May 25, 2017

Financial Results for the Fiscal Year Ended March 31, 2017

Asahi Mutual Life Insurance Company (the "Company"; President: Hiroki Kimura) announces financial results for the fiscal year ended March 31, 2017

[Contents]

Asahi Mutual Life Insurance Company

1. Business Highlights

(1) Policies in Force and New Policies

(i) Policies in Force

	As of March 31, 2016				As of March 31, 2017			
	Number of policies		Amount (100 millions of Yen)		Number of policies		Amount (100 millions of Yen)	
	(Thousands)	Changes (%, Pre-FYE)		Changes (%, Pre-FYE)	(Thousands)	Changes (%, Pre-FYE)		Changes (%, Pre-FYE)
Individual insurance	7,140	99.9	199,116	91.6	7,173	100.5	181,705	91.3
Individual annuities	630	98.8	28,171	96.0	615	97.6	26,820	95.2
Group insurance	-	-	13,310	98.5	-	-	13,286	99.8
Group annuities	-	-	197	93.7	-	-	187	94.5

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

(ii) New Policies

	Year ended March 31, 2016					
	Number of policies		Amount (100 millions of Yen)			
	(Thousands)	Changes (%, YoY)		Changes (%, YoY)	New policies	Net increase by conversion
Individual insurance	727	98.8	2,690	69.3	4,841	(2,151)
Individual annuities	17	198.8	562	237.3	618	(56)
Group insurance	-	-	179	77.7	179	-
Group annuities	-	-	-	-	-	-

	Year ended March 31, 2017					
	Number of policies		Amount (100 millions of Yen)			
	(Thousands)	Changes (%, YoY)		Changes (%, YoY)	New policies	Net increase by conversion
Individual insurance	770	106.0	1,466	54.5	4,002	(2,535)
Individual annuities	15	88.9	406	72.2	575	(169)
Group insurance	-	-	52	29.1	52	-
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 March 31, 2017	
		Changes (%, Pre-FYE)		Changes (%, Pre-FYE)
Individual insurance	3,721	99.5	3,764	101.2
Individual annuities	1,667	98.0	1,594	95.6
Total	5,389	99.0	5,359	99.4
Third-sector products	1,836	105.4	1,978	107.7

(ii) New Policies

(100 millions of Yen)

	Year ended March 31, 2016		Year ended March 31, 2017	
		Changes (%, YoY)		Changes (%, YoY)
Individual insurance	277	115.8	325	117.3
Individual annuities	21	188.4	15	71.6
Total	299	119.1	341	114.0
Third-sector products	212	132.5	266	125.2

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).

(3) Selected Financial Data

(100 millions of Yen)

	Year ended March 31, 2016		Year ended March 31, 2017	
		Changes (%, YoY)		Changes (%, YoY)
Premium and other income	4,014	98.9	3,837	95.6
Investment income	1,280	81.2	1,612	126.0
Claims and other payments	4,667	101.5	4,638	99.4
Investment expenses	374	122.2	417	111.4
Ordinary profit	148	29.2	389	263.3

(4) Proposed Appropriation of Surplus

(100 millions of Yen)

	Year ended March 31, 2016		Year ended March 31, 2017	
		Changes (%, YoY)		Changes (%, YoY)
Unappropriated surplus	181	96.9	313	172.6
Reversal of voluntary surplus reserve	17	–	–	–
Reserve for dividends to policyholders	17	91.1	15	86.0
Net surplus	173	117.4	190	110.2
Surplus carried forward	8	41.6	107	1,258.9

(5) Total Assets

(100 millions of Yen)

	As of March 31, 2016		As of March 31, 2017	
		Changes (%, Pre-FYE)		Changes (%, Pre-FYE)
Total assets	55,241	98.1	53,982	97.7

2. Investment Results of General Account Assets

(1) Asset Composition

(Millions of Yen)

	As of March 31, 2016		As of March 31, 2017	
	Amount	Percentage	Amount	Percentage
Cash, deposits, call loans	212,806	3.9	152,480	2.8
Monetary claims bought	41,906	0.8	33,202	0.6
Securities	4,110,943	74.8	4,125,107	76.8
Domestic bonds	2,896,543	52.7	2,895,636	53.9
Domestic stocks	238,780	4.3	282,959	5.3
Foreign securities	904,201	16.5	869,024	16.2
Foreign bonds	690,481	12.6	642,030	12.0
Foreign stocks and other foreign securities	213,720	3.9	226,993	4.2
Other securities	71,417	1.3	77,487	1.4
Loans	620,988	11.3	557,761	10.4
Policy loans	68,813	1.3	57,577	1.1
Industrial and consumer loans	552,175	10.0	500,184	9.3
Real estate	412,702	7.5	401,557	7.5
Deferred tax assets	22,744	0.4	22,725	0.4
Others	73,999	1.3	76,821	1.4
Allowance for possible loan losses	(578)	(0.0)	(487)	(0.0)
Total	5,495,513	100.0	5,369,169	100.0
Foreign currency-denominated assets	826,169	15.0	908,336	16.9

(2) Changes(Increases/Decreases) in Assets

(Millions of Yen)

	Year ended March 31, 2016	Year ended March 31, 2017
	Amount	Amount
Cash, deposits, call loans	621	(60,326)
Monetary claims bought	(14,844)	(8,704)
Securities	(7,364)	14,163
Domestic bonds	(4,396)	(907)
Domestic stocks	(48,326)	44,178
Foreign securities	57,124	(35,177)
Foreign bonds	80,793	(48,450)
Foreign stocks and other foreign securities	(23,669)	13,272
Other securities	(11,764)	6,070
Loans	(97,422)	(63,226)
Policy loans	(9,600)	(11,236)
Industrial and consumer loans	(87,821)	(51,990)
Real estate	(4,340)	(11,145)
Deferred tax assets	7,529	(18)
Others	10,591	2,822
Allowance for possible loan losses	2,129	91
Total	(103,099)	(126,343)
Foreign currency-denominated assets	200,500	82,166

(3) Investment Income

(Millions of Yen)

	Year ended March 31, 2016	Year ended March 31, 2017
Interest, dividends and other income	114,345	111,199
Interest on deposits	0	0
Interest and dividends on securities	83,211	83,449
Interest on loans	12,900	10,250
Rent revenue from real estate	16,249	16,485
Other interest and dividends	1,982	1,013
Gains on sales of securities	4,510	40,389
Gains on sales of domestic bonds	3,320	25,787
Gains on sales of domestic stocks and other securities	712	2,725
Gains on sales of foreign securities	477	11,875
Others	–	–
Gains on derivative financial instruments, net	–	–
Foreign exchange gains, net	–	–
Reversal of allowance for possible loan losses	2,080	85
Other investment income	7,088	7,268
Total	128,024	158,942

(4) Investment Expenses

(Millions of Yen)

	Year ended March 31, 2016	Year ended March 31, 2017
Interest expenses	3,451	4,042
Losses on trading securities	16	–
Losses on sales of securities	10,349	11,025
Losses on sales of domestic bonds	111	24
Losses on sales of domestic stocks and other securities	5,649	184
Losses on sales of foreign securities	4,589	10,816
Others	–	–
Losses on valuation of securities	1,647	16
Losses on valuation of domestic bonds	–	–
Losses on valuation of domestic stocks and other securities	1,629	11
Losses on valuation of foreign securities	18	5
Others	–	–
Losses on derivative financial instruments, net	609	11,264
Foreign exchange losses, net	3,739	326
Provision for allowance for possible loan losses	–	–
Write-offs of loans	1	0
Depreciation of rental real estate and other assets	5,492	5,500
Other investment expenses	10,471	9,561
Total	35,779	41,737

(5) Investment Indicators

(i) Rates of Return

(%)

	Year ended March 31, 2016	Year ended March 31, 2017
Cash, deposits, call loans	0.07	0.00
Monetary claims bought	3.33	2.36
Securities	1.74	2.47
Domestic bonds	1.67	2.41
Domestic stocks	0.36	4.92
Foreign securities	2.07	2.18
Loans	2.16	1.63
Industrial and consumer loans	1.86	1.29
Real estate	2.16	2.36
Total	1.68	2.15
Foreign Investments	2.29	2.18

Notes:

1. Rates of return above are calculated by dividing the net investment income by the average daily book value balance.

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

(ii) Average Daily Balance

(Millions of Yen)

	Year ended March 31, 2016	Year ended March 31, 2017
Cash, deposits, call loans	150,583	184,160
Monetary claims bought	47,862	36,983
Securities	4,106,770	4,119,824
Domestic bonds	2,873,478	2,887,111
Domestic stocks	183,348	174,089
Foreign securities	972,232	980,680
Loans	677,769	590,917
Industrial and consumer loans	603,536	527,797
Real estate	415,746	411,436
Total	5,495,797	5,449,967
Foreign Investments	974,070	980,680

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

(ⅲ) Net Valuation Gains/Losses on Trading Securities

(Millions of Yen)

	As of March 31, 2016		As of March 31, 2017	
	Amount	Net valuation gains(losses) included in the statements of income	Amount	Net valuation gains(losses) included in the statements of income
Trading securities	−	−	−	−

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

(Millions of Yen)

	As of March 31, 2016					As of March 31, 2017				
	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)	371,278	416,896	45,617	45,701	(83)
Policy-reserve-matching bonds	2,236,439	2,675,317	438,878	438,878	(0)	2,161,957	2,494,257	332,299	348,124	(15,824)
Stocks of subsidiaries	−	−	−	−	−	−	−	−	−	−
Available-for-sale securities	1,300,882	1,381,849	80,966	115,534	(34,567)	1,417,128	1,503,956	86,828	131,145	(44,316)
Domestic bonds	442,035	452,393	10,357	11,217	(859)	550,475	551,345	870	8,259	(7,388)
Domestic stocks	156,708	221,663	64,954	81,052	(16,097)	152,037	263,893	111,855	117,840	(5,984)
Foreign securities	626,439	636,374	9,935	22,842	(12,907)	636,825	611,229	(25,595)	2,440	(28,035)
Foreign bonds	514,167	529,210	15,043	21,341	(6,298)	506,871	486,287	(20,584)	1,744	(22,329)
Foreign stocks and other foreign securities	112,271	107,164	(5,107)	1,501	(6,609)	129,953	124,942	(5,010)	695	(5,706)
Other securities	75,699	71,417	(4,281)	421	(4,702)	77,789	77,487	(302)	2,605	(2,907)
Monetary claims bought	−	−	−	−	−	−	−	−	−	−
Negotiable certificates of deposit	−	−	−	−	−	−	−	−	−	−
Others	−	−	−	−	−	−	−	−	−	−
Total	3,948,210	4,527,036	578,826	613,394	(34,567)	3,950,364	4,415,109	464,745	524,970	(60,225)
Domestic bonds	2,886,185	3,353,081	466,896	467,756	(860)	2,894,765	3,240,626	345,860	369,135	(23,274)
Domestic stocks	156,708	221,663	64,954	81,052	(16,097)	152,037	263,893	111,855	117,840	(5,984)
Foreign securities	787,710	833,766	46,055	58,963	(12,907)	792,568	796,222	3,653	31,689	(28,035)
Foreign bonds	675,438	726,601	51,163	57,461	(6,298)	662,615	671,279	8,664	30,993	(22,329)
Foreign stocks and other foreign securities	112,271	107,164	(5,107)	1,501	(6,609)	129,953	124,942	(5,010)	695	(5,706)
Other securities	75,699	71,417	(4,281)	421	(4,702)	77,789	77,487	(302)	2,605	(2,907)
Monetary claims bought	41,906	47,107	5,200	5,200	(0)	33,202	36,880	3,677	3,699	(21)
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, 2016	As of March 31, 2017
Held-to-maturity debt securities	−	−
Unlisted foreign bonds	−	−
Others	−	−
Policy-reserve-matching bonds	−	−
Stocks of subsidiaries	5,093	5,093
Available-for-sale securities	118,581	116,024
Unlisted domestic stocks (except over-the-counter stocks)	12,024	13,972
Unlisted foreign stocks (except over-the-counter stocks)	106,557	102,051
Unlisted foreign bonds	−	−
Others	−	−
Total	123,674	121,117

(ⅴ) Fair Value Information on Monetary Trusts

The Company doesn't hold monetary trusts.

