

November 22, 2019

Financial Results for the Six Months Ended September 30, 2019

Asahi Mutual Life Insurance Company (the “Company”; President: Hiroki Kimura) announces financial results for the six months ended September 30, 2019

[Contents]

1. Business Highlights	.....	P1
2. Investment Results of General Account Assets	.....	P3
3. Unaudited Non-consolidated Balance Sheets	.....	P7
4. Unaudited Non-consolidated Statements of Income	.....	P8
5. Unaudited Non-consolidated Statements of Changes in Net Assets	.....	P9
6. Breakdown of Ordinary Profit (Fundamental Profit)	.....	P22
7. Disclosed Claims Based on Categories of Obligors	.....	P23
8. Risk-monitored Loans	.....	P24
9. Solvency Margin Ratio	.....	P25
10. Status of Separate Account	.....	P26
11. Status of the Company, Subsidiaries and Affiliates	.....	P27

1. Business Highlights

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

(i) Policies in Force

	As of March 31, 2019		As of September 30, 2019			
	Number of policies (Thousands)	Amount(100 millions of Yen)	Number of policies (Thousands)	Amount (100 millions of Yen)		
				Changes (%, Pre-FYE)	Changes (%, Pre-FYE)	
Individual insurance	7,207	153,499	7,221	100.2	147,364	96.0
Individual annuities	557	23,432	545	97.8	22,724	97.0
Group insurance	-	14,778	-	-	14,581	98.7
Group annuities	-	170	-	-	165	97.0

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

	Six months ended September 30, 2018			
	Number of policies (Thousands)	Amount (100 millions of Yen)		
		New policies	Net increase by conversion	
Individual insurance	318	736	1,477	(740)
Individual annuities	-	(55)	-	(55)
Group insurance	-	891	891	-
Group annuities	-	-	-	-

	Six months ended September 30, 2019					
	Number of policies		Amount (100 millions of Yen)			
	(Thousands)	Changes (%, YoY)	Changes (%, YoY)	New policies	Net increase by conversion	
Individual insurance	350	110.0	802	109.0	1,494	(691)
Individual annuities	-	-	(72)	-	-	(72)
Group insurance	-	-	46	5.2	46	-
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, 2019	As of September 30, 2019	
			Changes (%, Pre-FYE)
Individual insurance	3,953	3,925	99.3
Individual annuities	1,451	1,421	98.0
Total	5,405	5,347	98.9
Third-sector products	2,102	2,124	101.1

(ii) New Policies

(100 millions of Yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019	Changes
			(%, YoY)
Individual insurance	212	122	57.6
Individual annuities	(1)	(1)	-
Total	210	120	57.3
Third-sector products	82	100	121.3

Notes:

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

2. Investment Results of General Account Assets

(1) Asset Composition

(Millions of Yen)

	As of March 31, 2019		As of September 30, 2019	
	Amount	Percentage	Amount	Percentage
Cash, deposits, call loans	174,143	3.3	140,014	2.6
Monetary claims bought	28,984	0.5	27,691	0.5
Securities	4,232,046	79.4	4,413,042	81.3
Domestic bonds	2,770,086	52.0	2,736,238	50.4
Domestic stocks	311,699	5.8	325,180	6.0
Foreign securities	1,078,849	20.2	1,269,723	23.4
Foreign bonds	893,733	16.8	1,079,112	19.9
Foreign stocks and other foreign securities	185,115	3.5	190,610	3.5
Other securities	71,411	1.3	81,900	1.5
Loans	426,804	8.0	387,598	7.1
Policy loans	44,272	0.8	42,341	0.8
Industrial and consumer loans	382,531	7.2	345,256	6.4
Real estate	383,194	7.2	379,551	7.0
Deferred tax assets	10,413	0.2	-	-
Others	73,596	1.4	81,187	1.5
Allowance for possible loan losses	(375)	(0.0)	(350)	(0.0)
Total	5,328,808	100.0	5,428,735	100.0
Foreign currency-denominated assets	1,212,135	22.7	1,392,479	25.7

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

(2) Changes (Increases/Decreases) in Assets

(Millions of Yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
	Amount	Amount
Cash, deposits, call loans	30,861	(34,129)
Monetary claims bought	(170)	(1,293)
Securities	172,011	180,996
Domestic bonds	(38,994)	(33,848)
Domestic stocks	16,728	13,480
Foreign securities	193,090	190,873
Foreign bonds	211,906	185,379
Foreign stocks and other foreign securities	(18,816)	5,494
Other securities	1,186	10,489
Loans	(29,749)	(39,206)
Policy loans	(2,503)	(1,930)
Industrial and consumer loans	(27,245)	(37,275)
Real estate	(2,599)	(3,643)
Deferred tax assets	(2,829)	(10,413)
Others	(1,962)	7,591
Allowance for possible loan losses	(5)	25
Total	165,554	99,926
Foreign currency-denominated assets	203,707	180,343

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

(3) Investment Income

(Millions of Yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Interest, dividends and other income	54,732	53,583
Interest on deposits	0	0
Interest and dividends on securities	42,261	41,636
Interest on loans	3,711	3,168
Rent revenue from real estate	8,266	8,295
Other interest and dividends	493	482
Gains on sales of securities	25,909	22,156
Gains on sales of domestic bonds	25,451	21,571
Gains on sales of domestic stocks and other securities	455	585
Gains on sales of foreign securities	3	-
Others	-	-
Gains on redemptions of securities	-	45
Gains on derivative financial instruments, net	-	-
Foreign exchange gains, net	3,662	-
Reversal of allowance for possible loan losses	-	23
Other investment income	3,705	3,589
Total	88,010	79,397

