

February 14, 2019

Financial Results for the Nine Months Ended December 31, 2018

Asahi Mutual Life Insurance Company (the “Company” ; President: Hiroki Kimura) announces financial results for the nine months ended December 31, 2018.

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1. Business Highlights

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

(i) Policies in Force

	As of March 31, 2018		As of December 31, 2018			
	Number of policies (Thousands)	Amount (100 millions of Yen)	Number of policies (Thousands)	Amount (100 millions of Yen)		Changes (%, Pre-FYE)
				Changes (%, Pre-FYE)	Changes (%, Pre-FYE)	
Individual insurance	7,186	166,410	7,185	100.0	156,147	93.8
Individual annuities	584	25,039	564	96.5	23,835	95.2
Group insurance	—	13,235	—	—	14,204	107.3
Group annuities	—	178	—	—	172	96.3

Notes:

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

(ii) New Policies

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

	Nine months ended December 31, 2018					
	Number of policies (Thousands)	Changes (%, YoY)	Amount (100 millions of Yen)			
			Changes (%, YoY)	New policies	Net increase by conversion	
Individual insurance	504	97.4	1,213	119.6	2,292	(1,079)
Individual annuities	—	—	(120)	—	—	(120)
Group insurance	—	—	1,175	859.4	1,175	—
Group annuities	—	—	—	—	—	—

Notes:

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

(2) Annualized Premiums

(i) Policies in Force

(100 millions of Yen)

	As of March 31, 2018	As of December 31, 2018	
			Changes (%, Pre-FYE)
Individual insurance	3,813	3,908	102.5
Individual annuities	1,511	1,465	97.0
Total	5,324	5,373	100.9
Third-sector products	2,063	2,090	101.3

(ii) New Policies

(100 millions of Yen)

	Nine months ended December 31, 2017	Nine months ended December 31, 2018	Changes
			(%, YoY)
Individual insurance	204	310	151.8
Individual annuities	(2)	(2)	—
Total	201	308	152.7
Third-sector products	167	130	77.7

Notes:

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

2. Investment Results of General Account Assets

(1) Asset Composition

(Millions of Yen)

	As of March 31, 2018		As of December 31, 2018	
	Amount	Percentage	Amount	Percentage
Cash, deposits, call loans	194,302	3.6	155,839	2.9
Monetary claims bought	30,151	0.6	29,496	0.5
Securities	4,161,052	77.5	4,249,587	78.8
Domestic bonds	2,845,690	53.0	2,789,201	51.7
Domestic stocks	323,118	6.0	304,858	5.7
Foreign securities	917,147	17.1	1,087,907	20.2
Foreign bonds	690,912	12.9	898,001	16.6
Foreign stocks and other foreign securities	226,235	4.2	189,906	3.5
Other securities	75,096	1.4	67,620	1.3
Loans	484,169	9.0	447,222	8.3
Policy loans	49,637	0.9	45,473	0.8
Industrial and consumer loans	434,532	8.1	401,749	7.4
Real estate	394,631	7.4	390,705	7.2
Deferred tax assets	16,187	0.3	19,538	0.4
Others	87,085	1.6	103,660	1.9
Allowance for possible loan losses	(394)	(0.0)	(387)	(0.0)
Total	5,367,186	100.0	5,395,663	100.0
Foreign currency-denominated assets	1,054,537	19.6	1,235,142	22.9

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

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

(Millions of Yen)