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

(Millions of Yen)

	As of March 31, 2016			As of March 31, 2017		
	Book value	Fair value	Gains/losses	Book value	Fair value	Gains/losses
Land	252,495	241,349	(11,146)	245,232	244,851	(380)

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

(Reference)
The table below shows the sum of securities with fair value and without fair value (in case that securities without faie 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 March 31, 2017				
	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)	371,278	416,896	45,617	45,701	(83)
Policy-reserve-matching bonds	2,236,439	2,675,317	438,878	438,878	(0)	2,161,957	2,494,257	332,299	348,124	(15,824)
Stocks 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)	1,533,152	1,619,979	86,827	131,145	(44,317)
Domestic bonds	442,035	452,393	10,357	11,217	(859)	550,475	551,345	870	8,259	(7,388)
Domestic stocks	168,732	233,687	64,954	81,052	(16,097)	166,010	277,865	111,855	117,840	(5,984)
Foreign securities	732,996	742,931	9,934	22,842	(12,908)	738,876	713,280	(25,596)	2,440	(28,036)
Foreign bonds	514,167	529,210	15,043	21,341	(6,298)	506,871	486,287	(20,584)	1,744	(22,329)
Foreign stocks and other foreign securities	218,828	213,720	(5,108)	1,501	(6,610)	232,004	226,993	(5,011)	695	(5,707)
Other securities	75,699	71,417	(4,281)	421	(4,702)	77,789	77,487	(302)	2,605	(2,907)
Monetary claims bought	–	–	–	–	–	–	–	–	–	–
Negotiable certificates of deposit	–	–	–	–	–	–	–	–	–	–
Others	–	–	–	–	–	–	–	–	–	–
Total	4,071,884	4,650,709	578,825	613,394	(34,568)	4,071,481	4,536,226	464,744	524,970	(60,226)
Domestic bonds	2,886,185	3,353,081	466,896	467,756	(860)	2,894,765	3,240,626	345,860	369,135	(23,274)
Domestic stocks	173,825	238,780	64,954	81,052	(16,097)	171,103	282,959	111,855	117,840	(5,984)
Foreign securities	894,267	940,322	46,055	58,963	(12,908)	894,620	898,273	3,652	31,689	(28,036)
Foreign bonds	675,438	726,601	51,163	57,461	(6,298)	662,615	671,279	8,664	30,993	(22,329)
Foreign stocks and other foreign securities	218,828	213,720	(5,108)	1,501	(6,610)	232,004	226,993	(5,011)	695	(5,707)
Other securities	75,699	71,417	(4,281)	421	(4,702)	77,789	77,487	(302)	2,605	(2,907)
Monetary claims bought	41,906	47,107	5,200	5,200	(0)	33,202	36,880	3,677	3,699	(21)
Negotiable certificates of deposit	–	–	–	–	–	–	–	–	–	–
Others	–	–	–	–	–	–	–	–	–	–

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

3. Unaudited Non-consolidated Balance Sheets

(Millions of Yen)

	As of March 31, 2016	As of March 31, 2017
Assets:		
Cash and deposits:	32,670	32,100
Cash	277	260
Deposits	32,393	31,840
Call loans	181,000	122,000
Monetary claims bought	41,906	33,202
Securities:	4,138,558	4,152,349
National government bonds	2,067,291	1,929,361
Local government bonds	47,714	55,807
Corporate bonds	788,290	916,978
Domestic stocks	249,233	293,841
Foreign securities	914,609	878,872
Other securities	71,417	77,487
Loans:	620,988	557,761
Policy loans	68,813	57,577
Industrial and consumer loans	552,175	500,184
Tangible fixed assets:	417,790	406,105
Land	240,255	232,995
Buildings	170,985	167,527
Lease assets	2,484	2,015
Construction in progress	1,462	1,033
Other tangible fixed assets	2,602	2,531
Intangible fixed assets	30,744	33,521
Software	13,468	14,647
Other intangible fixed assets	17,275	18,874
Reinsurance receivables	32	194
Other assets:	38,299	38,719
Accounts receivable	7,120	3,307
Prepaid expenses	2,648	3,046
Accrued income	17,539	17,040
Money on deposit	3,467	3,423
Derivative financial instruments	6,742	8,005
Cash collateral paid for financial instruments	-	2,482
Suspense payments	257	194
Other assets	523	1,218
Deferred tax assets	22,744	22,725
Customers' liabilities under acceptances and guarantees	17	14
Allowance for possible loan losses	(578)	(487)
Total assets	5,524,175	5,398,207

3. Unaudited Non-consolidated Balance Sheets (Continued)

(Millions of Yen)

	As of March 31, 2016	As of March 31, 2017
Liabilities:		
Policy reserves and other reserves:	4,887,317	4,768,371
Reserve for outstanding claims	27,950	27,364
Policy reserves	4,814,646	4,700,145
Reserve for dividends to policyholders	44,720	40,861
Reinsurance payables	95	127
Corporate bonds	−	40,349
Other liabilities:	215,470	138,429
Payables under securities borrowing transactions	53,610	−
Loans payable	125,000	97,000
Income taxes payable	53	1,435
Accounts payable	4,696	5,143
Accrued expenses	7,711	8,053
Deferred income	71	192
Deposits received	336	364
Guarantee deposits received	17,913	18,171
Derivative financial instruments	2,992	1,382
Cash collateral received for financial instruments	−	4,190
Lease obligations	2,472	2,015
Asset retirement obligations	237	240
Suspense receipts	373	238
Reserve for employees' retirement benefits	39,096	37,307
Reserve for price fluctuation	34,530	36,580
Deferred tax liabilities for land revaluation	18,569	18,091
Acceptances and guarantees	17	14
Total liabilities	5,195,098	5,039,270
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	76,313
Reserve for future losses	219	242
Other surplus:	64,149	76,071
Reserve for fund redemption	35,500	36,000
Equalized reserve for dividends to policyholders	10,485	8,718
Unappropriated surplus (loss)	18,163	31,353
Total foundation funds and others	310,650	333,595
Net unrealized gains (losses) on available-for-sale securities, net of tax	62,953	71,104
Land revaluation differences	(44,527)	(45,762)
Total valuation and translation adjustments	18,426	25,341
Total net assets	329,077	358,937
Total liabilities and net assets	5,524,175	5,398,207

4. Unaudited Non-consolidated Statements of Income

(Millions of Yen)

	Year ended March 31, 2016	Year ended March 31, 2017
Ordinary income:	652,702	679,996
Premium and other income:	401,499	383,776
Insurance premiums	401,413	383,514
Reinsurance revenue	86	262
Investment income:	128,024	161,263
Interest, dividends and other income	114,345	111,199
Interest and dividends on securities	83,211	83,449
Interest on loans	12,900	10,250
Rent revenue from real estate	16,249	16,485
Other interest and dividends	1,982	1,013
Gains on sales of securities	4,510	40,389
Reversal of allowance for possible loan losses	2,080	85
Other investment income	7,088	7,268
Investment gains on separate accounts	-	2,320
Other ordinary income:	123,178	134,956
Fund receipt from deposit of claims paid	17,417	16,427
Reversal of reserve for employees' retirement benefits	1,251	1,789
Reversal of reserve for outstanding claims	1,743	585
Reversal of policy reserves	101,089	114,500
Other ordinary income	1,675	1,653
Ordinary expenses:	637,893	641,009
Claims and other payments:	466,742	463,808
Claims	137,141	135,234
Annuities	121,939	128,659
Benefits	95,534	97,962
Surrender benefits	107,181	94,226
Other payments	4,708	7,378
Reinsurance premiums	236	346
Provision for policy reserves and other reserves:	46	33
Provision for interest on policyholders' dividend reserves	46	33
Investment expenses:	37,465	41,737
Interest expenses	3,451	4,042
Losses on trading securities	16	-
Losses on sales of securities	10,349	11,025
Losses on valuation of securities	1,647	16
Losses on derivative financial instruments	609	11,264
Foreign exchange losses	3,739	326
Write-offs of loans	1	0
Depreciation of rental real estate and other assets	5,492	5,500
Other investment expenses	10,471	9,561
Investment losses on separate accounts	1,685	-
Operating expenses	97,950	101,452
Other ordinary expenses:	35,688	33,977
Claim deposit payments	18,263	15,456
Taxes	6,957	7,293
Depreciation	9,393	10,126
Other ordinary expenses	1,074	1,101
Ordinary profit	14,808	38,986
Extraordinary gains:	10,476	1,243
Gains on disposal of fixed assets	566	1,243
Reversal of reserve for price fluctuation	9,910	-
Extraordinary losses:	1,242	5,361
Losses on disposal of fixed assets	337	1,633
Impairment losses	905	1,333
Provision for reserve for price fluctuation	-	2,050
Other extraordinary losses	-	344
Surplus before income taxes	24,041	34,869
Income taxes-current	551	3,777
Income taxes-deferred	5,937	1,828
Total income taxes	6,489	5,605
Net surplus	17,552	29,263

I. Presentation of Unaudited Non-consolidated Financial Statements

Basis of Presentation

The accompanying non-consolidated financial statements have been prepared from the accounts maintained by Asahi Mutual Life Insurance Company (the "Company") in accordance with the provisions set forth in the Insurance Business Act of Japan and its related rules and regulations applicable to the mutual life insurance industry and in conformity with accounting principles generally accepted in Japan, which are different in certain respects from accounting principles generally accepted in countries and jurisdictions other than Japan.

In addition, the notes to the non-consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

Amounts of less than one million yen have been eliminated. As a result, total amounts in yen shown herein do not necessarily agree with the sum of the individual amounts.

In preparing the accompanying non-consolidated financial statements, certain reclassifications have been made to the non-consolidated financial statements issued domestically in order to present them in a format which is more familiar to readers outside Japan.

