Annual Report 2020

Year Ended March 31, 2020

Asahi Mutual Life Insurance Company

ASAHI LIFE

Contents

1. Message from the President

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

木村 博紀

Hiroki Kimura

President and Representative Director

Thank you for supporting Asahi Life.

Founded in 1888, Asahi Life operates according to the basic management philosophy of "Sincere Service," and we have thrived over the years due to the support of our customers. We are deeply grateful for all of your support over these many years.

Entering the final year of our mid-term management plan "TRY NEXT - Realizing Growth and Shaping the Future"

With various social changes on the horizon, including the era of the 100-year lifespan, greater health awareness, and increasing populations of working women and singles, Asahi Life must recognize the potential for new insurance-related needs and work to further enhance our presence in the market by growing fields in which we ought to play a role, as a company focused on third-sector insurance such as nursing care insurance. Our mid-term management plan "TRY NEXT" builds on this perspective. Beginning implementation in FY 2018, the mid-term management plan aims to achieve our vision as follows: "Asahi Life: a company that contributes to society and continues to be customers' trusted choice, supporting each and every individual life." We pursue various strategies toward achieving this goal based on the following three major themes.

Theme 1: "Building upon Asahi Life's distinctiveness"
Theme 2: "Improving profitability"
Theme 3: "Shaping the future"

Our mid-term management plan "TRY NEXT" establishes strategic targets for the number of customers, protection-type product policies in force, and new nursing care insurance policies in the period of FY 2018 through FY 2020. Overall, solid progress was made towards the achievement of all of these FY 2020 strategic targets.

FY 2020 marks the finishing year of our mid-term management plan, and through the ongoing steady implementation of the plan we "aim to be a company that contributes to society and continues to be customers' trusted choice."

Exerting our Market Presence as "the Go-to Company for Nursing Care Insurance"

In 2003, Asahi Life began full-scale implementation of initiatives for third-sector products such as medical and nursing care insurance and since then we have developed a wide variety of insurance products. In terms of our first key theme of "building upon Asahi Life's distinctiveness" in the "TRY NEXT" mid-term management plan, we work to exert our market presence as "the go-to company for nursing care insurance" and establish a decisive presence in the senior market by developing and providing advanced nursing care insurance products and services.

Specifically, we launched the "Anshin Kaigo for those Requiring Support" product in October 2018, industry-first nursing care insurance that begins protection at "Support Level 2" in the public nursing care insurance system for less severe cases in which nursing care is required and to help ward off a worsening of patients' condition. This new product is sold alongside our conventional nursing care insurance. Further, in April 2020, we further expanded our nursing care insurance product lineup with the launch of the "policy rider for mild cognitive impairment," which provides protection for the pre-dementia state of mild cognitive impairment. An increasing number of people in the public nursing care insurance system are certified as needing nursing care, while 14.1%* of households have private nursing care insurance. As we recognize that we have a "social mission to promote the spread of private nursing care insurance," Asahi Life will continue to work to provide a variety of useful products and services in the future ahead.

*Source: Japan Institute of Life Insurance

More sophisticated asset management

In terms of our second key theme, "Improving profitability," we are working to make our asset management more sophisticated to secure stable investment income by appropriately handling the changing market environment.

Because domestic interest rates remained low in FY 2019, we curtailed investment in yen interest-bearing assets. At the same time, we aimed to diversify our revenue sources by expanding the range of asset classes in which we invest, purchasing foreign currency-denominated bonds as well as making alternative investments, while curbing risk through diversification and rigorous selection of investments. Moreover, as a responsible institutional investor, we are promoting good stewardship and pursuing investment and lending that incorporate ESG factors (environment, social, governance).

Additionally, Asahi Life and our subsidiary Asahi Life Asset Management Co., Ltd. reached an agreement with French investment giant Natixis Investment Managers S.A. (Natixis) in March 2019 to pursue closer cooperation, thereby growing our respective businesses and creating new investment opportunities. In FY 2019, we built up alternative

investments by investing in assets managed by Natixis and cultivated personnel through dispatching trainees to Natixis.

We will continue to make our asset management more sophisticated to appropriately handle the changing market environment and secure stable investment income by seeking to expand the range of asset classes in which we invest, to diversify sources of revenue and further strengthen our asset allocation functions.

Improvement of digital marketing and development of products and services that utilize ICT

In terms of our third key theme, "Shaping the future," we are pursuing R&D on products and services that utilize ICT as one initiative to build the future of Asahi Life. Specifically, we established a "social cooperation program" with the University of Tokyo and began research in April 2018 to analyze medical big data and build a predictive model for increased severity in lifestyle diseases such as diabetes. We also established a partnership with DeSC Healthcare, Inc., a subsidiary of DeNA Co., Ltd., in March 2019 to jointly develop healthcare-type insurance products and health-promotion support services to improve customer health and lower disease rates. In September 2019, as the first phase of the partnership, we launched the app "kencom x Hoken" to promote customer health.

Further, in April 2020, we established ASAHI DIGITAL INNOVATION LAB as a value-creation hub and a step towards creating a next-generational insurance business.

By catalyzing initiatives that use digital technology, ASAHI DIGITAL INNOVATION LAB provides customers with new value and establishes a new business model.

Moving ahead, we will continue to employ ICT and AI to research and develop new products and services, in addition to aiming to create new points of customer contact and improve customer convenience.

CSR initiatives

Based on our basic management philosophy of "Sincere Service," as well as our belief that our company's business operations themselves are the foundation for fulfilling our corporate social responsibilities (CSR), we work to "engage in business that prioritizes the improvement of customer satisfaction," pursue "co-existence with society through continued engagement to create a prosperous society," and finally to "improve employee satisfaction through the creation of a comfortable workplace that fosters employees."

Additionally, with the Sustainable Development Goals (SDGs) adopted by the United Nations as global goals for 2030, private companies as well as governments and municipalities are being called upon to work towards the achievement of the goals, both within Japan and around the world. At Asahi Life, we also aim to contribute to the achievement of the SDGs in our CSR initiatives.

Conclusion

My deepest sympathies go out to all of those affected by the COVID-19 global pandemic. In the context of the widening pandemic, Asahi Life's response has included special treatment of insurance policies and a variety of other measures. We prioritize the health and safety of our customers and employees, and continue to provide flexible services that bring our customers peace of mind. We look forward to your continued support and patronage in the future.

Mid-term Management Plan

"TRY NEXT - Realizing Growth and Shaping the Future"

Since April 2018, Asahi Life has been advancing our mid-term management plan, "TRY NEXT - Realizing Growth and Shaping the Future" (FY 2018 - FY 2020). We are working to achieve our corporate vision in this plan by pursuing various strategies based on the following three major themes.

Corporate vision

Asahi Life: a company that contributes to society and continues to be customers' trusted choice,

supporting each and every individual life

Improving the quality of business operational systems

- Underlying work on the three major themes -

[Progress toward strategic targets]

		FY 2020 targets	Status at the end of FY 2019	At the start of the mid-term management plan begun in FY 2018
Number of customers	Number of individual customers	2.58 million	2.562 million	2.518 million
	Number of corporate customers	43 thousand	41 thousand	39 thousand
Policies in force for protection-type products*1 (Annualized premiums)		¥347.0 billion	¥339.9 billion	¥321.2 billion
	(Subset) Policies for individual customers*2	¥283.0 billion	¥277.2 billion	¥273.2 billion
Nursing care insurance	New policies	98,000	Approx. 101,000	—

*1 Protection-type products are the total of death protection insurance and third-sector products such as medical insurance, nursing care insurance, and non-participating group medical insurance sold through the agency channels (excludes savings-type products).
*2 In the strategic targets, "policies for individual customers" is the total of protection-type products sold by sales representatives to individual customers and protection-type products sold through the agency channels for individual customers.

3. Business Overview

Overview

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

Our core business is life insurance for individuals in Japan, with a specific strategic focus on offering protection-type products, including medical and nursing care products.

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, 2020, we had a non-consolidated solvency margin ratio of 942.8 percent, and insurer financial strength ratings of BBB+ (Stable Outlook) from Fitch, BBB (Stable Outlook) from R&I and BBB (Positive Outlook) from JCR.

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 customer, 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, 2020, we employed a total of 12,485 sales representatives. As of April 1, 2020, we had 578 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 60.3% of the previous fiscal year due to a drop in sales of insurance for corporate customers.
Of these, third-sector products reached 118.6% of the previous fiscal year.

(Billions of Yen)

Years ended March 31	2019	2020	Year-over-year
New policies	41.4	25.0	60.3%
Third-sector products	17.4	20.7	118.6%

● Surrendered and Lapsed Policies for Individual Insurance/Individual Annuities

Annualized premiums from surrendered and lapsed policies ended at 106.5% of the previous fiscal year.

(Billions of Yen)

Years ended March 31	2019	2020	Year-over-year
Surrendered and lapsed policies	22.0	23.4	106.5%
Surrender and lapse ratio	4.13%	4.34%	+0.20points

● Policies in Force for Individual Insurance/Individual Annuities

Annualized premiums from policies in force ended at 98.2% of the end of the previous fiscal year.
Of these, third-sector products reached 102.6% of the end of the previous fiscal year.

(Billions of Yen)

As of March 31	2019	2020	Year-over-year
Policies in force	540.5	530.7	98.2%
Third-sector products	210.2	215.7	102.6%

New Policies for Protection-type Products

Annualized premiums from new policies for protection-type products, a focus of Asahi Life, ended at 60.3% of the previous fiscal year due to a drop in sales of insurance for corporate customers. Annualized premiums from new policies for protection-type products excluding insurance for corporate customers grew steadily, reaching 119.0% of the previous fiscal year.

(Billions of Yen)

Years ended March 31	2019	2020	Year-over-year
New policies	41.4	25.0	60.3%
Sales representative channel	36.6	18.3	50.0%
Independent agency channels for individual customers	4.8	6.7	138.7%
Excluding insurance for corporate customers	20.6	24.6	119.0%

Policies in Force for Protection-type Products

Annualized premiums from policies in force for protection-type products gained +¥0.1 billion on the end of the previous fiscal year, exhibiting an ongoing increasing trend. Excluding insurance for corporate customers, the gain was +¥3.4 billion on the end of the previous fiscal year.

(Billions of Yen)

As of March 31	2019	2020	Year-over-year
Policies in force	339.7	339.9	+0.1
Sales representative channel	325.5	321.1	(4.3)
Independent agency channels for individual customers	14.2	18.7	+4.5
Excluding insurance for corporate customers	298.3	301.7	+3.4

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 products such as medical insurance, nursing care insurance, and non-participating group medical insurance sold through the agency channels (excludes saving-type products).

Financial Performance

Fundamental Profit

Due to improvements in negative spread amount caused by a decrease in assumed interest, fundamental profit grew ¥5.3 billion relative to the previous fiscal year to ¥29.6 billion.

(Billions of Yen)

Years ended March 31	2019	2020	Year-over-year
Fundamental profit	24.2	29.6	+5.3
Underwriting gains	78.9	77.9	(0.9)
Negative spread amount	(54.6)	(48.3)	+6.3

Ordinary Profit, Net Surplus

Ordinary profit was ¥31.0 billion, with a net surplus of ¥20.4 billion.

