

February 14, 2017

Financial Results for the Nine Months Ended December 31, 2016

Asahi Mutual Life Insurance Company (the “Company” ; President: Yoshiki Sato) announces financial results for the nine months ended December 31, 2016

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1. Business Highlights

(1) Policies in Force and New Policies

(i) Policies in Force

	As of March 31, 2016		As of December 31, 2016			
	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	7,140	199,116	7,135	99.9	185,254	93.0
Individual annuities	630	28,171	623	98.9	27,294	96.9
Group insurance	-	13,310	-	-	13,201	99.2
Group annuities	-	197	-	-	189	95.7

Notes:

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

(ii) New Policies

	Nine months ended December 31, 2015			
	Number of policies (Thousands)	Amount (100 millions of Yen)		
		New policies	Net increase by conversion	
Individual insurance	546	2,050	3,626	△ 1,576
Individual annuities	12	413	455	△ 41
Group insurance	-	101	101	-
Group annuities	-	-	-	-

	Nine months ended December 31, 2016					
	Number of policies (Thousands)	Changes (%, YoY)	Amount (100 millions of Yen)			
			Changes (%, YoY)	New policies	Net increase by conversion	
Individual insurance	549	100.6	1,149	56.1	2,929	△ 1,780
Individual annuities	15	121.6	437	105.7	575	△ 138
Group insurance	-	-	36	36.0	36	-
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, 2016	As of December 31, 2016	
			Changes (%, Pre-FYE)
Individual insurance	3,721	3,731	100.2
Individual annuities	1,667	1,624	97.4
Total	5,389	5,356	99.4
Third-sector products	1,836	1,923	104.7

(ii) New Policies

(100 millions of Yen)

	Nine months ended December 31, 2015	Nine months ended December 31, 2016	Changes
			(%, YoY)
Individual insurance	200	230	114.8
Individual annuities	16	16	100.1
Total	216	246	113.7
Third-sector products	152	183	120.7

Notes:

1. Annualized premiums are calculated by using coefficients based on 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, nursing care benefits).

2. Investment Results of General Account Assets

(Millions of Yen)

	As of March 31, 2016		As of December 31, 2016	
	Amount	Percentage	Amount	Percentage
Cash, deposits, call loans	212,806	3.9	204,195	3.6
Monetary claims bought	41,906	0.8	34,504	0.6
Monetary trusts	-	-	-	-
Securities	4,110,943	74.8	4,276,977	76.4
Domestic bonds	2,896,543	52.7	2,934,990	52.5
Domestic stocks	238,780	4.3	278,110	5.0
Foreign securities	904,201	16.5	987,312	17.6
Foreign bonds	690,481	12.6	782,815	14.0
Foreign stocks and other foreign securities	213,720	3.9	204,497	3.7
Other securities	71,417	1.3	76,564	1.4
Loans	620,988	11.3	571,978	10.2
Policy loans	68,813	1.3	59,377	1.1
Industrial and consumer loans	552,175	10.0	512,601	9.2
Real estate	412,702	7.5	402,676	7.2
Deferred tax assets	22,744	0.4	27,301	0.5
Others	73,999	1.3	77,659	1.4
Allowance for possible loan losses	△578	△0.0	△508	△0.0
Total	5,495,513	100.0	5,594,785	100.0
Foreign currency-denominated assets	826,169	15.0	1,027,371	18.4

Notes:

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

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

(Millions of Yen)