II. Notes to Unaudited Non-consolidated Balance Sheet

1. Significant Accounting Policies

(1) Valuation methods of securities

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

i) Trading securities are stated at fair market value. Costs of sales are determined by the moving average method.

ii) Held-to-maturity debt securities are stated at amortized cost under the straight-line method, cost being determined by the moving average method.

iii) Policy-reserve-matching bonds are stated at amortized cost under the straight-line method, cost being determined by the moving average method in accordance with "Temporary Treatment of Accounting and Auditing Concerning Policy-reserve-matching Bonds in Insurance Industry" (Industry Audit Committee Report No. 21 issued by the Japanese Institute of Certified Public Accountants ("JICPA")).

iv) Investments in subsidiaries and affiliates are stated at cost.

v) Available-for-sale securities with fair market value are stated at fair market value based on the market prices at the end of the fiscal year, except for domestic stocks, domestic exchange-traded funds, domestic listed real estate investment trusts, foreign exchange-traded funds for which hedge accounting is not applied and foreign currency-denominated bonds for which hedge accounting is not applied. Such securities are stated based on the average of the market value during the final month of the fiscal year. Costs of sales are determined by the moving average method. Net unrealized gains or losses on these available-for-sale securities, net of taxes, are recorded as a separate component of net assets.

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

(2) Policy-reserve-matching bonds

The Company classifies bonds held with the aim of matching the duration to outstanding insurance liabilities within the sub-groups (categorized by insurance type, investment policy and other factors) of individual life insurance and individual annuities as policy-reserve-matching bonds in accordance with "Temporary Treatment of Accounting and Auditing Concerning Policy-reserve-matching Bonds in Insurance Industry" (Industry Audit Committee Report No. 21 issued by the JICPA on November 16, 2000).

Since the fiscal year starting from April 1, 2016, the Company changed its liability cash flow, which is the premise of assessing the duration to outstanding insurance liabilities, from a "Term of future 25 years" to a "Term of future 30 years" for the sub-group including Individual life Insurance and Individual Annuities (excluding Whole Life Insurance with variable interest rate accumulation, Accumulation Insurance with variable interest rates and New Single Premium Individual Annuity effective on and after April 2, 2012). This is for the purpose of gradually transitioning the Company's investment portfolio to a liability-matching portfolio. This change did not have any effects on the non-consolidated balance sheet and non-consolidated statement of income as of and for the year ended March 31, 2017.

(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 set forth in Article 2, Item 5 of the said Ordinance with certain reasonable adjustments.

	Millions of Yen
	As of March 31, 2017
Difference between the fair value of the revalued land at end of fiscal year and its book value after revaluation based on Article 10 of said Act	¥ (6,525)

(5) Depreciation of tangible fixed assets

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

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

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

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

(6) Foreign currency translation

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

(7) Allowance for possible loan losses

Allowance for possible loan losses is provided in accordance with the Company's standards of self-assessment and write-offs and reserves on credit quality:

i) For credit to borrowers who are legally bankrupt such as being in bankruptcy proceedings or civil rehabilitation (hereinafter "legally bankrupt borrowers") and who are substantially bankrupt (hereinafter "substantially bankrupt borrowers"), the Company provides the remaining amount of credits after the direct write-off described below and the deductions of the amount expected to be collected through the disposal of collateral or the execution of guarantees.

ii) For credit to borrowers who are not currently bankrupt but have a high risk of bankruptcy (hereinafter "not currently bankrupt borrowers"), the Company provides the amounts deemed as necessary considering the borrowers' ability to pay, within the amounts after deductions of the amount expected to be collected through the disposal of collateral or the execution of guarantees.

iii) For credit to borrowers other than the above, the Company provides the amounts calculated by multiplying the borrowers' balance 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 borrower's balance as the estimated uncollectible amounts. The amount written-off as of March 31, 2017 was ¥215 million.

(8) Accounting for employees' retirement benefits and method of amortizing retirement benefit expenses

Reserve for employees' retirement benefits is 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, which is shorter than the average remaining years of service of the eligible employees, starting from 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 applies deferred hedge accounting and the exceptional accounting treatment ("Tokurei-shori") for interest rate swaps used to hedge the cash flow volatility of certain loans.

The Company also applies fair value hedge accounting for hedging activities related to foreign exchange rate fluctuation exposures on certain bonds and investment trusts denominated in foreign currencies.

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

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

The effectiveness of a hedge is mostly assessed by a ratio analysis, comparing the fluctuations in the fair value or cash flows of hedged items and hedging instruments.

(11) Accounting for consumption taxes

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

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

(12) Policy reserves

Policy reserves are based on Article 116 of the Insurance Business Act and the premium reserve at the end of fiscal year is calculated by the following method:
In regard to the policies subject to the standard policy reserves, the method as prescribed by the Commissioner of Financial Services Agency (Japanese Ministry of Finance Public Notice No. 48, 1996) is applied.

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

(13) Software

Capitalized software for internal use owned by the Company is amortized using the straight-line method over the estimated useful lives.

2. Accounting Change

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 fiscal year ended March 31, 2017.

3. Financial Instruments

Asset management of the general account other than the separate accounts stipulated in Article 118 Paragraph 1 of the Insurance Business Act is conducted based on the following principles.

- ■ For accumulation whole life with varying interest rates, accumulation insurance with varying interest rates and new single premium individual annuities which have an effective date on or after April 2, 2012, the Company mainly invests in domestic bonds, engaging in matching asset liability management, or Matching ALM, which aims at matching the duration to outstanding insurance liabilities to avoid interest rate fluctuation risks.

- ■ For individual life insurance and individual annuities other than above, the Company holds yen-denominated fixed income investments, including bonds and loans, as the core of its asset portfolio. The Company also holds domestic stocks, foreign securities and real estate assets to enhance its profitability.

Derivatives are mainly used to hedge market price fluctuation risk and exchange rate fluctuation risk regarding securities and exchange rate fluctuation risk related to the foreign currency-denominated bonds issued by the Company. As the major financial instruments, securities are exposed to market risk and credit risk, loans are exposed to credit risk and exchange rate fluctuation risk, and derivatives are exposed to market risk and credit risk.

In administrating market risks, the following two methods are used. One is the quantitative risk management of securities etc. using the Value at Risk ("VaR") method and the other is the risk management by stress test and sensitivity analysis which analyze the effect on the Company's whole portfolio, simulating scenarios of deteriorating market environments. This is for the purpose of managing an appropriate asset allocation within the ranges of acceptable risks.

In administrating credit risks, the Company assigns in-house credit ratings to our borrowers in accordance with the creditworthiness of each borrower. Strict credit research of each borrower before lending as well as following up on any changes of creditworthiness of each borrower after lending are implemented. Maximum limits of credit are set up for each borrower in accordance with its credit risks to avoid the concentration of credit risks on specific corporations and specific corporation groups. Through all these measures, the amounts of credit risks are controlled within an acceptable range.

The balance sheet amounts, fair values and the differences between them of major financial assets and liabilities as of March 31, 2017 were as follows:

	Millions of Yen		
	As of March 31, 2017		
	Balance Sheet Amount	Fair Value	Difference
Cash and deposits	¥ 32,100	¥ 32,100	¥ –
Call loans	122,000	122,000	–
Monetary claims bought	33,202	36,880	3,677
Trading securities	–	–	–
Held-to-maturity debt securities	33,202	36,880	3,677
Policy-reserve-matching bonds	–	–	–
Available-for-sale securities	–	–	–
Securities	4,031,232	4,405,471	374,239
Trading securities	27,242	27,242	–
Held-to-maturity debt securities	338,076	380,015	41,939
Policy-reserve-matching bonds	2,161,957	2,494,257	332,299
Available-for-sale securities	1,503,956	1,503,956	–
Loans	557,761	571,768	14,006
Policy loans	57,577	57,577	–
Industrial and consumer loans	500,184	514,191	14,006
Total assets	4,776,297	5,168,221	391,923
Corporate bonds	40,349	42,854	2,505
Loans payable	97,000	96,715	(284)
Total liabilities	137,349	139,569	2,220
Derivative financial instruments	6,622	6,622	–
Hedge accounting not applied	1,241	1,241	–
Hedge accounting applied	5,381	5,381	–

*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 exchange-traded funds, domestic listed real estate investment trusts, foreign exchange-traded funds for which hedge accounting is not applied and foreign currency-denominated bonds for which hedge accounting is not applied are stated at the average of the market value during the final month of the fiscal year. Available-for-sale securities of which market value is readily available excluding the securities mentioned above are stated at the market value at the balance sheet date.

Other securities of which market value is readily available are stated at market value at the balance sheet date.

Unlisted stocks and others 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 reported in the non-consolidated balance sheet was ¥121,116 million as of March 31, 2017.

(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) Corporate bonds

The fair value of corporate bonds is based on the market value, etc. as of March 31, 2017.

(4) Derivative financial instruments

The fair value of options traded over the counter is based on the quoted prices offered by counterparty financial institutions.

The fair value of foreign currency forward contracts is 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, its fair value is included in corporate bonds since it is treated together with hedged corporate bonds.

4. Investments and Rental Properties

The Company holds investment and rental properties such as office buildings in Tokyo and other areas. The carrying amount and the fair value of investment and rental properties were ¥271,407 million and ¥253,384 million, respectively, as of March 31, 2017. The fair value is mainly based on the value (including some adjustments using the reference prices) of real estate appraisal report prepared by the external real-estate appraiser in accordance with real estate appraisal standards.

5. Loans Receivable

The total amount of loans to bankrupt borrowers, delinquent loans, delinquent loans three or more months past due and restructured loans, which was included in loans, was ¥1,166 million as of March 31, 2017.

i) Loans to bankrupt borrowers were ¥0 million as of March 31, 2017.
ii) Delinquent loans were ¥1,015 million as of March 31, 2017.
iii) Delinquent loans three or more months past due were ¥112 million as of March 31, 2017.
iv) Restructured loans were ¥38 million as of March 31, 2017.

Loans to bankrupt borrowers represent loans, excluding the balances already written-off, which meet the conditions prescribed in Article 96 Paragraph 1 Items 3 and 4 of the Enforcement Regulations of the Corporate Tax Act. Moreover, accruing interest on these loans is not recorded as income after determining that principal of or interest on these loans is unlikely to be collected due to the significant delay in repayment of principal or interest payments or for other reasons.

Accruing interest on delinquent loans is not recorded as income due to the same reasons as described above, and delinquent loans exclude loans to bankrupt borrowers and loans for which interest payments have been suspended and rescheduled to assist and support the borrowers in the restructuring of their businesses.

Delinquent loans three or more months past due are loans for which interest payments or repayments of principal are delinquent for three months or more from the due dates under the terms of the related loan agreements, excluding those loans classified as loans to bankrupt borrowers and delinquent loans.

Restructured loans are loans for which certain concessions favorable to borrowers, such as interest reduction or exemptions, rescheduling of due dates of principal or interest payments, waivers of claim or other terms, have been negotiated for the purpose of assisting and supporting the borrowers in the restructuring of their businesses. This category excludes loans classified as loans to bankrupt borrowers, delinquent loans and delinquent loans three or more months past due.

The direct write-offs related to loans decreased the amounts of loans to bankrupt borrowers described above by ¥22 million as of March 31, 2017.