(Billions of Yen)

Years ended March 31	2019	2020	Year-over-year
Ordinary profit	24.6	31.0	+6.4
Net surplus	16.2	20.4	+4.2

Financial Soundness

Solvency Margin Ratio

Solvency margin ratio increased 81.7 points relative to the end of the previous fiscal year, raising it to 942.8%.

As of March 31	2019	2020	Year-over-year
Solvency margin ratio	861.1%	942.8%	+81.7points

Adjusted Net Assets

Adjusted net assets reached ¥1,059.8 billion, an increase of ¥7.4 billion relative to the end of the previous fiscal year.

(Billions of Yen)

As of March 31	2019	2020	Year-over-year
Adjusted net assets	1,052.4	1,059.8	+7.4

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

(Billions of Yen)

As of March 31	2019	2020	Year-over-year
Securities	508.9	472.4	(36.4)
Domestic stocks	130.9	93.0	(37.8)
Domestic bonds	347.4	322.9	(24.5)
Foreign securities	29.8	64.3	+34.5
Other securities	(2.5)	(10.9)	(8.4)

● 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, 2020, the balance of foundation funds was ¥91.0 billion and the amount of reserve for redemption of foundation funds was ¥166.0 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	2019	2020	Year-over-year
Ordinary income:	638.4	622.0	97.4%
Premium and other income:	396.7	393.6	99.2%
Insurance premiums from individual insurance and individual annuities	376.1	372.7	99.1%
Investment income:	152.6	139.7	91.6%
Interest, dividends and other income	107.8	108.7	100.8%
Gains on sales of securities	34.6	23.8	68.8%
Other ordinary income:	89.0	88.6	99.6%
Reversal of policy reserves	73.5	75.3	102.5%
Ordinary expenses:	613.7	591.0	96.3%
Claims and other payments:	418.2	406.5	97.2%
Claims	121.5	114.6	94.3%
Annuities	128.4	126.8	98.8%
Benefits	71.7	71.4	99.7%
Investment expenses:	56.2	42.7	75.9%
Losses on sales of securities	12.5	2.8	22.4%
Losses on valuation of securities	0.6	0.3	58.6%
Operating expenses	105.8	106.3	100.5%
Other ordinary expenses	33.4	33.6	100.6%
Ordinary profit	24.6	31.0	126.1%
Extraordinary gains:	3.4	0.1	3.4%
Gains on disposal of fixed assets	3.4	0.0	2.6%
Extraordinary losses:	10.9	4.7	43.0%
Losses on disposal of fixed assets	7.0	1.3	19.3%
Impairment losses	1.2	0.9	78.2%
Provision for reserve for price fluctuation	2.1	2.3	107.3%
Surplus before income taxes	17.0	26.4	154.9%
Total income taxes	0.8	6.0	706.8%
Net surplus	16.2	20.4	125.8%

Ordinary income was ¥622.0 billion (97.4% of the previous fiscal year), of which ¥393.6 billion (99.2%) was premium and other income. Investment income was ¥139.7 billion (91.6%) mainly due to a drop in gains on sales of securities. Other ordinary income was ¥88.6 billion (99.6%).

Ordinary expenses were ¥591.0 billion (96.3%), of which ¥406.5 billion (97.2%) was claims and other payments. Investment expenses were ¥42.7 billion (75.9%) mainly due to decreased losses on sales of securities. Operating expenses were ¥106.3 billion (100.5%).

This resulted in an ordinary profit of ¥31.0 billion (126.1%).

Extraordinary gains were ¥0.1 billion (3.4%), and extraordinary losses were ¥4.7 billion (43.0%). Total income taxes reached ¥6.0 billion.

As a result of the above factors, net surplus was ¥20.4 billion (125.8%).

Assets, Liabilities and Net Assets

Selected Assets Data

(Billions of Yen)

As of March 31	2019	2020	Year-over-year
Total assets:	5,356.3	5,388.6	+32.2
Cash, deposits and call loans	176.1	112.5	(63.5)
Monetary claims bought	28.9	26.9	(2.0)
Securities:	4,257.4	4,373.7	+116.3
Domestic bonds	2,775.4	2,727.9	(47.4)
Domestic stocks	320.9	288.1	(32.8)
Foreign securities	1,089.6	1,294.0	+204.3
Loans	426.8	377.9	(48.8)
Tangible fixed assets	388.8	382.7	(6.0)
Others	78.1	114.7	+36.5

Selected Liabilities/Net Assets Data

(Billions of Yen)

As of March 31	2019	2020	Year-over-year
Total liabilities:	4,977.5	4,997.1	+19.5
Policy reserves and other reserves:	4,605.0	4,529.4	(75.6)
Policy reserves	4,543.3	4,467.9	(75.3)
Bonds payable	88.2	88.2	–
Others	284.1	379.3	+95.1
Total net assets:	378.8	391.5	+12.7
Total foundation funds and others:	324.3	339.1	+14.7
Foundation funds	91.0	91.0	–
Reserve for redemption of foundation funds	166.0	166.0	–
Surplus:	67.0	81.8	+14.7
Reserve for future losses	0.2	0.3	+0.0
Other surplus:	66.7	81.5	+14.7
Reserve for fund redemption	26.2	35.3	+9.1
Equalized reserve for dividends to policyholders	9.2	7.3	(1.9)
Unappropriated surplus (loss)	31.3	38.8	+7.5
Total valuation and translation adjustments:	54.4	52.4	(2.0)
Net unrealized gains (losses) on available-for-sale securities, net of tax	99.0	97.6	(1.4)
Land revaluation differences	(44.5)	(45.1)	(0.6)
Total liabilities and net assets	5,356.3	5,388.6	+32.2

As of March 31, 2020, total assets were ¥5,388.6 billion, with securities accounting for ¥4,373.7 billion, loans at ¥377.9 billion, and tangible fixed assets at ¥382.7 billion.

Total liabilities were ¥4,997.1 billion, of which policy reserves accounted for ¥4,467.9 billion.

Total net assets were ¥391.5 billion, of which total foundation funds and others amounted to ¥339.1 billion, and total valuation and translation adjustments amounted to ¥52.4 billion.

Investments (General Account)

Investment Environment

During the fiscal year ended March 31, 2020, the Bank of Japan maintained its monetary easing policy, and the Japanese economy continued its gradual recovery driven by solid growth in consumer spending owing to improvements in employment and income conditions. Towards the end of the fiscal year, much economic activity was suppressed by the worsening COVID-19 pandemic and the economy took a sharp turn downward.

Internationally, as well, the global economy saw a gradual recovery centered on the United States, but the economy rapidly worsened towards the end of the 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 income 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 control foreign exchange risk and diversify investment currencies and regions.

Moreover, as a responsible institutional investor, we are promoting good stewardship and pursuing asset management that incorporates ESG factors.

* 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 the fiscal year ended March 31, 2020, we limited allocations to yen interest-bearing assets while focusing funding on relatively higher-yield foreign currency-denominated bonds and 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.

For domestic stocks, we purchased a certain quantity of primarily high dividend yield stocks.

For foreign currency-denominated bonds, we worked to build balances while keeping an eye on foreign exchange risk and to improve yields by flexibly controlling currency-hedged positions.

Additionally, we invested some funds in alternative investments managed by our business partner, major French asset management firm Natixis Investment Managers S.A. with the aim of expanding our investment opportunities and diversifying our sources of earnings.

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

5. ESG Investment Initiatives

As initiatives aimed at creating sustainable societies are pursued throughout the world, Asahi Life is engaged in ESG investment with the goal of contributing to society and the resolution of environmental issues through investment.

In this context, we signed the Principles for Responsible Investment (PRI)* in April 2019 and are strengthening initiatives pertaining to ESG investment based on the Basic Policy on ESG Investment, which is focused on ESG issues.

* The Principles for Responsible Investment advocate that institutional investors should incorporate consideration of environmental, social, and governance issues into their investment decision-making process in order to bring about a sustainable society.

Specific ESG Investment Initiatives

ESG Integration

In making investment decisions mainly in stocks, we consider investee companies' non-financial ESG information as well as their financial data.

Negative Screening

As a general rule, based on the Life Insurance Association of Japan's "ESG Investment Guidelines," Asahi Life does not invest in companies that manufacture cluster munitions and other inhumane weapons.

ESG-themed Investment

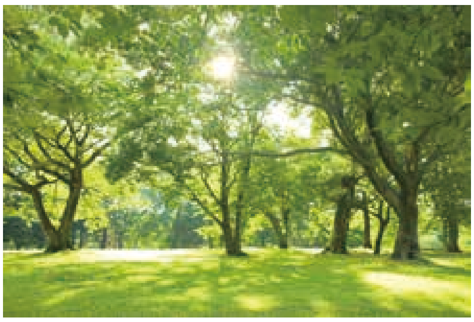
Asahi Life actively conducts themed investment and lending activities focused on assets that contribute the resolution of environmental, social, and governance issues. In the past, we have conducted investment and lending activities involving green bonds (focused on environmental conservation, etc.), social bonds (focused on social contributions, etc.), and renewable energy projects such as solar power.

Engagement

Engagement in constructive dialogue with investee companies is a central pillar of Asahi Life's stewardship activities as a responsible institutional investor, and we incorporate ESG issues into that dialogue process.

Other

When outsourcing asset management to an investment trust or fund, we work to choose primarily asset management firms that are PRI signees.



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.

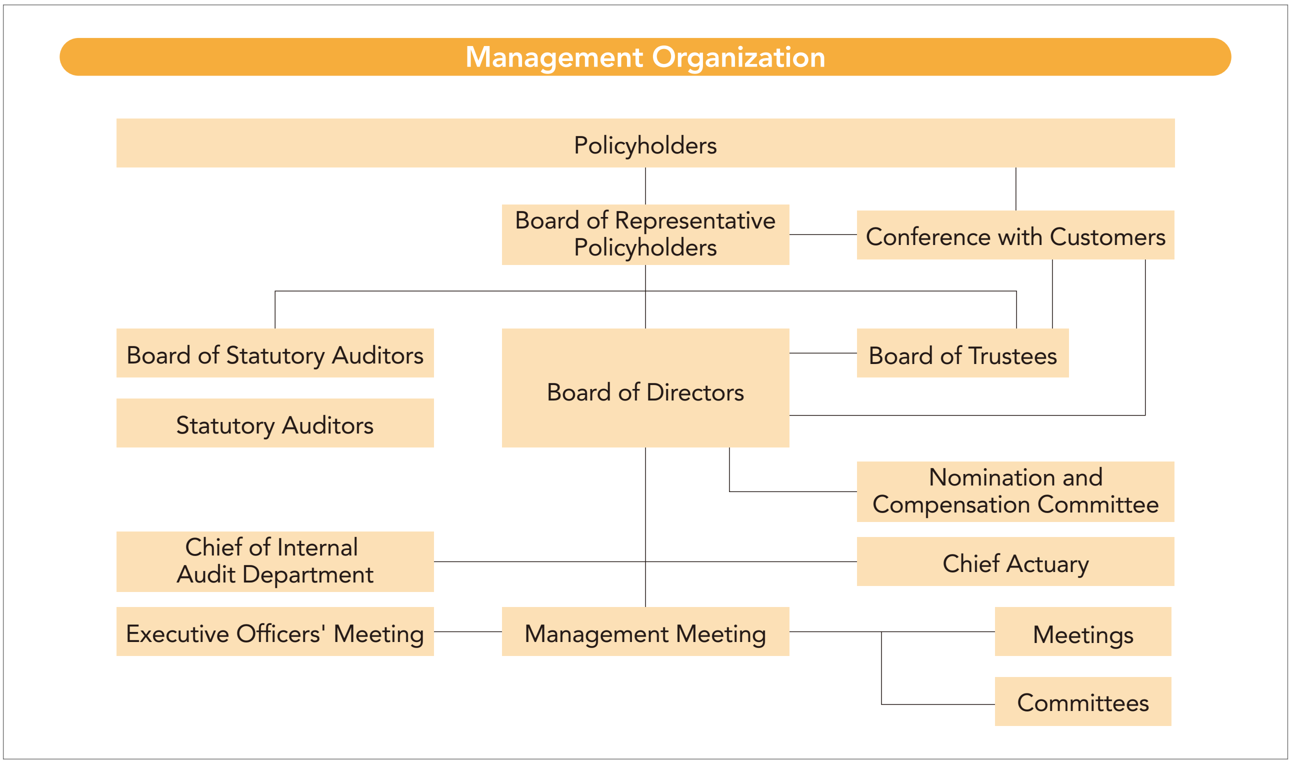
We are also making efforts to achieve effective corporate governance in order to both maintain our financial soundness and make decisions in a transparent, fair, quick, and decisive manner.