	As of March 31, 2018					As of December 31, 2018				
	Book value	Fair value	Gains/losses			Book value	Fair value	Gains/losses		
				Gains	Losses				Gains	Losses
Held-to-maturity debt securities	353,761	397,636	43,874	43,900	(25)	342,198	384,314	42,116	42,130	(14)
Policy-reserve-matching bonds	2,094,251	2,397,856	303,605	313,125	(9,519)	2,067,423	2,339,986	272,562	280,562	(7,999)
Stocks of subsidiaries	—	—	—	—	—	—	—	—	—	—
Available-for-sale securities	1,563,573	1,667,178	103,604	174,341	(70,736)	1,740,288	1,828,977	88,688	155,210	(66,521)
Domestic bonds	588,848	583,152	(5,696)	8,594	(14,290)	567,154	563,572	(3,581)	8,842	(12,423)
Domestic stocks	151,964	304,117	152,153	159,772	(7,618)	160,576	284,384	123,808	135,941	(12,132)
Foreign securities	746,635	704,812	(41,823)	4,446	(46,270)	938,138	912,782	(25,355)	9,996	(35,351)
Foreign bonds	569,387	535,588	(33,799)	3,116	(36,915)	759,060	742,888	(16,171)	9,587	(25,758)
Foreign stocks and other foreign securities	177,247	169,223	(8,024)	1,329	(9,354)	179,078	169,894	(9,184)	409	(9,593)
Other securities	76,125	75,096	(1,028)	1,528	(2,557)	73,827	67,620	(6,206)	406	(6,613)
Monetary claims bought	—	—	—	—	—	592	616	23	23	—
Negotiable certificates of deposit	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—
Total	4,011,587	4,462,671	451,084	531,366	(80,282)	4,149,910	4,553,277	403,366	477,903	(74,536)
Domestic bonds	2,851,386	3,160,551	309,165	332,986	(23,821)	2,792,782	3,072,337	279,554	299,985	(20,431)
Domestic stocks	151,964	304,117	152,153	159,772	(7,618)	160,576	284,384	123,808	135,941	(12,132)
Foreign securities	901,959	889,570	(12,389)	33,880	(46,270)	1,093,251	1,096,391	3,140	38,492	(35,351)
Foreign bonds	724,711	720,347	(4,364)	32,551	(36,915)	914,172	926,497	12,324	38,083	(25,758)
Foreign stocks and other foreign securities	177,247	169,223	(8,024)	1,329	(9,354)	179,078	169,894	(9,184)	409	(9,593)
Other securities	76,125	75,096	(1,028)	1,528	(2,557)	73,827	67,620	(6,206)	406	(6,613)
Monetary claims bought	30,151	33,335	3,184	3,198	(14)	29,473	32,543	3,070	3,077	(7)
Negotiable certificates of deposit	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—

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

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

(Millions of Yen)

	As of March 31, 2018	As of December 31, 2018
Held-to-maturity debt securities	—	—
Unlisted foreign bonds	—	—
Others	—	—
Policy-reserve-matching bonds	—	—
Stocks of subsidiaries	5,063	6,649
Available-for-sale securities	70,950	33,836
Unlisted domestic stocks (except over-the-counter stocks)	13,937	13,823
Unlisted foreign stocks (except over-the-counter stocks)	57,012	20,012
Unlisted foreign bonds	—	—
Others	—	—
Total	76,013	40,486

(Reference)

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

(Millions of Yen)

	As of March 31, 2018					As of December 31, 2018				
	Book value	Fair value	Gains/losses		Book value	Fair value	Gains/losses			
			Gains	Losses			Gains	Losses		
Held-to-maturity debt securities	353,761	397,636	43,874	43,900	(25)	342,198	384,314	42,116	42,130	(14)
Policy-reserve-matching bonds	2,094,251	2,397,856	303,605	313,125	(9,519)	2,067,423	2,339,986	272,562	280,562	(7,999)
Stocks of subsidiaries	5,063	5,063	—	—	—	6,649	6,649	—	—	—
Available-for-sale securities	1,634,524	1,738,127	103,603	174,341	(70,737)	1,774,125	1,862,813	88,687	155,210	(66,522)
Domestic bonds	588,848	583,152	(5,696)	8,594	(14,290)	567,154	563,572	(3,581)	8,842	(12,423)
Domestic stocks	165,901	318,054	152,153	159,772	(7,618)	174,400	298,208	123,808	135,941	(12,132)
Foreign securities	803,648	761,823	(41,824)	4,446	(46,271)	958,151	932,794	(25,356)	9,996	(35,352)
Foreign bonds	569,387	535,588	(33,799)	3,116	(36,915)	759,060	742,888	(16,171)	9,587	(25,758)
Foreign stocks and other foreign securities	234,260	226,235	(8,025)	1,329	(9,355)	199,091	189,906	(9,185)	409	(9,594)
Other securities	76,125	75,096	(1,028)	1,528	(2,557)	73,827	67,620	(6,206)	406	(6,613)
Monetary claims bought	—	—	—	—	—	592	616	23	23	—
Negotiable certificates of deposit	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—
Total	4,087,600	4,538,684	451,083	531,366	(80,283)	4,190,396	4,593,762	403,365	477,903	(74,537)
Domestic bonds	2,851,386	3,160,551	309,165	332,986	(23,821)	2,792,782	3,072,337	279,554	299,985	(20,431)
Domestic stocks	170,964	323,118	152,153	159,772	(7,618)	181,049	304,858	123,808	135,941	(12,132)
Foreign securities	958,972	946,582	(12,390)	33,880	(46,271)	1,113,263	1,116,403	3,139	38,492	(35,352)
Foreign bonds	724,711	720,347	(4,364)	32,551	(36,915)	914,172	926,497	12,324	38,083	(25,758)
Foreign stocks and other foreign securities	234,260	226,235	(8,025)	1,329	(9,355)	199,091	189,906	(9,185)	409	(9,594)
Other securities	76,125	75,096	(1,028)	1,528	(2,557)	73,827	67,620	(6,206)	406	(6,613)
Monetary claims bought	30,151	33,335	3,184	3,198	(14)	29,473	32,543	3,070	3,077	(7)
Negotiable certificates of deposit	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—