In addition, the direct write-offs related to loans decreased delinquent loans described above by ¥193 million as of March 31, 2017.

6. Accumulated Depreciation of Tangible Fixed Assets

Accumulated depreciation of tangible fixed assets totaled ¥277,798 million as of March 31, 2017.

7. Separate Accounts

Total assets in separate accounts provided for in Article 118 of the Insurance Business Act were ¥29,199 million as of March 31, 2017. The amount of separate account liabilities was the same as separate account assets.

8. Receivables from/Payables to Subsidiaries

The total amounts of receivables from/payables to subsidiaries were ¥275 million and ¥1,948 million, respectively, as of March 31, 2017.

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

There were no receivables from directors and audit board members as of March 31, 2017. The total amount of payables to directors and audit board members was ¥20 million as of March 31, 2017.

10. Deferred Taxes

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

	Millions of Yen As of March 31,2017
Deferred tax assets	¥ 62,340
Valuation allowance for deferred tax assets	20,803
Subtotal	41,537
Deferred tax liabilities	18,811
Net deferred tax assets (liabilities)	¥ 22,725

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

	Millions of Yen As of March 31, 2017
Deferred tax assets	
Reserve for employees' retirement benefits	¥ 10,417
Reserve for price fluctuation	10,205
Impairment losses	8,422
Contingency reserve	8,392
Losses on valuation of securities	7,305
Tax loss carried forward	6,484
Deferred tax liabilities	
Net unrealized gains on available-for-sale securities	18,023

(2) The statutory tax rate was 28.1% for the year ended March 31, 2017. The main factors causing the difference between the statutory tax rate and the actual effective tax rate after considering deferred taxes was as follows:

	Year ended March 31, 2017
Change of valuation allowance for deferred tax assets	(7.9)%
Interest on foundation funds	(4.5)%

11. Reserve for Dividends to Policyholders

	Millions of Yen
	Year ended March 31, 2017
Balance at the beginning of the fiscal year	¥ 44,720
Transfer to reserve from surplus in the previous fiscal year	1,767
Dividends to policyholders paid out during the fiscal year	5,660
Increase in interest	65
Decrease in others	31
Balance at the end of the fiscal year	¥ 40,861

12. Stocks of Subsidiaries and Affiliates

The amount of stocks of subsidiaries and affiliates the Company held as of March 31, 2017 was ¥5,093 million.

13. Pledged Assets

Assets pledged as collateral as of March 31, 2017 were securities in the amount of ¥3,748 million.

14. Policy Reserves for the Reinsurance Contracts

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 ¥130 million as of March 31, 2017.

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

The total amount of adjustment to redemption of foundation funds and appropriation of net surplus defined in Article 30 Paragraph 2 of the Enforcement Regulation of the Insurance Business Act was ¥71,386 million as of March 31, 2017.

16. Redemption of Foundation Funds

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

17. Additional Foundation Funds

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

18. 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 mortgaged as of March 31, 2017 was ¥8,295 million. No assets were mortgaged as of March 31, 2017.

19. Commitment Line

As of March 31, 2017, there were unused commitment line agreements under which the Company is the lender of ¥3,500 million.

20. Subordinated Bonds

Repayments of corporate bonds payable are subordinated to other obligations.

21. Subordinated Debt

Repayments of loans payable are subordinated to other obligations.

22. Contribution to Policyholders Protection Corporation

The estimated future contribution to the Life Insurance Policyholders Protection Corporation of Japan under Article 259 of the Insurance Business Act was ¥10,391 million as of March 31, 2017. This contribution is charged as operating expenses in the fiscal year in which they are paid.

23. Reserve for Employees' Retirement Benefits

(1) Summary of retirement benefit plans

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

(2) Defined benefit plan

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

	Millions of Yen
	Year ended March 31, 2017
Retirement benefit obligations at the beginning of the current fiscal year	¥ 49,209
Service cost	1,990
Interest cost	492
Actuarial difference occurred during the fiscal year	(251)
Retirement benefit payments	(5,190)
Retirement benefit obligations at the end of the fiscal year	¥ 46,250

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

	Millions of Yen Year ended March 31, 2017
Pension plan assets at the beginning of the fiscal year	¥ 6,816
Expected return on pension plan assets	58
Actuarial difference occurred during the fiscal year	1,697
Contributions by the employer	127
Retirement benefit payments	(207)
Pension plan assets at the end of the fiscal year	¥ 8,493

iii) Reconciliation of retirement benefit obligation and pension plan assets with reserve for employees' retirement benefits presented on the non-consolidated balance sheet

	Millions of Yen As of March 31, 2017
a. Funded plan retirement benefit obligation	¥ 46,250
b. Pension plan assets	(8,493)
c. (a + b)	37,757
d. Unrecognized actuarial differences	(449)
e. Reserve for employees' retirement benefits	¥ 37,307

iv) Breakdown of retirement benefit expenses

	Millions of Yen Year ended March 31, 2017
Service cost	¥ 1,990
Interest cost	492
Expected return on pension plan assets	(58)
Amortization of actuarial differences	897
Retirement benefit expenses related to defined benefit plan	¥ 3,321

v) Breakdown of main pension plan assets

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

	As of March 31,2017
Stocks	54%
Bonds	7%
Others	39%
Total	100%

vi) Method for determining the expected long-term rate of return

To determine the expected long-term rate of return on pension plan assets, the Company takes into account the present and future allocation of pension plan assets, and the present and expected future long-term rate of return on the diverse range of assets that makes up the pension assets.

vii) Underlying actuarial assumptions

The main underlying actuarial assumptions were as follows:

	As of March 31, 2017
Discount rate	1.0%
Expected long-term rate of return on pension plan assets	0.9%
Defined benefit corporate pension plans	1.6%

III. Notes to Unaudited Non-consolidated Statement of Income

1. Transactions with Subsidiaries

The total amounts of revenues and expenditures in connection with subsidiaries were ¥431 million and ¥9,990 million, respectively, for the year ended March 31, 2017.

2. Investment Income and Expenses

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

	Millions of Yen Year ended March 31, 2017
Domestic bonds	¥ 25,787
Domestic stocks and other securities	2,725
Foreign securities	11,875

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

	Millions of Yen Year ended March 31, 2017
Domestic bonds	¥ 24
Domestic stocks and other securities	184
Foreign securities	10,816

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

	Millions of Yen Year ended March 31, 2017
Domestic stocks and other securities	¥ 11
Foreign securities	5

Losses on derivative financial instruments included net valuation losses of ¥121 million for the fiscal year ended March 31, 2017.

3. Policy Reserves for the Reinsurance Contracts

Provision of policy reserves for ceded reinsurance considered in calculating reversal of policy reserves for the fiscal year ended March 31, 2017 was ¥46 million.

4. Impairment Losses of Fixed Assets

For the year ended March 31, 2017, impairment losses of fixed assets by the Company were as follows:

(1) Method of grouping

Real estate and other assets used for insurance business operations are classified as one asset group as a whole. Other assets such as real estate for rent and unused real estate are classified as one group individually.

(2) Background information on recognizing the impairment losses

As the profitability of certain real estate for rent dropped down significantly due to a decrease in the level of rental income and a declining trend in the market prices of land, the Company reduced the book values of such real estate for rent and unused real estate to their recoverable amounts. The write-downs were recognized as impairment losses and included in the extraordinary losses.

(3) Asset groups for which impairment losses were recognized and losses by classification of fixed assets

	Millions of Yen Year ended March 31, 2017
Real estate for rent:	
Land	¥ 357
Building	418
Total real estate for rent (i)	¥ 775
Unused real estate:	
Land	¥ 403
Building	154
Total unused real estate (ii)	¥ 557
Total:	
Land	¥ 760
Building	572
Total (i) + (ii)	¥ 1,333

(4) Calculation method of recoverable amounts

The recoverable amounts of real estate for rent are determined at net realizable value or value in use. The recoverable amounts for unused assets are net realizable value. Value in use is determined as the estimated net future cash flows, reflecting the volatility risk, discounted at 3.6% for the year ended March 31, 2017. Net realizable value is calculated based on the appraisal value in accordance with "Real Estate Appraisal Standards" or the publicly announced appraisal value after deducting expected disposal costs.

5. Breakdown of Ordinary Profit (Fundamental Profit)

(Millions of Yen)

		Year ended March 31, 2016	Year ended March 31, 2017
Fundamental profit	A	25,900	22,049
Capital gains		4,510	40,389
Gains on monetary trusts		−	−
Gains on trading securities		−	−
Gains on sales of securities		4,510	40,389
Gains on derivative financial instruments		−	−
Foreign exchange gains		−	−
Other capital gains		−	−
Capital losses		16,363	22,631
Losses on monetary trusts		−	−
Losses on trading securities		16	−
Losses on sales of securities		10,349	11,025
Losses on valuation of securities		1,647	16
Losses on derivative financial instruments		609	11,264
Foreign exchange losses		3,739	326
Other capital losses		−	−
Net capital gains (losses)	B	(11,853)	17,757
Fundamental profit plus net capital gains (losses)	A+B	14,047	39,807
Other one-time gains		1,462	80
Reinsurance revenue		−	−
Reversal of contingency reserve		−	−
Reversal of specific allowance for possible loan losses		1,462	80
Others		−	−
Other one-time losses		701	900
Reinsurance premiums		−	−
Provision for contingency reserve		700	900
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	761	(820)
Ordinary profit	A+B+C	14,808	38,986

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

Year ended March 31, 2016 (Millions of Yen)

	Foundation funds and others								
				Surplus					
					Other surplus				
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Reserve for future losses	Reserve for fund redemption	Equalized reserve for dividends to policyholders	Unappropriated surplus (loss)	Total surplus	Total foundation funds and others
Beginning balance	166,000	－	281	179	152,000	6,915	18,740	177,835	344,117
Changes in the fiscal year:									
Issuance of foundation funds	80,000								80,000
Additions to reserve for dividends to policyholders							(1,940)	(1,940)	(1,940)
Additions to reserve for future losses				40			(40)	－	－
Additions to reserve for redemption of foundation funds		120,000			(120,000)			(120,000)	－
Payment of interest on foundation funds							(7,638)	(7,638)	(7,638)
Net surplus							17,552	17,552	17,552
Redemption of foundation funds	(120,000)								(120,000)
Additions to reserve for fund redemption					3,500		(3,500)	－	－
Additions to equalized reserve for dividends to policyholders						3,570	(3,570)	－	－
Reversal of land revaluation differences							(1,439)	(1,439)	(1,439)
Net changes, excluding foundation funds and others									
Net changes in the fiscal year	(40,000)	120,000	－	40	(116,500)	3,570	(576)	(113,466)	(33,466)
Ending balance	126,000	120,000	281	219	35,500	10,485	18,163	64,368	310,650

	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	109,589	(46,499)	63,090	407,207
Changes in the fiscal year:				
Issuance of foundation funds				80,000
Additions to reserve for dividends to policyholders				(1,940)
Additions to reserve for future losses				－
Additions to reserve for redemption of foundation funds				－
Payment of interest on foundation funds				(7,638)
Net surplus				17,552
Redemption of foundation funds				(120,000)
Additions to reserve for fund redemption				－
Additions to equalized reserve for dividends to policyholders				－
Reversal of land revaluation differences				(1,439)
Net changes, excluding foundation funds and others	(46,635)	1,972	(44,663)	(44,663)
Net changes in the fiscal year	(46,635)	1,972	(44,663)	(78,130)
Ending balance	62,953	(44,527)	18,426	329,077