(4) Investment Expenses

(Millions of Yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Interest expenses	2,323	2,264
Losses on sales of securities	6,380	250
Losses on sales of domestic bonds	1,599	17
Losses on sales of domestic stocks and other securities	500	233
Losses on sales of foreign securities	4,279	-
Others	-	-
Losses on valuation of securities	32	70
Losses on valuation of domestic bonds	-	-
Losses on valuation of domestic stocks and other securities	32	70
Losses on valuation of foreign securities	-	-
Others	-	-
Losses on redemptions of securities	-	54
Losses on derivative financial instruments, net	12,240	8,173
Foreign exchange losses, net	-	1,853
Provision for allowance for possible loan losses	4	-
Write-offs of loans	0	0
Depreciation of rental real estate and other assets	2,779	2,645
Other investment expenses	5,388	5,094
Total	29,150	20,407

(5) Net Valuation Gains/Losses on Trading Securities

(Millions of Yen)

	As of March 31, 2019		As of September 30, 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	-	-	-	-

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

(Millions of Yen)

	As of March 31, 2019					As of September 30, 2019				
	Book value	Fair value	Gains/losses			Book value	Fair value	Gains/losses		
				Gains	Losses				Gains	Losses
Held-to-maturity debt securities	344,812	391,680	46,867	46,872	(5)	340,056	389,255	49,198	49,202	(4)
Policy-reserve-matching bonds	2,074,484	2,407,849	333,364	335,418	(2,053)	2,054,854	2,411,262	356,408	356,490	(81)
Stocks of subsidiaries	-	-	-	-	-	-	-	-	-	-
Available-for-sale securities	1,682,582	1,811,255	128,673	175,552	(46,878)	1,850,939	2,025,362	174,422	220,817	(46,395)
Domestic bonds	530,817	534,228	3,410	10,624	(7,213)	514,030	523,496	9,466	15,668	(6,202)
Domestic stocks	160,295	291,232	130,937	142,919	(11,982)	170,450	304,731	134,281	149,038	(14,756)
Foreign securities	916,943	913,737	(3,205)	21,317	(24,523)	1,082,816	1,114,612	31,795	53,807	(22,011)
Foreign bonds	736,455	738,633	2,177	20,629	(18,452)	888,136	924,012	35,876	51,310	(15,434)
Foreign stocks and other foreign securities	180,487	175,104	(5,383)	688	(6,071)	194,679	190,599	(4,080)	2,497	(6,577)
Other securities	73,912	71,411	(2,501)	657	(3,159)	83,073	81,900	(1,172)	2,252	(3,424)
Monetary claims bought	613	645	32	32	-	570	621	51	51	-
Negotiable certificates of deposit	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-
Total	4,101,879	4,610,785	508,906	557,843	(48,937)	4,245,850	4,825,880	580,029	626,511	(46,481)
Domestic bonds	2,766,675	3,114,133	347,458	356,731	(9,272)	2,726,771	3,103,536	376,764	383,053	(6,288)
Domestic stocks	160,295	291,232	130,937	142,919	(11,982)	170,450	304,731	134,281	149,038	(14,756)
Foreign securities	1,072,043	1,101,869	29,826	54,349	(24,523)	1,237,916	1,304,785	66,869	88,880	(22,011)
Foreign bonds	891,556	926,765	35,209	53,661	(18,452)	1,043,236	1,114,186	70,949	86,383	(15,434)
Foreign stocks and other foreign securities	180,487	175,104	(5,383)	688	(6,071)	194,679	190,599	(4,080)	2,497	(6,577)
Other securities	73,912	71,411	(2,501)	657	(3,159)	83,073	81,900	(1,172)	2,252	(3,424)
Monetary claims bought	28,952	32,137	3,185	3,185	-	27,639	30,926	3,286	3,286	-
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, 2019	As of September 30, 2019
Held-to-maturity debt securities	-	-
Unlisted foreign bonds	-	-
Others	-	-
Policy-reserve-matching bonds	-	-
Stocks of subsidiaries	6,649	6,694
Available-for-sale securities	23,829	13,767
Unlisted domestic stocks (except over-the-counter stocks)	13,817	13,754
Unlisted foreign stocks (except over-the-counter stocks)	10,012	12
Unlisted foreign bonds	-	-
Others	-	-
Total	30,479	20,461

(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, 2019					As of September 30, 2019				
	Book value	Fair value	Gains/losses			Book value	Fair value	Gains/losses		
				Gains	Losses				Gains	Losses
Held-to-maturity debt securities	344,812	391,680	46,867	46,872	(5)	340,056	389,255	49,198	49,202	(4)
Policy-reserve-matching bonds	2,074,484	2,407,849	333,364	335,418	(2,053)	2,054,854	2,411,262	356,408	356,490	(81)
Stocks of subsidiaries	6,649	6,649	-	-	-	6,694	6,694	-	-	-
Available-for-sale securities	1,706,411	1,835,084	128,672	175,552	(46,879)	1,864,707	2,039,128	174,421	220,817	(46,396)
Domestic bonds	530,817	534,228	3,410	10,624	(7,213)	514,030	523,496	9,466	15,668	(6,202)
Domestic stocks	174,112	305,049	130,937	142,919	(11,982)	184,204	318,485	134,281	149,038	(14,756)
Foreign securities	926,956	923,749	(3,206)	21,317	(24,524)	1,082,829	1,114,623	31,794	53,807	(22,012)
Foreign bonds	736,455	738,633	2,177	20,629	(18,452)	888,136	924,012	35,876	51,310	(15,434)
Foreign stocks and other foreign securities	190,500	185,115	(5,384)	688	(6,072)	194,692	190,610	(4,081)	2,497	(6,578)
Other securities	73,912	71,411	(2,501)	657	(3,159)	83,073	81,900	(1,172)	2,252	(3,424)
Monetary claims bought	613	645	32	32	-	570	621	51	51	-
Negotiable certificates of deposit	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-
Total	4,132,358	4,641,264	508,905	557,843	(48,938)	4,266,312	4,846,341	580,028	626,511	(46,482)
Domestic bonds	2,766,675	3,114,133	347,458	356,731	(9,272)	2,726,771	3,103,536	376,764	383,053	(6,288)
Domestic stocks	180,761	311,699	130,937	142,919	(11,982)	190,898	325,180	134,281	149,038	(14,756)
Foreign securities	1,082,056	1,111,881	29,825	54,349	(24,524)	1,237,929	1,304,796	66,867	88,880	(22,012)
Foreign bonds	891,556	926,765	35,209	53,661	(18,452)	1,043,236	1,114,186	70,949	86,383	(15,434)
Foreign stocks and other foreign securities	190,500	185,115	(5,384)	688	(6,072)	194,692	190,610	(4,081)	2,497	(6,578)
Other securities	73,912	71,411	(2,501)	657	(3,159)	83,073	81,900	(1,172)	2,252	(3,424)
Monetary claims bought	28,952	32,137	3,185	3,185	-	27,639	30,926	3,286	3,286	-
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.