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

(3) Fair Value Information on Money Held in Trust

The Company doesn't hold money held in trust.

3. Unaudited Non-consolidated Balance Sheets

(Millions of Yen)

	As of March 31, 2018	As of December 31, 2018
Assets:		
Cash and deposits	31,635	36,052
Call loans	164,000	121,000
Monetary claims bought	30,151	29,496
Securities:	4,188,869	4,274,570
National government bonds	1,866,902	1,797,938
Local government bonds	48,785	49,751
Corporate bonds	936,856	946,796
Domestic stocks	334,335	314,109
Foreign securities	926,893	1,098,354
Loans:	484,169	447,222
Policy loans	49,637	45,473
Industrial and consumer loans	434,532	401,749
Tangible fixed assets	401,011	396,469
Intangible fixed assets	34,355	33,703
Reinsurance receivables	812	360
Other assets	45,629	63,903
Prepaid pension cost	70	28
Deferred tax assets	16,187	19,538
Customers' liabilities under acceptances and guarantees	10	7
Allowance for possible loan losses	(394)	(387)
Total assets	5,396,507	5,421,966

(Millions of Yen)

	As of March 31, 2018	As of December 31, 2018
Liabilities:		
Policy reserves and other reserves:	4,682,246	4,621,386
Reserve for outstanding claims	28,368	26,184
Policy reserves	4,616,919	4,559,527
Reserve for dividends to policyholders	36,959	35,674
Reinsurance payables	311	277
Bonds payable	40,349	88,295
Other liabilities:	193,656	267,087
Income taxes payable	3,321	593
Lease obligations	3,946	3,189
Asset retirement obligations	243	246
Others	186,144	263,058
Reserve for employees' retirement benefits	35,365	34,467
Reserve for price fluctuation	38,710	40,400
Deferred tax liabilities for land revaluation	17,762	17,630
Acceptances and guarantees	10	7
Total liabilities	5,008,412	5,069,552
Net assets:		
Foundation funds	126,000	91,000
Reserve for redemption of foundation funds	131,000	166,000
Reserve for revaluation	281	281
Surplus:	95,901	72,060
Reserve for future losses	266	291
Other surplus:	95,635	71,769
Reserve for fund redemption	48,600	26,200
Equalized reserve for dividends to policyholders	9,678	9,258
Unappropriated surplus (loss)	37,356	36,311
Total foundation funds and others	353,183	329,342
Net unrealized gains (losses) on available-for-sale securities, net of tax	81,292	69,728
Land revaluation differences	(46,380)	(46,656)
Total valuation and translation adjustments	34,912	23,071
Total net assets	388,095	352,414
Total liabilities and net assets	5,396,507	5,421,966

4. Unaudited Non-consolidated Statements of Income

(Millions of Yen)