	As of March 31, 2016					As of December 31, 2016				
	Book value	Fair value	Gains/losses			Book value	Fair value	Gains/losses		
				Gains	Losses				Gains	Losses
Held-to-maturity debt securities	410,888	469,869	58,981	58,981	△0	383,299	431,159	47,859	47,937	△78
Policy-reserve-matching bonds	2,236,439	2,675,317	438,878	438,878	△0	2,199,609	2,570,945	371,336	382,613	△11,277
Stock of subsidiaries	-	-	-	-	-	-	-	-	-	-
Available-for-sale securities	1,300,882	1,381,849	80,966	115,534	△34,567	1,530,118	1,608,457	78,338	126,185	△47,846
Domestic bonds	442,035	452,393	10,357	11,217	△859	541,680	542,335	654	8,317	△7,662
Domestic stocks	156,708	221,663	64,954	81,052	△16,097	152,595	260,045	107,450	113,093	△5,643
Foreign securities	626,439	636,374	9,935	22,842	△12,907	758,654	729,511	△29,142	2,759	△31,902
Foreign bonds	514,167	529,210	15,043	21,341	△6,298	651,588	627,065	△24,522	1,707	△26,230
Foreign stocks and other foreign securities	112,271	107,164	△5,107	1,501	△6,609	107,066	102,446	△4,619	1,052	△5,672
Other securities	75,699	71,417	△4,281	421	△4,702	77,187	76,564	△623	2,014	△2,638
Monetary claims bought	-	-	-	-	-	-	-	-	-	-
Negotiable certificate of deposits	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-
Total	3,948,210	4,527,036	578,826	613,394	△34,567	4,113,027	4,610,562	497,534	556,736	△59,202
Domestic bonds	2,886,185	3,353,081	466,896	467,756	△860	2,934,335	3,319,831	385,495	404,488	△18,992
Domestic stocks	156,708	221,663	64,954	81,052	△16,097	152,595	260,045	107,450	113,093	△5,643
Foreign securities	787,710	833,766	46,055	58,963	△12,907	914,404	915,678	1,274	33,176	△31,902
Foreign bonds	675,438	726,601	51,163	57,461	△6,298	807,338	813,232	5,894	32,124	△26,230
Foreign stocks and other foreign securities	112,271	107,164	△5,107	1,501	△6,609	107,066	102,446	△4,619	1,052	△5,672
Other securities	75,699	71,417	△4,281	421	△4,702	77,187	76,564	△623	2,014	△2,638
Monetary claims bought	41,906	47,107	5,200	5,200	△0	34,504	38,442	3,937	3,963	△25
Negotiable certificate of deposits	-	-	-	-	-	-	-	-	-	-
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, 2016	As of December 31, 2016
Held-to-maturity debt securities	-	-
Unlisted foreign bonds	-	-
Others	-	-
Policy-reserve-matching bonds	-	-
Stock of subsidiaries	5,093	5,093
Available-for-sale securities	118,581	115,022
Unlisted domestic stocks (except over-the-counter stocks)	12,024	12,971
Unlisted foreign stocks (except over-the-counter stocks)	106,557	102,051
Unlisted foreign bonds	-	-
Others	-	-
Total	123,674	120,116

*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 gains (losses) on foreign exchange valuation).

(Millions of Yen)

	As of March 31, 2016					As of December 31, 2016				
	Book value	Fair value	Gains/losses			Book value	Fair value	Gains/losses		
				Gains	Losses				Gains	Losses
Held-to-maturity debt securities	410,888	469,869	58,981	58,981	△0	383,299	431,159	47,859	47,937	△78
Policy-reserve-matching bonds	2,236,439	2,675,317	438,878	438,878	△0	2,199,609	2,570,945	371,336	382,613	△11,277
Stock of subsidiaries	5,093	5,093	-	-	-	5,093	5,093	-	-	-
Available-for-sale securities	1,419,463	1,500,429	80,965	115,534	△34,568	1,645,141	1,723,480	78,338	126,185	△47,847
Domestic bonds	442,035	452,393	10,357	11,217	△859	541,680	542,335	654	8,317	△7,662
Domestic stocks	168,732	233,687	64,954	81,052	△16,097	165,566	273,017	107,450	113,093	△5,643
Foreign securities	732,996	742,931	9,934	22,842	△12,908	860,706	831,562	△29,143	2,759	△31,903
Foreign bonds	514,167	529,210	15,043	21,341	△6,298	651,588	627,065	△24,522	1,707	△26,230
Foreign stocks and other foreign securities	218,828	213,720	△5,108	1,501	△6,610	209,117	204,497	△4,620	1,052	△5,672
Other securities	75,699	71,417	△4,281	421	△4,702	77,187	76,564	△623	2,014	△2,638
Monetary claims bought	-	-	-	-	-	-	-	-	-	-
Negotiable certificate of deposits	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-
Total	4,071,884	4,650,709	578,825	613,394	△34,568	4,233,144	4,730,678	497,533	556,736	△59,202
Domestic bonds	2,886,185	3,353,081	466,896	467,756	△860	2,934,335	3,319,831	385,495	404,488	△18,992
Domestic stocks	173,825	238,780	64,954	81,052	△16,097	170,659	278,110	107,450	113,093	△5,643
Foreign securities	894,267	940,322	46,055	58,963	△12,908	1,016,455	1,017,729	1,273	33,176	△31,903
Foreign bonds	675,438	726,601	51,163	57,461	△6,298	807,338	813,232	5,894	32,124	△26,230
Foreign stocks and other foreign securities	218,828	213,720	△5,108	1,501	△6,610	209,117	204,497	△4,620	1,052	△5,672
Other securities	75,699	71,417	△4,281	421	△4,702	77,187	76,564	△623	2,014	△2,638
Monetary claims bought	41,906	47,107	5,200	5,200	△0	34,504	38,442	3,937	3,963	△25
Negotiable certificate of deposits	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-