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 with the Insurance Business Act, in place of holding a General Meeting of Policyholders. This board serves to represent our roughly 1.95 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 strategic 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, we have established management policies, regulations, and rules appropriate for the characteristics of each identified risk.

Each operational department in the company works to appropriately control risk in the operations under their jurisdiction as per the Basic Risk Management Policy, while each risk management department works to control risk appropriately through regular identification and reporting according to the risk-specific basic policy, rules, and regulations.

Furthermore, specific risks are not necessarily independent and may be linked to and affect one another, and for this reason we have established an overarching department responsible for comprehensive quantitative and qualitative risk management for the business as a whole.

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 and effectiveness of our risk management structure are audited by our Internal Audit Department.

Risk Appetite

In order to promote the achievement of our strategic targets in the mid-term management plan and annual business plan, we set a certain risk appetite policy to ensure appropriate risk-taking and risk control based on both quantitative and qualitative risk evaluation. This policy sets both levels of tolerable risk for generating earnings and risks to be curbed in the interest of financial soundness.

Enterprise Risk Management (ERM)

Asahi Life promotes Enterprise Risk Management (ERM) in order to secure financial soundness and improve profitability through comprehensive management of risk facing the entire company.

Specifically, we establish risk management indicators based on a risk appetite policy, conduct quantitative and qualitative assessments to identify problems, and then implement countermeasures as appropriate for risk severity.

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 2, 2020)

Chairman of the Board
Yoshiki Sato

President and Representative Director
Hiroki Kimura

Representative 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 Managing Executive Officer
Kenichiro Ishijima

Director and Executive Officer
Kenichi Ikeda

Director
Kazuko Ohya(1)

Director
Takashi Tsukamoto(1)

Director
Kenji Watanabe(1)

Standing Statutory Auditor
Hiroyuki Somekawa

Standing Statutory Auditor
Hideki Konishi

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

As of March 31	Millions of Yen 2020	Millions of Yen 2019	Millions of U.S. Dollars 2020
ASSETS:			
Cash and deposits	¥ 35,227	¥ 40,630	$ 323
Call loans	82,000	140,000	753
Monetary claims bought	26,915	28,984	247
Securities	4,369,302	4,252,984	40,147
Loans	377,913	426,804	3,472
Tangible fixed assets:			
Land	224,609	226,451	2,063
Buildings	152,653	156,234	1,402
Lease assets	1,963	2,922	18
Construction in progress	614	516	5
Other tangible fixed assets	2,933	2,749	26
	382,776	388,875	3,517
Intangible fixed assets:			
Software	18,735	18,933	172
Other intangible fixed assets	5,995	5,903	55
	24,731	24,836	227
Agency accounts receivable	11	3	0
Reinsurance receivables	446	427	4
Other assets	82,963	42,947	762
Net defined benefit assets	178	292	1
Deferred tax assets	8,863	11,262	81
Customers' liabilities under acceptances and guarantees	3	6	0
Allowance for possible loan losses	(391)	(378)	(3)
Total assets	**¥ 5,390,941**	**¥ 5,357,677**	**$ 49,535**
LIABILITIES:			
Policy reserves and other reserves:			
Reserve for outstanding claims	¥ 29,378	¥ 27,580	$ 269
Policy reserves	4,467,997	4,543,377	41,054
Reserve for dividends to policyholders	32,073	34,104	294
	4,529,448	4,605,062	41,619
Reinsurance payables	563	397	5
Bonds payable	88,295	88,295	811
Other liabilities	288,156	192,779	2,647
Net defined benefit liabilities	34,985	36,480	321
Reserve for price fluctuation	43,230	40,890	397
Deferred tax liabilities for land revaluation	16,838	17,116	154
Acceptances and guarantees	3	6	0
Total liabilities	**5,001,521**	**4,981,027**	**45,957**
NET ASSETS:			
Foundation funds	91,000	91,000	836
Reserve for redemption of foundation funds	166,000	166,000	1,525
Reserve for revaluation	281	281	2
Consolidated surplus	81,429	66,801	748
Total foundation funds and others	338,711	324,083	3,112
Net unrealized gains (losses) on available-for-sale securities, net of tax	97,625	99,034	897
Land revaluation differences	(45,183)	(44,561)	(415)
Accumulated remeasurements of defined benefit plans	(1,814)	(1,990)	(16)
Total accumulated other comprehensive income	50,627	52,482	465
Non-controlling interests	81	83	0
Total net assets	**389,420**	**376,650**	**3,578**
Total liabilities and net assets	**¥ 5,390,941**	**¥ 5,357,677**	**$ 49,535**

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	**2020**	**2019**	**2020**
Ordinary income:			
Premium and other income	¥ 393,639	¥ 396,726	$ 3,617
Investment income:			
Interest, dividends and other income	108,447	107,335	996
Gains on sales of securities	23,854	34,648	219
Gains on redemption of securities	50	–	0
Foreign exchange gains	–	2,257	–
Reversal of allowance for possible loan losses	–	11	–
Other investment income	7,143	7,452	65
Investment gains on separate accounts	–	340	–
	139,494	152,045	1,281
Other ordinary income	93,228	93,865	856
Total ordinary income	**626,362**	**642,637**	**5,755**
Ordinary expenses:			
Claims and other payments:			
Claims	114,654	121,536	1,053
Annuities	126,889	128,425	1,165
Benefits	71,469	71,701	656
Surrender benefits	88,017	90,757	808
Other payments	5,530	5,823	50
	406,561	418,245	3,735
Provision for policy reserves and other reserves:			
Provision for reserve for outstanding claims	1,798	–	16
Provision for interest on policyholders' dividend reserves	3	3	0
	1,801	3	16
Investment expenses:			
Interest expenses	4,526	4,700	41
Losses on sales of securities	2,810	12,521	25
Losses on valuation of securities	368	628	3
Losses on redemption of securities	140	–	1
Losses on derivative financial instruments	16,588	22,923	152
Foreign exchange losses	2,058	–	18
Provision for allowance for possible loan losses	8	–	0
Depreciation of rental real estate and other assets	5,327	5,361	48
Other investment expenses	9,761	10,104	89
Investment losses on separate accounts	1,111	–	10
	42,703	56,239	392
Operating expenses	110,795	110,327	1,018
Other ordinary expenses	33,458	33,288	307
Total ordinary expenses	**595,321**	**618,104**	**5,470**
Ordinary profit	**31,040**	**24,532**	**285**
Extraordinary gains:			
Gains on disposal of fixed assets	90	3,433	0
Other extraordinary gains	24	–	0
	115	3,433	1
Extraordinary losses:			
Losses on disposal of fixed assets	1,373	7,098	12
Impairment losses	966	1,235	8
Provision for reserve for price fluctuation	2,340	2,180	21
Losses on reduction entry of real estate	–	241	–
Other extraordinary losses	48	239	0
	4,728	10,995	43
Surplus before income taxes	**26,427**	**16,970**	**242**

For the years ended March 31	Millions of Yen 2020	Millions of Yen 2019	Millions of U.S. Dollars 2020
Income taxes:			
Current	6,635	3,160	60
Deferred	(542)	(2,250)	(4)
Total income taxes	**6,093**	**910**	**55**
Net surplus	**20,333**	**16,060**	**186**
Net surplus attributable to non-controlling interests	**38**	**41**	**0**
Net surplus attributable to the Parent Company	**¥ 20,294**	**¥ 16,018**	**$ 186**

[Consolidated Statements of Comprehensive Income]

For the years ended March 31	Millions of Yen 2020	Millions of Yen 2019	Millions of U.S. Dollars 2020
Net surplus	**¥ 20,333**	**¥ 16,060**	**$ 186**
Other comprehensive income:			
Net unrealized gains (losses) on available-for-sale securities, net of tax	(1,408)	17,740	(12)
Remeasurements of defined benefit plans	176	(2,367)	1
Total other comprehensive income	**(1,232)**	**15,372**	**(11)**
Comprehensive income:			
Comprehensive income attributable to the Parent Company	19,062	31,391	175
Comprehensive income attributable to non-controlling interests	38	41	0
Total comprehensive income	**¥ 19,101**	**¥ 31,432**	**$ 175**

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, 2020	Foundation funds and others				
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Consolidated surplus	Total foundation funds and others
Beginning balance	¥ 91,000	¥ 166,000	¥ 281	¥ 66,801	¥ 324,083
Changes in the fiscal year:					
Additions to reserve for dividends to policyholders				(2,173)	(2,173)
Payment of interest on foundation funds				(4,116)	(4,116)
Net surplus attributable to the Parent Company				20,294	20,294
Reversal of land revaluation differences				622	622
Net changes, excluding foundation funds and others					
Net changes in the fiscal year	–	–	–	14,627	14,627
Ending balance	¥ 91,000	¥ 166,000	¥ 281	¥ 81,429	¥ 338,711

Millions of Yen

For the year ended March 31, 2020	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	¥ 99,034	¥ (44,561)	¥ (1,990)	¥ 52,482	¥ 83	¥ 376,650
Changes in the fiscal year:						
Additions to reserve for dividends to policyholders						(2,173)
Payment of interest on foundation funds						(4,116)
Net surplus attributable to the Parent Company						20,294
Reversal of land revaluation differences						622
Net changes, excluding foundation funds and others	(1,408)	(622)	176	(1,854)	(2)	(1,857)
Net changes in the fiscal year	(1,408)	(622)	176	(1,854)	(2)	12,770
Ending balance	¥ 97,625	¥ (45,183)	¥ (1,814)	¥ 50,627	¥ 81	¥ 389,420

