May 25, 2018

# Financial Results for the Fiscal Year Ended March 31, 2018

Asahi Mutual Life Insurance Company (the "Company"; President: Hiroki Kimura) announces financial results for the fiscal year ended March 31, 2018

[Contents]



Asahi Mutual Life Insurance Company

# 1. Business Highlights

## (1) Policies in Force and New Policies

### (i) Policies in Force

| | As of March 31, 2017 | | | | As of March 31, 2018 | | | |
|---|---|---|---|---|---|---|---|---|
| | 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 | 7,173 | 100.5 | 181,705 | 91.3 | 7,186 | 100.2 | 166,410 | 91.6 |
| Individual annuities | 615 | 97.6 | 26,820 | 95.2 | 584 | 95.0 | 25,039 | 93.4 |
| Group insurance | − | − | 13,286 | 99.8 | − | − | 13,235 | 99.6 |
| Group annuities | − | − | 187 | 94.5 | − | − | 178 | 95.6 |

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, 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 | − | − | − | − | − | − |

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

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, 2017 | | As of March 31, 2018 | |
|---|---|---|---|---|
| | | Changes (%, Pre-FYE) | | Changes (%, Pre-FYE) |
| Individual insurance | 3,764 | 101.2 | 3,813 | 101.3 |
| Individual annuities | 1,594 | 95.6 | 1,511 | 94.8 |
| Total | 5,359 | 99.4 | 5,324 | 99.3 |
| Third-sector products | 1,978 | 107.7 | 2,063 | 104.3 |

### (ii) New Policies

(100 millions of Yen)

| | Year ended March 31, 2017 | | Year ended March 31, 2018 | |
|---|---|---|---|---|
| | | Changes (%, YoY) | | Changes (%, YoY) |
| Individual insurance | 325 | 117.3 | 324 | 99.6 |
| Individual annuities | 15 | 71.6 | (3) | - |
| Total | 341 | 114.0 | 320 | 94.1 |
| Third-sector products | 266 | 125.2 | 215 | 80.8 |

Notes:

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

## (3) Selected Financial Data

(100 millions of Yen)

| | Year ended March 31, 2017 | Changes (%, YoY) | Year ended March 31, 2018 | Changes (%, YoY) |
|---|---|---|---|---|
| Premium and other income | 3,837 | 95.6 | 3,849 | 100.3 |
| Investment income | 1,612 | 126.0 | 1,665 | 103.3 |
| Claims and other payments | 4,638 | 99.4 | 4,389 | 94.6 |
| Investment expenses | 417 | 111.4 | 385 | 92.3 |
| Ordinary profit | 389 | 263.3 | 375 | 96.3 |

## (4) Proposed Appropriation of Surplus

(100 millions of Yen)

| | Year ended March 31, 2017 | Changes (%, YoY) | Year ended March 31, 2018 | Changes (%, YoY) |
|---|---|---|---|---|
| Unappropriated surplus | 313 | 172.6 | 373 | 119.1 |
| Reversal of voluntary surplus reserve | – | – | 4 | – |
| Reserve for dividends to policyholders | 15 | 86.0 | 19 | 129.2 |
| Net surplus | 190 | 110.2 | 188 | 99.0 |
| Surplus carried forward | 107 | 1,258.9 | 169 | 157.4 |

## (5) Total Assets

(100 millions of Yen)

| | As of March 31, 2017 | Changes (%, Pre-FYE) | As of March 31, 2018 | Changes (%, Pre-FYE) |
|---|---|---|---|---|
| Total assets | 53,982 | 97.7 | 53,965 | 100.0 |

## 2. Investment Results of General Account Assets

### (1) Asset Composition

(Millions of Yen)

| | As of March 31, 2017 | | As of March 31, 2018 | |
|---|---|---|---|---|
| | Amount | Percentage | Amount | Percentage |
| Cash, deposits, call loans | 152,480 | 2.8 | 194,302 | 3.6 |
| Monetary claims bought | 33,202 | 0.6 | 30,151 | 0.6 |
| Securities | 4,125,107 | 76.8 | 4,161,052 | 77.5 |
| Domestic bonds | 2,895,636 | 53.9 | 2,845,690 | 53.0 |
| Domestic stocks | 282,959 | 5.3 | 323,118 | 6.0 |
| Foreign securities | 869,024 | 16.2 | 917,147 | 17.1 |
| Foreign bonds | 642,030 | 12.0 | 690,912 | 12.9 |
| Foreign stocks and other foreign securities | 226,993 | 4.2 | 226,235 | 4.2 |
| Other securities | 77,487 | 1.4 | 75,096 | 1.4 |
| Loans | 557,761 | 10.4 | 484,169 | 9.0 |
| Policy loans | 57,577 | 1.1 | 49,637 | 0.9 |
| Industrial and consumer loans | 500,184 | 9.3 | 434,532 | 8.1 |
| Real estate | 401,557 | 7.5 | 394,631 | 7.4 |
| Deferred tax assets | 22,725 | 0.4 | 16,187 | 0.3 |
| Others | 76,821 | 1.4 | 87,085 | 1.6 |
| Allowance for possible loan losses | (487) | (0.0) | (394) | (0.0) |
| Total | 5,369,169 | 100.0 | 5,367,186 | 100.0 |
| Foreign currency-denominated assets | 908,336 | 16.9 | 1,054,537 | 19.6 |