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

(3) Fair Value Information on Monetary Trusts

The Company doesn't hold monetary trusts.

3. Non-consolidated Balance Sheets

(Millions of Yen)

	As of March 31, 2016	As of December 31, 2016
Assets:		
Cash and deposits	32,670	27,916
Call loans	181,000	178,000
Monetary claims bought	41,906	34,504
Securities:	4,138,558	4,304,527
(National government bonds)	(2,067,291)	(1,970,322)
(Local government bonds)	(47,714)	(54,852)
(Corporate bonds)	(788,290)	(916,373)
(Domestic stocks)	(249,233)	(288,971)
(Foreign securities)	(914,609)	(997,443)
Loans:	620,988	571,978
Policy loans	68,813	59,377
Industrial and consumer loans	552,175	512,601
Tangible fixed assets	417,790	407,125
Intangible fixed assets	30,744	32,218
Reinsurance receivables	32	3
Other assets	38,299	41,247
Deferred tax assets	22,744	27,301
Customers' liabilities under acceptances and guarantees	17	15
Allowance for possible loan losses	△578	△508
Total assets	5,524,175	5,624,331

	As of March 31, 2016	As of December 31, 2016
Liabilities:		
Policy reserves and other reserves:	4,887,317	4,800,790
Reserve for outstanding claims	27,950	25,822
Policy reserves	4,814,646	4,732,500
Reserve for dividends to policyholders	44,720	42,466
Reinsurance payables	95	69
Other liabilities:	215,470	386,286
Income taxes payable	53	3,698
Lease obligations	2,472	1,888
Asset retirement obligations	237	240
Others	212,706	380,459
Reserve for employees' retirement benefits	39,096	38,292
Reserve for price fluctuation	34,530	36,150
Deferred tax liabilities for land revaluation	18,569	18,271
Acceptances and guarantees	17	15
Total liabilities	5,195,098	5,279,876
Net assets:		
Foundation funds	126,000	126,000
Reserve for redemption of foundation funds	120,000	131,000
Reserve for revaluation	281	281
Surplus:	64,368	67,584
Reserve for future losses	219	242
Other surplus:	64,149	67,342
Reserve for fund redemption	35,500	36,000
Equalized reserve for dividends to policyholders	10,485	8,718
Unappropriated surplus (loss)	18,163	22,624
Total foundation funds and others	310,650	324,866
Net unrealized gains (losses) on available-for-sale securities, net of tax	62,953	64,884
Land revaluation differences	△44,527	△45,296
Total valuation and translation adjustments	18,426	19,587
Total net assets	329,077	344,454
Total liabilities and net assets	5,524,175	5,624,331

4. Non-consolidated Statements of Income

(Millions of Yen)