Millions of Yen

For the year ended March 31, 2019	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	¥ 95,832	¥ 353,114
Changes in the fiscal year:					
Additions to reserve for dividends to policyholders				(1,963)	(1,963)
Additions to reserve for redemption of foundation funds		35,000		(35,000)	
Payment of interest on foundation funds				(6,266)	(6,266)
Net surplus attributable to the Parent Company				16,018	16,018
Redemption of foundation funds	(35,000)				(35,000)
Reversal of land revaluation differences				(1,819)	(1,819)
Net changes, excluding foundation funds and others					
Net changes in the fiscal year	(35,000)	35,000	–	(29,030)	(29,030)
Ending balance	¥ 91,000	¥ 166,000	¥ 281	¥ 66,801	¥ 324,083

Millions of Yen

For the year ended March 31, 2019	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	¥ 81,293	¥ (46,380)	¥ 377	¥ 35,290	¥ 81	¥ 388,486
Changes in the fiscal year:						
Additions to reserve for dividends to policyholders						(1,963)
Additions to reserve for redemption of foundation funds						
Payment of interest on foundation funds						(6,266)
Net surplus attributable to the Parent Company						16,018
Redemption of foundation funds						(35,000)
Reversal of land revaluation differences						(1,819)
Net changes, excluding foundation funds and others	17,740	1,819	(2,367)	17,192	2	17,194
Net changes in the fiscal year	17,740	1,819	(2,367)	17,192	2	(11,835)
Ending balance	¥ 99,034	¥ (44,561)	¥ (1,990)	¥ 52,482	¥ 83	¥ 376,650

Millions of U.S. Dollars

For the year ended March 31, 2020	Foundation funds and others				
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Consolidated surplus	Total foundation funds and others
Beginning balance	$ 836	$ 1,525	$ 2	$ 613	$ 2,977
Changes in the fiscal year:					
Additions to reserve for dividends to policyholders				(19)	(19)
Payment of interest on foundation funds				(37)	(37)
Net surplus attributable to the Parent Company				186	186
Reversal of land revaluation differences				5	5
Net changes, excluding foundation funds and others					
Net changes in the fiscal year	–	–	–	134	134
Ending balance	$ 836	$ 1,525	$ 2	$ 748	$ 3,112

Millions of U.S. Dollars

For the year ended March 31, 2020	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	$ 909	$ (409)	$ (18)	$ 482	$ 0	$ 3,460
Changes in the fiscal year:						
Additions to reserve for dividends to policyholders						(19)
Payment of interest on foundation funds						(37)
Net surplus attributable to the Parent Company						186
Reversal of land revaluation differences						5
Net changes, excluding foundation funds and others	(12)	(5)	1	(17)	(0)	(17)
Net changes in the fiscal year	(12)	(5)	1	(17)	0	117
Ending balance	$ 897	$ (415)	$ (16)	$ 465	$ 0	$ 3,578

Consolidated Statements of Cash Flows

Asahi Mutual Life Insurance Company and its Consolidated Subsidiaries

For the years ended March 31	Millions of Yen 2020	Millions of Yen 2019	Millions of U.S. Dollars 2020
I. Cash flows from operating activities			
Surplus before income taxes	¥ 26,427	¥ 16,970	$ 242
Depreciation of rental real estate and other assets	5,327	5,361	48
Depreciation	11,586	11,263	106
Impairment losses	966	1,235	8
Increase (decrease) in reserve for outstanding claims	1,798	(788)	16
Increase (decrease) in policy reserves	(75,380)	(73,541)	(692)
Provision for interest on policyholders' dividend reserves	3	3	0
Increase (decrease) in allowance for possible loan losses	8	(11)	0
Increase (decrease) in net defined benefit liabilities	(1,106)	(1,725)	(10)
Increase (decrease) in reserve for price fluctuation	2,340	2,180	21
Interest, dividends and other income	(108,447)	(107,335)	(996)
(Gains) losses on securities	(19,473)	(21,839)	(178)
(Gains) losses on derivative financial instruments	16,588	22,923	152
Interest expenses	4,526	4,700	41
Foreign exchange (gains) losses, net	2,058	(2,257)	18
(Gains) losses on tangible fixed assets	1,053	(957)	9
(Increase) decrease in reinsurance receivables	(19)	384	(0)
(Increase) decrease in other assets except from investing and financing activities	(3,849)	(2,271)	(35)
Increase (decrease) in reinsurance payables	165	85	1
Increase (decrease) in other liabilities except from investing and financing activities	907	(910)	8
Others, net	5,549	1,917	50
Subtotal	(128,967)	(144,612)	(1,185)
Interest, dividends and other income received	114,322	110,216	1,050
Interest paid	(4,531)	(5,309)	(41)
Dividends to policyholders paid	(4,208)	(4,821)	(38)
Income taxes (paid) refunded	(1,387)	(7,830)	(12)
Net cash provided by (used in) operating activities	**(24,771)**	**(52,357)**	**(227)**
II. Cash flows from investing activities			
Purchases of monetary claims bought	(281)	(1,170)	(2)
Proceeds from sales and redemptions of monetary claims bought	2,373	2,354	21
Purchases of securities	(553,820)	(628,864)	(5,088)
Proceeds from sales and redemptions of securities	371,280	624,046	3,411
Disbursements for loans	(41,128)	(40,838)	(377)
Proceeds from collections of loans	87,509	98,573	804
Proceeds from derivative financial instruments	21,760	(23,572)	199
Increase (decrease) in payables under securities borrowing transactions	91,078	43,649	836
①Total of investing activities	(21,228)	74,177	(195)
[I + ①]	(46,000)	21,820	(422)
Purchases of tangible fixed assets	(7,464)	(7,404)	(68)
Proceeds from sales of tangible fixed assets	1,814	9,597	16
Others, net	(6,575)	(3,224)	(60)
Net cash provided by (used in) investing activities	**(33,453)**	**73,145**	**(307)**
III. Cash flows from financing activities			
Redemption of debt borrowing	–	(46,000)	–
Proceeds from issuance of bonds	–	47,946	–
Redemption of foundation funds	–	(35,000)	–
Payment of interest on foundation funds	(4,116)	(6,134)	(37)
Dividends paid to non-controlling interests	(41)	(39)	(0)
Others, net	(1,019)	(1,074)	(9)
Net cash provided by (used in) financing activities	**(5,177)**	**(40,301)**	**(47)**
IV. Net increase (decrease) in cash and cash equivalents	**(63,402)**	**(19,512)**	**(582)**
V. Cash and cash equivalents at the beginning of the year	**180,630**	**200,143**	**1,659**
VI. Cash and cash equivalents at the end of the year	**¥ 117,227**	**¥ 180,630**	**$ 1,077**

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 ¥108.83 = US$1.00, the effective rate of exchange at the balance sheet date of March 31, 2020.

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.

3. Principles of Consolidation

(1) Scope of consolidation

The consolidated subsidiaries as of March 31, 2020 and 2019 are listed below:

Info Techno Asahi Co., Ltd.
Asahi Life Asset Management Co., Ltd.
Asahi Natixis Investment Managers Co., Ltd.
(former Asahi Nvest Investment Advisory Co., Ltd.)

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

Each non-consolidated subsidiary is small in scale in terms of total assets, amount of sales, net income and surplus for the fiscal year ended March 31, 2020. As such non-consolidated subsidiaries are not considered to materially affect any reasonable determination as to the financial position and result of operation of the Company's group, these companies are excluded from the consolidation.

(2) Application of equity method

Unconsolidated subsidiaries (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 stock exchange-traded funds, domestic listed real estate investment trusts, foreign stock 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 considered 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).

(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.

(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 stock 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 book value 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 book value as the estimated uncollectible amounts. The amounts written-off as of March 31, 2020 and 2019 were ¥34 million (US$0 million) and ¥47 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 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 mainly applies the following hedging activities:

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, investment trusts and others 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 Standards Issued but Not Yet Effective

The accounting standards and relevant implementation guidance issued by the fiscal year-end but not yet effective are as follows:

- "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, issued on July 4, 2019)
- "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, issued on July 4, 2019)
- "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, revised on July 4, 2019)

(i) Overview

In these accounting standards and relevant implementation guidance, the guidance on the methods for measuring fair values of financial instruments are set to enhance comparability between Japanese accounting standards and international accounting standards.

(ii) Schedule date of application

The above revisions are scheduled to be applied from the beginning of the fiscal year ending March 31, 2022.

(iii) Effects of application of the Accounting Standards and relevant implementation guidance

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

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 variable interest rates, accumulation insurance with variable 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 managing 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 managing 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 by Risk Management Department, which is independent of the departments executing investments and lending. 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, 2020 and 2019 were as follows:

Millions of Yen

As of March 31	2020		
	Balance Sheet Amount	Fair Value	Difference
Cash and deposits	¥ 35,227	¥ 35,227	¥ –
Call loans	82,000	82,000	–
Monetary claims bought	26,915	29,796	2,881
Trading securities	–	–	–
Held-to-maturity debt securities	25,997	28,878	2,881
Policy-reserve-matching bonds	–	–	–
Available-for-sale securities	918	918	–
Securities	4,353,757	4,693,418	339,661
Trading securities	20,372	20,372	–
Held-to-maturity debt securities	308,469	344,876	36,406
Policy-reserve-matching bonds	2,050,330	2,353,584	303,254
Available-for-sale securities	1,974,584	1,974,584	–
Loans	377,913	386,550	8,637
Policy loans	40,553	40,553	–
Industrial and consumer loans	337,359	345,997	8,637
Total assets	4,875,813	5,226,993	351,180
Bonds payable	88,295	81,164	(7,130)
Payables under securities borrowing transactions	179,695	179,695	–
Loans payable	51,000	52,776	1,776
Total liabilities	318,990	313,636	(5,354)
Derivative financial instruments	21,251	21,251	–
Hedge accounting not applied	566	566	–
Hedge accounting applied	20,684	20,684	–

* 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	2019		
	Balance Sheet Amount	Fair Value	Difference
Cash and deposits	¥ 40,630	¥ 40,630	¥ –
Call loans	140,000	140,000	–
Monetary claims bought	28,984	32,137	3,153
Trading securities	–	–	–
Held-to-maturity debt securities	28,339	31,492	3,153
Policy-reserve-matching bonds	–	–	–
Available-for-sale securities	645	645	–
Securities	4,226,995	4,604,074	377,079
Trading securities	25,410	25,410	–
Held-to-maturity debt securities	316,473	360,188	43,714
Policy-reserve-matching bonds	2,074,484	2,407,849	333,364
Available-for-sale securities	1,810,626	1,810,626	–
Loans	426,804	436,600	9,795
Policy loans	44,272	44,272	–
Industrial and consumer loans	382,531	392,327	9,795
Total assets	4,863,414	5,253,442	390,028
Bonds payable	88,295	89,200	905
Loans payable	51,000	50,855	(144)
Total liabilities	139,295	140,055	760
Derivative financial instruments	766	766	–
Hedge accounting not applied	221	221	–
Hedge accounting applied	544	544	–

* 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 2020 Balance Sheet Amount	Fair Value	Difference
Cash and deposits	$ 323	$ 323	$ –
Call loans	753	753	–
Monetary claims bought	247	273	26
Trading securities	–	–	–
Held-to-maturity debt securities	238	265	26
Policy-reserve-matching bonds	–	–	–
Available-for-sale securities	8	8	–
Securities	40,005	43,126	3,121
Trading securities	187	187	–
Held-to-maturity debt securities	2,834	3,168	334
Policy-reserve-matching bonds	18,839	21,626	2,786
Available-for-sale securities	18,143	18,143	–
Loans	3,472	3,551	79
Policy loans	372	372	–
Industrial and consumer loans	3,099	3,179	79
Total assets	44,802	48,028	3,226
Bonds payable	811	745	(65)
Payables under securities borrowing transactions	1,651	1,651	–
Loans payable	468	484	16
Total liabilities	2,931	2,881	(49)
Derivative financial instruments	195	195	–
Hedge accounting not applied	5	5	–
Hedge accounting applied	190	190	–

* 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 stock exchange-traded funds, domestic listed real estate investment trusts, foreign stock 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, including investments in subsidiaries and affiliates, 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, including investments in subsidiaries and affiliates, reported in the consolidated balance sheets were ¥15,544 million (US$142 million) and ¥25,989 million as of March 31, 2020 and 2019, 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 value, etc. as of March 31, 2020 and 2019, respectively.