(7) Fair Value Information on Money Held in Trust

The Company doesn't hold money held in trust.

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

(Millions of Yen)

	As of March 31, 2019			As of September 30, 2019		
	Book value	Fair value	Gains/losses	Book value	Fair value	Gains/losses
Land	230,624	270,345	39,720	229,987	269,785	39,797

Notes:

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

3. Unaudited Non-consolidated Balance Sheets

(Millions of Yen)

	As of March 31, 2019	As of September 30, 2019
Assets:		
Cash and deposits	36,102	41,921
Call loans	140,000	100,000
Monetary claims bought	28,984	27,691
Securities:	4,257,457	4,437,896
National government bonds	1,790,446	1,728,313
Local government bonds	49,768	55,644
Corporate bonds	935,197	958,205
Domestic stocks	320,964	333,585
Foreign securities	1,089,669	1,280,245
Loans:	426,804	387,598
Policy loans	44,272	42,341
Industrial and consumer loans	382,531	345,256
Tangible fixed assets	388,821	384,673
Intangible fixed assets	25,576	25,110
Agency accounts receivable	3	3
Reinsurance receivables	427	343
Other assets	41,991	51,233
Prepaid pension cost	145	88
Deferred tax assets	10,413	-
Customers' liabilities under acceptances and guarantees	6	4
Allowance for possible loan losses	(375)	(350)
Total assets	5,356,358	5,456,215

(Millions of Yen)

	As of March 31, 2019	As of September 30, 2019
Liabilities:		
Policy reserves and other reserves:	4,605,062	4,574,565
Reserve for outstanding claims	27,580	27,891
Policy reserves	4,543,377	4,512,300
Reserve for dividends to policyholders	34,104	34,373
Reinsurance payables	397	221
Bonds payable	88,295	88,295
Other liabilities:	192,123	273,426
Income taxes payable	60	4,133
Lease obligations	2,922	2,458
Asset retirement obligations	246	262
Others	188,893	266,572
Reserve for employees' retirement benefits	33,640	33,256
Reserve for price fluctuation	40,890	42,060
Deferred tax liabilities	-	4,593
Deferred tax liabilities for land revaluation	17,116	17,054
Acceptances and guarantees	6	4
Total liabilities	4,977,531	5,033,478
Net assets:		
Foundation funds	91,000	91,000
Reserve for redemption of foundation funds	166,000	166,000
Reserve for revaluation	281	281
Surplus:	67,073	80,401
Reserve for future losses	291	310
Other surplus:	66,782	80,091
Reserve for fund redemption	26,200	35,300
Equalized reserve for dividends to policyholders	9,258	7,318
Unappropriated surplus (loss)	31,324	37,472
Total foundation funds and others	324,355	337,683
Net unrealized gains (losses) on available-for-sale securities, net of tax	99,032	129,773
Land revaluation differences	(44,561)	(44,720)
Total valuation and translation adjustments	54,471	85,053
Total net assets	378,826	422,736
Total liabilities and net assets	5,356,358	5,456,215

4. Unaudited Non-consolidated Statements of Income

(Millions of Yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Ordinary income:	324,545	313,255
Premium and other income:	196,899	195,510
Insurance premiums	195,896	194,506
Investment income:	89,971	79,745
Interest, dividends and other income	54,732	53,583
Gains on sales of securities	25,909	22,156
Investment gains on separate accounts	1,961	347
Other ordinary income	37,673	37,998
Ordinary expenses:	300,883	287,161
Claims and other payments:	202,125	197,067
Claims	60,181	55,783
Annuities	60,554	60,166
Benefits	34,742	34,721
Surrender benefits	44,141	43,836
Other payments	2,084	1,839
Provision for policy reserves and other reserves:	1	312
Provision for reserve for outstanding claims	-	311
Provision for interest on policyholders' dividend reserves	1	1
Investment expenses:	29,150	20,407
Interest expenses	2,323	2,264
Losses on sales of securities	6,380	250
Losses on valuation of securities	32	70
Losses on derivative financial instruments	12,240	8,173
Operating expenses	52,926	52,732
Other ordinary expenses	16,679	16,641
Ordinary profit	23,661	26,093
Extraordinary gains	157	56
Extraordinary losses	1,589	1,528
Surplus before income taxes	22,229	24,621
Income taxes including deferred taxes	4,298	5,163
Total income taxes	4,298	5,163
Net surplus	17,931	19,458

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

Six months ended September 30, 2018

(Millions of Yen)

	Foundation funds and others								Total foundation funds and others
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Reserve for future losses	Surplus			Total surplus	
					Other surplus		Unappropriated surplus (loss)		
					Reserve for fund redemption	Equalized reserve for dividends to policyholders			
Beginning balance	126,000	131,000	281	266	48,600	9,678	37,356	95,901	353,183
Changes in the interim period:									
Additions to reserve for dividends to policyholders							(1,963)	(1,963)	(1,963)
Additions to reserve for future losses				25			(25)		
Payment of interest on foundation funds							(6,266)	(6,266)	(6,266)
Net surplus							17,931	17,931	17,931
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							73	73	73
Net changes, excluding foundation funds and others									
Net changes in the interim period	-	-	-	25	12,600	(420)	(2,429)	9,775	9,775
Ending balance	126,000	131,000	281	291	61,200	9,258	34,927	105,676	362,958