	Nine months ended December 31, 2015	Nine months ended December 31, 2016
Ordinary income:	487,478	504,717
Premium and other income:	298,379	288,501
(Insurance premiums)	(298,322)	(288,444)
Investment income:	95,690	116,894
(Interest, dividends and other income)	(83,460)	(79,574)
(Gains on sales of securities)	(4,508)	(28,146)
(Investment gains on separate accounts)	(197)	(2,119)
Other ordinary income	93,409	99,321
Ordinary expenses:	469,281	475,429
Claims and other payments:	349,463	348,053
(Claims)	(103,584)	(102,928)
(Annuities)	(92,668)	(97,157)
(Benefits)	(67,575)	(69,855)
(Surrender benefits)	(82,016)	(71,867)
(Other payments)	(3,496)	(6,055)
Provision for policy reserves and other reserves:	35	32
Provision for interest on policyholders' dividend reserves	35	32
Investment expenses:	19,831	26,219
(Interest expenses)	(2,479)	(2,802)
(Losses on sales of securities)	(2,409)	(3,764)
(Losses on valuation of securities)	(35)	(16)
(Losses on derivative financial instruments)	(2,470)	(8,128)
Operating expenses	72,930	75,570
Other ordinary expenses	27,020	25,553
Ordinary profit	18,197	29,288
Extraordinary gains:	532	950
Gains on disposal of fixed assets	532	950
Extraordinary losses:	2,181	3,930
Losses on disposal of fixed assets	217	893
Impairment losses	423	1,157
Provision for reserve for price fluctuation	1,540	1,620
Other extraordinary losses	-	259
Surplus before income taxes	16,548	26,308
Income taxes including deferred taxes	3,271	5,306
Total income taxes	3,271	5,306
Net surplus	13,277	21,001

Notes to the Non-consolidated Financial Statements

I. Notes to Non-consolidated Balance Sheet

1. Implementation Guidance on Recoverability of Deferred Tax Assets

ASBJ Guidance No. 26 “Implementation Guidance on Recoverability of Deferred Tax Assets” has been applied since the nine months period ended December 31, 2016.

2. Securities Lent under Lending Agreements

The amount of securities lent under lending agreements was ¥158,079 million as of December 31, 2016.

3. Reserve for Dividends to Policyholders

The changes in reserve for dividends to policyholders for the nine months ended December 31, 2016 were as follows:

	(Millions of Yen)
	<u>Nine months ended December 31, 2016</u>
Balance at the beginning of the reporting period.....	¥44,720
Transfer to reserve from surplus in the previous fiscal year.....	1,767
Dividends to policyholders paid out.....	4,053
Increase in interest.....	32
Balance at the end of the reporting period.....	<u>¥42,466</u>

4. Redemption of Foundation Funds

Accompanying the redemption of foundation funds totaling ¥11,000 million as of December 31, 2016 in accordance with Article 56 of the Insurance Business Act, the Company transferred the same amount from reserve for fund redemption to reserve for redemption of foundation funds.

5. Additional Foundation Funds

In accordance with Article 60 of the Insurance Business Act, the Company raised additional foundation funds totaling ¥11,000 million as of December 31, 2016.

6. Issuance of U.S. Dollar-Denominated Perpetual Subordinated Bonds

The Company issued U.S. dollar-denominated step-up callable perpetual subordinated bonds (the “Bonds”) on January 24, 2017.

Summary terms of the Bonds are as follows:

- (1) Type: U.S. dollar-denominated step-up callable perpetual subordinated notes with interest deferral options
- (2) Issue price: 100% of principal amount
- (3) Principal amount: USD 350 million
- (4) Interest rate: Fixed rate of interest of 7.25% per annum until January, 2022 and a fixed rate reset with step-up thereafter (reset every 5 years).
- (5) Maturity: None (perpetual). The Bonds are callable on each interest payment date on or after January, 2022 at the discretion of the Company, subject to prior approval by the regulatory authority, etc.
- (6) Collateral and guarantee: The Bonds have no collateral and guarantee and there are no assets especially retained for the reimbursement of the Bonds.
- (7) Use of proceeds: The Company intends to use the net proceeds from the Bonds for general corporate purposes, and also (subject to regulatory and other approvals) apply such proceeds towards the partial repayment of existing subordinated loans.

