounting not applied	1,811	1,811	–
Hedge accounting applied	8,169	8,169	–

* 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 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.

As of March 31	Millions of U.S. Dollars 2018 Balance Sheet Amount	Fair Value	Difference
Cash and deposits	$ 297	$ 297	$ –
Call loans	1,543	1,543	–
Monetary claims bought	283	313	29
Trading securities	–	–	–
Held-to-maturity debt securities	283	313	29
Policy-reserve-matching bonds	–	–	–
Available-for-sale securities	–	–	–
Securities	38,712	41,953	3,240
Trading securities	261	261	–
Held-to-maturity debt securities	3,046	3,429	383
Policy-reserve-matching bonds	19,712	22,570	2,857
Available-for-sale securities	15,692	15,692	–
Loans	4,557	4,655	97
Policy loans	467	467	–
Industrial and consumer loans	4,090	4,187	97
Total assets	45,395	48,763	3,368
Bonds payable	379	410	30
Loans payable	913	910	(2)
Total liabilities	1,292	1,321	28
Derivative financial instruments	93	93	–
Hedge accounting not applied	17	17	–
Hedge accounting applied	76	76	–

* 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, foreign bond 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 ¥76,012 million (US$715 million) and ¥121,116 million as of March 31, 2018 and 2017, 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 values of bonds payable are based on the market values, etc. as of March 31, 2018 and 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.

4. 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 ¥268,270 million (US$2,525 million) and ¥265,583 million (US$2,499 million) as of March 31, 2018 and ¥271,407 million and ¥253,384 million as of March 31, 2017, 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.

5. Securities Lent under Lending Agreements

The amount of securities lent under lending agreements was ¥121,177 million (US$1,140 million) as of March 31, 2018.

6. Loans

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 ¥906 million (US$8 million) and ¥1,166 million as of March 31, 2018 and 2017, respectively.

i) Loans to bankrupt borrowers were ¥0 million (US$0 million) and ¥0 million as of March 31, 2018 and 2017, respectively.

ii) Delinquent loans were ¥748 million (US$7 million) and ¥1,015 million as of March 31, 2018 and 2017, respectively.

iii) Delinquent loans three or more months past due were ¥120 million (US$1 million) and ¥112 million as of March 31, 2018 and 2017, respectively.

iv) Restructured loans were ¥36 million (US$0 million) and ¥38 million as of March 31, 2018 and 2017, 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 ¥13 million (US$0 million) and ¥22 million as of March 31, 2018 and 2017, respectively.

In addition, the direct write-offs related to loans decreased delinquent loans described above by ¥46 million (US$0 million) and ¥193 million as of March 31, 2018 and 2017, respectively.

7. Accumulated Depreciation of Tangible Fixed Assets

Accumulated depreciation of tangible fixed assets totaled ¥279,518 million (US$2,631 million) and ¥277,798 million as of March 31, 2018 and 2017, respectively.

8. Separate Accounts

Total assets in separate accounts provided for in Article 118 of the Insurance Business Act were ¥29,382 million (US$276 million) and ¥29,199 million as of March 31, 2018 and 2017, respectively. The amounts of separate account liabilities were the same as separate account assets.

9. Receivables from/Payables to Subsidiaries

The total amounts of receivables from/payables to subsidiaries were ¥285 million (US$2 million) and ¥991 million (US$9 million) as of March 31, 2018 and ¥275 million and ¥1,948 million as of March 31, 2017, respectively.

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

There were no receivables from directors and audit board members as of March 31, 2018 and 2017. The total amounts of payables to directors and audit board members were ¥15 million (US$0 million) and ¥20 million as of March 31, 2018 and 2017, respectively.