(4) Payables under securities borrowing transactions

The Company considers book value as fair value with the assumption that fair value approximates book value.

(5) Derivative financial instruments

The fair values of stock options and currency 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 ¥248,380 million (US$2,282 million) and ¥288,820 million (US$2,653 million) as of March 31, 2020 and ¥250,349 million and ¥273,135 million as of March 31, 2019, 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 amounts of securities lent under lending agreements were ¥225,171 million (US$2,069 million) and ¥157,185 million as of March 31, 2020 and 2019, respectively.

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 ¥735 million (US$6 million) and ¥757 million as of March 31, 2020 and 2019, respectively.

i) Loans to bankrupt borrowers were ¥2 million (US$0 million) and ¥0 million as of March 31, 2020 and 2019, respectively.

ii) Delinquent loans were ¥589 million (US$5 million) and ¥619 million as of March 31, 2020 and 2019, respectively.

iii) Delinquent loans three or more months past due were ¥122 million (US$1 million) and ¥110 million as of March 31, 2020 and 2019, respectively.

iv) Restructured loans were ¥20 million (US$0 million) and ¥27 million as of March 31, 2020 and 2019, 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 ¥3 million (US$0 million) and ¥3 million as of March 31, 2020 and 2019, respectively.

In addition, the direct write-offs related to loans decreased the amounts of delinquent loans described above by ¥31 million (US$0 million) and ¥43 million as of March 31, 2020 and 2019, respectively.

7. Accumulated Depreciation of Tangible Fixed Assets

Accumulated depreciation of tangible fixed assets totaled ¥283,301 million (US$2,603 million) and ¥278,017 million as of March 31, 2020 and 2019, respectively.

8. Separate Accounts

Total assets in separate accounts provided for in Article 118 of the Insurance Business Act were ¥24,381 million (US$224 million) and ¥27,560 million as of March 31, 2020 and 2019, 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, 2020 and 2019, respectively. The total amounts of payables to directors and audit board members were ¥15 million (US$0 million) and ¥15 million as of March 31, 2020 and 2019, respectively.

10. Reserve for Dividends to Policyholders

	Millions of Yen		Millions of U.S. Dollars
For the years ended March 31	2020	2019	2020
Balance at the beginning of the fiscal year	¥ 34,104	¥ 36,959	$ 313
Transfer to reserve from surplus in the previous fiscal year	2,173	1,963	19
Dividends to policyholders paid out during the fiscal year	4,208	4,821	38
Increase in interest	131	53	1
Decrease in others	128	49	1
Balance at the end of the fiscal year	¥ 32,073	¥ 34,104	$ 294

11. Stocks of Unconsolidated Subsidiaries and affiliates

The amounts of stocks of unconsolidated subsidiaries and affiliates the Company held as of March 31, 2020 and 2019 were ¥2,205 million (US$20 million) and ¥2,160 million, respectively.

12. Pledged Assets

Assets pledged as collateral as of March 31, 2020 and 2019 were securities in the amount of ¥7,030 million (US$64 million) and ¥16,506 million, respectively.

13. Redemption of Foundation Funds

Note for the fiscal year ended March 31, 2019

Accompanying the redemption of foundation funds totaling ¥35,000 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 for the fiscal year ended March 31, 2019.

14. 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 pledged as collateral as of March 31, 2020 and 2019 were ¥72,765 million (US$668 million) and ¥69,344 million, respectively. No assets were pledged as collateral as of March 31, 2020 and 2019.

15. Commitment Line

As of March 31, 2020 and 2019, there were unused commitment line agreements under which the Company is the lender of ¥9,418 million (US$86 million) and ¥3,922 million, respectively.

16. Subordinated Bonds Payable

As of March 31, 2020 and 2019, bonds payable are subordinated bonds payable, for which the repayments are subordinated to other obligations.

17. Subordinated Loans Payable

As of March 31, 2020 and 2019, other liabilities included subordinated loans payable of ¥51,000 million (US$468 million) and ¥51,000 million, respectively, for which the repayments are subordinated to other obligations.

18. 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, 2020 and 2019 were ¥8,609 million (US$79 million) and ¥8,899 million, respectively. These contributions are charged as operating expenses in the fiscal years in which they are paid.

19. Deferred Taxes

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

	Millions of Yen		Millions of U.S. Dollars
As of March 31	**2020**	**2019**	**2020**
Deferred tax assets	¥ 69,173	¥ 63,691	$ 635
Valuation allowance for deferred tax assets	22,487	20,310	206
Subtotal	46,685	43,380	428
Deferred tax liabilities	37,822	32,117	347
Net deferred tax assets (liabilities)	¥ 8,863	¥ 11,262	$ 81

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

Millions of Yen

As of March 31	2020
Deferred tax assets	
Contingency reserve	¥ 14,447
Reserve for price fluctuation	12,061
Net defined benefit liabilities	9,762
Losses on valuation of securities	9,642
Impairment losses	7,743
Net unrealized losses on available-for-sale securities	6,279
Deferred tax liabilities	
Net unrealized gains on available-for-sale securities	36,552

Millions of Yen

As of March 31	2019
Deferred tax assets	
Contingency reserve	¥ 14,279
Reserve for price fluctuation	11,408
Net defined benefit liabilities	10,178
Impairment losses	7,968
Losses on valuation of securities	7,532
Deferred tax liabilities	
Net unrealized gains on available-for-sale securities	30,834

Millions of U.S. Dollars

As of March 31	2020
Deferred tax assets	
Contingency reserve	$ 132
Reserve for price fluctuation	110
Net defined benefit liabilities	89
Losses on valuation of securities	88
Impairment losses	71
Net unrealized losses on available-for-sale securities	57
Deferred tax liabilities	
Net unrealized gains on available-for-sale securities	335

(2) The statutory tax rates were 27.9% and 27.9% for the fiscal years ended March 31, 2020 and 2019, 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 year ended March 31	2020
Interest on foundation funds	(4.3)%
Reserve for dividends to policyholders	(1.9)%

For the year ended March 31	2019
Change of valuation allowance for deferred tax assets	(8.9)%
Interest on foundation funds	(8.5)%
Reserve for dividends to policyholders	(3.1)%

20. Accrued Retirement Benefits and Net Defined Benefit Liabilities

(1) Summary of retirement benefit plans

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

(2) Defined benefit plan

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

For the years ended March 31	Millions of Yen 2020	Millions of Yen 2019	Millions of U.S. Dollars 2020
Retirement benefit obligations at the beginning of the fiscal year	¥ 44,293	¥ 45,743	$ 407
Service cost	1,852	1,932	17
Interest cost	439	458	4
Actuarial difference occurred during the fiscal year	(231)	813	(2)
Retirement benefit payments	(4,288)	(4,653)	(39)
Retirement benefit obligations at the end of the fiscal year	¥ 42,065	¥ 44,293	$ 386

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

For the years ended March 31	Millions of Yen 2020	Millions of Yen 2019	Millions of U.S. Dollars 2020
Pension plan assets at the beginning of the fiscal year	¥ 8,106	¥ 11,038	$ 74
Expected return on pension plan assets	76	68	0
Actuarial difference occurred during the fiscal year	(905)	(3,015)	(8)
Contributions by the employer	226	207	2
Retirement benefit payments	(246)	(192)	(2)
Pension plan assets at the end of the fiscal year	¥ 7,258	¥ 8,106	$ 66

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

As of March 31	Millions of Yen 2020	Millions of Yen 2019	Millions of U.S. Dollars 2020
a. Funded plan retirement benefit obligation	¥ 42,065	¥ 44,293	$ 386
b. Pension plan assets	(7,258)	(8,106)	(66)
c. Net amount of liabilities and assets presented on the consolidated balance sheet	34,806	36,187	319
d. Net defined benefit liabilities	34,985	36,480	321
e. Net defined benefit assets	(178)	(292)	(1)
f. Net amount of liabilities and assets presented on the consolidated balance sheet	¥ 34,806	¥ 36,187	$ 319

iv) Breakdown of retirement benefit expenses

For the years ended March 31	Millions of Yen 2020	Millions of Yen 2019	Millions of U.S. Dollars 2020
Service cost	¥ 1,852	¥ 1,932	$ 17
Interest cost	439	458	4
Expected return on pension plan assets	(76)	(68)	(0)
Amortization of actuarial differences	909	532	8
Amortization of prior service cost	6	6	0
Retirement benefit expenses related to defined benefit plan	¥ 3,130	¥ 2,861	$ 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:

	Millions of Yen				Millions of U.S. Dollars	
For the years ended March 31	2020		2019		2020	
Amortization of actuarial differences	¥	236	¥	(3,296)	$	2
Amortization of prior service cost		6		6		0
Total	¥	243	¥	(3,289)	$	2

vi) Breakdown of items included in accumulated other comprehensive income

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

	Millions of Yen				Millions of U.S. Dollars	
For the years ended March 31	2020		2019		2020	
Unrecognized actuarial differences	¥	2,524	¥	2,761	$	23
Unrecognized prior service cost		–		6		–
Total	¥	2,524	¥	2,768	$	23

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	2020	2019
Stocks	36%	44%
Bonds	16%	14%
Others	48%	42%
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	2020	2019
Discount rate	1.0%	1.0%
Expected long-term rate of return on pension plan assets	0.9%	0.5%
Defined benefit corporate pension plans	1.7%	1.5%

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	2020	2019	2020
Domestic bonds	¥ 21,832	¥ 32,424	$ 200
Domestic stocks and other securities	2,020	1,685	18
Foreign securities	1	538	0

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	2020	2019	2020
Domestic bonds	¥ 690	¥ 2,224	$ 6
Domestic stocks and other securities	2,120	800	19
Foreign securities	–	9,495	–

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	2020	2019	2020
Domestic stocks and other securities	¥ 368	¥ 628	$ 3

Losses on derivative financial instruments included net valuation losses of ¥1,456 million (US$13 million) and losses of ¥1,091 million for the fiscal years ended March 31, 2020 and 2019, respectively.