The Company applies designated hedge accounting (“*Furiate-shori*”) for currency swap for the Bonds.

II. Notes to Non-consolidated Statement of Income

1. Impairment Losses of Fixed Assets

For the nine months ended December 31, 2016, 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 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 extraordinary losses.

(3) Breakdown of impairment losses

Purpose of use	(Millions of Yen)		
	Land	Building	Total
Real estate for rent	¥332	¥376	¥ 709
Unused real estate	325	121	447
Total	¥658	¥498	¥1,157

(4) Calculation method of recoverable amount

The recoverable amounts of real estate for rent are determined at net realizable value or value in use. The recoverable amounts for unused assets are net realizable value. Value in use is determined as the estimated net future cash flows, reflecting the volatility risk, discounted at 3.6%. Net realizable value is calculated based on the appraisal value after deduction of expected costs with reference to “Real Estate Appraisal Standards” or the publicly announced appraisal value.

5. Breakdown of Ordinary Profit (Fundamental Profit)

(Millions of Yen)

		Nine months ended December 31, 2015	Nine months ended December 31, 2016
Fundamental profit	A	18,163	12,075
Capital gains		4,508	29,652
Gains on monetary trusts		-	-
Gains on trading securities		-	-
Gains on sales of securities		4,508	28,146
Gains on derivative financial instruments		-	-
Foreign exchange gains		-	1,505
Other capital gains		-	-
Capital losses		5,433	11,909
Losses on monetary trusts		-	-
Losses on trading securities		-	-
Losses on sales of securities		2,409	3,764
Losses on valuation of securities		35	16
Losses on derivative financial instruments		2,470	8,128
Foreign exchange losses		517	-
Other capital losses		-	-
Net capital gains (losses)	B	△ 924	17,743
Fundamental profit plus net capital gains (losses)	A+B	17,239	29,819
Other one-time gains		1,559	69
Reinsurance revenue		-	-
Reversal of contingency reserve		-	-
Reversal of specific allowance for possible loan losses		1,559	69
Others		-	-
Other one-time losses		601	600
Reinsurance premiums		-	-
Provision for contingency reserve		600	600
Provision for specific allowance for possible loan losses		-	-
Provision for allowance for specified overseas loans		-	-
Write-offs of loans		1	0
Others		-	-
Other one-time gains (losses)	C	958	△ 531
Ordinary profit	A+B+C	18,197	29,288

6. Solvency Margin Ratio

(Millions of Yen)

		As of March 31, 2016	As of December 31, 2016
Total solvency margin	(A)	630,198	661,318
Foundation funds and surplus		303,096	319,416
Reserve for price fluctuation		34,530	36,150
Contingency reserve		29,182	29,782
General allowance for possible loan losses		18	16
(Net unrealized gains on available-for-sale securities (before tax effect) and deferred hedge gains (before tax effect)) × 90% (in case of losses: × 100%)		72,869	70,504
Net unrealized gains on land × 85% (in case of losses: × 100%)		△ 37,103	△ 37,614
Excess amount of policy reserve based on full-time Zillmer method		98,784	107,833
Qualifying subordinated debt		125,000	125,000
Excess amount of policy reserve based on full-time Zillmer method and qualifying subordinated debt excluded from the calculation of solvency margin		-	-
Deduction		-	-
Others		3,821	10,229
Total amount of risk	$\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$ (B)	182,245	195,346
Insurance risk	R_1	16,045	15,341
Third sector insurance risk	R_8	8,679	8,991
Risk of assumed yield	R_2	85,743	82,804
Minimum guarantee risk	R_7	1,103	1,101
Investment risk	R_3	89,651	105,608
Operational risk	R_4	4,024	4,276
Solvency margin ratio	(A) / {(1/2) × (B)} × 100	691.5%	677.0%