11. Deferred Taxes

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

As of March 31	Millions of Yen 2018	Millions of Yen 2017	Millions of U.S. Dollars 2018
Deferred tax assets	¥ 61,219	¥ 62,340	$ 576
Valuation allowance for deferred tax assets	21,488	20,803	202
Subtotal	39,730	41,537	373
Deferred tax liabilities	23,543	18,811	221
Net deferred tax assets (liabilities)	¥ 16,187	¥ 22,725	$ 152

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

As of March 31	Millions of Yen 2018
Deferred tax assets	
Contingency reserve	¥ 14,140
Reserve for price fluctuation	10,800
Reserve for employees' retirement benefits	9,866
Impairment losses	8,526
Losses on valuation of securities	5,542
Net unrealized losses on available-for-sale securities	3,988
Deferred tax liabilities	
Net unrealized gains on available-for-sale securities	22,605

As of March 31	Millions of Yen 2017
Deferred tax assets	
Reserve for employees' retirement benefits	¥ 10,417
Reserve for price fluctuation	10,205
Impairment losses	8,422
Contingency reserve	8,392
Losses on valuation of securities	7,305
Tax loss carried forward	6,484
Deferred tax liabilities	
Net unrealized gains on available-for-sale securities	18,023

As of March 31	Millions of U.S. Dollars 2018
Deferred tax assets	
Contingency reserve	$ 133
Reserve for price fluctuation	101
Reserve for employees' retirement benefits	92
Impairment losses	80
Losses on valuation of securities	52
Net unrealized losses on available-for-sale securities	37
Deferred tax liabilities	
Net unrealized gains on available-for-sale securities	212

(2) The statutory tax rates were 28.1% and 28.1% for the fiscal years ended March 31, 2018 and 2017, 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	2018	2017
Interest on foundation funds	(4.8)%	(4.5)%
Change of valuation allowance for deferred tax assets	(3.8)%	(7.9)%

12. Reserve for Dividends to Policyholders

For the years ended March 31	Millions of Yen 2018	Millions of Yen 2017	Millions of U.S. Dollars 2018
Balance at the beginning of the fiscal year	¥ 40,861	¥ 44,720	$ 384
Transfer to reserve from surplus in the previous fiscal year	1,519	1,767	14
Dividends to policyholders paid out during the fiscal year	5,426	5,660	51
Increase in interest	58	65	0
Decrease in others	53	31	0
Balance at the end of the fiscal year	¥ 36,959	¥ 40,861	$ 347

13. Stocks of Subsidiaries and Affiliates

The amounts of stocks of subsidiaries and affiliates the Company held as of March 31, 2018 and 2017 were ¥5,063 million (US$47 million) and ¥5,093 million, respectively.

14. Pledged Assets

Assets pledged as collateral as of March 31, 2018 and 2017 were securities in the amount of ¥4,325 million (US$40 million) and ¥3,748 million, respectively.

15. 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 ¥177 million (US$1 million) and ¥130 million as of March 31, 2018 and 2017, respectively.

16. 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 ¥81,574 million (US$767 million) and ¥71,386 million as of March 31, 2018 and 2017, respectively.

17. Redemption of Foundation Funds

Notes for the fiscal year ended March 31, 2017

Accompanying the redemption of foundation funds totaling ¥11,000 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.

18. Additional Foundation Funds

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.

19. 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, 2018 and 2017 were ¥73,317 million (US$690 million) and ¥8,295 million, respectively. No assets were mortgaged as of March 31, 2018 and 2017.

20. Commitment Line

As of March 31, 2018 and 2017, there were unused commitment line agreements under which the Company is the lender of ¥4,101 million (US$38 million) and ¥3,500 million, respectively.

21. Subordinated Bonds

As of March 31, 2018 and 2017, bonds payable are subordinated bonds, for which the repayments are subordinated to other obligations.

22. Subordinated Loans

As of March 31, 2018 and 2017, loans payable are subordinated loans, for which the repayments are subordinated to other obligations.

23. 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, 2018 and 2017 were ¥9,750 million (US$91 million) and ¥10,391 million, respectively. These contributions are charged as operating expenses in the fiscal years in which they are paid.

24. 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	2018	2017	2018
Retirement benefit obligations at the beginning of the current fiscal year	¥ 46,250	¥ 49,209	$ 435
Service cost	1,970	1,990	18
Interest cost	462	492	4
Actuarial difference occurred during the fiscal year	1,471	(251)	13
Retirement benefit payments	(4,986)	(5,190)	(46)
Retirement benefit obligations at the end of the fiscal year	¥ 45,167	¥ 46,250	$ 425

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	2018	2017	2018
Pension plan assets at the beginning of the fiscal year	¥ 8,493	¥ 6,816	$ 79
Expected return on pension plan assets	60	58	0
Actuarial difference occurred during the fiscal year	1,928	1,697	18
Contributions by the employer	129	127	1
Retirement benefit payments	(192)	(207)	(1)
Pension plan assets at the end of the fiscal year	¥ 10,418	¥ 8,493	$ 98