Year ended March 31, 2017 (Millions of Yen)

	Foundation funds and others								
				Surplus					
					Other surplus				
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Reserve for future losses	Reserve for fund redemption	Equalized reserve for dividends to policyholders	Unappropriated surplus (loss)	Total surplus	Total foundation funds and others
Beginning balance	126, 000	120, 000	281	219	35, 500	10, 485	18, 163	64, 368	310, 650
Changes in the fiscal year:									
Issuance of foundation funds	11, 000								11, 000
Additions to reserve for dividends to policyholders							(1, 767)	(1, 767)	(1, 767)
Additions to reserve for future losses				23			(23)	–	–
Additions to reserve for redemption of foundation funds		11, 000			(11, 000)			(11, 000)	–
Payment of interest on foundation funds							(5, 787)	(5, 787)	(5, 787)
Net surplus							29, 263	29, 263	29, 263
Redemption of foundation funds	(11, 000)								(11, 000)
Additions to reserve for fund redemption					11, 500		(11, 500)	–	–
Additions to equalized reserve for dividends to policyholders						(1, 767)	1, 767	–	–
Reversal of land revaluation differences							1, 235	1, 235	1, 235
Net changes, excluding foundation funds and others									
Net changes in the fiscal year	–	11, 000	–	23	500	(1, 767)	13, 189	11, 944	22, 944
Ending balance	126, 000	131, 000	281	242	36, 000	8, 718	31, 353	76, 313	333, 595

	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	62, 953	(44, 527)	18, 426	329, 077
Changes in the fiscal year:				
Issuance of foundation funds				11, 000
Additions to reserve for dividends to policyholders				(1, 767)
Additions to reserve for future losses				–
Additions to reserve for redemption of foundation funds				–
Payment of interest on foundation funds				(5, 787)
Net surplus				29, 263
Redemption of foundation funds				(11, 000)
Additions to reserve for fund redemption				–
Additions to equalized reserve for dividends to policyholders				–
Reversal of land revaluation differences				1, 235
Net changes, excluding foundation funds and others	8, 150	(1, 235)	6, 915	6, 915
Net changes in the fiscal year	8, 150	(1, 235)	6, 915	29, 859
Ending balance	71, 104	(45, 762)	25, 341	358, 937

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

(Millions of Yen)

	Year ended March 31, 2016	Year ended March 31, 2017
Unappropriated surplus (loss)	18,163	31,353
Reversal of voluntary surplus reserve	1,767	-
Reversal of equalized reserve for dividends to policyholders	1,767	-
Total	19,931	31,353
Appropriation of surplus (loss)	19,077	20,603
Reserve for dividends to policyholders	1,767	1,519
Net surplus (loss)	17,310	19,083
Reserve for future losses	23	24
Interest on foundation funds	5,787	5,499
Voluntary surplus reserves	11,500	13,560
Reserve for fund redemption	11,500	12,600
Equalized reserve for dividends to policyholders	-	960
Surplus (loss) carried forward	853	10,750

8. Disclosed Claims Based on Categories of Obligors

(Millions of Yen, %)

	As of March 31, 2016	As of March 31, 2017
Claims against bankrupt and quasi-bankrupt obligors	869	733
Claims with collection risk	342	307
Claims for special attention	248	155
Subtotal	1,460	1,196
(Percentage of total)	(0.22)	(0.21)
Claims against normal obligors	671,100	558,825
Total	672,560	560,022

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 difficulities.

2.Claims with collection risk are claims to obligors (other than bankrupt and quasi-bankrupt obligors) with deteriorated financial condition and results of operations from which it is unlikely that the principal and interest on the claims will be recovered.

3.Claims for special attention are claims on which principal and/or interest are past due for three months or more and claims with a concessionary interest rate, as well as claims with renegotiated conditions in favor of the borrower, including renegotiated schedule and/or waivers, in each case, other than the claims described in note 1. or 2. above.

4.Claims against normal obligors are all other claims.

(Reference)

Amount of loans based on self-assessment categories

(Millions of Yen)

	As of March 31, 2016		As of March 31, 2017	
	Write-offs, provision for allowance		Write-offs, provision for allowance	
	Before	After	Before	After
Category II	44,978	44,978	8,927	8,927
Category III	342	67	307	91
Category IV	252	－	252	－

9. Risk-monitored Loans

(Millions of Yen, %)

	As of March 31, 2016	As of March 31, 2017
Loans to bankrupt borrowers	0	0
Delinquent loans	1,180	1,015
Delinquent loans three or more months past due	189	112
Restructured loans	51	38
Total	1,421	1,166
(Percentage of total loans)	(0.23)	(0.21)

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 borrower's balance as the estimated uncollectible amounts. The amounts written-off related to loans to bankrupt borrowers were ¥23 million as of March 31, 2016 and ¥22 million as of March 31, 2017. The amounts written-off related to delinquent loans were ¥196 million as of March 31, 2016 and ¥193 million as of March 31, 2017.

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 of 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 supproting the borrowers in the restructuring of their businesses. This category excludes loans classified as loans to bankrupt borrowers, delinquent loans and delinquent loans three or more months past due.

10. Solvency Margin Ratio

(Millions of Yen)

		As of March 31, 2016	As of March 31, 2017
Total solvency margin	(A)	630,198	700,120
Foundation funds and surplus		303,096	326,576
Reserve for price fluctuation		34,530	36,580
Contingency reserve		29,182	30,082
General allowance for possible loan losses		18	14
(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	78,144
Net unrealized gains on land × 85% (in case of losses: × 100%)		(37,103)	(28,052)
Excess amount of policy reserves based on full-time Zillmer method		98,784	111,415
Qualifying subordinated debt		125,000	137,349
Excess amount of policy reserves based on full-time Zillmer method and qualifying subordinated debt excluded from the calculation of solvency margin		−	−
Deduction		−	−
Others		3,821	8,011
Total amount of risk $\sqrt{(R_1+R_8)^2+(R_2+R_3+R_7)^2}+R_4$	(B)	182,245	188,516
Insurance risk	R_1	16,045	15,177
Third sector insurance risk	R_8	8,679	9,176
Risk of assumed yield	R_2	85,743	82,034
Minimum guarantee risk	R_7	1,103	1,096
Investment risk	R_3	89,651	99,628
Operational risk	R_4	4,024	4,142
Solvency margin ratio	(A) / {(1/2)×(B)} × 100	691.5%	742.7%

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

11. Status of Separate Account

(1) Separate Account Assets by Products

(Millions of Yen)

	As of March 31, 2016	As of March 31,2017
	Amount	Amount
Individual variable insurance	28,910	29,199
Individual variable annuities	−	−
Group annuity products	−	−
Total	28,910	29,199

(2) Individual Variable Insurance (Separate Account)

(i)Policies in Force

	As of March 31,2016		As of March 31,2017	
	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	14	102,134
Total	15	104,903	14	102,143

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

(Millions of Yen)

	As of March 31,2016		As of March 31,2017	
	Amount	Percentage	Amount	Percentage
Cash, deposits, call loans	863	3.0	1,620	5.6
Securities	27,615	95.5	27,242	93.3
Domestic bonds	6,753	23.4	6,510	22.3
Domestic stocks	10,453	36.2	10,882	37.3
Foreign securities	10,407	36.0	9,848	33.7
Foreign bonds	3,546	12.3	2,984	10.2
Foreign stocks and other foreign securities	6,861	23.7	6,863	23.5
Other securities	－	－	－	－
Loans	－	－	－	－
Others	431	1.5	336	1.2
Allowance for possible loan losses	－	－	－	－
Total	28,910	100.0	29,199	100.0

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

(Millions of Yen)

	Year ended March 31, 2016	Year ended March 31, 2017
	Amount	Amount
Interest, dividends and other income	688	600
Gains on sales of securities	3,199	2,357
Gains on redemptions of securities	－	－
Gains on valuation of securities	2,046	3,417
Foreign exchange gains	27	33
Gains on derivative financial instruments	－	－
Other investment income	4	1
Losses on sales of securities	1,777	1,659
Losses on redemptions of securities	15	13
Losses on valuation of securities	5,826	2,383
Foreign exchange losses	30	31
Losses on derivative financial instruments	－	－
Other investment expenses	2	0
Net Investment Income	(1,685)	2,320

(3)Individual Variable Annuities(Separate Account)

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

12. Status of the Company, Subsidiaries and Affiliates

(1) Selected Financial Data

(Millions of Yen)

	Year ended March 31, 2016	Year ended March 31, 2017
Ordinary income	656,692	683,715
Ordinary profit	14,999	39,245
Net surplus attributable to the Parent Company	17,577	29,282
Comprehensive income	(27,816)	39,526

(Millions of Yen)

	As of March 31, 2016	As of March 31, 2017
Total assets	5,525,539	5,398,884
Solvency margin ratio	693.4%	748.0%

(2)Principles of Consolidation

(i) Scope of consolidation

The consolidated subsidiaries for the year ended March 31, 2017 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.
Unconsolidated subsidiaries are excluded from the scope of consolidation, as each one of them is small in terms of its total assets, amount of sales, net income for the year and surplus and is sufficiently immaterial to reasonable judgment with regards to its impact on the financial position and results of operation of the Company's group.

(ii) 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.

(iii) Fiscal year-end of consolidated subsidiaries

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

(iv) Amortization of goodwill

Goodwill is fully expensed as incurred.