Notes:

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

7. Status of Separate Account

(1) Separate Account Assets by Products

(Millions of Yen)

	As of March 31, 2016	As of December 31, 2016
Individual variable insurance	28,910	29,727
Individual variable annuities	-	-
Group annuity products	-	-
Total	28,910	29,727

(2) Policies in Force

(i) Individual Variable Insurance

	As of March 31, 2016		As of December 31, 2016	
	Number of policies (Thousands)	Amount (Millions of Yen)	Number of policies (Thousands)	Amount (Millions of Yen)
Individual variable insurance (fixed-term)	0	32	0	9
Individual variable insurance (whole life)	15	104,870	15	102,922
Total	15	104,903	15	102,931

(ii) Individual Variable Annuities

	As of March 31, 2016		As of December 31, 2016	
	Number of policies (Thousands)	Amount (Millions of Yen)	Number of policies (Thousands)	Amount (Millions of Yen)
Individual variable annuities	-	-	-	-
Total	-	-	-	-

8. Status of the Company, Subsidiaries and Affiliates

(1) Selected Financial Data

(Millions of Yen)

	Nine months ended December 31, 2015	Nine months ended December 31, 2016
Ordinary income	490,446	507,205
Ordinary profit	18,328	29,285
Net surplus attributable to the Parent Company	13,340	20,942
Comprehensive income	△ 10,757	23,578

(Millions of Yen)

	As of March 31, 2016	As of December 31, 2016
Total assets	5,525,539	5,626,021
Solvency margin ratio	693.4%	679.5%

(2) Scope of Consolidation and Application of Equity Method

Number of consolidated subsidiaries: 3

Unconsolidated subsidiaries and affiliates 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) Consolidated Balance Sheets

(Millions of Yen)

	As of March 31, 2016	As of December 31, 2016
Assets:		
Cash and deposits	36,133	30,857
Call loans	181,000	178,000
Monetary claims bought	41,906	34,504
Monetary trusts	10	0
Securities	4,134,926	4,300,867
Loans	620,988	571,978
Tangible fixed assets	417,845	407,185
Intangible fixed assets	30,380	31,992
Reinsurance receivables	32	3
Other assets	38,986	42,669
Net defined benefit assets	-	6
Deferred tax assets	23,889	28,448
Customers' liabilities under acceptances and guarantees	17	15
Allowance for possible loan losses	△578	△508
Total assets	5,525,539	5,626,021

(Millions of Yen)

	As of March 31, 2016	As of December 31, 2016
Liabilities:		
Policy reserves and other reserves:	4,887,317	4,800,790
Reserve for outstanding claims	27,950	25,822
Policy reserves	4,814,646	4,732,500
Reserve for dividends to policyholders	44,720	42,466
Reinsurance payables	95	69
Other liabilities	216,138	387,352
Net defined benefit liabilities	42,399	40,915
Reserve for price fluctuation	34,530	36,150
Deferred tax liabilities for land revaluation	18,569	18,271
Acceptances and guarantees	17	15
Total liabilities	5,199,069	5,283,564
Net assets:		
Foundation funds	126,000	126,000
Reserve for redemption of foundation funds	120,000	131,000
Reserve for revaluation	281	281
Consolidated surplus	64,102	67,259
Total foundation funds and others	310,384	324,541
Net unrealized gains (losses) on available-for-sale securities, net of tax	62,954	64,884
Land revaluation differences	△44,527	△45,296
Accumulated remeasurements of defined benefit plans	△2,420	△1,736
Total accumulated other comprehensive income	16,006	17,851
Non-controlling interests	79	64
Total net assets	326,470	342,456
Total liabilities and net assets	5,525,539	5,626,021

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

【Consolidated Statements of Income】

(Millions of Yen)