	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 interim period:				
Additions to reserve for dividends to policyholders				(1,963)
Additions to reserve for future losses				
Payment of interest on foundation funds				(6,266)
Net surplus				17,931
Additions to reserve for fund redemption				
Reversal of equalized reserve for dividends to policyholders				
Reversal of land revaluation differences				73
Net changes, excluding foundation funds and others	12,347	(73)	12,273	12,273
Net changes in the interim period	12,347	(73)	12,273	22,049
Ending balance	93,640	(46,454)	47,186	410,145

Six months ended September 30, 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	91,000	166,000	281	291	26,200	9,258	31,324	67,073	324,355
Changes in the interim period:									
Additions to reserve for dividends to policyholders							(2,173)	(2,173)	(2,173)
Additions to reserve for future losses				19			(19)		
Payment of interest on foundation funds							(4,116)	(4,116)	(4,116)
Net surplus							19,458	19,458	19,458
Additions to reserve for fund redemption					9,100		(9,100)		
Reversal of equalized reserve for dividends to policyholders						(1,939)	1,939		
Reversal of land revaluation differences							159	159	159
Net changes, excluding foundation funds and others									
Net changes in the interim period	-	-	-	19	9,100	(1,939)	6,148	13,327	13,327
Ending balance	91,000	166,000	281	310	35,300	7,318	37,472	80,401	337,683

	Valuation and translation adjustments			Total net assets
	Net unrealized gains (losses) on available-for-sale securities, net of tax	Land revaluation differences	Total valuation and translation adjustments	
Beginning balance	99,032	(44,561)	54,471	378,826
Changes in the interim period:				
Additions to reserve for dividends to policyholders				(2,173)
Additions to reserve for future losses				
Payment of interest on foundation funds				(4,116)
Net surplus				19,458
Additions to reserve for fund redemption				
Reversal of equalized reserve for dividends to policyholders				
Reversal of land revaluation differences				159
Net changes, excluding foundation funds and others	30,741	(159)	30,582	30,582
Net changes in the interim period	30,741	(159)	30,582	43,909
Ending balance	129,773	(44,720)	85,053	422,736

I. Presentation of Unaudited Non-consolidated Financial Statements

Basis of Presentation

The accompanying interim 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 semi-annual 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 interim non-consolidated financial statements include information which is not required under semi-annual 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 interim 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 balance sheet date. 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 interim period. 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.

(For the interim reporting purposes, the amount for the semi-annual period is determined.)

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

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

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

(6) Foreign currency translation

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

(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 was ¥48 million as of September 30, 2019.

- (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 other assets and amortized equally over five years.

Consumption taxes other than deferred consumption taxes are recognized as an expense for the current interim period.

(12) Policy reserves

Policy reserves are based on Article 116 of the Insurance Business Act and the premium reserve at the end of the interim period 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

The balance sheet amounts, fair values and the differences between those of major financial assets and liabilities as of September 30, 2019 were as follows:

	Millions of Yen		
	As of September 30, 2019		
	Balance Sheet Amount	Fair Value	Difference
Cash and deposits	¥ 41,921	¥ 41,921	¥ -
Call loans	100,000	100,000	-
Monetary claims bought	27,691	30,926	3,235
Trading securities	-	-	-
Held-to-maturity debt securities	27,069	30,304	3,235
Policy-reserve-matching bonds	-	-	-
Available-for-sale securities	621	621	-
Securities	4,417,435	4,819,807	402,371
Trading securities	24,853	24,853	-
Held-to-maturity debt securities	312,987	358,950	45,963
Policy-reserve-matching bonds	2,054,854	2,411,262	356,408
Available-for-sale securities	2,024,740	2,024,740	-
Loans	387,598	398,594	10,996
Policy loans	42,341	42,341	-
Industrial and consumer loans	345,256	356,253	10,996
Total assets	4,974,647	5,391,250	416,603
Bonds payable	88,295	90,877	2,582
Payables under securities borrowing transactions	179,503	179,503	-
Loans payable	51,000	51,459	459
Total liabilities	318,798	321,841	3,042
Derivative financial instruments	6,627	6,627	-
Hedge accounting not applied	1,003	1,003	-
Hedge accounting applied	5,623	5,623	-

*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 reporting period. 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 interim non-consolidated balance sheet was ¥20,460 million as of September 30, 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 September 30, 2019.

(4) Payables under securities borrowing transactions

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

(5) Derivative financial instruments

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

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

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

3. Investments and Rental Properties

The fair value of investment and rental properties is omitted because there have been no significant changes compared with the corresponding fair value at the end of the previous fiscal year.

4. Securities Lent under Lending Agreements

The amount of securities lent under lending agreements was ¥247,565 million as of September 30, 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 ¥728 million as of September 30, 2019.

- i) Loans to bankrupt borrowers were ¥0 million as of September 30, 2019.
- ii) Delinquent loans were ¥600 million as of September 30, 2019.
- iii) Delinquent loans three or more months past due were ¥107 million as of September 30, 2019.
- iv) Restructured loans were ¥20 million as of September 30, 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 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 September 30, 2019.

In addition, the direct write-offs related to loans decreased the amount of delinquent loans described above by ¥45 million as of September 30, 2019.

6. Separate Accounts

Total assets in separate accounts provided for in Article 118 of the Insurance Business Act were ¥27,464 million as of September 30, 2019. The amounts of separate account liabilities were the same as separate account assets.

7. Reserve for Dividends to Policyholders

The change in reserve for dividends to policyholders for the reporting period ended September 30, 2019 was as follows:

	<u>Millions of Yen</u>	
	Six months ended September 30, 2019	
Balance at the beginning of the interim period	¥	34,104
Transfer to reserve from surplus in the previous fiscal year		2,173
Dividends to policyholders paid out during the interim period		1,906
Increase in interest		1
Balance at the end of the interim period	¥	<u>34,373</u>

8. Stocks of Subsidiaries and Affiliates

The amount of stocks of subsidiaries and affiliates the Company held was ¥6,694 million as of September 30, 2019.

9. Pledged Assets

Assets pledged as collateral were securities in the amount of ¥18,000 million as of September 30, 2019.