(3) Unaudited Consolidated Balance Sheets

(Millions of Yen)

	As of March 31, 2016	As of March 31, 2017
Assets:		
Cash and deposits	36,133	35,511
Call loans	181,000	122,000
Monetary claims bought	41,906	33,202
Money held in trust	10	0
Securities	4,134,926	4,148,686
Loans	620,988	557,761
Tangible fixed assets:	417,845	406,159
Land	240,255	232,995
Buildings	170,998	167,538
Lease assets	2,484	2,015
Construction in progress	1,462	1,033
Other tangible fixed assets	2,645	2,575
Intangible fixed assets	30,380	33,285
Software	12,916	14,130
Other intangible fixed assets	17,463	19,154
Reinsurance receivables	32	194
Other assets	38,986	39,595
Net defined benefit assets	—	11
Deferred tax assets	23,889	22,947
Customers' liabilities under acceptances and guarantees	17	14
Allowance for possible loan losses	(578)	(487)
Total assets	5,525,539	5,398,884
Liabilities:		
Policy reserves and other reserves:	4,887,317	4,768,371
Reserve for outstanding claims	27,950	27,364
Policy reserves	4,814,646	4,700,145
Reserve for dividends to policyholders	44,720	40,861
Reinsurance payables	95	127
Corporate bonds	—	40,349
Other liabilities	216,138	139,189
Net defined benefit liabilities	42,399	37,757
Reserve for price fluctuation	34,530	36,580
Deferred tax liabilities for land revaluation	18,569	18,091
Acceptances and guarantees	17	14
Total liabilities	5,199,069	5,040,479
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	76,065
Total foundation funds and others	310,384	333,347
Net unrealized gains (losses) on available-for-sale securities, net of tax	62,954	71,105
Land revaluation differences	(44,527)	(45,762)
Accumulated remeasurements of defined benefit plans	(2,420)	(358)
Total accumulated other comprehensive income	16,006	24,983
Non-controlling interests	79	73
Total net assets	326,470	358,404
Total liabilities and net assets	5,525,539	5,398,884

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

(Unaudited Consolidated Statements of Income)

(Millions of Yen)

	Year ended March 31, 2016	Year ended March 31, 2017
Ordinary income:	656,692	683,715
Premium and other income	401,499	383,776
Investment income:	127,749	160,986
Interest, dividends and other income	114,094	110,945
Gains on sales of securities	4,510	40,391
Reversal of allowance for possible loan losses	2,080	85
Other investment income	7,063	7,244
Investment gains on separate accounts	－	2,320
Other ordinary income	127,443	138,951
Ordinary expenses:	641,692	644,469
Claims and other payments:	466,742	463,808
Claims	137,141	135,234
Annuities	121,939	128,659
Benefits	95,534	97,962
Surrender benefits	107,181	94,226
Other payments	4,945	7,725
Provision for policy reserves and other reserves:	46	33
Provision for interest on policyholders' dividend reserves	46	33
Investment expenses:	37,465	41,737
Interest expenses	3,451	4,042
Losses on trading securities	16	－
Losses on sales of securities	10,349	11,025
Losses on valuation of securities	1,647	16
Losses on derivative financial instruments	609	11,264
Foreign exchange losses	3,739	325
Write-offs of loans	1	0
Depreciation of rental real estate and other assets	5,492	5,500
Other investment expenses	10,471	9,561
Investment losses on separate accounts	1,685	－
Operating expenses	101,872	105,072
Other ordinary expenses	35,565	33,818
Ordinary profit	14,999	39,245
Extraordinary gains:	10,476	1,243
Gains on disposal of fixed assets	566	1,243
Reversal of reserve for price fluctuation	9,910	－
Extraordinary losses:	1,243	5,363
Losses on disposal of fixed assets	338	1,635
Impairment losses	905	1,333
Provision for reserve for price fluctuation	－	2,050
Other extraordinary losses	－	344
Surplus before income taxes	24,232	35,126
Income taxes-current	676	3,859
Income taxes-deferred	5,939	1,952
Total income taxes	6,616	5,812
Net surplus	17,616	29,313
Net surplus attributable to non-controlling interests	38	31
Net surplus attributable to the Parent Company	17,577	29,282

(Unaudited Consolidated Statements of Comprehensive Income)

(Millions of Yen)

	Year ended March 31, 2016	Year ended March 31, 2017
Net surplus	17,616	29,313
Other comprehensive income:	(45,432)	10,212
Net unrealized gains (losses) on available-for-sale securities, net of tax	(46,636)	8,150
Land revaluation differences	532	-
Remeasurements of defined benefit plans	671	2,061
Comprehensive income:	(27,816)	39,526
Comprehensive income attributable to the Parent Company	(27,854)	39,494
Comprehensive income attributable to non-controlling interests	38	31

(5) Unaudited Consolidated Statements of Cash Flows

(Millions of Yen)

	Year ended March 31, 2016	Year ended March 31, 2017
I. Cash flows from operating activities		
Surplus before income taxes	24,232	35,126
Depreciation of rental real estate and other assets	5,492	5,500
Depreciation	9,151	9,881
Impairment losses	905	1,333
Increase (decrease) in reserve for outstanding claims	(1,743)	(585)
Increase (decrease) in policy reserves	(101,089)	(114,500)
Provision for interest on policyholders' dividend reserves	46	33
Increase (decrease) in allowance for possible loan losses	(2,080)	(85)
Increase (decrease) in net defined benefit liabilities	(1,258)	(1,789)
Increase (decrease) in reserve for price fluctuation	(9,910)	2,050
Interest, dividends and other income	(114,094)	(110,945)
(Gains) losses on securities	9,172	(31,669)
(Gains) losses on derivative financial instruments	609	11,264
Interest expenses	3,451	4,042
Foreign exchange (gains) losses, net	3,739	325
(Gains) losses on tangible fixed assets	(320)	(84)
(Increase) decrease in reinsurance receivables	(20)	(161)
(Increase) decrease in other assets except from investing and financing activities	(669)	(1,385)
Increase (decrease) in reinsurance payables	60	31
Increase (decrease) in other liabilities except from investing and financing activities	332	520
Others, net	4,124	7,296
Subtotal	(169,870)	(183,802)
Interest, dividends and other income received	118,627	116,136
Interest paid	(3,248)	(3,957)
Dividends to policyholders paid	(5,701)	(5,660)
Income taxes (paid) refunded	(1,997)	(185)
Net cash provided by (used in) operating activities	(62,189)	(77,469)
II. Cash flows from investing activities		
Purchases of monetary claims bought	(3,000)	(500)
Proceeds from sales and redemptions of monetary claims bought	17,837	9,198
Proceeds from decrease in money held in trust	-	9
Purchases of securities	(630,464)	(968,725)
Proceeds from sales and redemptions of securities	533,844	993,520
Disbursements for loans	(111,197)	(66,526)
Proceeds from collections of loans	201,615	125,897
Proceeds from derivative financial instruments	22,259	(20,059)
Increase (decrease) in payables under securities borrowing transactions	53,610	(53,610)
①Total of investing activities	84,505	19,204
[I + II + ①]	22,315	(58,265)
Purchases of tangible fixed assets	(10,608)	(7,447)
Proceeds from sales of tangible fixed assets	5,478	8,341
Others, net	(7,963)	(7,903)
Net cash provided by (used in) investing activities	71,412	12,194
III. Cash flows from financing activities		
Proceeds from debt borrowing	40,000	2,000
Redemption of debt borrowing	-	(30,000)
Proceeds from issuance of corporate bonds	-	40,349
Proceeds from issuance of foundation funds	80,000	11,000
Redemption of foundation funds	(120,000)	(11,000)
Payment of interest on foundation funds	(7,638)	(5,787)
Dividends paid to non-controlling interests	(39)	(37)
Others, net	(838)	(871)
Net cash provided by (used in) financing activities	(8,516)	5,652
IV.Net increase (decrease) in cash and cash equivalents	705	(59,622)
V.Cash and cash equivalents at the beginning of the year	216,427	217,133
VI. Cash and cash equivalents at the end of the year	217,133	157,511

(6) Unaudited Consolidated Statements of Changes in Net Assets

Year ended March 31, 2016 (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	166,000	−	281	177,543	343,825
Changes in the fiscal year:					
Issuance of foundation funds	80,000				80,000
Additions to reserve for dividends to policyholders				(1,940)	(1,940)
Additions to reserve for redemption of foundation funds		120,000		(120,000)	−
Payment of interest on foundation funds				(7,638)	(7,638)
Net surplus attributable to the Parent Company				17,577	17,577
Redemption of foundation funds	(120,000)				(120,000)
Reversal of land revaluation differences				(1,439)	(1,439)
Net changes, excluding foundation funds and others					
Net changes in the fiscal year	(40,000)	120,000	−	(113,441)	(33,441)
Ending balance	126,000	120,000	281	64,102	310,384

	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	109,591	(46,499)	(3,092)	59,999	80	403,905
Changes in the fiscal year:						
Issuance of foundation funds						80,000
Additions to reserve for dividends to policyholders						(1,940)
Additions to reserve for redemption of foundation funds						−
Payment of interest on foundation funds						(7,638)
Net surplus attributable to the Parent Company						17,577
Redemption of foundation funds						(120,000)
Reversal of land revaluation differences						(1,439)
Net changes, excluding foundation funds and others	(46,636)	1,972	671	(43,992)	(1)	(43,994)
Net changes in the fiscal year	(46,636)	1,972	671	(43,992)	(1)	(77,435)
Ending balance	62,954	(44,527)	(2,420)	16,006	79	326,470

Year ended March 31, 2017 (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	120,000	281	64,102	310,384
Changes in the fiscal year:					
Issuance of foundation funds	11,000				11,000
Additions to reserve for dividends to policyholders				(1,767)	(1,767)
Additions to reserve for redemption of foundation funds		11,000		(11,000)	–
Payment of interest on foundation funds				(5,787)	(5,787)
Net surplus attributable to the Parent Company				29,282	29,282
Redemption of foundation funds	(11,000)				(11,000)
Reversal of land revaluation differences				1,235	1,235
Net changes, excluding foundation funds and others					
Net changes in the fiscal year	–	11,000	–	11,963	22,963
Ending balance	126,000	131,000	281	76,065	333,347

	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	62,954	(44,527)	(2,420)	16,006	79	326,470
Changes in the fiscal year:						
Issuance of foundation funds						11,000
Additions to reserve for dividends to policyholders						(1,767)
Additions to reserve for redemption of foundation funds						–
Payment of interest on foundation funds						(5,787)
Net surplus attributable to the Parent Company						29,282
Redemption of foundation funds						(11,000)
Reversal of land revaluation differences						1,235
Net changes, excluding foundation funds and others	8,150	(1,235)	2,061	8,976	(5)	8,971
Net changes in the fiscal year	8,150	(1,235)	2,061	8,976	(5)	31,934
Ending balance	71,105	(45,762)	(358)	24,983	73	358,404

I. Presentation of Unaudited Consolidated Financial Statements

1. Basis of Presentation

The accompanying consolidated financial statements have been prepared from the accounts maintained by Asahi Mutual Life Insurance Company (the "Company") and its consolidated subsidiaries in accordance with the provisions set forth in the Insurance Business Act of Japan and its related rules and regulations applicable to the mutual life insurance industry and in conformity with accounting principles generally accepted in Japan, which are different in certain respects from accounting principles generally accepted in countries and jurisdictions other than Japan.

In addition, the notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

Amounts of less than one million yen have been eliminated. As a result, total amounts in yen shown herein do not necessarily agree with the sum of the individual amounts.

In preparing the accompanying consolidated financial statements, certain reclassifications have been made to the consolidated financial statements issued domestically in order to present them in a format which is more familiar to readers outside Japan.

2. Principles of Consolidation

(1) Scope of consolidation

The consolidated subsidiaries for the year ended March 31, 2017 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.

Unconsolidated subsidiaries are excluded from the scope of consolidation, as each one of them is small in terms of its total assets, amount of sales, net income for the year and surplus and is sufficiently immaterial to reasonable judgment with regards to its impact on the financial position and results of operation of the Company's group.

(2) Application of equity method

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

(3) Fiscal year-end of consolidated subsidiaries

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

(4) Amortization of goodwill

Goodwill is fully expensed as incurred.