2. Impairment Losses of Fixed Assets

Notes for the fiscal year ended March 31, 2019

For the fiscal year ended March 31, 2019, 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
For the year ended March 31	2019
Real estate for rent:	
Land	¥ 0
Building	0
Others	0
Total real estate for rent (i)	0
Unused real estate:	
Land	918
Building	264
Others	52
Total unused real estate (ii)	1,235
Total:	
Land	918
Building	264
Others	52
Total (i)+(ii)	¥ 1,235

(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 3.5% for the fiscal year ended March 31, 2019. 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	2020	2019	2020
Net unrealized gains on available-for-sale securities, net of tax			
Amount incurred during the fiscal year	¥ (65)	¥ 15,426	$ (0)
Reclassification adjustments	1,253	9,643	11
Before tax adjustment	1,188	25,070	10
Tax effects	(2,596)	(7,329)	(23)
Net unrealized gains on available-for-sale securities, net of tax	(1,408)	17,740	(12)
Accumulated remeasurements of defined benefit plans			
Amount incurred during the fiscal year	(673)	(3,828)	(6)
Reclassification adjustments	916	539	8
Before tax adjustment	243	(3,289)	2
Tax effects	(67)	921	(0)
Accumulated remeasurements of defined benefit plans	176	(2,367)	1
Total other comprehensive income	¥ (1,232)	¥ 15,372	$ (11)

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.

The consolidated financial statements in this annual report have been audited by Ernst & Young ShinNihon LLC, an independent certified public accountant.

Non-consolidated Balance Sheets

Asahi Mutual Life Insurance Company

As of March 31	Millions of Yen 2020	Millions of Yen 2019	Millions of U.S. Dollars 2020
ASSETS:			
Cash and deposits:			
Cash	¥ 18	¥ 219	$ 0
Deposits	30,535	35,882	280
	30,554	36,102	280
Call loans	82,000	140,000	753
Monetary claims bought	26,915	28,984	247
Securities:			
National government bonds	1,728,003	1,790,446	15,878
Local government bonds	54,671	49,768	502
Corporate bonds	945,309	935,197	8,686
Domestic stocks	288,114	320,964	2,647
Foreign securities	1,294,012	1,089,669	11,890
Other securities	63,666	71,411	585
	4,373,776	4,257,457	40,189
Loans:			
Policy loans	40,553	44,272	372
Industrial and consumer loans	337,359	382,531	3,099
	377,913	426,804	3,472
Tangible fixed assets:			
Land	224,609	226,451	2,063
Buildings	152,646	156,225	1,402
Lease assets	1,963	2,922	18
Construction in progress	614	516	5
Other tangible fixed assets	2,887	2,703	26
	382,722	388,821	3,516
Intangible fixed assets:			
Software	19,463	19,599	178
Other intangible fixed assets	6,077	5,976	55
	25,541	25,576	234
Agency accounts receivable	11	3	0
Reinsurance receivables	446	427	4
Other assets:			
Accounts receivable	11,022	6,750	101
Prepaid expenses	3,619	3,439	33
Accrued income	20,367	19,277	187
Money on deposit	4,577	3,998	42
Derivative financial instruments	31,618	3,080	290
Cash collateral paid for financial instruments	6,570	3,677	60
Suspense payments	270	241	2
Other assets	2,890	1,525	26
	80,937	41,991	743
Prepaid pension cost	179	145	1
Deferred tax assets	8,044	10,413	73
Customers' liabilities under acceptances and guarantees	3	6	0
Allowance for possible loan losses	(391)	(375)	(3)
Total assets	**¥ 5,388,655**	**¥ 5,356,358**	**$ 49,514**

As of March 31	Millions of Yen 2020	Millions of Yen 2019	Millions of U.S. Dollars 2020
LIABILITIES:			
Policy reserves and other reserves:			
Reserve for outstanding claims	¥ 29,378	¥ 27,580	$ 269
Policy reserves	4,467,997	4,543,377	41,054
Reserve for dividends to policyholders	32,073	34,104	294
	4,529,448	4,605,062	41,619
Reinsurance payables	563	397	5
Bonds payable	88,295	88,295	811
Other liabilities:			
Payables under securities borrowing transactions	179,695	88,616	1,651
Loans payable	51,000	51,000	468
Income taxes payable	4,121	60	37
Accounts payable	4,782	19,796	43
Accrued expenses	7,868	7,785	72
Deferred income	171	222	1
Deposits received	585	482	5
Guarantee deposits received	17,647	17,221	162
Derivative financial instruments	10,367	2,314	95
Cash collateral received for financial instruments	7,526	1,320	69
Lease obligations	1,963	2,922	18
Asset retirement obligations	263	246	2
Suspense receipts	206	133	1
	286,199	192,123	2,629
Reserve for employees' retirement benefits	32,533	33,640	298
Reserve for price fluctuation	43,230	40,890	397
Deferred tax liabilities for land revaluation	16,838	17,116	154
Acceptances and guarantees	3	6	0
Total liabilities	**4,997,112**	**4,977,531**	**45,916**
NET ASSETS:			
Foundation funds	91,000	91,000	836
Reserve for redemption of foundation funds	166,000	166,000	1,525
Reserve for revaluation	281	281	2
Surplus:			
Reserve for future losses	310	291	2
Other surplus:			
Reserve for fund redemption	35,300	26,200	324
Equalized reserve for dividends to policyholders	7,318	9,258	67
Unappropriated surplus (loss)	38,890	31,324	357
Subtotal	81,509	66,782	748
	81,819	67,073	751
Total foundation funds and others	339,100	324,355	3,115
Net unrealized gains (losses) on available-for-sale securities, net of tax	97,625	99,032	897
Land revaluation differences	(45,183)	(44,561)	(415)
Total valuation and translation adjustments	52,442	54,471	481
Total net assets	**391,543**	**378,826**	**3,597**
Total liabilities and net assets	**¥ 5,388,655**	**¥ 5,356,358**	**$ 49,514**

Non-consolidated Statements of Income

Asahi Mutual Life Insurance Company

For the years ended March 31	Millions of Yen 2020	Millions of Yen 2019	Millions of U.S. Dollars 2020
Ordinary income:			
Premium and other income:			
Insurance premiums	¥ 391,600	¥ 394,963	$ 3,598
Reinsurance revenue	2,038	1,763	18
	393,639	396,726	3,617
Investment income:			
Interest, dividends and other income:			
Interest and dividends on securities	85,179	83,138	782
Interest on loans	5,949	7,096	54
Rent revenue from real estate	16,606	16,637	152
Other interest and dividends	970	1,019	8
	108,705	107,892	998
Gains on sales of securities	23,852	34,648	219
Gains on redemption of securities	50	–	0
Foreign exchange gains	–	2,258	–
Reversal of allowance for possible loan losses	–	14	–
Other investment income	7,167	7,476	65
Investment gains on separate accounts	–	340	–
	139,776	152,631	1,284
Other ordinary income:			
Fund receipt from deposit of claims paid	10,355	11,145	95
Reversal of reserve for employees' retirement benefits	1,106	1,725	10
Reversal of reserve for outstanding claims	–	788	–
Reversal of policy reserves	75,380	73,541	692
Other ordinary income	1,836	1,842	16
	88,678	89,044	814
Total ordinary income	**622,094**	**638,402**	**5,716**
Ordinary expenses:			
Claims and other payments:			
Claims	114,654	121,536	1,053
Annuities	126,889	128,425	1,165
Benefits	71,469	71,701	656
Surrender benefits	88,017	90,757	808
Other payments	3,744	4,672	34
Reinsurance premiums	1,786	1,151	16
	406,561	418,245	3,735
Provision for policy reserves and other reserves:			
Provision for reserve for outstanding claims	1,798	–	16
Provision for interest on policyholders' dividend reserves	3	3	0
	1,801	3	16
Investment expenses:			
Interest expenses	4,526	4,700	41
Losses on sales of securities	2,810	12,520	25
Losses on valuation of securities	368	628	3
Losses on redemption of securities	140	–	1
Losses on derivative financial instruments	16,588	22,923	152
Foreign exchange losses	2,057	–	18
Provision for allowance for possible loan losses	8	–	0
Depreciation of rental real estate and other assets	5,327	5,361	48
Other investment expenses	9,761	10,104	89
Investment losses on separate accounts	1,111	–	10
	42,702	56,239	392
Operating expenses	106,323	105,845	976
Other ordinary expenses:			
Claim deposit payments	11,510	12,675	105
Taxes	8,503	7,775	78
Depreciation	11,840	11,462	108
Other ordinary expenses	1,793	1,517	16
	33,647	33,431	309
Total ordinary expenses	**591,037**	**613,765**	**5,430**
Ordinary profit	**31,056**	**24,636**	**285**

	Millions of Yen		Millions of U.S. Dollars
For the years ended March 31	2020	2019	2020
Extraordinary gains:			
Gains on disposal of fixed assets	90	3,433	0
Other extraordinary gains	24	–	0
	115	3,433	1
Extraordinary losses:			
Losses on disposal of fixed assets	1,372	7,098	12
Impairment losses	966	1,235	8
Provision for reserve for price fluctuation	2,340	2,180	21
Losses on reduction entry of real estate	–	241	–
Other extraordinary losses	48	239	0
	4,727	10,995	43
Surplus before income taxes	**26,444**	**17,074**	**242**
Income taxes:			
Current	6,537	3,055	60
Deferred	(505)	(2,202)	(4)
Total income taxes	**6,031**	**853**	**55**
Net surplus	**¥ 20,412**	**¥ 16,221**	**$ 187**

Non-consolidated Statements of Changes in Net Assets

Asahi Mutual Life Insurance Company

Millions of Yen

For the year ended March 31, 2020	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	¥ 91,000	¥ 166,000	¥ 281	¥ 291	¥ 26,200	¥ 9,258	¥ 31,324	¥ 67,073	¥324,355
Changes in the fiscal year:									
Additions to reserve for dividends to policyholders							(2,173)	(2,173)	(2,173)
Additions to reserve for future losses				19			(19)		
Payment of interest on foundation funds							(4,116)	(4,116)	(4,116)
Net surplus							20,412	20,412	20,412
Additions to reserve for fund redemption					9,100		(9,100)		
Reversal of equalized reserve for dividends to policyholders						(1,939)	1,939		
Reversal of land revaluation differences							622	622	622
Net changes, excluding foundation funds and others									
Net changes in the fiscal year	–	–	–	19	9,100	(1,939)	7,566	14,745	14,745
Ending balance	¥ 91,000	¥166,000	¥ 281	¥ 310	¥ 35,300	¥ 7,318	¥ 38,890	¥ 81,819	¥339,100

Millions of Yen

For the year ended March 31, 2020	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	¥ 99,032	¥ (44,561)	¥ 54,471	¥ 378,826
Changes in the fiscal year:				
Additions to reserve for dividends to policyholders				(2,173)
Additions to reserve for future losses				
Payment of interest on foundation funds				(4,116)
Net surplus				20,412
Additions to reserve for fund redemption				
Reversal of equalized reserve for dividends to policyholders				
Reversal of land revaluation differences				622
Net changes, excluding foundation funds and others	(1,406)	(622)	(2,029)	(2,029)
Net changes in the fiscal year	(1,406)	(622)	(2,029)	12,716
Ending balance	¥ 97,625	¥ (45,183)	¥ 52,442	¥ 391,543