	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Ordinary income:	513,667	486,094
Premium and other income:	285,905	295,396
Insurance premiums	284,842	294,043
Investment income:	136,798	120,487
Interest, dividends and other income	80,913	79,283
Gains on sales of securities	46,197	33,174
Investment gains on separate accounts	3,573	-
Other ordinary income	90,963	70,209
Ordinary expenses:	460,147	460,531
Claims and other payments:	330,500	313,889
Claims	94,042	91,414
Annuities	98,499	97,367
Benefits	62,290	52,327
Surrender benefits	70,870	68,357
Other payments	4,412	3,672
Provision for policy reserves and other reserves:	3	2
Provision for interest on policyholders' dividend reserves	3	2
Investment expenses:	28,699	42,336
Interest expenses	3,346	3,571
Losses on sales of securities	1,573	8,085
Losses on valuation of securities	70	490
Losses on derivative financial instruments	12,112	16,850
Investment losses on separate accounts	-	1,363
Operating expenses	75,928	79,213
Other ordinary expenses	25,016	25,089
Ordinary profit	53,520	25,562
Extraordinary gains:	89	364
Gains on disposal of fixed assets	89	364
Extraordinary losses:	2,016	2,262
Losses on disposal of fixed assets	189	242
Impairment losses	157	329
Provision for reserve for price fluctuation	1,670	1,690
Surplus before income taxes	51,592	23,664
Income taxes including deferred taxes	11,387	4,551
Total income taxes	11,387	4,551
Net surplus	40,205	19,112

Notes to Unaudited Non-consolidated Financial Statements

Notes to Unaudited Non-consolidated Balance Sheet

1. Securities Lent under Lending Agreements

The amount of securities lent under lending agreements was ¥242,318 million as of December 31, 2018.

2. Reserve for Dividends to Policyholders

The change in reserve for dividends to policyholders for the reporting period ended December 31, 2018 was as follows:

	<u>Millions of Yen</u>
	<u>Nine months ended December 31, 2018</u>
Balance at the beginning of the reporting period	¥ 36,959
Transfer to reserve from surplus in the previous fiscal year	1,963
Dividends to policyholders paid out during the reporting period	3,250
Increase in interest	<u>2</u>
Balance at the end of the reporting period	¥ 35,674

3. Redemption of Foundation Funds

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.

5. Breakdown of Ordinary Profit (Fundamental Profit)

(Millions of Yen)

		Nine months ended December 31, 2017	Nine months ended December 31, 2018
Fundamental profit	A	20,931	15,766
Capital gains		46,725	35,564
Gains on money held in trust		—	—
Gains on trading securities		—	—
Gains on sales of securities		46,197	33,174
Gains on derivative financial instruments		—	—
Foreign exchange gains		527	2,390
Other capital gains		—	—
Capital losses		13,756	25,426
Losses on money held in trust		—	—
Losses on trading securities		—	—
Losses on sales of securities		1,573	8,085
Losses on valuation of securities		70	490
Losses on derivative financial instruments		12,112	16,850
Foreign exchange losses		—	—
Other capital losses		—	—
Net capital gains (losses)	B	32,968	10,138
Fundamental profit plus net capital gains (losses)	A + B	53,899	25,904
Other one-time gains		70	32
Reinsurance revenue		—	—
Reversal of contingency reserve		—	—
Reversal of specific allowance for possible loan losses		70	32
Others		—	—
Other one-time losses		450	375
Reinsurance premiums		—	—
Provision for contingency reserve		450	375
Provision for specific allowance for possible loan losses		—	—
Provision for allowance for specified overseas loans		—	—
Write-offs of loans		0	0
Others		—	—
Net other one-time gains (losses)	C	(379)	(342)
Ordinary profit	A + B + C	53,520	25,562

6. Solvency Margin Ratio

(Millions of Yen)

		As of March 31, 2018	As of December 31, 2018
Total solvency margin	(A)	787,114	769,440
Foundation funds and surplus		344,953	324,782
Reserve for price fluctuation		38,710	40,400
Contingency reserve		50,682	51,057
General allowance for possible loan losses		17	48
(Net unrealized gains on available-for-sale securities (before tax effect) and deferred hedge gains (before tax effect)) × 90% (in case of losses: × 100%)		93,243	79,818
Net unrealized gains on land × 85% (in case of losses: × 100%)		(10,499)	(10,872)
Excess amount of policy reserves based on full-time Zillmer method		122,802	129,625
Qualifying subordinated debt		136,949	138,495
Excess amount of policy reserves based on full-time Zillmer method and qualifying subordinated debt excluded from the calculation of solvency margin		—	—
Deduction		—	—
Others		10,256	16,085
Total amount of risk	$\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$ (B)	194,693	190,863
Insurance risk	R_1	14,415	13,915
Third-sector insurance risk	R_8	9,450	9,595
Risk of assumed yield	R_2	78,490	76,097
Minimum guarantee risk	R_7	1,076	1,075
Investment risk	R_3	109,368	108,029
Operational risk	R_4	4,256	4,174
Solvency margin ratio	$(A) / \{(1/2) \times (B)\} \times 100$	808.5%	806.2%