	Nine months ended December 31, 2015	Nine months ended December 31, 2016
Ordinary income:	490,446	507,205
Premium and other income	298,379	288,501
Investment income:	95,435	116,639
(Interest, dividends and other income)	(83,224)	(79,335)
(Gains on sales of securities)	(4,509)	(28,148)
(Investment gains on separate accounts)	(197)	(2,119)
Other ordinary income	96,631	102,065
Ordinary expenses:	472,118	477,919
Claims and other payments:	349,463	348,053
(Claims)	(103,584)	(102,928)
(Annuities)	(92,668)	(97,157)
(Benefits)	(67,575)	(69,855)
(Surrender benefits)	(82,016)	(71,867)
(Other payments)	(3,496)	(6,055)
Provision for policy reserves and other reserves:	35	32
Provision for interest on policyholders' dividend reserves	35	32
Investment expenses:	19,832	26,220
(Interest expenses)	(2,479)	(2,802)
(Losses on sales of securities)	(2,409)	(3,764)
(Losses on valuation of securities)	(35)	(16)
(Losses on derivative financial instruments)	(2,470)	(8,128)
Operating expenses	75,885	78,208
Other ordinary expenses	26,901	25,404
Ordinary profit	18,328	29,285
Extraordinary gains:	532	950
Gains on disposal of fixed assets	532	950
Extraordinary losses:	2,181	3,931
Losses on disposal of fixed assets	218	894
Impairment losses	423	1,157
Provision for reserve for price fluctuation	1,540	1,620
Other extraordinary losses	-	259
Surplus before income taxes	16,679	26,304
Income taxes including deferred taxes	3,310	5,339
Total income taxes	3,310	5,339
Net surplus	13,369	20,965
Net surplus attributable to non-controlling interests	29	22
Net surplus attributable to the Parent Company	13,340	20,942

【Consolidated Statements of Comprehensive Income】

(Millions of Yen)

	Nine months ended December 31, 2015	Nine months ended December 31, 2016
Net surplus	13,369	20,965
Other comprehensive income:	△ 24,127	2,613
Net unrealized gains (losses) on available-for-sale securities, net of tax	△ 25,359	1,929
Remeasurements of defined benefit plans	1,232	683
Comprehensive income:	△ 10,757	23,578
Comprehensive income attributable to the Parent Company	△ 10,787	23,555
Comprehensive income attributable to non-controlling interests	29	22

Notes to the Consolidated Financial Statements

I. Notes to Consolidated Balance Sheet

1. Implementation Guidance on Recoverability of Deferred Tax Assets

ASBJ Guidance No. 26 “Implementation Guidance on Recoverability of Deferred Tax Assets” has been applied since the nine months period ended December 31, 2016.

2. Securities Lent under Lending Agreements

The amount of securities lent under lending agreements was ¥158,079 million as of December 31, 2016.

3. Reserve for Dividends to Policyholders

The changes in reserve for dividends to policyholders for the nine months ended December 31, 2016 were as follows:

	(Millions of Yen)
	<u>Nine months ended December 31, 2016</u>
Balance at the beginning of the reporting period	¥44,720
Transfer to reserve from surplus in the previous fiscal year	1,767
Dividends to policyholders paid out	4,053
Increase in interest	32
Balance at the end of the reporting period	<u>¥42,466</u>

4. Redemption of Foundation Funds

Accompanying the redemption of foundation funds totaling ¥11,000 million as of December 31, 2016 in accordance with Article 56 of the Insurance Business Act, the Company transferred the same amount from reserve for fund redemption to reserve for redemption of foundation funds.

5. Additional Foundation Funds

In accordance with Article 60 of the Insurance Business Act, the Company raised additional foundation funds totaling ¥11,000 million as of December 31, 2016.

6. Issuance of U.S. Dollar-Denominated Perpetual Subordinated Bonds

The Company issued U.S. dollar-denominated step-up callable perpetual subordinated bonds (the “Bonds”) on January 24, 2017.