10. Policy Reserves for the Reinsurance Contracts

Reserves 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 were ¥4 million as of September 30, 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 ¥234 million as of September 30, 2019.

11. 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 was ¥85,136 million as of September 30, 2019. No assets were pledged as collateral as of September 30, 2019.

12. Commitment Line

As of September 30, 2019, there were unused commitment line agreements under which the Company is the lender of ¥3,649 million.

13. Subordinated Bonds Payable

As of September 30, 2019, bonds payable are subordinated bonds payable, for which the repayments are subordinated to other obligations.

14. Subordinated Loans Payable

As of September 30, 2019, other liabilities included subordinated loans payable of ¥51,000 million, for which the repayments are subordinated to other obligations.

15. 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 were ¥8,609 million as of September 30, 2019. These contributions are charged as operating expenses in the reporting period in which they are paid.

III. Notes to Unaudited Non-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>	
	Six months ended	
	<u>September 30, 2019</u>	
Domestic bonds	¥	21,571
Domestic stocks and other securities		585

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

	<u>Millions of Yen</u>	
	Six months ended	
	<u>September 30, 2019</u>	
Domestic bonds	¥	17
Domestic stocks and other securities		233

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

	<u>Millions of Yen</u>	
	Six months ended	
	<u>September 30, 2019</u>	
Domestic stocks and other securities	¥	70

2. Policy Reserves for the Reinsurance Contracts

Reversal of policy reserves for ceded reinsurance considered in calculating reversal of policy reserves for the interim period ended September 30, 2019 was ¥36 million.

3. Interest and Dividend Income

The breakdown of interest, dividends and other income was as follows:

	<u>Millions of Yen</u>	
	Six months ended	
	<u>September 30, 2019</u>	
Interest on deposits	¥	0
Interest and dividends on securities		41,636
Interest on loans		3,168
Rental revenue from real estate		8,295
Other interest and dividends		482
Total	¥	<u>53,583</u>

4. Income Tax Expense

The simplified method is applied for tax effect accounting to calculate income tax expense for the interim period ended September 30. Therefore, deferred taxes are included in income taxes.

6. Breakdown of Ordinary Profit (Fundamental Profit)

(Millions of Yen)

		Six months ended September 30, 2018	Six months ended September 30, 2019
Fundamental profit	A	12,966	14,511
Capital gains		29,572	22,156
Gains on money held in trust		-	-
Gains on trading securities		-	-
Gains on sales of securities		25,909	22,156
Gains on derivative financial instruments		-	-
Foreign exchange gains		3,662	-
Other capital gains		-	-
Capital losses		18,653	10,348
Losses on money held in trust		-	-
Losses on trading securities		-	-
Losses on sales of securities		6,380	250
Losses on valuation of securities		32	70
Losses on derivative financial instruments		12,240	8,173
Foreign exchange losses		-	1,853
Other capital losses		-	-
Net capital gains (losses)	B	10,918	11,808
Fundamental profit plus net capital gains (losses)	A+B	23,885	26,320
Other one-time gains		26	23
Reinsurance revenue		-	-
Reversal of contingency reserve		-	-
Reversal of specific allowance for possible loan losses		26	23
Others		-	-
Other one-time losses		250	250
Reinsurance premiums		-	-
Provision for contingency reserve		250	250
Provision for specific allowance for possible loan losses		-	-
Provision for allowance for specified overseas loans		-	-
Write-offs of loans		0	0
Others		-	-
Net other one-time gains (losses)	C	(223)	(226)
Ordinary profit	A+B+C	23,661	26,093

7. Disclosed Claims Based on Categories of Obligors

(Millions of Yen, %)

	As of March 31, 2019	As of September 30, 2019
Claims against bankrupt and quasi-bankrupt obligors	437	440
Claims with collection risk	197	175
Claims for special attention	141	131
Subtotal	776	747
(Percentage of total)	(0.13)	(0.12)
Claims against normal obligors	584,761	635,889
Total	585,538	636,637

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.

8. Risk-monitored Loans

(Millions of Yen, %)

	As of March 31, 2019	As of September 30, 2019
Loans to bankrupt borrowers	0	0
Delinquent loans	619	600
Delinquent loans three or more months past due	110	107
Restructured loans	27	20
Total	757	728
(Percentage of total loans)	(0.18)	(0.19)

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 ¥3 million as of September 30, 2019 and ¥3 million as of March 31, 2019. The amounts written-off related to delinquent loans were ¥45 million as of September 30, 2019 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.

9. Solvency Margin Ratio

(Millions of Yen)

		As of March 31, 2019	As of September 30, 2019
Total solvency margin	(A)	816,808	884,599
Foundation funds and surplus		318,065	334,555
Reserve for price fluctuation		40,890	42,060
Contingency reserve		51,182	51,432
General allowance for possible loan losses		48	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%)		115,805	156,979
Net unrealized gains on land × 85% (in case of losses: × 100%)		10,434	10,312
Excess amount of policy reserves based on full-time Zillmer method		132,013	134,816
Qualifying subordinated debt		138,495	138,095
Excess amount of policy reserves based on full-time Zillmer method and qualifying subordinated debt excluded from the calculation of solvency margin		-	-
Deduction		-	-
Others		9,873	16,299
Total amount of risk	$\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$ (B)	189,712	198,464
Insurance risk	R_1	13,779	13,474
Third sector insurance risk	R_8	9,622	9,717
Risk of assumed yield	R_2	75,362	73,981
Minimum guarantee risk	R_7	1,069	1,067
Investment risk	R_3	107,649	117,706
Operational risk	R_4	4,149	4,318
Solvency margin ratio	$(A) / \{(1/2) \times (B)\} \times 100$	861.1%	891.4%

Notes:

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

10. Status of Separate Account

(1) Separate Account Assets by Products

(Millions of Yen)

	As of March 31, 2019	As of September 30, 2019
	Amount	Amount
Individual variable insurance	27,560	27,464
Individual variable annuities	-	-
Group annuity products	-	-
Total	27,560	27,464