II. Notes to Unaudited Consolidated Balance Sheet

1. Significant Accounting Policies

(1) Valuation methods of securities

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

i) Trading securities are stated at fair market value. Costs of sales are determined by the moving average method.

ii) Held-to-maturity debt securities are stated at amortized cost under the straight-line method, cost being determined by the moving average method.

iii) Policy-reserve-matching bonds are stated at amortized cost under the straight-line method, cost being determined by the moving average method in accordance with "Temporary Treatment of Accounting and Auditing Concerning Policy-reserve-matching Bonds in Insurance Industry" (Industry Audit Committee Report No. 21 issued by the Japanese Institute of Certified Public Accountants ("JICPA")).

iv) Investments in unconsolidated subsidiaries and affiliates not accounted for under the equity method are stated at cost.

v) Available-for-sale securities with fair market value are stated at fair market value based on the market prices at the end of the fiscal year, except for domestic stocks, domestic exchange-traded funds, domestic listed real estate investment trusts, foreign exchange-traded funds for which hedge accounting is not applied and foreign currency-denominated bonds for which hedge accounting is not applied. Such securities are stated based on the average of the market value during the final month of the fiscal year. Costs of sales are determined by the moving average method. Net unrealized gains or losses on these available-for-sale securities, net of taxes, are recorded as a separate component of net assets.

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

(2) Policy-reserve-matching bonds

The Company classifies bonds held with the aim of matching the duration to outstanding insurance liabilities within the sub-groups (categorized by insurance type, investment policy and other factors) of individual life insurance and individual annuities as policy-reserve-matching bonds in accordance with "Temporary Treatment of Accounting and Auditing Concerning Policy-reserve-matching Bonds in Insurance Industry" (Industry Audit Committee Report No. 21 issued by the JICPA on November 16, 2000).

Since the fiscal year starting from April 1, 2016, the Company changed its liability cash flow, which is the premise of assessing the duration to outstanding insurance liabilities, from a "Term of future 25 years" to a "Term of future 30 years" for the sub-group including Individual life Insurance and Individual Annuities (excluding Whole Life Insurance with variable interest rate accumulation, Accumulation Insurance with variable interest rates and New Single Premium Individual Annuity effective on and after April 2, 2012). This is for the purpose of gradually transitioning the Company's investment portfolio to a liability-matching portfolio. This change did not have any effects on the consolidated balance sheet and consolidated statement of income as of and for the year ended March 31, 2017.

(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 set forth in Article 2, Item 5 of the said Ordinance with certain reasonable adjustments.

	Millions of Yen As of March 31, 2017
Difference between the fair value of the revalued land at end of fiscal year and its book value after revaluation based on Article 10 of said Act	¥ (6,525)

(5) Depreciation of tangible fixed assets

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

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

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

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

(6) Foreign currency translation

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

(7) Allowance for possible loan losses

Allowance for possible loan losses is provided in accordance with the Company's standards of self-assessment and write-offs and reserves on credit quality:

i) For credit to borrowers who are legally bankrupt such as being in bankruptcy proceedings or civil rehabilitation (hereinafter "legally bankrupt borrowers") and who are substantially bankrupt (hereinafter "substantially bankrupt borrowers"), the Company provides the remaining amount of credits after the direct write-off described below and the deductions of the amount expected to be collected through the disposal of collateral or the execution of guarantees.

ii) For credit to borrowers who are not currently bankrupt but have a high risk of bankruptcy (hereinafter "not currently bankrupt borrowers"), the Company provides the amounts deemed as necessary considering the borrowers' ability to pay, within the amounts after deductions of the amount expected to be collected through the disposal of collateral or the execution of guarantees.

iii) For credit to borrowers other than the above, the Company provides the amounts calculated by multiplying the borrowers' balance 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 borrower's balance as the estimated uncollectible amounts. The amount written-off as of March 31, 2017 was ¥215 million.

(8) Accounting for employees' retirement benefits and method of amortizing retirement benefit expenses

Net defined benefit liabilities and assets are presented for the employees' retirement benefits after deducting pension plan assets from retirement benefit obligations, based on estimated amounts as of the balance sheet date.

The Company uses the following methods of accounting in relation to retirement benefits.

- ■ The retirement benefit obligation is attributed to each period by the benefit formula method.
- ■ Actuarial differences are amortized under the straight-line method over a period of seven years, which is shorter than the average remaining years of service of the eligible employees, starting from 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 applies deferred hedge accounting and the exceptional accounting treatment ("Tokurei-shori") for interest rate swaps used to hedge the cash flow volatility of certain loans.

The Company also applies fair value hedge accounting for hedging activities related to foreign exchange rate fluctuation exposures on certain bonds and investment trusts denominated in foreign currencies.

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

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

The effectiveness of a hedge is mostly assessed by a ratio analysis, comparing the fluctuations in the fair value or cash flows of hedged items and hedging instruments.

(11) Accounting for consumption taxes

The Company accounts for consumption tax and local consumption tax by the tax-exclusion method.

The consumption taxes on certain assets, which are not deductible from consumption taxes withheld and that are stipulated to be deferred under the Corporation Tax Act of Japan are deferred as prepaid expenses and amortized equally over five years.

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

(12) Policy reserves

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

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

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

(13) Software

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

2. Accounting Change

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 fiscal year ended March 31, 2017.

3. Financial Instruments

Asset management of the general account other than the separate accounts stipulated in Article 118 Paragraph 1 of the Insurance Business Act is conducted based on the following principles.

- For accumulation whole life with varying interest rates, accumulation insurance with varying interest rates and new single premium individual annuities which have an effective date on or after April 2, 2012, the Company mainly invests in domestic bonds, engaging in matching asset liability management, or Matching ALM, which aims at matching the duration to outstanding insurance liabilities to avoid interest rate fluctuation risks.

- For individual life insurance and individual annuities other than above, the Company holds yen-denominated fixed income investments, including bonds and loans, as the core of its asset portfolio. The Company also holds domestic stocks, foreign securities and real estate assets to enhance its profitability.

Derivatives are mainly used to hedge market price fluctuation risk and exchange rate fluctuation risk regarding securities and exchange rate fluctuation risk related to the foreign currency-denominated bonds issued by the Company. As the major financial instruments, securities are exposed to market risk and credit risk, loans are exposed to credit risk and exchange rate fluctuation risk, and derivatives are exposed to market risk and credit risk.

In administrating market risks, the following two methods are used. One is the quantitative risk management of securities etc. using the Value at Risk ("VaR") method and the other is the risk management by stress test and sensitivity analysis which analyze the effect on the Company's whole portfolio, simulating scenarios of deteriorating market environments. This is for the purpose of managing an appropriate asset allocation within the ranges of acceptable risks.

In administrating credit risks, the Company assigns in-house credit ratings to our borrowers in accordance with the creditworthiness of each borrower. Strict credit research of each borrower before lending as well as following up on any changes of creditworthiness of each borrower after lending are implemented. Maximum limits of credit are set up for each borrower in accordance with its credit risks to avoid the concentration of credit risks on specific corporations and specific corporation groups. Through all these measures, the amounts of credit risks are controlled within an acceptable range.

The balance sheet amounts, fair values and the differences between them of major financial assets and liabilities as of March 31, 2017 were as follows:

	Millions of Yen		
	As of March 31, 2017		
	Balance Sheet Amount	Fair Value	Difference
Cash and deposits	¥ 35,511	¥ 35,511	¥ -
Call loans	122,000	122,000	-
Monetary claims bought	33,202	36,680	3,677
Trading securities	-	-	-
Held-to-maturity debt securities	33,202	36,880	3,677
Policy-reserve-matching bonds	-	-	-
Available-for-sale securities	-	-	-
Securities	4,032,059	4,406,304	374,245
Trading securities	27,242	27,242	-
Held-to-maturity debt securities	338,885	380,831	41,946
Policy-reserve-matching bonds	2,161,957	2,494,257	332,299
Available-for-sale securities	1,503,974	1,503,974	-
Loans	557,761	571,768	14,006
Policy loans	57,577	57,577	-
Industrial and consumer loans	500,184	514,191	14,006
Total assets	4,780,534	5,172,465	391,930
Corporate bonds	40,349	42,854	2,505
Loans payable	97,000	96,715	(284)
Total liabilities	137,349	139,569	2,220
Derivative financial instruments	6,622	6,622	-
Hedge accounting not applied	1,241	1,241	-
Hedge accounting applied	5,381	5,381	-

* 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 exchange-traded funds, domestic listed real estate investment trusts, foreign exchange-traded funds for which hedge accounting is not applied and foreign currency-denominated bonds for which hedge accounting is not applied are stated at the average of the market value during the final month of the fiscal year. Available-for-sale securities of which market value is readily available excluding the securities mentioned above are stated at the market value at the balance sheet date.

Other securities of which market value is readily available are stated at market value at the balance sheet date.

Unlisted stocks and others 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 reported in the consolidated balance sheet was ¥116,627 million as of March 31, 2017.

(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 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) Corporate bonds

The fair value of corporate bonds is based on the market value, etc. as of March 31, 2017.

(4) Derivative financial instruments

The fair value of options traded over the counter is based on the quoted prices offered by counterparty financial institutions.

The fair value of foreign currency forward contracts is 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, its fair value is included in corporate bonds since it is treated together with hedged corporate bonds.

4. Investments and Rental Properties

The Company holds investment and rental properties such as office buildings in Tokyo and other areas. The carrying amount and the fair value of investment and rental properties were ¥270,353 million and ¥252,559 million, respectively, as of March 31, 2017. The fair value is mainly based on the value (including some adjustments using the reference prices) of real estate appraisal report prepared by the external real-estate appraiser in accordance with real estate appraisal standards.

5. Loans Receivable

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 ¥1,166 million as of March 31, 2017.

i) Loans to bankrupt borrowers were ¥0 million as of March 31, 2017.
ii) Delinquent loans were ¥1,015 million as of March 31, 2017.
iii) Delinquent loans three or more months past due were ¥112 million as of March 31, 2017.
iv) Restructured loans were ¥38 million as of March 31, 2017.

Loans to bankrupt borrowers represent loans, excluding the balances already written-off, which meet the conditions prescribed in Article 96 Paragraph 1 Items 3 and 4 of the Enforcement Regulations of the Corporate Tax Act. Moreover, accruing interest on these loans is not recorded as income after determining that principal of or interest on these loans is unlikely to be collected due to the significant delay in repayment of principal or interest payments or for other reasons.

Accruing interest on delinquent loans is not recorded as income due to the same reasons as described above, and delinquent loans exclude loans to bankrupt borrowers and loans for which interest payments have been suspended and rescheduled to assist and support the borrowers in the restructuring of their businesses.

Delinquent loans three or more months past due are loans for which interest payments or repayments of principal are delinquent for three months or more from the due dates under the terms of the related loan agreements, excluding those loans classified as loans to bankrupt borrowers and delinquent loans.

Restructured loans are loans for which certain concessions favorable to borrowers, such as interest reduction or exemptions, rescheduling of due dates of principal or interest payments, waivers of claim or other terms, have been negotiated for the purpose of assisting and supporting the borrowers in the restructuring of their businesses. This category excludes loans classified as loans to bankrupt borrowers, delinquent loans and delinquent loans three or more months past due.

The direct write-offs related to loans decreased the amounts of loans to bankrupt borrowers described above by ¥22 million as of March 31, 2017.