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

	Millions of Yen		Millions of U.S. Dollars
As of March 31	2018	2017	2018
a. Funded plan retirement benefit obligation	¥ 45,167	¥ 46,250	$ 425
b. Pension plan assets	(10,418)	(8,493)	(98)
c. a + b	34,749	37,757	327
d. Unrecognized actuarial differences	546	(449)	5
e. Net amount of liabilities and assets presented on the non-consolidated balance sheet	35,295	–	332
f. Reserve for employees' retirement benefits	35,365	37,307	332
g. Prepaid pension cost	(70)	–	(0)
h. Net amount of liabilities and assets presented on the non-consolidated balance sheet	¥ 35,295	¥ –	$ 332

iv) Breakdown of retirement benefit expenses

	Millions of Yen		Millions of U.S. Dollars
For the years ended March 31	2018	2017	2018
Service cost	¥ 1,970	¥ 1,990	$ 18
Interest cost	462	492	4
Expected return on pension plan assets	(60)	(58)	(0)
Amortization of actuarial differences	538	897	5
Retirement benefit expenses related to defined benefit plan	¥ 2,910	¥ 3,321	$ 27

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	2018	2017
Stocks	62%	54%
Bonds	6%	7%
Others	32%	39%
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	2018	2017
Discount rate	1.0%	1.0%
Expected long-term rate of return on pension plan assets	0.7%	0.9%
Defined benefit corporate pension plans	1.7%	1.6%

III. Notes to Non-consolidated Statements of Income

1. Transactions with Subsidiaries

The total amounts of revenues and expenditures in connection with subsidiaries were ¥442 million (US$4 million) and ¥10,245 million (US$96 million) for the fiscal year ended March 31, 2018 and ¥431 million and ¥9,990 million for the fiscal year ended March 31, 2017, 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	2018	2017	2018
Domestic bonds	¥ 44,891	¥ 25,787	$ 422
Domestic stocks and other securities	1,709	2,725	16
Foreign securities	178	11,875	1

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	2018	2017	2018
Domestic bonds	¥ 549	¥ 24	$ 5
Domestic stocks and other securities	487	184	4
Foreign securities	1,249	10,816	11

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	2018	2017	2018
Domestic stocks and other securities	¥ 49	¥ 11	$ 0
Foreign securities	96	5	0

Losses on derivative financial instruments included net valuation losses of ¥76 million (US$0 million) and losses of ¥121 million for the fiscal years ended March 31, 2018 and 2017, respectively.

3. Policy Reserves for the Reinsurance Contracts

Provisions for policy reserves for ceded reinsurance considered in calculating reversal of policy reserves for the fiscal years ended March 31, 2018 and 2017 were ¥47 million (US$0 million) and ¥46 million, respectively.

4. Impairment Losses of Fixed Assets

For the fiscal years ended March 31, 2018 and 2017, 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	**2018**	**2017**	**2018**
Real estate for rent:			
Land	¥ 518	¥ 357	$ 4
Building	699	418	6
Total real estate for rent (i)	1,217	775	11
Unused real estate:			
Land	369	403	3
Building	191	154	1
Total unused real estate (ii)	560	557	5
Total:			
Land	888	760	8
Building	890	572	8
Total (i) + (ii)	¥ 1,778	¥ 1,333	$ 16

(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% and 3.6% for the fiscal years ended March 31, 2018 and 2017, respectively. 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, 2018 and 2017, and the non-consolidated statements of income, the non-consolidated statements changes in net assets, and the 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, 2018 and 2017, 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 16, 2018
Tokyo, Japan

A member firm of Ernst & Young Global Limited

9. Company Overview (as of March 31, 2018)

Tokyo Head Office

Tama Head Office

Daitabashi Office

Company Name:	Asahi Mutual Life Insurance Company
Founded:	March 1, 1888
Total Assets:	5.3965 trillion yen
Number of Offices:	58 branches; 607 sales offices (as of April 1, 2018)
Number of Employees:	15,935 (staff: 4,239; sales representatives: 11,696)
Location of Tokyo Head Office:	6-1, Otemachi 2-chome, Chiyoda-ku, Tokyo 100-8103, Japan Tel: 81-3-6225-3111