(2) Sum Insured of Policies in Force

	As of March 31, 2019		As of September 30, 2019	
	Number of policies (Thousands)	Amount (Millions of Yen)	Number of policies (Thousands)	Amount (Millions of Yen)
Individual variable insurance (fixed term)	-	-	-	-
Individual variable insurance (whole life)	13	95,691	13	94,264
Total	13	95,691	13	94,264

	As of March 31, 2019		As of September 30, 2019	
	Number of policies (Thousands)	Amount (Millions of Yen)	Number of policies (Thousands)	Amount (Millions of Yen)
Individual variable annuities	-	-	-	-
Total	-	-	-	-

11. Status of the Company, Subsidiaries and Affiliates

(1) Selected Financial Data

	(Millions of Yen)	
	Six months ended September 30, 2018	Six months ended September 30, 2019
Ordinary income	326,406	315,274
Ordinary profit	23,300	25,920
Net surplus attributable to the Parent Company	17,675	19,324
Comprehensive income	30,314	50,544

	(Millions of Yen)	
	As of March 31, 2019	As of September 30, 2019
Total assets	5,357,677	5,457,392
Solvency margin ratio	865.7%	896.6%

(2) Unaudited Consolidated Balance Sheets

(Millions of Yen)

	As of March 31, 2019	As of September 30, 2019
Assets:		
Cash and deposits	40,630	46,531
Call loans	140,000	100,000
Monetary claims bought	28,984	27,691
Securities	4,252,984	4,433,429
Loans	426,804	387,598
Tangible fixed assets	388,875	384,719
Intangible fixed assets	24,836	24,411
Agency accounts receivable	3	3
Reinsurance receivables	427	343
Other assets	42,947	52,577
Net defined benefit assets	292	231
Deferred tax assets	11,262	203
Customers' liabilities under acceptances and guarantees	6	4
Allowance for possible loan losses	(378)	(352)
Total assets	5,357,677	5,457,392
Liabilities:		
Policy reserves and other reserves:	4,605,062	4,574,565
Reserve for outstanding claims	27,580	27,891
Policy reserves	4,543,377	4,512,300
Reserve for dividends to policyholders	34,104	34,373
Reinsurance payables	397	221
Bonds payable	88,295	88,295
Other liabilities	192,779	274,845
Net defined benefit liabilities	36,480	35,635
Reserve for price fluctuation	40,890	42,060
Deferred tax liabilities	-	3,844
Deferred tax liabilities for land revaluation	17,116	17,054
Acceptances and guarantees	6	4
Total liabilities	4,981,027	5,036,528
Net assets:		
Foundation funds	91,000	91,000
Reserve for redemption of foundation funds	166,000	166,000
Reserve for revaluation	281	281
Consolidated surplus	66,801	79,996
Total foundation funds and others	324,083	337,278
Net unrealized gains (losses) on available-for-sale securities, net of tax	99,034	129,775
Land revaluation differences	(44,561)	(44,720)
Accumulated remeasurements of defined benefit plans	(1,990)	(1,532)
Total accumulated other comprehensive income	52,482	83,523
Non-controlling interests	83	62
Total net assets	376,650	420,863
Total liabilities and net assets	5,357,677	5,457,392

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

(Unaudited Consolidated Statements of Income)

(Millions of Yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Ordinary income:	326,406	315,274
Premium and other income	196,899	195,510
Investment income:	89,430	79,503
Interest, dividends and other income	54,204	53,353
Gains on sales of securities	25,909	22,156
Investment gains on separate accounts	1,961	347
Other ordinary income	40,076	40,259
Ordinary expenses:	303,106	289,354
Claims and other payments:	202,125	197,067
Claims	60,181	55,783
Annuities	60,554	60,166
Benefits	34,742	34,721
Surrender benefits	44,141	43,836
Other payments	2,084	1,839
Provision for policy reserves and other reserves:	1	312
Provision for reserve for outstanding claims	–	311
Provision for interest on policyholders' dividend reserves	1	1
Investment expenses:	29,150	20,408
Interest expenses	2,323	2,264
Losses on sales of securities	6,380	250
Losses on valuation of securities	32	70
Losses on derivative financial instruments	12,240	8,173
Operating expenses	55,217	55,004
Other ordinary expenses	16,611	16,560
Ordinary profit	23,300	25,920
Extraordinary gains	157	56
Extraordinary losses	1,589	1,528
Surplus before income taxes	21,868	24,448
Income taxes including deferred taxes	4,171	5,103
Total income taxes	4,171	5,103
Net surplus	17,696	19,344
Net surplus attributable to non-controlling interests	21	19
Net surplus attributable to the Parent Company	17,675	19,324

(Unaudited Consolidated Statements of Comprehensive Income)

(Millions of Yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Net surplus	17,696	19,344
Other comprehensive income:	12,618	31,199
Net unrealized gains (losses) on available-for-sale securities, net of tax	12,348	30,741
Remeasurements of defined benefit plans	269	458
Comprehensive income:	30,314	50,544
Comprehensive income attributable to the Parent Company	30,293	50,524
Comprehensive income attributable to non-controlling interests	21	19