Notes:

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

7. Status of Separate Account

(1) Separate Account Assets by Products

(Millions of Yen)

	As of March 31, 2018	As of December 31, 2018
Individual variable insurance	29,382	26,320
Individual variable annuities	—	—
Group annuity products	—	—
Total	29,382	26,320

(2) Sum Insured of Policies in Force

(i) Individual Variable Insurance

	As of March 31, 2018		As of December 31, 2018	
	Number of policies (Thousands)	Amount (Millions of Yen)	Number of policies (Thousands)	Amount (Millions of Yen)
Individual variable insurance (fixed term)	0	5	—	—
Individual variable insurance (whole life)	14	98,383	14	96,397
Total	14	98,388	14	96,397

(ii) Individual Variable Annuities

	As of March 31, 2018		As of December 31, 2018	
	Number of policies (Thousands)	Amount (Millions of Yen)	Number of policies (Thousands)	Amount (Millions of Yen)
Individual variable annuities	—	—	—	—
Total	—	—	—	—

8. Status of the Company, Subsidiaries and Affiliates

(1) Selected Financial Data

(Millions of Yen)

	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Ordinary income	516,707	489,131
Ordinary profit	53,593	25,323
Net surplus attributable to the Parent Company	40,302	18,996
Comprehensive income	92,317	7,866

(Millions of Yen)

	As of March 31, 2018	As of December 31, 2018
Total assets	5,397,841	5,422,927
Solvency margin ratio	815.4%	814.4%

(2) Scope of Consolidation and Application of Equity Method

Number of consolidated subsidiaries: 3

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

(3) Unaudited Consolidated Balance Sheets

(Millions of Yen)

	As of March 31, 2018	As of December 31, 2018
Assets:		
Cash and deposits	36,143	39,729
Call loans	164,000	121,000
Monetary claims bought	30,151	29,496
Securities	4,185,104	4,270,397
Loans	484,169	447,222
Tangible fixed assets	401,061	396,525
Intangible fixed assets	33,735	33,061
Reinsurance receivables	812	360
Other assets	46,632	65,653
Net defined benefit assets	351	254
Deferred tax assets	16,062	19,606
Customers' liabilities under acceptances and guarantees	10	7
Allowance for possible loan losses	(394)	(387)
Total assets	5,397,841	5,422,927

(Millions of Yen)

	As of March 31, 2018	As of December 31, 2018
Liabilities:		
Policy reserves and other reserves:	4,682,246	4,621,386
Reserve for outstanding claims	28,368	26,184
Policy reserves	4,616,919	4,559,527
Reserve for dividends to policyholders	36,959	35,674
Reinsurance payables	311	277
Bonds payable	40,349	88,295
Other liabilities	194,908	268,151
Net defined benefit liabilities	35,056	33,694
Reserve for price fluctuation	38,710	40,400
Deferred tax liabilities for land revaluation	17,762	17,630
Acceptances and guarantees	10	7
Total liabilities	5,009,355	5,069,843
Net assets:		
Foundation funds	126,000	91,000
Reserve for redemption of foundation funds	131,000	166,000
Reserve for revaluation	281	281
Consolidated surplus	95,832	71,875
Total foundation funds and others	353,114	329,157
Net unrealized gains (losses) on available-for-sale securities, net of tax	81,293	69,728
Land revaluation differences	(46,380)	(46,656)
Accumulated remeasurements of defined benefit plans	377	781
Total accumulated other comprehensive income	35,290	23,853
Non-controlling interests	81	73
Total net assets	388,486	353,083
Total liabilities and net assets	5,397,841	5,422,927

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

【Unaudited Consolidated Statements of Income】

(Millions of Yen)

	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Ordinary income:	516,707	489,131
Premium and other income	285,905	295,396
Investment income:	136,540	119,926
Interest, dividends and other income	80,673	78,741
Gains on sales of securities	46,197	33,174
Investment gains on separate accounts	3,573	-
Other ordinary income	94,261	73,807
Ordinary expenses:	463,114	463,807
Claims and other payments:	330,500	313,889
Claims	94,042	91,414
Annuities	98,499	97,367
Benefits	62,290	52,327
Surrender benefits	70,870	68,357
Other payments	4,412	3,672
Provision for policy reserves and other reserves:	3	2
Provision for interest on policyholders' dividend reserves	3	2
Investment expenses:	28,699	42,336
Interest expenses	3,346	3,571
Losses on sales of securities	1,573	8,085
Losses on valuation of securities	70	490
Losses on derivative financial instruments	12,112	16,850
Investment losses on separate accounts	-	1,363
Operating expenses	79,005	82,580
Other ordinary expenses	24,905	24,997
Ordinary profit	53,593	25,323
Extraordinary gains:	89	364
Gains on disposal of fixed assets	89	364
Extraordinary losses:	2,016	2,262
Losses on disposal of fixed assets	189	242
Impairment losses	157	329
Provision for reserve for price fluctuation	1,670	1,690
Surplus before income taxes	51,666	23,425
Income taxes including deferred taxes	11,334	4,397
Total income taxes	11,334	4,397
Net surplus	40,331	19,027
Net surplus attributable to non-controlling interests	28	31
Net surplus attributable to the Parent Company	40,302	18,996

【Unaudited Consolidated Statements of Comprehensive Income】

(Millions of Yen)

	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Net surplus	40,331	19,027
Other comprehensive income:	51,985	(11,161)
Net unrealized gains (losses) on available-for-sale securities, net of tax	51,571	(11,565)
Remeasurements of defined benefit plans	414	404
Comprehensive income:	92,317	7,866
Comprehensive income attributable to the Parent Company	92,288	7,835
Comprehensive income attributable to non-controlling interests	28	31

Notes to Unaudited Consolidated Financial Statements

I. Notes to Unaudited Consolidated Balance Sheet

1. Securities Lent under Lending Agreements

The amount of securities lent under lending agreements was ¥242,318 million as of December 31, 2018.

2. Reserve for Dividends to Policyholders

The change in reserve for dividends to policyholders for the reporting period ended December 31, 2018 was as follows:

	Millions of Yen
	Nine months ended December 31, 2018
Balance at the beginning of the reporting period	¥ 36,959
Transfer to reserve from surplus in the previous fiscal year	1,963
Dividends to policyholders paid out during the reporting period	3,250
Increase in interest	2
Balance at the end of the reporting period	¥ 35,674

3. Redemption of Foundation Funds

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.

II. Note to Unaudited Consolidated Statement of Income

Depreciation

For the reporting period ended December 31, 2018, the total amount of depreciation and depreciation of rental real estate and other assets was ¥12,592 million.

(5) Consolidated Solvency Margin Ratio

(Millions of yen)

		As of March 31, 2018	As of December 31, 2018
Total solvency margin	(A)	788,037	769,556
Foundation funds and surplus		345,401	323,971
Reserve for price fluctuation		38,710	40,400
Contingency reserve		50,682	51,057
Catastrophe loss reserve		—	—
General allowance for possible loan losses		19	50
(Net unrealized gains on available-for-sale securities (before tax effect) and deferred hedge gains (before tax effect)) × 90% (in case of losses: × 100%)		93,244	79,818
Net unrealized gains on land × 85% (in case of losses: × 100%)		(10,499)	(10,872)
Sum of unrealized actuarial differences and unrealized past service cost		521	925
Excess amount of policy reserves based on full-time Zillmer method		122,802	129,625
Qualifying subordinated debt		136,949	138,495
Excess amount of policy reserves based on full-time Zillmer method and qualifying subordinated debt excluded from the calculation of solvency margin		—	—
Deduction		(50)	—
Others		10,256	16,085
Total amount of risk	$\sqrt{(\sqrt{R_1^2 + R_5^2 + R_6^2 + R_8^2 + R_9^2} + (R_2 + R_3 + R_7)^2 + R_4 + R_6)}$ (B)	193,282	188,974
Insurance risk	R ₁	14,415	13,915
Ordinary insurance risk	R ₅	—	—
Disaster insurance risk	R ₆	—	—
Third-sector insurance risk	R ₈	9,450	9,595
Small amount short-term insurance provider insurance risk	R ₉	—	—
Risk of assumed yield	R ₂	78,490	76,097
Minimum guarantee risk	R ₇	1,076	1,075
Investment risk	R ₃	107,974	106,162
Operational risk	R ₄	4,228	4,136
Solvency margin ratio	(A) / {(1/2) × (B)} × 100	815.4%	814.4%

Notes:

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

(6) Segment Information

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