Millions of Yen

For the year ended March 31, 2019	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**	**¥ 266**	**¥ 48,600**	**¥ 9,678**	**¥ 37,356**	**¥ 95,901**	**¥353,183**
Changes in the fiscal year:									
Additions to reserve for dividends to policyholders							(1,963)	(1,963)	(1,963)
Additions to reserve for future losses				25			(25)		
Additions to reserve for redemption of foundation funds		35,000			(35,000)			(35,000)	
Payment of interest on foundation funds							(6,266)	(6,266)	(6,266)
Net surplus							16,221	16,221	16,221
Redemption of foundation funds	(35,000)								(35,000)
Additions to reserve for fund redemption					12,600		(12,600)		
Reversal of equalized reserve for dividends to policyholders						(420)	420		
Reversal of land revaluation differences							(1,819)	(1,819)	(1,819)
Net changes, excluding foundation funds and others									
Net changes in the fiscal year	**(35,000)**	**35,000**	**–**	**25**	**(22,400)**	**(420)**	**(6,032)**	**(28,827)**	**(28,827)**
Ending balance	**¥ 91,000**	**¥166,000**	**¥ 281**	**¥ 291**	**¥ 26,200**	**¥ 9,258**	**¥ 31,324**	**¥ 67,073**	**¥324,355**

Millions of Yen

For the year ended March 31, 2019	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	**¥ 81,292**	**¥ (46,380)**	**¥ 34,912**	**¥ 388,095**
Changes in the fiscal year:				
Additions to reserve for dividends to policyholders				(1,963)
Additions to reserve for future losses				
Additions to reserve for redemption of foundation funds				
Payment of interest on foundation funds				(6,266)
Net surplus				16,221
Redemption of foundation funds				(35,000)
Additions to reserve for fund redemption				
Reversal of equalized reserve for dividends to policyholders				
Reversal of land revaluation differences				(1,819)
Net changes, excluding foundation funds and others	17,739	1,819	19,559	19,559
Net changes in the fiscal year	**17,739**	**1,819**	**19,559**	**(9,268)**
Ending balance	**¥ 99,032**	**¥ (44,561)**	**¥ 54,471**	**¥ 378,826**

Millions of U.S. Dollars

For the year ended March 31, 2020	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	**$ 836**	**$ 1,525**	**$ 2**	**$ 2**	**$ 240**	**$ 85**	**$ 287**	**$ 616**	**$ 2,980**
Changes in the fiscal year:									
Additions to reserve for dividends to policyholders							(19)	(19)	(19)
Additions to reserve for future losses				0			(0)		
Payment of interest on foundation funds							(37)	(37)	(37)
Net surplus							187	187	187
Additions to reserve for fund redemption					83		(83)		
Reversal of equalized reserve for dividends to policyholders						(17)	17		
Reversal of land revaluation differences							5	5	5
Net changes, excluding foundation funds and others									
Net changes in the fiscal year	**–**	**–**	**–**	**0**	**83**	**(17)**	**69**	**135**	**135**
Ending balance	**$ 836**	**$ 1,525**	**$ 2**	**$ 2**	**$ 324**	**$ 67**	**$ 357**	**$ 751**	**$ 3,115**

Millions of U.S. Dollars

For the year ended March 31, 2020	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	**$ 909**	**$ (409)**	**$ 500**	**$ 3,480**
Changes in the fiscal year:				
Additions to reserve for dividends to policyholders				(19)
Additions to reserve for future losses				
Payment of interest on foundation funds				(37)
Net surplus				187
Additions to reserve for fund redemption				
Reversal of equalized reserve for dividends to policyholders				
Reversal of land revaluation differences				5
Net changes, excluding foundation funds and others	(12)	(5)	(18)	(18)
Net changes in the fiscal year	**(12)**	**(5)**	**(18)**	**116**
Ending balance	**$ 897**	**$ (415)**	**$ 481**	**$ 3,597**

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

Asahi Mutual Life Insurance Company

	Millions of Yen		Millions of U.S. Dollars
For the years ended March 31	2020	2019	2020
Unappropriated surplus (loss)	**¥ 38,890**	**¥ 31,324**	**$ 357**
Reversal of Voluntary surplus reserves:	**227**	**1,939**	**2**
Reversal of equalized reserve for dividends to policyholders	227	1,939	2
Total	**39,117**	**33,264**	**359**
Appropriation of surplus (loss):	**14,993**	**15,408**	**137**
Reserve for dividends to policyholders	1,794	2,173	16
Net surplus (loss):	13,199	13,235	121
Reserve for future losses	18	19	0
Interest on foundation funds	4,081	4,116	37
Voluntary surplus reserves:	9,100	9,100	83
Reserve for fund redemption	9,100	9,100	83
Surplus (loss) carried forward	**¥ 24,123**	**¥ 17,855**	**$ 221**

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 ¥108.83 = US$1.00, the effective rate of exchange at the balance sheet date of March 31, 2020.

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 stock exchange-traded funds, domestic listed real estate investment trusts, foreign stock 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 considered 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).

(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.

(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 stock 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 book value 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 book value as the estimated uncollectible amounts. The amounts written-off as of March 31, 2020 and 2019 were ¥34 million (US$0 million) and ¥47 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 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 mainly applies the following hedging activities:

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, investment trusts and others 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 Standards Issued but Not Yet Effective

The accounting standards and relevant implementation guidance issued by the fiscal year-end but not yet effective are as follows:

- "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, issued on July 4, 2019)
- "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, issued on July 4, 2019)
- "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, revised on July 4, 2019)

i) Overview

In these accounting standards and relevant implementation guidance, the guidance on the methods for measuring fair values of financial instruments are set to enhance comparability between Japanese accounting standards and international accounting standards.

ii) Schedule date of application

The above revisions are scheduled to be applied from the beginning of the fiscal year ending March 31, 2022.

iii) Effects of application of the Accounting Standards and relevant implementation guidance

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

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 variable interest rates, accumulation insurance with variable 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 managing 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 managing 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 by Risk Management Department, which is independent of the departments executing investments and lending. 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, 2020 and 2019 were as follows:

Millions of Yen

As of March 31	2020		
	Balance Sheet Amount	Fair Value	Difference
Cash and deposits	¥ 30,554	¥ 30,554	¥ –
Call loans	82,000	82,000	–
Monetary claims bought	26,915	29,796	2,881
Trading securities	–	–	–
Held-to-maturity debt securities	25,997	28,878	2,881
Policy-reserve-matching bonds	–	–	–
Available-for-sale securities	918	918	–
Securities	4,353,742	4,693,404	339,661
Trading securities	20,372	20,372	–
Held-to-maturity debt securities	308,469	344,876	36,406
Policy-reserve-matching bonds	2,050,330	2,353,584	303,254
Available-for-sale securities	1,974,569	1,974,569	–
Loans	377,913	386,550	8,637
Policy loans	40,553	40,553	–
Industrial and consumer loans	337,359	345,997	8,637
Total assets	4,871,125	5,222,305	351,180
Bonds payable	88,295	81,164	(7,130)
Payables under securities borrowing transactions	179,695	179,695	–
Loans payable	51,000	52,776	1,776
Total liabilities	318,990	313,636	(5,354)
Derivative financial instruments	21,251	21,251	–
Hedge accounting not applied	566	566	–
Hedge accounting applied	20,684	20,684	–

* 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	2019		
	Balance Sheet Amount	Fair Value	Difference
Cash and deposits	¥ 36,102	¥ 36,102	¥ –
Call loans	140,000	140,000	–
Monetary claims bought	28,984	32,137	3,153
Trading securities	–	–	–
Held-to-maturity debt securities	28,339	31,492	3,153
Policy-reserve-matching bonds	–	–	–
Available-for-sale securities	645	645	–
Securities	4,226,979	4,604,058	377,079
Trading securities	25,410	25,410	–
Held-to-maturity debt securities	316,473	360,188	43,714
Policy-reserve-matching bonds	2,074,484	2,407,849	333,364
Available-for-sale securities	1,810,610	1,810,610	–
Loans	426,804	436, 600	9,795
Policy loans	44,272	44,272	–
Industrial and consumer loans	382,531	392,327	9,795
Total assets	4,858,871	5,248,899	390,028
Bonds payable	88,295	89,200	905
Loans payable	51,000	50,855	(144)
Total liabilities	139,295	140,055	760
Derivative financial instruments	766	766	–
Hedge accounting not applied	221	221	–
Hedge accounting applied	544	544	–

* 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	2020		
	Balance Sheet Amount	Fair Value	Difference
Cash and deposits	$ 280	$ 280	$ –
Call loans	753	753	–
Monetary claims bought	247	273	26
Trading securities	–	–	–
Held-to-maturity debt securities	238	265	26
Policy-reserve-matching bonds	–	–	–
Available-for-sale securities	8	8	–
Securities	40,004	43,126	3,121
Trading securities	187	187	–
Held-to-maturity debt securities	2,834	3,168	334
Policy-reserve-matching bonds	18,839	21,626	2,786
Available-for-sale securities	18,143	18,143	–
Loans	3,472	3,551	79
Policy loans	372	372	–
Industrial and consumer loans	3,099	3,179	79
Total assets	44,759	47,985	3,226
Bonds payable	811	745	(65)
Payables under securities borrowing transactions	1,651	1,651	–
Loans payable	468	484	16
Total liabilities	2,931	2,881	(49)
Derivative financial instruments	195	195	–
Hedge accounting not applied	5	5	–
Hedge accounting applied	190	190	–

* 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 stock exchange-traded funds, domestic listed real estate investment trusts, foreign stock 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, including investments in subsidiaries and affiliates, 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, including investments in subsidiaries and affiliates, reported in the non-consolidated balance sheets were ¥20,034 million (US$184 million) and ¥30,478 million as of March 31, 2020 and 2019, 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 value, etc. as of March 31, 2020 and 2019, respectively.

(4) Payables under securities borrowing transactions

The Company considers book value as fair value with the assumption that fair value approximates book value.

(5) Derivative financial instruments

The fair values of stock options and currency 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 ¥249,504 million (US$2,292 million) and ¥289,781 million (US$2,662 million) as of March 31, 2020 and ¥251,447 million and ¥274,067 million as of March 31, 2019, 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 amounts of securities lent under lending agreements were ¥225,171 million (US$2,069 million) and ¥157,185 million as of March 31, 2020 and 2019, respectively.

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 ¥735 million (US$6 million) and ¥757 million as of March 31, 2020 and 2019, respectively.

i) Loans to bankrupt borrowers were ¥2 million (US$0 million) and ¥0 million as of March 31, 2020 and 2019, respectively.

ii) Delinquent loans were ¥589 million (US$5 million) and ¥619 million as of March 31, 2020 and 2019, respectively.

iii) Delinquent loans three or more months past due were ¥122 million (US$1 million) and ¥110 million as of March 31, 2020 and 2019, respectively.

iv) Restructured loans were ¥20 million (US$0 million) and ¥27 million as of March 31, 2020 and 2019, 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 ¥3 million (US$0 million) and ¥3 million as of March 31, 2020 and 2019, respectively.