In addition, the direct write-offs related to loans decreased delinquent loans described above by ¥193 million as of March 31, 2017.

6. Accumulated Depreciation of Tangible Fixed Assets

Accumulated depreciation of tangible fixed assets totaled ¥277,959 million as of March 31, 2017.

7. Separate Accounts

Total assets in separate accounts provided for in Article 118 of the Insurance Business Act were ¥29,199 million as of March 31, 2017. The amount of separate account liabilities was the same as separate account assets.

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

There were no receivables from directors and audit board members as of March 31, 2017. The total amount of payables to directors and audit board members was ¥20 million as of March 31, 2017.

9. Reserve for Dividends to Policvholders

	Millions of Yen
	Year ended March 31, 2017
Balance at the beginning of the fiscal year	¥ 44,720
Transfer to reserve from surplus in the previous fiscal year	1,767
Dividends to policyholders paid out during the fiscal year	5,660
Increase in interest	65
Decrease in others	31
Balance at the end of the fiscal year	¥ 40,861

10. Stocks of Unconsolidated Subsidiaries and affiliates

The amount of stocks of unconsolidated subsidiaries and affiliates the Company held as of March 31, 2017 was ¥604 million.

11. Pledged Assets

Assets pledged as collateral as of March 31, 2017 were securities in the amount of ¥3,748 million.

12. Redemption of Foundation Funds

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

13. Additional Foundation Funds

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

14. 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 mortgaged as of March 31, 2017 was ¥8,295 million. No assets were mortgaged as of March 31, 2017.

15. Commitment Line

As of March 31, 2017, there were unused commitment line agreements under which the Company is the lender of ¥3,500 million.

16. Subordinated Bonds

Repayments of corporate bonds payable are subordinated to other obligations.

17. Subordinated Debt

As of March 31, 2017, other liabilities included subordinated debts of ¥97,000 million, for which the repayments are subordinated to other obligations.

18. Contribution to Policyholders Protection Corporation

The estimated future contribution to the Life Insurance Policyholders Protection Corporation of Japan under Article 259 of the Insurance Business Act as of March 31, 2017 was ¥10,391 million. This contribution is charged as operating expenses in the fiscal year in which they are paid.

19. Deferred Taxes

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

	Millions of Yen As of March 31, 2017
Deferred tax assets	¥ 62,625
Valuation allowance for deferred tax assets	20,809
Subtotal	41,816
Deferred tax liabilities	18,868
Net deferred tax assets (liabilities)	¥ 22,947

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

	Millions of Yen As of March 31,2017
Deferred tax assets	
Net defined benefit liabilities	¥ 10,538
Reserve for price fluctuation	10,205
Impairment losses	8,422
Contingency reserve	8,392
Losses on valuation of securities	7,309
Tax loss carried forward	6,497
Deferred tax liabilities	
Net unrealized gains on available-for-sale securities	18,023

(2) The statutory tax rate was 28.1% for the year ended March 31, 2017. The main factors causing the difference between the statutory tax rate and the actual effective tax rate after considering deferred taxes were as follows:

	Year ended March 31, 2017
Change of valuation allowance for deferred tax assets	(7.9)%
Interest on foundation funds	(4.5)%

20. Accrued Retirement Benefits and Net Defined Benefit Liabilities

(1) Summary of retirement benefit plans

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

(2) Defined benefit plan

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

	Millions of Yen Year ended March 31, 2017
Retirement benefit obligations at the beginning of the current fiscal year	¥ 49,674
Service cost	2,045
Interest cost	497
Actuarial difference occurred during the fiscal year	(248)
Retirement benefit payments	(5,199)
Retirement benefit obligations at the end of the fiscal year	¥ 46,769

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

	Millions of Yen Year ended March 31, 2017
Pension plan assets at the beginning of the fiscal year	¥ 7,275
Expected return on pension plan assets	68
Actuarial difference occurred during the fiscal year	1,700
Contributions by the employer	196
Retirement benefit payments	(216)
Pension plan assets at the end of the fiscal year	¥ 9,024

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

	Millions of Yen As of March 31,2017
a. Funded plan retirement benefit obligation	¥ 46,769
b. Pension plan assets	(9,024)
c. Net amount of liabilities and assets presented on the consolidated balance sheet	37,745
d. Net defined benefit liabilities	37,757
e. Net defined benefit assets	(11)
f. Net amount of liabilities and assets presented on the consolidated balance sheet	¥ 37,745

iv) Breakdown of retirement benefit expenses

	Millions of Yen Year ended March 31, 2017
Service cost	¥ 2,045
Interest cost	497
Expected return on pension plan assets	(68)
Amortization of actuarial differences	904
Amortization of prior service cost	6
Retirement benefit expenses related to defined benefit plan	¥ 3,386

v) Breakdown of items included in other comprehensive income

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

	Millions of Yen Year ended March 31, 2017
Amortization of actuarial differences	¥ 2,854
Amortization of prior service cost	6
Total	¥ 2,860

vi) Breakdown of items included in accumulated other comprehensive income

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

	Millions of Yen Year ended March 31, 2017
Unrecognized actuarial differences	¥ 481
Unrecognized prior service cost	19
Total	¥ 501

vii) Breakdown of main pension plan assets

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

	As of March 31,2017
Stocks	53%
Bonds	11%
Others	36%
Total	100%

viii) Method for determining the expected long-term rate of return

To determine the expected long-term rate of return on pension plan assets, the Company takes into account the present and future allocation of pension plan assets, and the present and expected future long-term rate of return on the diverse range of assets that makes up the pension assets.

ix) Underlying actuarial assumptions

The main underlying actuarial assumptions were as follows:

	As of March 31, 2017
Discount rate	1.0%
Expected long-term rate of return on pension plan assets	0.9%
Defined benefit corporate pension plans	1.6%

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:

	Millions of Yen Year ended March 31, 2017
Domestic bonds	¥ 25,787
Domestic stocks and other securities	2,727
Foreign securities	11,875

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

	Millions of Yen Year ended March 31, 2017
Domestic bonds	¥ 24
Domestic stocks and other securities	184
Foreign securities	10,816

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

	Millions of Yen Year ended March 31, 2017
Domestic stocks and other securities	¥ 11
Foreign securities	5

Losses on derivative financial instruments included net valuation losses of ¥121 million for the fiscal year ended March 31, 2017.

2. Impairment Losses of Fixed Assets

For the year ended March 31, 2017, impairment losses of fixed assets by the Company were as follows:

(1) Method of grouping

Real estate and other assets used for insurance business operations are classified as one asset group as a whole. Other assets such as real estate for rent and unused real estate are classified as one group individually.

(2) Background information on recognizing the impairment losses

As the profitability of certain real estate for rent dropped down significantly due to a decrease in the level of rental income and a declining trend in the market prices of land, the Company reduced the book values of such real estate for rent and unused real estate to their recoverable amounts. The write-downs were recognized as impairment losses and included in the extraordinary losses.

(3) Asset groups for which impairment losses were recognized and losses by classification of fixed assets

	Millions of Yen Year ended March 31, 2017
Real estate for rent:	
Land	¥ 357
Building	418
Total real estate for rent (i)	¥ 775
Unused real estate:	
Land	¥ 403
Building	154
Total unused real estate (ii)	¥ 557
Total:	
Land	¥ 760
Building	572
Total (i) + (ii)	¥ 1,333

(4) Calculation method of recoverable amounts

The recoverable amounts of real estate for rent are determined at net realizable value or value in use. The recoverable amounts for unused assets are net realizable value. Value in use is determined as the estimated net future cash flows, reflecting the volatility risk, discounted at 3.6% for the year ended March 31, 2017. Net realizable value is calculated based on the appraisal value in accordance with "Real Estate Appraisal Standards" or the publicly announced appraisal value after deducting expected disposal costs.

IV. Notes to Unaudited Consolidated Statement of Comprehensive Income

Other Comprehensive Income

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

	Millions of Yen Year ended March 31, 2017
Net unrealized gains on available-for-sale securities, net of tax	
Amount incurred during the fiscal year	¥ 9,685
Reclassification adjustments	(3,823)
Before tax adjustment	5,861
Tax effects	2,288
Net unrealized gains on available-for-sale securities, net of tax	8,150
Accumulated remeasurements of defined benefit plans	
Amount incurred during the fiscal year	1,949
Reclassification adjustments	911
Before tax adjustment	2,860
Tax effects	(799)
Accumulated remeasurements of defined benefit plans	2,061
Total other comprehensive income	¥ 10,212

V. Notes to Unaudited Consolidated Statement of Cash Flows

Scope of Cash and Cash Equivalents

For the purpose of presenting the consolidated statements of cash flows, cash and cash equivalents are comprised of cash on hand, demand deposits and all highly liquid short-term investments with a maturity of three months or less when purchased, which are readily convertible into cash and present an insignificant risk of changes in value.

(7) Risk-monitored Loans

(Millions of Yen, %)

	As of March 31, 2016	As of March 31, 2017
Loans to bankrupt borrowers	0	0
Delinquent loans	1,180	1,015
Delinquent loans three or more months past due	189	112
Restructured loans	51	38
Total	1,421	1,166
(Percentage of total loans)	(0.23)	(0.21)

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 borrower's balance as the estimated uncollectible amounts. The amounts written-off related to loans to bankrupt borrowers were ¥23 million as of March 31, 2016 and ¥22 million as of March 31, 2017. The amounts written-off related to delinquent loans were ¥196 million as of March 31, 2016 and ¥193 million as of March 31, 2017.

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 of 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 supproting 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.

(8) Consolidated Solvency Margin Ratio

(Millions of yen)

		As of March 31, 2016	As of March 31, 2017
Total solvency margin	(A)	626,994	699,823
Foundation funds and surplus		303,302	326,828
Reserve for price fluctuation		34,530	36,580
Contingency reserve		29,182	30,082
Catastrophe loss reserve		–	–
General allowance for possible loan losses		20	15
(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	78,145
Net unrealized gains on land × 85% (in case of losses: × 100%)		(37,103)	(28,052)
Sum of unrealized actuarial differences and unrealized past service cost		(3,362)	(501)
Excess amount of policy reserves based on full-time Zillmer method		98,784	111,415
Qualifying subordinated debt		125,000	137,349
Excess amount of policy reserves based on full-time Zillmer method and qualifying subordinated debt excluded from the calculation of solvency margin		–	–
Deduction		(50)	(50)
Others		3,821	8,011
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	187,100
Insurance risk	R_1	16,045	15,177
Ordinary insurance risk	R_5	–	–
Disaster insurance risk	R_6	–	–
Third sector insurance risk	R_8	8,679	9,176
Small amount short-term insurance provider insurance risk	R_9	–	–
Risk of assumed yield	R_2	85,743	82,034
Minimum guarantee risk	R_7	1,103	1,096
Investment risk	R_3	88,253	98,227
Operational risk	R_4	3,996	4,114
Solvency margin ratio	(A) / {(1/2)×(B)} × 100	693.4%	748.0%

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 Service 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 Service Agency of 2011.
3. "Minimum guarantee risk" is calculated by standard method.

(10) 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.