### (2) Changes(Increases/Decreases) in Assets

(Millions of Yen)

| | Year ended March 31, 2017 | Year ended March 31, 2018 |
|---|---|---|
| | Amount | Amount |
| Cash, deposits, call loans | (60,326) | 41,821 |
| Monetary claims bought | (8,704) | (3,050) |
| Securities | 14,163 | 35,945 |
| Domestic bonds | (907) | (49,946) |
| Domestic stocks | 44,178 | 40,159 |
| Foreign securities | (35,177) | 48,123 |
| Foreign bonds | (48,450) | 48,882 |
| Foreign stocks and other foreign securities | 13,272 | (758) |
| Other securities | 6,070 | (2,391) |
| Loans | (63,226) | (73,592) |
| Policy loans | (11,236) | (7,939) |
| Industrial and consumer loans | (51,990) | (65,652) |
| Real estate | (11,145) | (6,925) |
| Deferred tax assets | (18) | (6,538) |
| Others | 2,822 | 10,263 |
| Allowance for possible loan losses | 91 | 93 |
| Total | (126,343) | (1,983) |
| Foreign currency-denominated assets | 82,166 | 146,201 |

(3) Investment Income

(Millions of Yen)

| | Year ended March 31, 2017 | Year ended March 31, 2018 |
|---|---|---|
| Interest, dividends and other income | 111,199 | 109,978 |
| Interest on deposits | 0 | 0 |
| Interest and dividends on securities | 83,449 | 84,322 |
| Interest on loans | 10,250 | 8,371 |
| Rent revenue from real estate | 16,485 | 16,354 |
| Other interest and dividends | 1,013 | 929 |
| Gains on sales of securities | 40,389 | 46,779 |
| Gains on sales of domestic bonds | 25,787 | 44,891 |
| Gains on sales of domestic stocks and other securities | 2,725 | 1,709 |
| Gains on sales of foreign securities | 11,875 | 178 |
| Others | – | – |
| Gains on derivative financial instruments, net | – | – |
| Foreign exchange gains, net | – | – |
| Reversal of allowance for possible loan losses | 85 | 74 |
| Other investment income | 7,268 | 7,379 |
| Total | 158,942 | 164,212 |

(4) Investment Expenses

(Millions of Yen)

| | Year ended March 31, 2017 | Year ended March 31, 2018 |
|---|---|---|
| Interest expenses | 4,042 | 4,449 |
| Losses on trading securities | – | – |
| Losses on sales of securities | 11,025 | 2,285 |
| Losses on sales of domestic bonds | 24 | 549 |
| Losses on sales of domestic stocks and other securities | 184 | 487 |
| Losses on sales of foreign securities | 10,816 | 1,249 |
| Others | – | – |
| Losses on valuation of securities | 16 | 145 |
| Losses on valuation of domestic bonds | – | – |
| Losses on valuation of domestic stocks and other securities | 11 | 49 |
| Losses on valuation of foreign securities | 5 | 96 |
| Others | – | – |
| Losses on derivative financial instruments, net | 11,264 | 13,891 |
| Foreign exchange losses, net | 326 | 2,530 |
| Provision for allowance for possible loan losses | – | – |
| Write-offs of loans | 0 | 1 |
| Depreciation of rental real estate and other assets | 5,500 | 5,596 |
| Other investment expenses | 9,561 | 9,641 |
| Total | 41,737 | 38,542 |

## (5) Investment Indicators

### (i) Rates of Return

(%)

| | Year ended March 31, 2017 | Year ended March 31, 2018 |
|---|---|---|
| Cash, deposits, call loans | 0.00 | 0.00 |
| Monetary claims bought | 2.36 | 2.33 |
| Securities | 2.47 | 2.76 |
| Domestic bonds | 2.41 | 2.95 |
| Domestic stocks | 4.92 | 3.47 |
| Foreign securities | 2.18 | 1.69 |
| Loans | 1.63 | 1.44 |
| Industrial and consumer loans | 1.29 | 1.10 |
| Real estate | 2.36 | 2.34 |
| Total | 2.15 | 2.35 |
| Foreign Investments | 2.18 | 1.69 |

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, 2017 | Year ended March 31, 2018 |
|---|---|---|
| Cash, deposits, call loans | 184,160 | 198,147 |
| