

May 24, 2019

Financial Results for the Fiscal Year Ended March 31, 2019

Asahi Mutual Life Insurance Company (the “Company”; President: Hiroki Kimura) announces financial results for the fiscal year ended March 31, 2019

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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 March 31, 2019			
	Number of policies		Amount (100 millions of Yen)		Number of policies		Amount (100 millions of Yen)	
	(Thousands)	Changes (%, Pre-FYE)		Changes (%, Pre-FYE)	(Thousands)	Changes (%, Pre-FYE)		Changes (%, Pre-FYE)
Individual insurance	7,186	100.2	166,410	91.6	7,207	100.3	153,499	92.2
Individual annuities	584	95.0	25,039	93.4	557	95.3	23,432	93.6
Group insurance	-	-	13,235	99.6	-	-	14,778	111.7
Group annuities	-	-	178	95.6	-	-	170	95.2

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

	Year ended March 31, 2018					
	Number of policies		Amount (100 millions of Yen)			
	(Thousands)	Changes (%, YoY)		Changes (%, YoY)	New policies	Net increase by conversion
Individual insurance	701	91.0	1,281	87.4	3,281	(2,000)
Individual annuities	-	-	(161)	-	-	(161)
Group insurance	-	-	250	479.8	250	-
Group annuities	-	-	-	-	-	-

	Year ended March 31, 2019					
	Number of policies		Amount (100 millions of Yen)			
	(Thousands)	Changes (%, YoY)		Changes (%, YoY)	New policies	Net increase by conversion
Individual insurance	680	97.0	1,590	124.1	3,053	(1,462)
Individual annuities	-	-	(165)	-	-	(165)
Group insurance	-	-	1,335	532.2	1,335	-
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 March 31, 2019	
		Changes (%, Pre-FYE)		Changes (%, Pre-FYE)
Individual insurance	3,813	101.3	3,953	103.7
Individual annuities	1,511	94.8	1,451	96.0
Total	5,324	99.3	5,405	101.5
Third-sector products	2,063	104.3	2,102	101.9

(ii) New Policies

(100 millions of Yen)

	Year ended March 31, 2018		Year ended March 31, 2019	
		Changes (%, YoY)		Changes (%, YoY)
Individual insurance	324	99.6	418	128.9
Individual annuities	(3)	-	(3)	-
Total	320	94.1	414	129.3
Third-sector products	215	80.8	174	81.0

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).

(3) Selected Financial Data

(100 millions of Yen)

	Year ended March 31, 2018		Year ended March 31, 2019	
		Changes (%, YoY)		Changes (%, YoY)
Premium and other income	3,849	100.3	3,967	103.1
Investment income	1,665	103.3	1,526	91.6
Claims and other payments	4,389	94.6	4,182	95.3
Investment expenses	385	92.3	562	145.9
Ordinary profit	375	96.3	246	65.6

(4) Proposed Appropriation of Surplus

(100 millions of Yen)

	Year ended March 31, 2018		Year ended March 31, 2019	
		Changes (%, YoY)		Changes (%, YoY)
Unappropriated surplus	373	119.1	313	83.9
Reversal of voluntary surplus reserves	4	-	19	461.7
Reserve for dividends to policyholders	19	129.2	21	110.7
Net surplus	188	99.0	132	70.1
Surplus carried forward	169	157.4	178	105.5

(5) Total Assets

(100 millions of Yen)

	As of March 31, 2018		As of March 31, 2019	
		Changes (%, Pre-FYE)		Changes (%, Pre-FYE)
Total assets	53,965	100.0	53,563	99.3

2. Investment Results of General Account Assets

(1) Asset Composition

(Millions of Yen)

	As of March 31, 2018		As of March 31, 2019	
	Amount	Percentage	Amount	Percentage
Cash, deposits, call loans	194,302	3.6	174,143	3.3
Monetary claims bought	30,151	0.6	28,984	0.5
Securities	4,161,052	77.5	4,232,046	79.4
Domestic bonds	2,845,690	53.0	2,770,086	52.0
Domestic stocks	323,118	6.0	311,699	5.8
Foreign securities	917,147	17.1	1,078,849	20.2
Foreign bonds	690,912	12.9	893,733	16.8
Foreign stocks and other foreign securities	226,235	4.2	185,115	3.5
Other securities	75,096	1.4	71,411	1.3
Loans	484,169	9.0	426,804	8.0
Policy loans	49,637	0.9	44,272	0.8
Industrial and consumer loans	434,532	8.1	382,531	7.2
Real estate	394,631	7.4	383,194	7.2
Deferred tax assets	16,187	0.3	10,413	0.2
Others	87,085	1.6	73,596	1.4
Allowance for possible loan losses	(394)	(0.0)	(375)	(0.0)
Total	5,367,186	100.0	5,328,808	100.0
Foreign currency-denominated assets	1,054,537	19.6	1,212,135	22.7

(2) Changes(Increases/Decreases) in Assets

(Millions of Yen)

	Year ended March 31, 2018	Year ended March 31, 2019
	Amount	Amount
Cash, deposits, call loans	41,821	(20,158)
Monetary claims bought	(3,050)	(1,167)
Securities	35,945	70,994
Domestic bonds	(49,946)	(75,604)
Domestic stocks	40,159	(11,418)
Foreign securities	48,123	161,702
Foreign bonds	48,882	202,821
Foreign stocks and other foreign securities	(758)	(41,119)
Other securities	(2,391)	(3,685)
Loans	(73,592)	(57,365)
Policy loans	(7,939)	(5,364)
Industrial and consumer loans	(65,652)	(52,000)
Real estate	(6,925)	(11,437)
Deferred tax assets	(6,538)	(5,773)
Others	10,263	(13,488)
Allowance for possible loan losses	93	18
Total	(1,983)	(38,377)
Foreign currency-denominated assets	146,201	157,598

(3) Investment Income

(Millions of Yen)

	Year ended March 31, 2018	Year ended March 31, 2019
Interest, dividends and other income	109,978	107,892
Interest on deposits	0	0
Interest and dividends on securities	84,322	83,138
Interest on loans	8,371	7,096
Rent revenue from real estate	16,354	16,637
Other interest and dividends	929	1,019
Gains on sales of securities	46,779	34,648
Gains on sales of domestic bonds	44,891	32,424
Gains on sales of domestic stocks and other securities	1,709	1,685
Gains on sales of foreign securities	178	538
Others	-	-
Gains on derivative financial instruments, net	-	-
Foreign exchange gains, net	-	2,258
Reversal of allowance for possible loan losses	74	14
Other investment income	7,379	7,476
Total	164,212	152,290

(4) Investment Expenses

(Millions of Yen)

	Year ended March 31, 2018	Year ended March 31, 2019
Interest expenses	4,449	4,700
Losses on trading securities	-	-
Losses on sales of securities	2,285	12,520
Losses on sales of domestic bonds	549	2,224
Losses on sales of domestic stocks and other securities	487	800
Losses on sales of foreign securities	1,249	9,495
Others	-	-
Losses on valuation of securities	145	628
Losses on valuation of domestic bonds	-	-
Losses on valuation of domestic stocks and other securities	49	628
Losses on valuation of foreign securities	96	-
Others	-	-
Losses on derivative financial instruments, net	13,891	22,923
Foreign exchange losses, net	2,530	-
Provision for allowance for possible loan losses	-	-
Write-offs of loans	1	0
Depreciation of rental real estate and other assets	5,596	5,361
Other investment expenses	9,641	10,104
Total	38,542	56,239

(5) Investment Indicators

(i) Rates of Return

(%)

	Year ended March 31, 2018	Year ended March 31, 2019
Cash, deposits, call loans	0.00	0.00
Monetary claims bought	2.33	2.27
Securities	2.76	2.05
Domestic bonds	2.95	2.42
Domestic stocks	3.47	5.45
Foreign securities	1.69	0.55
Loans	1.44	1.23
Industrial and consumer loans	1.10	0.87
Real estate	2.34	2.52
Total	2.35	1.80
Foreign Investments	1.69	0.54

Notes:

1. Rates of return above are calculated by dividing the net investment income by the average daily book value balance.
2. Foreign investments are the sum of assets denominated in foreign currencies and yen.

(ii) Average Daily Balance

(Millions of Yen)

	Year ended March 31, 2018	Year ended March 31, 2019
Cash, deposits, call loans	198,147	189,972
Monetary claims bought	31,662	29,618
Securities	4,096,722	4,148,801
Domestic bonds	2,887,050	2,793,247
Domestic stocks	174,274	178,131
Foreign securities	956,123	1,100,243
Loans	522,116	458,826
Industrial and consumer loans	468,209	411,582
Real estate	403,495	396,407
Total	5,350,715	5,329,150
Foreign Investments	956,247	1,102,199

Note: Foreign investments are the sum of assets denominated in foreign currencies and yen.

(iii) Net Valuation Gains/Losses on Trading Securities

(Millions of Yen)

	As of March 31, 2018		As of March 31, 2019	
	Amount	Net valuation gains(losses) included in the statements of income	Amount	Net valuation gains(losses) included in the statements of income
Trading securities	-	-	-	-

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

(Millions of Yen)

	As of March 31, 2018					As of March 31, 2019				
	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)	344,812	391,680	46,867	46,872	(5)
Policy-reserve-matching bonds	2,094,251	2,397,856	303,605	313,125	(9,519)	2,074,484	2,407,849	333,364	335,418	(2,053)
Stocks of subsidiaries	-	-	-	-	-	-	-	-	-	-
Available-for-sale securities	1,563,573	1,667,178	103,604	174,341	(70,736)	1,682,582	1,811,255	128,673	175,552	(46,878)
Domestic bonds	588,848	583,152	(5,696)	8,594	(14,290)	530,817	534,228	3,410	10,624	(7,213)
Domestic stocks	151,964	304,117	152,153	159,772	(7,618)	160,295	291,232	130,937	142,919	(11,982)
Foreign securities	746,635	704,812	(41,823)	4,446	(46,270)	916,943	913,737	(3,205)	21,317	(24,523)
Foreign bonds	569,387	535,588	(33,799)	3,116	(36,915)	736,455	738,633	2,177	20,629	(18,452)
Foreign stocks and other foreign securities	177,247	169,223	(8,024)	1,329	(9,354)	180,487	175,104	(5,383)	688	(6,071)
Other securities	76,125	75,096	(1,028)	1,528	(2,557)	73,912	71,411	(2,501)	657	(3,159)
Monetary claims bought	-	-	-	-	-	613	645	32	32	-
Negotiable certificates of deposit	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-
Total	4,011,587	4,462,671	451,084	531,366	(80,282)	4,101,879	4,610,785	508,906	557,843	(48,937)
Domestic bonds	2,851,386	3,160,551	309,165	332,986	(23,821)	2,766,675	3,114,133	347,458	356,731	(9,272)
Domestic stocks	151,964	304,117	152,153	159,772	(7,618)	160,295	291,232	130,937	142,919	(11,982)
Foreign securities	901,959	889,570	(12,389)	33,880	(46,270)	1,072,043	1,101,869	29,826	54,349	(24,523)
Foreign bonds	724,711	720,347	(4,364)	32,551	(36,915)	891,556	926,765	35,209	53,661	(18,452)
Foreign stocks and other foreign securities	177,247	169,223	(8,024)	1,329	(9,354)	180,487	175,104	(5,383)	688	(6,071)
Other securities	76,125	75,096	(1,028)	1,528	(2,557)	73,912	71,411	(2,501)	657	(3,159)
Monetary claims bought	30,151	33,335	3,184	3,198	(14)	28,952	32,137	3,185	3,185	-
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 March 31, 2019
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	23,829
Unlisted domestic stocks (except over-the-counter stocks)	13,937	13,817
Unlisted foreign stocks (except over-the-counter stocks)	57,012	10,012
Unlisted foreign bonds	-	-
Others	-	-
Total	76,013	30,479

(v) Fair Value Information on Money Held in Trust

The Company doesn't hold money held in trust.

(6) Fair Value Information on Real estate (land)

(Millions of Yen)

	As of March 31, 2018			As of March 31, 2019		
	Book value	Fair value	Gains/losses	Book value	Fair value	Gains/losses
Land	243,149	261,268	18,118	230,624	270,345	39,720

Notes:

1. Fair Value is calculated based on appraisal value for property tax and others.
2. The amount above includes leasehold.

(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 March 31, 2019				
	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)	344,812	391,680	46,867	46,872	(5)
Policy-reserve-matching bonds	2,094,251	2,397,856	303,605	313,125	(9,519)	2,074,484	2,407,849	333,364	335,418	(2,053)
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)	1,706,411	1,835,084	128,672	175,552	(46,879)
Domestic bonds	588,848	583,152	(5,696)	8,594	(14,290)	530,817	534,228	3,410	10,624	(7,213)
Domestic stocks	165,901	318,054	152,153	159,772	(7,618)	174,112	305,049	130,937	142,919	(11,982)
Foreign securities	803,648	761,823	(41,824)	4,446	(46,271)	926,956	923,749	(3,206)	21,317	(24,524)
Foreign bonds	569,387	535,588	(33,799)	3,116	(36,915)	736,455	738,633	2,177	20,629	(18,452)
Foreign stocks and other foreign securities	234,260	226,235	(8,025)	1,329	(9,355)	190,500	185,115	(5,384)	688	(6,072)
Other securities	76,125	75,096	(1,028)	1,528	(2,557)	73,912	71,411	(2,501)	657	(3,159)
Monetary claims bought	-	-	-	-	-	613	645	32	32	-
Negotiable certificates of deposit	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-
Total	4,087,600	4,538,684	451,083	531,366	(80,283)	4,132,358	4,641,264	508,905	557,843	(48,938)
Domestic bonds	2,851,386	3,160,551	309,165	332,986	(23,821)	2,766,675	3,114,133	347,458	356,731	(9,272)
Domestic stocks	170,964	323,118	152,153	159,772	(7,618)	180,761	311,699	130,937	142,919	(11,982)
Foreign securities	958,972	946,582	(12,390)	33,880	(46,271)	1,082,056	1,111,881	29,825	54,349	(24,524)
Foreign bonds	724,711	720,347	(4,364)	32,551	(36,915)	891,556	926,765	35,209	53,661	(18,452)
Foreign stocks and other foreign securities	234,260	226,235	(8,025)	1,329	(9,355)	190,500	185,115	(5,384)	688	(6,072)
Other securities	76,125	75,096	(1,028)	1,528	(2,557)	73,912	71,411	(2,501)	657	(3,159)
Monetary claims bought	30,151	33,335	3,184	3,198	(14)	28,952	32,137	3,185	3,185	-
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. Unaudited Non-consolidated Balance Sheets

(Millions of Yen)

	As of March 31, 2018	As of March 31, 2019
Assets:		
Cash and deposits:	31,635	36,102
Cash	242	219
Deposits	31,392	35,882
Call loans	164,000	140,000
Monetary claims bought	30,151	28,984
Securities:	4,188,869	4,257,457
National government bonds	1,866,902	1,790,446
Local government bonds	48,785	49,768
Corporate bonds	936,856	935,197
Domestic stocks	334,335	320,964
Foreign securities	926,893	1,089,669
Other securities	75,096	71,411
Loans:	484,169	426,804
Policy loans	49,637	44,272
Industrial and consumer loans	434,532	382,531
Tangible fixed assets:	401,011	388,821
Land	230,913	226,451
Buildings	162,583	156,225
Lease assets	3,946	2,922
Construction in progress	1,134	516
Other tangible fixed assets	2,432	2,703
Intangible fixed assets:	34,355	25,576
Software	21,295	19,599
Other intangible fixed assets	13,059	5,976
Agency receivables	0	3
Reinsurance receivables	812	427
Other assets:	45,629	41,991
Accounts receivable	4,029	6,750
Prepaid expenses	3,418	3,439
Accrued income	17,198	19,277
Money on deposit	3,408	3,998
Derivative financial instruments	12,525	3,080
Cash collateral paid for financial instruments	3,748	3,677
Suspense payments	238	241
Other assets	1,061	1,525
Prepaid pension cost	70	145
Deferred tax assets	16,187	10,413
Customers' liabilities under acceptances and guarantees	10	6
Allowance for possible loan losses	(394)	(375)
Total assets	5,396,507	5,356,358

3. Unaudited Non-consolidated Balance Sheets (Continued)

(Millions of Yen)

	As of March 31, 2018	As of March 31, 2019
Liabilities:		
Policy reserves and other reserves:	4,682,246	4,605,062
Reserve for outstanding claims	28,368	27,580
Policy reserves	4,616,919	4,543,377
Reserve for dividends to policyholders	36,959	34,104
Reinsurance payables	311	397
Bonds payable	40,349	88,295
Other liabilities:	193,656	192,123
Payables under securities borrowing transactions	44,967	88,616
Loans payable	97,000	51,000
Income taxes payable	3,321	60
Accounts payable	6,869	19,796
Accrued expenses	8,889	7,785
Deferred income	184	222
Deposits received	454	482
Guarantee deposits received	17,433	17,221
Derivative financial instruments	2,544	2,314
Cash collateral received for financial instruments	7,630	1,320
Lease obligations	3,946	2,922
Asset retirement obligations	243	246
Suspense receipts	171	133
Reserve for employees' retirement benefits	35,365	33,640
Reserve for price fluctuation	38,710	40,890
Deferred tax liabilities for land revaluation	17,762	17,116
Acceptances and guarantees	10	6
Total liabilities	5,008,412	4,977,531
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	67,073
Reserve for future losses	266	291
Other surplus:	95,635	66,782
Reserve for fund redemption	48,600	26,200
Equalized reserve for dividends to policyholders	9,678	9,258
Unappropriated surplus (loss)	37,356	31,324
Total foundation funds and others	353,183	324,355
Net unrealized gains (losses) on available-for-sale securities, net of tax	81,292	99,032
Land revaluation differences	(46,380)	(44,561)
Total valuation and translation adjustments	34,912	54,471
Total net assets	388,095	378,826
Total liabilities and net assets	5,396,507	5,356,358

4. Unaudited Non-consolidated Statements of Income

(Millions of Yen)

	Year ended March 31, 2018	Year ended March 31, 2019
Ordinary income:	652,225	638,402
Premium and other income:	384,953	396,726
Insurance premiums	383,422	394,963
Reinsurance revenue	1,531	1,763
Investment income:	166,597	152,631
Interest, dividends and other income:	109,978	107,892
Interest and dividends on securities	84,322	83,138
Interest on loans	8,371	7,096
Rent revenue from real estate	16,354	16,637
Other interest and dividends	929	1,019
Gains on sales of securities	46,779	34,648
Foreign exchange gains	-	2,258
Reversal of allowance for possible loan losses	74	14
Other investment income	7,379	7,476
Investment gains on separate accounts	2,384	340
Other ordinary income:	100,674	89,044
Fund receipt from deposit of claims paid	13,793	11,145
Reversal of reserve for employees' retirement benefits	1,942	1,725
Reversal of reserve for outstanding claims	-	788
Reversal of policy reserves	83,226	73,541
Other ordinary income	1,713	1,842
Ordinary expenses:	614,681	613,765
Claims and other payments:	438,966	418,245
Claims	124,809	121,536
Annuities	129,879	128,425
Benefits	82,264	71,701
Surrender benefits	95,710	90,757
Other payments	5,656	4,672
Reinsurance premiums	645	1,151
Provision for policy reserves and other reserves:	1,008	3
Provision for reserve for outstanding claims	1,003	-
Provision for interest on policyholders' dividend reserves	4	3
Investment expenses:	38,542	56,239
Interest expenses	4,449	4,700
Losses on sales of securities	2,285	12,520
Losses on valuation of securities	145	628
Losses on derivative financial instruments	13,891	22,923
Foreign exchange losses	2,530	-
Write-offs of loans	1	0
Depreciation of rental real estate and other assets	5,596	5,361
Other investment expenses	9,641	10,104
Operating expenses	102,337	105,845
Other ordinary expenses:	33,827	33,431
Claim deposit payments	14,767	12,675
Taxes	7,405	7,775
Depreciation	10,354	11,462
Other ordinary expenses	1,299	1,517
Ordinary profit	37,543	24,636
Extraordinary gains:	194	3,433
Gains on disposal of fixed assets	194	3,433
Extraordinary losses:	5,446	10,995
Losses on disposal of fixed assets	1,538	7,098
Impairment losses	1,778	1,235
Provision for reserve for price fluctuation	2,130	2,180
Losses on reduction of real estate	-	241
Other extraordinary losses	-	239
Surplus before income taxes	32,291	17,074
Income taxes-current	6,680	3,055
Income taxes-deferred	(377)	(2,202)
Total income taxes	6,303	853
Net surplus	25,988	16,221

I. Presentation of Unaudited Non-consolidated Financial Statements

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.

II. Notes to Unaudited Non-consolidated Balance Sheet

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 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 amount written-off as of March 31, 2019 was ¥47 million.

(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. 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, 2019 were as follows:

	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.

- (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 amount of the unlisted stocks and others, including investments in subsidiaries and affiliates, reported in the non-consolidated balance sheets was ¥30,478 million as of March 31, 2019.

(2) Loans and loans payable

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

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

(3) Bonds payable

The fair value of bonds payable is based on the market values, etc. as of March 31, 2019.

(4) 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.

3. Investments and Rental Properties

The Company holds investment and rental properties such as office buildings in Tokyo and other areas. The carrying amount and the fair value of investment and rental properties were ¥251,447 million and ¥274,067 million as of March 31, 2019. 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.

4. Securities Lent under Lending Agreements

The amount of securities lent under lending agreements was ¥157,185 million as of March 31, 2019.

5. Loans

The total amount of loans to bankrupt borrowers, delinquent loans, delinquent loans three or more months past due and restructured loans, which were included in loans, was ¥757 million as of March 31, 2019.

- i) Loans to bankrupt borrowers were ¥0 million as of March 31, 2019.
- ii) Delinquent loans were ¥619 million as of March 31, 2019.
- iii) Delinquent loans three or more months past due were ¥110 million as of March 31, 2019.
- iv) Restructured loans were ¥27 million as of March 31, 2019.

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 amount of loans to bankrupt borrowers described above by ¥3 million as of March 31, 2019.

In addition, the direct write-offs related to loans decreased the amount of delinquent loans

described above by ¥43 million as of March 31, 2019.

6. Accumulated Depreciation of Tangible Fixed Assets

Accumulated depreciation of tangible fixed assets totaled ¥277,831 million as of March 31, 2019.

7. Separate Accounts

Total assets in separate accounts provided for in Article 118 of the Insurance Business Act were ¥27,560 million as of March 31, 2019. The amounts of separate account liabilities were the same as separate account assets.

8. Receivables from/Payables to Subsidiaries

The total amounts of receivables from/payables to subsidiaries were ¥297 million and ¥1,318 million as of March 31, 2019.

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

There were no receivables from directors and audit board members as of March 31, 2019. The total amount of payables to directors and audit board members was ¥15 million as of March 31, 2019.

10. Deferred Taxes

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

	<u>Millions of Yen</u>
	<u>As of</u>
	<u>March 31, 2019</u>
Deferred tax assets	¥ 62,738
Valuation allowance for deferred tax assets	<u>20,304</u>
Subtotal	<u>42,434</u>
Deferred tax liabilities	<u>32,020</u>
Net deferred tax assets (liabilities)	<u>¥ 10,413</u>

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

	<u>Millions of Yen</u>
	As of
	<u>March 31, 2019</u>
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	<u>7,528</u>
Deferred tax liabilities	
Net unrealized gains on available-for-sale securities	<u>¥ 30,833</u>

- (2) The statutory tax rate was 27.9% for the fiscal year ended March 31, 2019. The main factors causing the differences between the statutory tax rate and the actual effective tax rate after considering deferred taxes were as follows:

	<u>Year ended</u>
	<u>March 31, 2019</u>
Change of valuation allowance for deferred tax assets	(8.9)%
Interest on foundation funds	(8.5)%
Reserve for dividends to policyholders	(3.1)%

11. Reserve for Dividends to Policyholders

	<u>Millions of Yen</u>
	Year ended
	<u>March 31, 2019</u>
Balance at the beginning of the fiscal year	¥ 36,959
Transfer to reserve from surplus in the previous fiscal year	1,963
Dividends to policyholders paid out during the fiscal year	4,821
Increase in interest	53
Decrease in others	<u>49</u>
Balance at the end of the fiscal year	<u>¥ 34,104</u>

12. Stocks of Subsidiaries and Affiliates

The amount of stocks of subsidiaries and affiliates the Company held as of March 31, 2019 was ¥6,649 million.

13. Pledged Assets

Assets pledged as collateral as of March 31, 2019 were securities in the amount of ¥16,506 million.

14. 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”) was ¥4 million as of March 31, 2019.

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 ¥270 million as of March 31, 2019.

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

The total amount 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 was ¥99,314 million as of March 31, 2019.

16. 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.

17. Assets with Rights to Sell

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

The market value of these assets that were not sold or pledged as collateral as of March 31, 2019 was ¥69,344 million. No assets were pledged as collateral as of March 31, 2019.

18. Commitment Line

As of March 31, 2019, there were unused commitment line agreements under which the Company is the lender of ¥3,922 million.

19. Subordinated Bonds Payable

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

20. Subordinated Loans Payable

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

21. 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, 2019 were ¥8,899 million. These contributions are charged as operating expenses in the fiscal years in which they are paid.

22. 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

	<u>Millions of Yen</u>
	<u>Year ended</u>
	<u>March 31, 2019</u>
Retirement benefit obligations at the beginning of the fiscal year	¥ 45,167
Service cost	1,867
Interest cost	451
Actuarial difference occurred during the fiscal year	743
Retirement benefit payments	(4,644)
Retirement benefit obligations at the end of the fiscal year	¥ 43,586

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

	<u>Millions of Yen</u>
	<u>Year ended</u>
	<u>March 31, 2019</u>
Pension plan assets at the beginning of the fiscal year	¥ 10,418
Expected return on pension plan assets	55
Actuarial difference occurred during the fiscal year	(3,013)
Contributions by the employer	130
Retirement benefit payments	(184)
Pension plan assets at the end of the fiscal year	¥ 7,407

- 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

	<u>Millions of Yen</u>
	<u>As of</u>
	<u>March 31, 2019</u>
a. Funded plan retirement benefit obligation	¥ 43,586
b. Pension plan assets	(7,407)
c. (a + b)	36,179
d. Unrecognized actuarial differences	(2,684)
e. Net amount of liabilities and assets presented on the non-consolidated balance sheet	33,495
f. Reserve for employees' retirement benefits	33,640
g. Prepaid pension cost	(145)
h. Net amount of liabilities and assets presented on the non-consolidated balance sheet	¥ 33,495

- iv) Breakdown of retirement benefit expenses

	<u>Millions of Yen</u>
	<u>Year ended</u>
	<u>March 31, 2019</u>
Service cost	¥ 1,867
Interest cost	451
Expected return on pension plan assets	(55)
Amortization of actuarial differences	526
Retirement benefit expenses related to defined benefit plan	¥ 2,790

- v) Breakdown of main pension plan assets

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

	<u>As of</u>
	<u>March 31, 2019</u>
Stocks	46%
Bonds	8%
Others	46%
Total	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:

	<u>As of</u> <u>March 31, 2019</u>
Discount rate	1.0%
Expected long-term rate of return on pension plan assets	0.5%
Defined benefit corporate pension plans	1.5%

III. Notes to Unaudited Non-consolidated Statement of Income

1. Transactions with Subsidiaries and Affiliates

The total amounts of revenues and expenditures in connection with subsidiaries and affiliates were ¥678 million and ¥9,759 million for the fiscal year ended March 31, 2019.

2. Investment Income and Expenses

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

	<u>Millions of Yen</u> <u>Year ended</u> <u>March 31, 2019</u>
Domestic bonds	¥ 32,424
Domestic stocks and other securities	1,685
Foreign securities	538

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

	<u>Millions of Yen</u> <u>Year ended</u> <u>March 31, 2019</u>
Domestic bonds	¥ 2,224
Domestic stocks and other securities	800
Foreign securities	9,495

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

	<u>Millions of Yen</u> <u>Year ended</u> <u>March 31, 2019</u>
Domestic stocks and other securities	¥ 628

Losses on derivative financial instruments included net valuation losses of ¥1,091 million for the fiscal year ended March 31, 2019.

3. Policy Reserves for the Reinsurance Contracts

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

Provision for policy reserves for ceded reinsurance considered in calculating reversal of policy reserves for the fiscal year ended March 31, 2019 was ¥92 million.

4. Impairment Losses of Fixed Assets

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

	<u>Millions of Yen</u>
	Year ended
	<u>March 31, 2019</u>
Real estate for rent:	
Land	¥ 0
Building	0
Others	0
Total real estate for rent (i)	<u>0</u>
Unused real estate:	
Land	918
Building	264
Others	52
Total unused real estate (ii)	<u>1,235</u>
Total:	
Land	918
Building	264
Others	52
Total (i) + (ii)	<u>¥ 1,235</u>

(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.

5. Breakdown of Ordinary Profit (Fundamental Profit)

(Millions of Yen)

		Year ended March 31, 2018	Year ended March 31, 2019
Fundamental profit	A	30,139	24,258
Capital gains		46,779	36,907
Gains on money held in trust		-	-
Gains on trading securities		-	-
Gains on sales of securities		46,779	34,648
Gains on derivative financial instruments		-	-
Foreign exchange gains		-	2,258
Other capital gains		-	-
Capital losses		18,852	36,073
Losses on money held in trust		-	-
Losses on trading securities		-	-
Losses on sales of securities		2,285	12,520
Losses on valuation of securities		145	628
Losses on derivative financial instruments		13,891	22,923
Foreign exchange losses		2,530	-
Other capital losses		-	-
Net capital gains (losses)	B	27,927	833
Fundamental profit plus net capital gains (losses)	A+B	58,066	25,092
Other one-time gains		78	44
Reinsurance revenue		-	-
Reversal of contingency reserve		-	-
Reversal of specific allowance for possible loan losses		78	44
Others		-	-
Other one-time losses		20,601	500
Reinsurance premiums		-	-
Provision for contingency reserve		20,600	500
Provision for specific allowance for possible loan losses		-	-
Provision for allowance for specified overseas loans		-	-
Write-offs of loans		1	0
Others		-	-
Net other one-time gains (losses)	C	(20,523)	(455)
Ordinary profit	A+B+C	37,543	24,636

6. Unaudited Non-consolidated Statements of Changes in Net Assets

Year ended March 31, 2018

(Millions of Yen)

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

	Valuation and translation adjustments			Total net assets
	Net unrealized gains (losses) on available-for-sale securities, net of tax	Land revaluation differences	Total valuation and translation adjustments	
Beginning balance	71,104	(45,762)	25,341	358,937
Changes in the fiscal year:				
Additions to reserve for dividends to policyholders				(1,519)
Additions to reserve for future losses				
Payment of interest on foundation funds				(5,499)
Net surplus				25,988
Additions to reserve for fund redemption				
Additions to equalized reserve for dividends to policyholders				
Reversal of land revaluation differences				617
Net changes, excluding foundation funds and others	10,188	(617)	9,570	9,570
Net changes in the fiscal year	10,188	(617)	9,570	29,158
Ending balance	81,292	(46,380)	34,912	388,095

Year ended March 31, 2019

(Millions of Yen)

	Foundation funds and others								Total foundation funds and others
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Surplus				Total surplus	
				Reserve for future losses	Other 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

	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

7. Unaudited Non-consolidated Statements of Proposed Appropriation of Surplus

(Millions of Yen)

	Year ended March 31, 2018	Year ended March 31, 2019
Unappropriated surplus (loss)	37,356	31,324
Reversal of voluntary surplus reserves	420	1,939
Reversal of equalized reserve for dividends to policyholders	420	1,939
Total	37,777	33,264
Appropriation of surplus (loss)	20,854	15,408
Reserve for dividends to policyholders	1,963	2,173
Net surplus (loss)	18,891	13,235
Reserve for future losses	25	19
Interest on foundation funds	6,266	4,116
Voluntary surplus reserves	12,600	9,100
Reserve for fund redemption	12,600	9,100
Surplus (loss) carried forward	16,922	17,855

8. Disclosed Claims Based on Categories of Obligors

(Millions of Yen, %)

	As of March 31, 2018	As of March 31, 2019
Claims against bankrupt and quasi-bankrupt obligors	529	437
Claims with collection risk	237	197
Claims for special attention	161	141
Subtotal	928	776
(Percentage of total)	(0.15)	(0.13)
Claims against normal obligors	606,280	584,761
Total	607,208	585,538

Notes:

1. Claims against bankrupt and quasi-bankrupt obligors are claims to obligors who are subject to bankruptcy, corporate reorganization or rehabilitation or other similar proceedings and other obligors in serious financial difficulties.
2. Claims with collection risk are claims to obligors (other than bankrupt and quasi-bankrupt obligors) with deteriorated financial condition and results of operations from which it is unlikely that the principal and interest on the claims will be recovered.
3. Claims for special attention are claims on which principal and/or interest are past due for three months or more and claims with a concessionary interest rate, as well as claims with renegotiated conditions in favor of the borrower, including renegotiated schedule and/or waivers, in each case, other than the claims described in note 1. or 2. above.
4. Claims against normal obligors are all other claims.

(Reference)

Amount of loans based on self-assessment categories

(Millions of Yen)

	As of March 31, 2018		As of March 31, 2019	
	Write-offs, provision for allowance		Write-offs, provision for allowance	
	Before	After	Before	After
Category II	6,625	6,625	5,843	5,843
Category III	237	102	197	112
Category IV	89	-	79	-

9. Risk-monitored Loans

(Millions of Yen, %)

	As of March 31, 2018	As of March 31, 2019
Loans to bankrupt borrowers	0	0
Delinquent loans	748	619
Delinquent loans three or more months past due	120	110
Restructured loans	36	27
Total	906	757
(Percentage of total loans)	(0.19)	(0.18)

Notes:

1. For credit to legally bankrupt borrowers and substantially bankrupt borrowers, the amounts remaining after the deductions of amount expected to be collected through the disposal of collateral or the execution of guarantees are written-off directly from the book value as the estimated uncollectible amounts. The amounts written-off related to loans to bankrupt borrowers were ¥13 million as of March 31, 2018 and ¥3 million as of March 31, 2019. The amounts written-off related to delinquent loans were ¥46 million as of March 31, 2018 and ¥43 million as of March 31, 2019.
2. Loans to bankrupt borrowers represent non-accrual loans to borrowers which are subject to bankruptcy, corporate reorganization or rehabilitation or other similar, including but not limited to foreign, proceedings. Accruing interest on these loans is not recorded as income after determining that principal or interest on these loans is unlikely to be collected due to the significant delay in repayment of principal or interest repayments or for other reasons.
3. Delinquent loans are loans whose accruing interest is not recorded as income and 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 business.
4. 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 or delinquent loans.
5. 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.

10. Solvency Margin Ratio

(Millions of Yen)

		As of March 31, 2018	As of March 31, 2019
Total solvency margin	(A)	787,114	816,808
Foundation funds and surplus		344,953	318,065
Reserve for price fluctuation		38,710	40,890
Contingency reserve		50,682	51,182
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	115,805
Net unrealized gains on land × 85% (in case of losses: × 100%)		(10,499)	10,434
Excess amount of policy reserves based on full-time Zillmer method		122,802	132,013
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	9,873
Total amount of risk	$\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$ (B)	194,693	189,712
Insurance risk	R_1	14,415	13,779
Third sector insurance risk	R_8	9,450	9,622
Risk of assumed yield	R_2	78,490	75,362
Minimum guarantee risk	R_7	1,076	1,069
Investment risk	R_3	109,368	107,649
Operational risk	R_4	4,256	4,149
Solvency margin ratio	$(A) / \{(1/2) \times (B)\} \times 100$	808.5%	861.1%

Notes:

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

11. Status of Separate Account

(1) Separate Account Assets by Products

(Millions of Yen)

	As of March 31, 2018	As of March 31, 2019
	Amount	Amount
Individual variable insurance	29,382	27,560
Individual variable annuities	-	-
Group annuity products	-	-
Total	29,382	27,560

(2) Individual Variable Insurance (Separate Account)

(i) Sum Insured of Policies in Force

	As of March 31, 2018		As of March 31, 2019	
	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	13	95,691
Total	14	98,388	13	95,691

(ii) Breakdown of Separate Account Assets for Individual Variable Insurance

(Millions of Yen)

	As of March 31, 2018		As of March 31, 2019	
	Amount	Percentage	Amount	Percentage
Cash, deposits, call loans	1,332	4.5	1,958	7.1
Securities	27,816	94.7	25,410	92.2
Domestic bonds	6,854	23.3	5,326	19.3
Domestic stocks	11,216	38.2	9,265	33.6
Foreign securities	9,745	33.2	10,819	39.3
Foreign bonds	2,979	10.1	4,032	14.6
Foreign stocks and other foreign securities	6,766	23.0	6,786	24.6
Other securities	-	-	-	-
Loans	-	-	-	-
Others	233	0.8	190	0.7
Allowance for possible loan losses	-	-	-	-
Total	29,382	100.0	27,560	100.0

(iii) Investment Income and Expenses of Separate Account for Individual Variable Insurance

(Millions of Yen)

	Year ended	Year ended
	March 31, 2018	March 31, 2019
	Amount	Amount
Interest, dividends and other income	651	624
Gains on sales of securities	3,189	2,015
Gains on redemptions of securities	-	-
Gains on valuation of securities	2,337	2,371
Foreign exchange gains	21	21
Gains on derivative financial instruments	-	-
Other investment income	1	0
Losses on sales of securities	960	2,091
Losses on redemptions of securities	11	8
Losses on valuation of securities	2,816	2,566
Foreign exchange losses	28	27
Losses on derivative financial instruments	-	0
Other investment expenses	0	0
Net Investment Income	2,385	340

(3) Individual Variable Annuities (Separate Account)

The Company does not have individual variable annuity contracts in force.

12. Status of the Company, Subsidiaries and Affiliates

(1) Selected Financial Data

	(Millions of Yen)	
	Year ended March 31, 2018	Year ended March 31, 2019
Ordinary income	656,971	642,637
Ordinary profit	38,088	24,532
Net surplus attributable to the Parent Company	26,168	16,018
Comprehensive income	37,132	31,432

	(Millions of Yen)	
	As of March 31, 2018	As of March 31, 2019
Total assets	5,397,841	5,357,677
Solvency margin ratio	815.4%	865.7%

(2) Unaudited Consolidated Balance Sheets

(Millions of Yen)

	As of March 31, 2018	As of March 31, 2019
Assets:		
Cash and deposits	36,143	40,630
Call loans	164,000	140,000
Monetary claims bought	30,151	28,984
Securities	4,185,104	4,252,984
Loans	484,169	426,804
Tangible fixed assets:	401,061	388,875
Land	230,913	226,451
Buildings	162,593	156,234
Lease assets	3,946	2,922
Construction in progress	1,134	516
Other tangible fixed assets	2,473	2,749
Intangible fixed assets:	33,735	24,836
Software	20,691	18,933
Other intangible fixed assets	13,044	5,903
Agency receivables	0	3
Reinsurance receivables	812	427
Other assets	46,632	42,947
Net defined benefit assets	351	292
Deferred tax assets	16,062	11,262
Customers' liabilities under acceptances and guarantees	10	6
Allowance for possible loan losses	(394)	(378)
Total assets	5,397,841	5,357,677
Liabilities:		
Policy reserves and other reserves:	4,682,246	4,605,062
Reserve for outstanding claims	28,368	27,580
Policy reserves	4,616,919	4,543,377
Reserve for dividends to policyholders	36,959	34,104
Reinsurance payables	311	397
Bonds payable	40,349	88,295
Other liabilities	194,908	192,779
Net defined benefit liabilities	35,056	36,480
Reserve for price fluctuation	38,710	40,890
Deferred tax liabilities for land revaluation	17,762	17,116
Acceptances and guarantees	10	6
Total liabilities	5,009,355	4,981,027
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	66,801
Total foundation funds and others	353,114	324,083
Net unrealized gains (losses) on available-for-sale securities, net of tax	81,293	99,034
Land revaluation differences	(46,380)	(44,561)
Accumulated remeasurements of defined benefit plans	377	(1,990)
Total accumulated other comprehensive income	35,290	52,482
Non-controlling interests	81	83
Total net assets	388,486	376,650
Total liabilities and net assets	5,397,841	5,357,677

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

(Unaudited Consolidated Statements of Income)

(Millions of Yen)

	Year ended March 31, 2018	Year ended March 31, 2019
Ordinary income:	656,971	642,637
Premium and other income	384,953	396,726
Investment income:	166,318	152,045
Interest, dividends and other income	109,723	107,335
Gains on sales of securities	46,779	34,648
Foreign exchange gains	-	2,257
Reversal of allowance for possible loan losses	74	11
Other investment income	7,355	7,452
Investment gains on separate accounts	2,384	340
Other ordinary income	105,698	93,865
Ordinary expenses:	618,883	618,104
Claims and other payments:	438,966	418,245
Claims	124,809	121,536
Annuities	129,879	128,425
Benefits	82,264	71,701
Surrender benefits	95,710	90,757
Other payments	6,302	5,823
Provision for policy reserves and other reserves:	1,008	3
Provision for reserve for outstanding claims	1,003	-
Provision for interest on policyholders' dividend reserves	4	3
Investment expenses:	38,542	56,239
Interest expenses	4,449	4,700
Losses on sales of securities	2,285	12,521
Losses on valuation of securities	145	628
Losses on derivative financial instruments	13,891	22,923
Foreign exchange losses	2,530	-
Write-offs of loans	1	0
Depreciation of rental real estate and other assets	5,596	5,361
Other investment expenses	9,641	10,104
Operating expenses	106,653	110,327
Other ordinary expenses	33,712	33,288
Ordinary profit	38,088	24,532
Extraordinary gains:	194	3,433
Gains on disposal of fixed assets	194	3,433
Extraordinary losses:	5,446	10,995
Losses on disposal of fixed assets	1,538	7,098
Impairment losses	1,778	1,235
Provision for reserve for price fluctuation	2,130	2,180
Losses on reduction of real estate	-	241
Other extraordinary losses	-	239
Surplus before income taxes	32,836	16,970
Income taxes-current	6,946	3,160
Income taxes-deferred	(318)	(2,250)
Total income taxes	6,628	910
Net surplus	26,207	16,060
Net surplus attributable to non-controlling interests	39	41
Net surplus attributable to the Parent Company	26,168	16,018

(Unaudited Consolidated Statements of Comprehensive Income)

(Millions of Yen)

	Year ended March 31, 2018	Year ended March 31, 2019
Net surplus	26,207	16,060
Other comprehensive income:	10,924	15,372
Net unrealized gains (losses) on available-for-sale securities, net of tax	10,188	17,740
Remeasurements of defined benefit plans	735	(2,367)
Comprehensive income:	37,132	31,432
Comprehensive income attributable to the Parent Company	37,092	31,391
Comprehensive income attributable to non-controlling interests	39	41

(4) Unaudited Consolidated Statements of Cash Flows

(Millions of Yen)

	Year ended March 31, 2018	Year ended March 31, 2019
I. Cash flows from operating activities		
Surplus before income taxes	32,836	16,970
Depreciation of rental real estate and other assets	5,596	5,361
Depreciation	10,133	11,263
Impairment losses	1,778	1,235
Increase (decrease) in reserve for outstanding claims	1,003	(788)
Increase (decrease) in policy reserves	(83,226)	(73,541)
Provision for interest on policyholders' dividend reserves	4	3
Increase (decrease) in allowance for possible loan losses	(74)	(11)
Increase (decrease) in net defined benefit liabilities	(1,942)	(1,725)
Increase (decrease) in reserve for price fluctuation	2,130	2,180
Interest, dividends and other income	(109,723)	(107,335)
(Gains) losses on securities	(46,733)	(21,839)
(Gains) losses on derivative financial instruments	13,891	22,923
Interest expenses	4,449	4,700
Foreign exchange (gains) losses, net	2,530	(2,257)
(Gains) losses on tangible fixed assets	970	(957)
(Increase) decrease in reinsurance receivables	(617)	384
(Increase) decrease in other assets except from investing and financing activities	(903)	(2,271)
Increase (decrease) in reinsurance payables	184	85
Increase (decrease) in other liabilities except from investing and financing activities	1,612	(910)
Others, net	6,606	1,917
Subtotal	(159,491)	(144,612)
Interest, dividends and other income received	113,182	110,216
Interest paid	(4,446)	(5,309)
Dividends to policyholders paid	(5,426)	(4,821)
Income taxes (paid) refunded	(4,827)	(7,830)
Net cash provided by (used in) operating activities	(61,010)	(52,357)
II. Cash flows from investing activities		
Purchases of monetary claims bought	(500)	(1,170)
Proceeds from sales and redemptions of monetary claims bought	3,544	2,354
Purchases of securities	(643,165)	(628,864)
Proceeds from sales and redemptions of securities	632,895	624,046
Disbursements for loans	(52,331)	(40,838)
Proceeds from collections of loans	120,479	98,573
Proceeds from derivative financial instruments	17,673	(23,572)
Increase (decrease) in payables under securities borrowing transactions	44,967	43,649
①Total of investing activities	123,564	74,177
[I + ①]	62,554	21,820
Purchases of tangible fixed assets	(6,603)	(7,404)
Proceeds from sales of tangible fixed assets	1,782	9,597
Others, net	(8,611)	(3,224)
Net cash provided by (used in) investing activities	110,132	73,145
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	(5,499)	(6,134)
Dividends paid to non-controlling interests	(31)	(39)
Others, net	(958)	(1,074)
Net cash provided by (used in) financing activities	(6,490)	(40,301)
IV. Net increase (decrease) in cash and cash equivalents	42,631	(19,512)
V. Cash and cash equivalents at the beginning of the year	157,511	200,143
VI. Cash and cash equivalents at the end of the year	200,143	180,630

(5) Unaudited Consolidated Statements of Changes in Net Assets

Year ended March 31, 2018

(Millions of Yen)

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

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Net unrealized gains (losses) on available-for-sale securities, net of tax	Land revaluation differences	Accumulated remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Beginning balance	71,105	(45,762)	(358)	24,983	73	358,404
Changes in the fiscal year:						
Additions to reserve for dividends to policyholders						(1,519)
Payment of interest on foundation funds						(5,499)
Net surplus attributable to the Parent Company						26,168
Reversal of land revaluation differences						617
Net changes, excluding foundation funds and others	10,188	(617)	735	10,306	7	10,314
Net changes in the fiscal year	10,188	(617)	735	10,306	7	30,081
Ending balance	81,293	(46,380)	377	35,290	81	388,486

Year ended March 31, 2019

(Millions of Yen)

	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

	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

I. Presentation of Unaudited 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. Principles of Consolidation

(1) Scope of consolidation

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

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

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

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, 2019. 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 and affiliates (such as Asahi Real Estate Management Co., Ltd, etc.) are immaterial in terms of their impact on consolidated net income and surplus, and also immaterial as a whole, therefore, the equity method is not applied.

(3) Fiscal year-end of consolidated subsidiaries

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

(4) Amortization of goodwill

Goodwill is fully expensed as incurred.

II. Notes to Unaudited Consolidated Balance Sheet

1. Significant Accounting Policies

(1) Valuation methods of securities

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

- i) Trading securities are stated at fair market value. Costs of sales are determined by the moving average method.
- ii) Held-to-maturity debt securities are stated at amortized cost under the straight-line method, cost being determined by the moving average method.
- iii) Policy-reserve-matching bonds are stated at amortized cost under the straight-line method, cost being determined by the moving average method in accordance with “Temporary Treatment of Accounting and Auditing Concerning Policy-reserve-matching Bonds in Insurance Industry” (Industry Audit Committee Report No. 21 issued by the Japanese Institute of Certified Public Accountants (“JICPA”).
- iv) Investments in unconsolidated subsidiaries and affiliates not accounted for under the equity method are stated at cost.
- v) Available-for-sale securities with fair market value are stated at fair market value based on the market prices at the end of the fiscal year, except for domestic stocks, domestic exchange-traded funds, domestic listed real estate investment trusts, foreign exchange-traded funds for which hedge accounting is not applied, foreign bond exchange-traded funds for which hedge accounting is not applied and foreign currency-denominated bonds for which hedge accounting is not applied. Such securities are stated based on the average of the market value during the final month of the fiscal year. Costs of sales are determined by the moving average method. Net unrealized gains or losses on these available-for-sale securities, net of tax, are

recorded as a separate component of net assets.

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

(2) Policy-reserve-matching bonds

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

(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 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 amount written-off as of March 31, 2019 was ¥47 million.

(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 and investment trusts denominated in foreign currencies.

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

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

The effectiveness of a hedge is mostly assessed by a ratio analysis, comparing the

fluctuations in the fair value or cash flows of hedged items and hedging instruments.

(11) Accounting for consumption taxes

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

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

(12) Policy reserves

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

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

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

(13) Software

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

2. 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, 2019 were as follows:

	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.

(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 amount of the unlisted stocks and others, including investments in subsidiaries and affiliates, reported in the consolidated balance sheets was ¥25,989 million as of March 31, 2019.

(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 value of bonds payable is based on the market values, etc. as of March 31, 2019.

(4) 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.

3. Investments and Rental Properties

The Company holds investment and rental properties such as office buildings in Tokyo and other areas. The carrying amount and the fair value of investment and rental properties were ¥250,349 million and ¥273,135 million as of March 31, 2019. 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.

4. Securities Lent under Lending Agreements

The amount of securities lent under lending agreements was ¥157,185 million as of March 31, 2019.

5. Loans

The total amount of loans to bankrupt borrowers, delinquent loans, delinquent loans three or more months past due and restructured loans, which were included in loans, was ¥757 million as of March 31, 2019.

- i) Loans to bankrupt borrowers were ¥0 million as of March 31, 2019.
- ii) Delinquent loans were ¥619 million as of March 31, 2019.
- iii) Delinquent loans three or more months past due were ¥110 million as of March 31, 2019.
- iv) Restructured loans were ¥27 million as of March 31, 2019.

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 amount of loans to bankrupt borrowers described above by ¥3 million as of March 31, 2019.

In addition, the direct write-offs related to loans decreased the amount of delinquent loans described above by ¥43 million as of March 31, 2019.

6. Accumulated Depreciation of Tangible Fixed Assets

Accumulated depreciation of tangible fixed assets totaled ¥278,017 million as of March 31, 2019.

7. Separate Accounts

Total assets in separate accounts provided for in Article 118 of the Insurance Business Act were ¥27,560 million as of March 31, 2019. The amounts of separate account liabilities were the same as separate account assets.

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

There were no receivables from directors and audit board members as of March 31, 2019. The total amount of payables to directors and audit board members was ¥15 million as of March 31, 2019.

9. Reserve for Dividends to Policyholders

	<u>Millions of Yen</u>
	<u>Year ended</u>
	<u>March 31, 2019</u>
Balance at the beginning of the fiscal year	¥ 36,959
Transfer to reserve from surplus in the previous fiscal year	1,963
Dividends to policyholders paid out during the fiscal year	4,821
Increase in interest	53
Decrease in others	49
Balance at the end of the fiscal year	<u>¥ 34,104</u>

10. Stocks of Unconsolidated Subsidiaries and affiliates

The amount of stocks of unconsolidated subsidiaries and affiliates the Company held as of March 31, 2019 was ¥2,160 million.

11. Pledged Assets

Assets pledged as collateral as of March 31, 2019 were securities in the amount of ¥16,506 million.

12. 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.

13. Assets with Rights to Sell

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

The market value of these assets that were not sold or pledged as collateral as of March 31, 2019 was ¥69,344 million. No assets were pledged as collateral as of March 31, 2019.

14. Commitment Line

As of March 31, 2019, there were unused commitment line agreements under which the Company is the lender of ¥3,922 million.

15. Subordinated Bonds Payable

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

16. Subordinated Loans Payable

As of March 31, 2019, other liabilities included subordinated loans payable of ¥51,000 million, for which the repayments are subordinated to other obligations.

17. 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, 2019 were ¥8,899 million. These contributions are charged as operating expenses in the fiscal years in which they are paid.

18. Deferred Taxes

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

	<u>Millions of Yen</u> As of <u>March 31, 2019</u>
Deferred tax assets	¥ 63,691
Valuation allowance for deferred tax assets	20,310
Subtotal	<u>43,380</u>
Deferred tax liabilities	<u>32,117</u>
Net deferred tax assets (liabilities)	<u>¥ 11,262</u>

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

	<u>Millions of Yen</u> As of <u>March 31, 2019</u>
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	<u>7,532</u>
Deferred tax liabilities	
Net unrealized gains on available-for-sale securities	<u>¥ 30,834</u>

(2) The statutory tax rate was 27.9% for the fiscal year ended March 31, 2019. The main factors causing the differences between the statutory tax rate and the actual effective tax rate after considering deferred taxes were as follows:

	<u>Year ended</u> <u>March 31, 2019</u>
Change of valuation allowance for deferred tax assets	(8.9)%
Interest on foundation funds	(8.5)%
Reserve for dividends to policyholders	(3.1)%

19. 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

	<u>Millions of Yen</u>
	Year ended
	<u>March 31, 2019</u>
Retirement benefit obligations at the beginning of the fiscal year	¥ 45,743
Service cost	1,932
Interest cost	458
Actuarial difference occurred during the fiscal year	813
Retirement benefit payments	(4,653)
Retirement benefit obligations at the end of the fiscal year	<u>¥ 44,293</u>

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

	<u>Millions of Yen</u>
	Year ended
	<u>March 31, 2019</u>
Pension plan assets at the beginning of the fiscal year	¥ 11,038
Expected return on pension plan assets	68
Actuarial difference occurred during the fiscal year	(3,015)
Contributions by the employer	207
Retirement benefit payments	(192)
Pension plan assets at the end of the fiscal year	<u>¥ 8,106</u>

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

	<u>Millions of Yen</u>
	As of
	<u>March 31, 2019</u>
a. Funded plan retirement benefit obligation	¥ 44,293
b. Pension plan assets	(8,106)
c. Net amount of liabilities and assets presented on the consolidated balance sheet	36,187
d. Net defined benefit liabilities	36,480
e. Net defined benefit assets	(292)
f. Net amount of liabilities and assets presented on the consolidated balance sheet	<u>¥ 36,187</u>

iv) Breakdown of retirement benefit expenses

	<u>Millions of Yen</u>
	Year ended
	<u>March 31, 2019</u>
Service cost	¥ 1,932
Interest cost	458
Expected return on pension plan assets	(68)
Amortization of actuarial differences	532
Amortization of prior service cost	6
Retirement benefit expenses related to defined benefit plan	<u>¥ 2,861</u>

v) Breakdown of items included in other comprehensive income

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

	<u>Millions of Yen</u>
	Year ended
	<u>March 31, 2019</u>
Amortization of actuarial differences	¥ (3,296)
Amortization of prior service cost	6
Total	<u>¥ (3,289)</u>

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:

	<u>Millions of Yen</u>
	Year ended
	<u>March 31, 2019</u>
Unrecognized actuarial differences	¥ 2,761
Unrecognized prior service cost	6
Total	<u>¥ 2,768</u>

vii) Breakdown of main pension plan assets

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

	<u>As of</u>
	<u>March 31, 2019</u>
Stocks	44%
Bonds	14%
Others	42%
Total	<u>100%</u>

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:

	<u>As of</u> <u>March 31, 2019</u>
Discount rate	1.0%
Expected long-term rate of return on pension plan assets	0.5%
Defined benefit corporate pension plans	1.5%

III. Notes to Unaudited Consolidated Statement of Income

1. Investment Income and Expenses

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

	<u>Millions of Yen</u>
	Year ended
	<u>March 31, 2019</u>
Domestic bonds	¥ 32,424
Domestic stocks and other securities	1,685
Foreign securities	538

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

	<u>Millions of Yen</u>
	Year ended
	<u>March 31, 2019</u>
Domestic bonds	¥ 2,224
Domestic stocks and other securities	800
Foreign securities	9,495

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

	<u>Millions of Yen</u>
	Year ended
	<u>March 31, 2019</u>
Domestic stocks and other securities	¥ 628

Losses on derivative financial instruments included net valuation losses of ¥1,091 million for the fiscal year ended March 31, 2019.

2. Impairment Losses of Fixed Assets

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

	<u>Millions of Yen</u>
	<u>Year ended</u>
	<u>March 31, 2019</u>
Real estate for rent:	
Land	¥ 0
Building	0
Others	<u>0</u>
Total real estate for rent (i)	<u>0</u>
Unused real estate:	
Land	918
Building	264
Others	<u>52</u>
Total unused real estate (ii)	<u>1,235</u>
Total:	
Land	918
Building	264
Others	<u>52</u>
Total (i) + (ii)	<u>¥ 1,235</u>

(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 Unaudited Consolidated Statement of Comprehensive Income

Other Comprehensive Income

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

	<u>Millions of Yen</u>
	<u>Year ended</u>
	<u>March 31, 2019</u>
Net unrealized gains on available-for-sale securities, net of tax	
Amount incurred during the fiscal year	¥ 15,426
Reclassification adjustments	<u>9,643</u>
Before tax adjustment	25,070
Tax effects	<u>(7,329)</u>
Net unrealized gains on available-for-sale securities, net of tax	<u>17,740</u>
Accumulated remeasurements of defined benefit plans	
Amount incurred during the fiscal year	(3,828)
Reclassification adjustments	<u>539</u>
Before tax adjustment	(3,289)
Tax effects	<u>921</u>
Accumulated remeasurements of defined benefit plans	<u>(2,367)</u>
Total other comprehensive income	<u>¥ 15,372</u>

V. Notes to Unaudited Consolidated Statement 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.

(6) Risk-monitored Loans

(Millions of Yen, %)

	As of March 31, 2018	As of March 31, 2019
Loans to bankrupt borrowers	0	0
Delinquent loans	748	619
Delinquent loans three or more months past due	120	110
Restructured loans	36	27
Total	906	757
(Percentage of total loans)	(0.19)	(0.18)

Notes:

1. For credit to legally bankrupt borrowers and substantially bankrupt borrowers, the amounts remaining after the deductions of amount expected to be collected through the disposal of collateral or the execution of guarantees are written-off directly from the book value as the estimated uncollectible amounts. The amounts written-off related to loans to bankrupt borrowers were ¥13 million as of March 31, 2018 and ¥3 million as of March 31, 2019. The amounts written-off related to delinquent loans were ¥46 million as of March 31, 2018 and ¥43 million as of March 31, 2019.
2. Loans to bankrupt borrowers represent non-accrual loans to borrowers which are subject to bankruptcy, corporate reorganization or rehabilitation or other similar, including but not limited to foreign, proceedings. Accruing interest on these loans is not recorded as income after determining that principal or interest on these loans is unlikely to be collected due to the significant delay in repayment of principal or interest repayments or for other reasons.
3. Delinquent loans are loans whose accruing interest is not recorded as income and 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 business.
4. 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 or delinquent loans.
5. 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.

(7) Consolidated Solvency Margin Ratio

(Millions of Yen)

		As of March 31, 2018	As of March 31, 2019
Total solvency margin	(A)	788,037	813,038
Foundation funds and surplus		345,401	317,059
Reserve for price fluctuation		38,710	40,890
Contingency reserve		50,682	51,182
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	115,807
Net unrealized gains on land × 85% (in case of losses: × 100%)		(10,499)	10,434
Sum of unrealized actuarial differences and unrealized past service cost		521	(2,768)
Excess amount of policy reserves based on full-time Zillmer method		122,802	132,013
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	9,873
Total amount of risk	$\sqrt{(\sqrt{R_1^2 + R_5^2 + R_8 + R_9})^2 + (R_2 + R_3 + R_7)^2} + R_4 + R_6$ (B)	193,282	187,822
Insurance risk	R_1	14,415	13,779
Ordinary insurance risk	R_5	-	-
Disaster insurance risk	R_6	-	-
Third sector insurance risk	R_8	9,450	9,622
Small amount short-term insurance provider insurance risk	R_9	-	-
Risk of assumed yield	R_2	78,490	75,362
Minimum guarantee risk	R_7	1,076	1,069
Investment risk	R_3	107,974	105,782
Operational risk	R_4	4,228	4,112
Solvency margin ratio	$(A) / \{(1/2) \times (B)\} \times 100$	815.4%	865.7%

Notes:

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

(8) 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 and related information are omitted because they represent such a minor proportion of total segments.