(4) Unaudited Consolidated Statements of Cash Flows

(Millions of Yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
I. Cash flows from operating activities		
Surplus before income taxes	21,868	24,448
Depreciation of rental real estate and other assets	2,779	2,645
Depreciation	5,631	5,671
Impairment losses	328	104
Increase (decrease) in reserve for outstanding claims	(1,583)	311
Increase (decrease) in policy reserves	(29,084)	(31,076)
Provision for interest on policyholders' dividend reserves	1	1
Increase (decrease) in allowance for possible loan losses	4	(23)
Increase (decrease) in net defined benefit liabilities	(659)	(383)
Increase (decrease) in reserve for price fluctuation	1,150	1,170
Interest, dividends and other income	(54,204)	(53,353)
(Gains) losses on securities	(21,458)	(22,174)
(Gains) losses on derivative financial instruments	12,240	8,173
Interest expenses	2,323	2,264
Foreign exchange (gains) losses, net	(3,661)	1,855
(Gains) losses on tangible fixed assets	(116)	125
Others, net	(12,747)	(3,054)
Subtotal	(77,187)	(63,294)
Interest, dividends and other income received	56,172	57,603
Interest paid	(2,532)	(2,434)
Dividends to policyholders paid	(2,229)	(1,906)
Income taxes (paid) refunded	(5,015)	(7)
Net cash provided by (used in) operating activities	(30,792)	(10,039)
II. Cash flows from investing activities		
Purchases of monetary claims bought	(1,099)	-
Proceeds from sales and redemptions of monetary claims bought	1,272	1,300
Purchases of securities	(492,159)	(400,615)
Proceeds from sales and redemptions of securities	383,383	224,409
Disbursements for loans	(18,528)	(14,136)
Proceeds from collections of loans	51,023	51,598
Proceeds from derivative financial instruments	(23,324)	30,637
Increase (decrease) in payables under securities borrowing transactions	126,085	90,886
① Total of investing activities	26,653	(15,919)
[I + ①]	(4,138)	(25,959)
Purchases of tangible fixed assets	(2,378)	(1,641)
Proceeds from sales of tangible fixed assets	249	904
Others, net	(2,407)	(2,720)
Net cash provided by (used in) investing activities	22,116	(19,376)
III. Cash flows from financing activities		
Redemption of debt borrowing	(3,000)	-
Proceeds from issuance of bonds	47,946	-
Payment of interest on foundation funds	(5,551)	(4,116)
Dividends paid to non-controlling interests	(39)	(41)
Others, net	(537)	(525)
Net cash provided by (used in) financing activities	38,817	(4,683)
IV. Net increase (decrease) in cash and cash equivalents	30,141	(34,098)
V. Cash and cash equivalents at the beginning of the interim period	200,143	180,630
VI. Cash and cash equivalents at the end of the interim period	230,284	146,531

Note:

Cash and cash equivalents in consolidated cash flow statements includes cash in hand, cash at bank and short-term investments with redemption period of three months and less than three months, which can be withdrawn anytime and can be converted to cash with ease.

(5) Unaudited Consolidated Statements of Changes in Net Assets

Six months ended September 30, 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	95,832	353,114
Changes in the interim period:					
Additions to reserve for dividends to policyholders				(1,963)	(1,963)
Payment of interest on foundation funds				(6,266)	(6,266)
Net surplus attributable to the Parent Company				17,675	17,675
Reversal of land revaluation differences				73	73
Net changes, excluding foundation funds and others					
Net changes in the interim period	-	-	-	9,519	9,519
Ending balance	126,000	131,000	281	105,351	362,633

	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 interim period:						
Additions to reserve for dividends to policyholders						(1,963)
Payment of interest on foundation funds						(6,266)
Net surplus attributable to the Parent Company						17,675
Reversal of land revaluation differences						73
Net changes, excluding foundation funds and others	12,348	(73)	269	12,544	(17)	12,526
Net changes in the interim period	12,348	(73)	269	12,544	(17)	22,046
Ending balance	93,642	(46,454)	646	47,834	63	410,532

Six months ended September 30, 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	91,000	166,000	281	66,801	324,083
Changes in the interim period:					
Additions to reserve for dividends to policyholders				(2,173)	(2,173)
Payment of interest on foundation funds				(4,116)	(4,116)
Net surplus attributable to the Parent Company				19,324	19,324
Reversal of land revaluation differences				159	159
Net changes, excluding foundation funds and others					
Net changes in the interim period	-	-	-	13,194	13,194
Ending balance	91,000	166,000	281	79,996	337,278

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Net unrealized gains (losses) on available-for-sale securities, net of tax	Land revaluation differences	Accumulated remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Beginning balance	99,034	(44,561)	(1,990)	52,482	83	376,650
Changes in the interim period:						
Additions to reserve for dividends to policyholders						(2,173)
Payment of interest on foundation funds						(4,116)
Net surplus attributable to the Parent Company						19,324
Reversal of land revaluation differences						159
Net changes, excluding foundation funds and others	30,741	(159)	458	31,040	(21)	31,019
Net changes in the interim period	30,741	(159)	458	31,040	(21)	44,213
Ending balance	129,775	(44,720)	(1,532)	83,523	62	420,863

I. Presentation of Unaudited Consolidated Financial Statements

1. Basis of Presentation

The accompanying interim 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 semi-annual 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 interim consolidated financial statements include information which is not required under semi-annual 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 interim 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 September 30, 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 interim period. As such non-consolidated subsidiaries are not considered to materially affect any reasonable determination as to the financial position and results 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) Interim period-end of consolidated subsidiaries

The interim period-end of the consolidated subsidiaries is September 30.

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 (straight-line method) determined by the moving average method.
- iii) Policy-reserve-matching bonds, which are in accordance with “Temporary Treatment of Accounting and Auditing Concerning Policy-reserve-matching Bonds in Insurance Industry” (Industry Audit Committee Report No. 21 issued by the Japanese Institute of Certified Public Accountants (“JICPA”)), are stated at amortized cost (straight-line method) determined by the moving average method.
- iv) Investments in unconsolidated subsidiaries and affiliates not accounted for under the equity method are stated at cost.
- v) Available-for-sale securities with fair market value except for the following are stated at fair market value based on the market prices at the balance sheet date. 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 interim period. 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) 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.

(4) Depreciation of tangible fixed assets

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

(For the interim reporting purposes, the amount for the semi-annual period is determined.)

■ 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

(5) Foreign currency translation

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

Japanese yen at the average of the effective exchange rate during the final month of the interim period.

(6) 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 was ¥48 million as of September 30, 2019.

(7) 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.

(8) 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.

(9) Valuation methods of derivative financial instruments

Derivative financial instruments are stated at fair market value.

(10) Reserve for price fluctuation

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

(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 other assets and amortized equally over five years.

Consumption taxes other than deferred consumption taxes are recognized as an expense for the current interim period.