Summary terms of the Bonds are as follows:

- (1) Type: U.S. dollar-denominated step-up callable perpetual subordinated notes with interest deferral options
- (2) Issue price: 100% of principal amount
- (3) Principal amount: USD 350 million
- (4) Interest rate: Fixed rate of interest of 7.25% per annum until January, 2022 and a fixed rate reset with step-up thereafter (reset every 5 years).
- (5) Maturity: None (perpetual). The Bonds are callable on each interest payment date on or after January, 2022 at the discretion of the Company, subject to prior approval by the regulatory authority, etc.
- (6) Collateral and guarantee: The Bonds have no collateral and guarantee and there are no assets especially retained for the reimbursement of the Bonds.
- (7) Use of proceeds: The Company intends to use the net proceeds from the Bonds for general corporate purposes, and also (subject to regulatory and other approvals) apply such proceeds towards the partial repayment of existing subordinated loans.

The Company applies designated hedge accounting (“*Furiate-shori*”) for currency swap for the Bonds.

II. Notes to Consolidated Statement of Income

1. Impairment Losses of Fixed Assets

For the nine months ended December 31, 2016, 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 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 extraordinary losses.

(3) Breakdown of impairment losses

Purpose of use	(Millions of Yen)		
	Land	Building	Total
Real estate for rent.....	¥332	¥376	¥ 709
Unused real estate.....	325	121	447
Total.....	¥658	¥498	¥1,157

(4) Calculation method of recoverable amount

The recoverable amounts of real estate for rent are determined at net realizable value or value in use. The recoverable amounts for unused assets are net realizable value. Value in use is determined as the estimated net future cash flows, reflecting the volatility risk, discounted at 3.6%. Net realizable value is calculated based on the appraisal value after deduction of expected costs with reference to “Real Estate Appraisal Standards” or the publicly announced appraisal value.

2. Depreciation

For the nine months ended December 31, 2016, the total amount of depreciation and depreciation of rental real estate and other assets was ¥11,571 million.

(5) Consolidated Solvency Margin Ratio

(Millions of yen)

	As of March 31, 2016	As of December 31, 2016
Total solvency margin (A)	626,994	658,886
Foundation funds and surplus	303,302	319,711
Reserve for price fluctuation	34,530	36,150
Contingency reserve	29,182	29,782
Catastrophe loss reserve	-	-
General allowance for possible loan losses	20	18
(Net unrealized gains on available-for-sale securities (before tax effect) and deferred hedge gains (before tax effect)) × 90% (in case of losses: × 100%)	72,870	70,504
Net unrealized gains on land × 85% (in case of losses: × 100%)	△37,103	△ 37,614
Sum of unrealized actuarial differences and unrealized past service cost	△ 3,362	△ 2,678
Excess amount of policy reserve based on full-time Zillmer method	98,784	107,833
Qualifying subordinated debt	125,000	125,000
Excess amount of policy reserve based on full-time Zillmer method and qualifying subordinated debt excluded from the calculation of solvency margin	-	-
Deduction	△ 50	△ 50
Others	3,821	10,229
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)	180,833	193,930
Insurance risk R_1	16,045	15,341
Ordinary insurance risk R_5	-	-
Disaster insurance risk R_6	-	-
Third sector insurance risk R_8	8,679	8,991
Small amount short-term insurance provider insurance risk R_9	-	-
Risk of assumed yield R_2	85,743	82,804
Minimum guarantee risk R_7	1,103	1,101
Investment risk R_3	88,253	104,209
Operational risk R_4	3,996	4,248
Solvency margin ratio (A) / {(1/2) × (B)} × 100	693.4%	679.5%

Notes:

- The figures above are calculated based on Articles 86-2 and 88 of the Ordinance for Enforcement of the Insurance Business Act and Notification of the Financial Service Agency, No.23, 2011.
- "Excess amount of policy reserve based on full-time Zillmer method", "Qualifying subordinated debt" and "Excess amount of policy reserve based on full-time Zillmer method and qualifying subordinated debt excluded from the calculation of solvency margin" are calculated base on Notification of the Financial Service Agency, No.25-4-1-1 of 2011, No.25-4-1-2 and No.25-4-1-3, respectively.
- "Minimum guarantee risk" is calculated by standard method.

(6) Segment information

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