In addition, the direct write-offs related to loans decreased the amounts of delinquent loans described above by ¥31 million (US$0 million) and ¥43 million as of March 31, 2020 and 2019, respectively.

7. Accumulated Depreciation of Tangible Fixed Assets

Accumulated depreciation of tangible fixed assets totaled ¥283,126 million (US$2,601 million) and ¥277,831 million as of March 31, 2020 and 2019, respectively.

8. Separate Accounts

Total assets in separate accounts provided for in Article 118 of the Insurance Business Act were ¥24,381 million (US$224 million) and ¥27,560 million as of March 31, 2020 and 2019, 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 ¥322 million (US$2 million) and ¥1,712 million (US$15 million) as of March 31, 2020 and ¥297 million and ¥1,318 million as of March 31, 2019, 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, 2020 and 2019, respectively. The total amounts of payables to directors and audit board members were ¥15 million (US$0 million) and ¥15 million as of March 31, 2020 and 2019, respectively.

11. Deferred Taxes

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

As of March 31	Millions of Yen 2020	Millions of Yen 2019	Millions of U.S. Dollars 2020
Deferred tax assets	¥ 68,319	¥ 62,738	$ 627
Valuation allowance for deferred tax assets	22,481	20,304	206
Subtotal	45,838	42,434	421
Deferred tax liabilities	37,794	32,020	347
Net deferred tax assets (liabilities)	¥ 8,044	¥ 10,413	$ 73

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

As of March 31	Millions of Yen 2020
Deferred tax assets	
Contingency reserve	¥ 14,447
Reserve for price fluctuation	12,061
Losses on valuation of securities	9,639
Reserve for employees' retirement benefits	9,076
Impairment losses	7,743
Net unrealized losses on available-for-sale securities	6,279
Deferred tax liabilities	
Net unrealized gains on available-for-sale securities	36,552

As of March 31	Millions of Yen 2019
Deferred tax assets	
Contingency reserve	¥ 14,279
Reserve for price fluctuation	11,408
Reserve for employees' retirement benefits	9,385
Impairment losses	7,968
Losses on valuation of securities	7,528
Deferred tax liabilities	
Net unrealized gains on available-for-sale securities	30,833

As of March 31	Millions of U.S. Dollars 2020
Deferred tax assets	
Contingency reserve	$ 132
Reserve for price fluctuation	110
Losses on valuation of securities	88
Reserve for employees' retirement benefits	83
Impairment losses	71
Net unrealized losses on available-for-sale securities	57
Deferred tax liabilities	
Net unrealized gains on available-for-sale securities	335

(2) The statutory tax rates were 27.9% and 27.9% for the fiscal years ended March 31, 2020 and 2019, 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 year ended March 31	2020
Interest on foundation funds	(4.3)%
Reserve for dividends to policyholders	(1.9)%

For the year ended March 31	2019
Change of valuation allowance for deferred tax assets	(8.9)%
Interest on foundation funds	(8.5)%
Reserve for dividends to policyholders	(3.1)%

12. Reserve for Dividends to Policyholders

	Millions of Yen		Millions of U.S. Dollars
For the years ended March 31	2020	2019	2020
Balance at the beginning of the fiscal year	¥ 34,104	¥ 36,959	$ 313
Transfer to reserve from surplus in the previous fiscal year	2,173	1,963	19
Dividends to policyholders paid out during the fiscal year	4,208	4,821	38
Increase in interest	131	53	1
Decrease in others	128	49	1
Balance at the end of the fiscal year	¥ 32,073	¥ 34,104	$ 294

13. Stocks of Subsidiaries and Affiliates

The amounts of stocks of subsidiaries and affiliates the Company held as of March 31, 2020 and 2019 were ¥6,694 million (US$61 million) and ¥6,649 million, respectively.

14. Pledged Assets

Assets pledged as collateral as of March 31, 2020 and 2019 were securities in the amount of ¥7,030 million (US$64 million) and ¥16,506 million, respectively.

15. Policy Reserves for the Reinsurance Contracts

Reserve for outstanding claims for the reinsurance contracts provided in accordance with Article 73, Paragraph 3 of the Enforcement Regulation of the Insurance Business Act which applies mutatis mutandis to Article 71, Paragraph 1 of the Enforcement Regulation of the Insurance Business Act (hereinafter "reserve for outstanding claims for ceded reinsurance") were ¥6 million (US$0 million) and ¥4 million as of March 31, 2020 and 2019, respectively.

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 ¥366 million (US$3 million) and ¥270 million as of March 31, 2020 and 2019, 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 ¥97,907 million (US$899 million) and ¥99,314 million as of March 31, 2020 and 2019, respectively.

17. Redemption of Foundation Funds

Note for the fiscal year ended March 31, 2019

Accompanying the redemption of foundation funds totaling ¥35,000 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 for the fiscal year ended March 31, 2019.

18. 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 pledged as collateral as of March 31, 2020 and 2019 were ¥72,765 million (US$668 million) and ¥69,344 million, respectively. No assets were pledged as collateral as of March 31, 2020 and 2019.

19. Commitment Line

As of March 31, 2020 and 2019, there were unused commitment line agreements under which the Company is the lender of ¥9,418 million (US$86 million) and ¥3,922 million, respectively.

20. Subordinated Bonds Payable

As of March 31, 2020 and 2019, bonds payable are subordinated bonds payable, for which the repayments are subordinated to other obligations.

21. Subordinated Loans Payable

As of March 31, 2020 and 2019, loans payable are subordinated loans payable, for which the repayments are subordinated to other obligations.

22. 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, 2020 and 2019 were ¥8,609 million (US$79 million) and ¥8,899 million, respectively. These contributions are charged as operating expenses in the fiscal years in which they are paid.

23. 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	2020	2019	2020
Retirement benefit obligations at the beginning of the fiscal year	¥ 43,586	¥ 45,167	$ 400
Service cost	1,779	1,867	16
Interest cost	435	451	4
Actuarial difference occurred during the fiscal year	(235)	743	(2)
Retirement benefit payments	(4,275)	(4,644)	(39)
Retirement benefit obligations at the end of the fiscal year	¥ 41,291	¥ 43,586	$ 379

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

For the years ended March 31	Millions of Yen 2020	Millions of Yen 2019	Millions of U.S. Dollars 2020
Pension plan assets at the beginning of the fiscal year	¥ 7,407	¥ 10,418	$ 68
Expected return on pension plan assets	63	55	0
Actuarial difference occurred during the fiscal year	(877)	(3,013)	(8)
Contributions by the employer	148	130	1
Retirement benefit payments	(233)	(184)	(2)
Pension plan assets at the end of the fiscal year	¥ 6,507	¥ 7,407	$ 59

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

As of March 31	Millions of Yen 2020	Millions of Yen 2019	Millions of U.S. Dollars 2020
a. Funded plan retirement benefit obligation	¥ 41,291	¥ 43,586	$ 379
b. Pension plan assets	(6,507)	(7,407)	(59)
c. a + b	34,783	36,179	319
d. Unrecognized actuarial differences	(2,429)	(2,684)	(22)
e. Net amount of liabilities and assets presented on the non-consolidated balance sheet	32,353	33,495	297
f. Reserve for employees' retirement benefits	32,533	33,640	298
g. Prepaid pension cost	(179)	(145)	(1)
h. Net amount of liabilities and assets presented on the non-consolidated balance sheet	¥ 32,353	¥ 33,495	$ 297

iv) Breakdown of retirement benefit expenses

For the years ended March 31	Millions of Yen 2020	Millions of Yen 2019	Millions of U.S. Dollars 2020
Service cost	¥ 1,779	¥ 1,867	$ 16
Interest cost	435	451	4
Expected return on pension plan assets	(63)	(55)	(0)
Amortization of actuarial differences	896	526	8
Retirement benefit expenses related to defined benefit plan	¥ 3,049	¥ 2,790	$ 28

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	2020	2019
Stocks	38%	46%
Bonds	9%	8%
Others	53%	46%
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	2020	2019
Discount rate	1.0%	1.0%
Expected long-term rate of return on pension plan assets	0.9%	0.5%
Defined benefit corporate pension plans	1.7%	1.5%

III. Notes to Non-consolidated Statements of Income

1. Transactions with Subsidiaries and Affiliates

The total amounts of revenues and expenditures in connection with subsidiaries and affiliates were ¥381 million (US$3 million) and ¥9,483 million (US$87 million) for the fiscal year ended March 31, 2020 and ¥678 million and ¥9,759 million for the fiscal year ended March 31, 2019, 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	2020	2019	2020
Domestic bonds	¥ 21,832	¥ 32,424	$ 200
Domestic stocks and other securities	2,018	1,685	18
Foreign securities	1	538	0

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	2020	2019	2020
Domestic bonds	¥ 690	¥ 2,224	$ 6
Domestic stocks and other securities	2,120	800	19
Foreign securities	–	9,495	–

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	2020	2019	2020
Domestic stocks and other securities	¥ 368	¥ 628	$ 3

Losses on derivative financial instruments included net valuation losses of ¥1,456 million (US$13 million) and losses of ¥1,091 million for the fiscal years ended March 31, 2020 and 2019, respectively.

3. Policy Reserves for the Reinsurance Contracts

Provision for reserve for outstanding claims for ceded reinsurance, which was deducted in calculating provision for reserve for outstanding claims for the fiscal year ended March 31, 2020 was ¥2 million (US$0 million).

Provision for reserve for outstanding claims for ceded reinsurance, which was added in calculating reversal of reserve for outstanding claims for the fiscal year ended March 31, 2019 was ¥4 million.

Provisions for policy reserves for ceded reinsurance, which were added in calculating reversal of policy reserves for the fiscal years ended March 31, 2020 and 2019 were ¥96 million (US$0 million) and ¥92 million, respectively.

4. Impairment Losses of Fixed Assets

Notes for the fiscal year ended March 31, 2019

For the fiscal year ended March 31, 2019, 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
For the year ended March 31	2019
Real estate for rent:	
Land	¥ 0
Building	0
Others	0
Total real estate for rent (i)	0
Unused real estate:	
Land	918
Building	264
Others	52
Total unused real estate (ii)	1,235
Total:	
Land	918
Building	264
Others	52
Total (i) + (ii)	¥ 1,235

(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 3.5% for the fiscal year ended March 31, 2019. 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.

The non-consolidated financial statements in this annual report have been audited by Ernst & Young ShinNihon LLC, an independent certified public accountant.

9. Company Overview (as of March 31, 2020)

Tokyo Head Office

Tama Head Office

Company Name:	Asahi Mutual Life Insurance Company
Founded:	March 1, 1888
Total Assets:	5.3886 trillion yen
Number of Offices:	58 branches; 578 sales offices (as of April 1, 2020)
Number of Employees:	16,583 (staff: 4,098; sales representatives: 12,485)
Location of Tokyo Head Office:	6-1, Yotsuya 1-chome, Shinjuku-ku, Tokyo 160-8570, Japan Tel: 81-3-4214-3111 * The Head Office was moved to the above address on September 23, 2020.