(12) Policy reserves

Policy reserves are based on Article 116 of the Insurance Business Act and the premium reserve at the end of the interim period 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

The balance sheet amounts, fair values and the differences between those of major financial assets and liabilities as of September 30, 2019 were as follows:

	Millions of Yen		
	As of September 30, 2019		
	Balance Sheet Amount	Fair Value	Difference
Cash and deposits	¥ 46,531	¥ 46,531	¥ -
Call loans	100,000	100,000	-
Monetary claims bought	27,691	30,926	3,235
Trading securities	-	-	-
Held-to-maturity debt securities	27,069	30,304	3,235
Policy-reserve-matching bonds	-	-	-
Available-for-sale securities	621	621	-
Securities	4,417,458	4,819,830	402,371
Trading securities	24,853	24,853	-
Held-to-maturity debt securities	312,987	358,950	45,963
Policy-reserve-matching bonds	2,054,854	2,411,262	356,408
Available-for-sale securities	2,024,763	2,024,763	-
Loans	387,598	398,594	10,996
Policy loans	42,341	42,341	-
Industrial and consumer loans	345,256	356,253	10,996
Total assets	4,979,279	5,395,882	416,603
Bonds payable	88,295	90,877	2,582
Payables under securities borrowing transactions	179,503	179,503	-
Loans payable	51,000	51,459	459
Total liabilities	318,798	321,841	3,042
Derivative financial instruments	6,627	6,627	-
Hedge accounting not applied	1,003	1,003	-
Hedge accounting applied	5,623	5,623	-

* 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 reporting period. 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 interim consolidated balance sheet was ¥15,971 million as of September 30, 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 value, etc. as of September 30, 2019.

(4) Payables under securities borrowing transactions

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

(5) Derivative financial instruments

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

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

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

3. Investments and Rental Properties

The fair value of investment and rental properties is omitted because there have been no significant changes compared with the corresponding fair value at the end of the previous fiscal year.

4. 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 ¥728 million as of September 30, 2019.

- i) Loans to bankrupt borrowers were ¥0 million as of September 30, 2019.
- ii) Delinquent loans were ¥600 million as of September 30, 2019.
- iii) Delinquent loans three or more months past due were ¥107 million as of September 30, 2019.
- iv) Restructured loans were ¥20 million as of September 30, 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 September 30, 2019.

In addition, the direct write-offs related to loans decreased the amount of delinquent loans described above by ¥45 million as of September 30, 2019.

5. Separate Accounts

Total assets in separate accounts provided for in Article 118 of the Insurance Business Act were ¥27,464 million as of September 30, 2019. The amounts of separate account liabilities were the same as separate account assets.

6. Reserve for Dividends to Policyholders

The change in reserve for dividends to policyholders for the reporting period ended September 30, 2019 was as follows:

	Millions of Yen
	Six months ended September 30, 2019
Balance at the beginning of the interim period	¥ 34,104
Transfer to reserve from surplus in the previous fiscal year	2,173
Dividends to policyholders paid out during the interim period	1,906
Increase in interest	1
Balance at the end of the interim period	¥ 34,373

7. Pledged Assets

Assets pledged as collateral were securities in the amount of ¥18,000 million as of September 30, 2019.

8. Securities Lent under Lending Agreements

The amount of securities lent under lending agreements was ¥247,565 million as of September 30, 2019.

9. 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 was ¥85,136 million as of September 30, 2019. No assets were pledged as collateral as of September 30, 2019.

10. Commitment Line

As of September 30, 2019, there were unused commitment line agreements under which the Company is the lender of ¥3,649 million.

11. Subordinated Bonds Payable

As of September 30, 2019, bonds payable are subordinated bonds payable, for which the repayments are subordinated to other obligations.

12. Subordinated Loans Payable

As of September 30, 2019, other liabilities included subordinated loans payable of ¥51,000 million, for which the repayments are subordinated to other obligations.

13. 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 were ¥8,609 million as of September 30, 2019. These contributions are charged as operating expenses in the reporting period in which they are paid.

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>	
	Six months ended	
	<u>September 30, 2019</u>	
Domestic bonds	¥	21,571
Domestic stocks and other securities		585

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

	<u>Millions of Yen</u>	
	Six months ended	
	<u>September 30, 2019</u>	
Domestic bonds	¥	17
Domestic stocks and other securities		233

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

	<u>Millions of Yen</u>	
	Six months ended	
	<u>September 30, 2019</u>	
Domestic stocks and other securities	¥	70

2. Income Tax Expense

The simplified method is applied for tax effect accounting to calculate income tax expense for the interim period ended September 30. Therefore, deferred taxes are included in income taxes.

(6) Consolidated Solvency Margin Ratio

(Millions of yen)

	As of March 31, 2019	As of September 30, 2019
Total solvency margin (A)	813,038	881,191
Foundation funds and surplus	317,059	333,452
Reserve for price fluctuation	40,890	42,060
Contingency reserve	51,182	51,432
Catastrophe loss reserve	-	-
General allowance for possible loan losses	50	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%)	115,807	156,982
Net unrealized gains on land × 85% (in case of losses: × 100%)	10,434	10,312
Sum of unrealized actuarial differences and unrealized past service cost	(2,768)	(2,309)
Excess amount of policy reserves based on full-time Zillmer method	132,013	134,816
Qualifying subordinated debt	138,495	138,095
Excess amount of policy reserves based on full-time Zillmer method and qualifying subordinated debt excluded from the calculation of solvency margin	-	-
Deduction	-	-
Others	9,873	16,299
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)	187,822	196,559
Insurance risk R_1	13,779	13,474
Ordinary insurance risk R_5	-	-
Disaster insurance risk R_6	-	-
Third sector insurance risk R_8	9,622	9,717
Small amount short-term insurance provider insurance risk R_9	-	-
Risk of assumed yield R_2	75,362	73,981
Minimum guarantee risk R_7	1,069	1,067
Investment risk R_3	105,782	115,825
Operational risk R_4	4,112	4,281
Solvency margin ratio (A) / {(1/2) × (B)} × 100	865.7%	896.6%

Notes:

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

(7) 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.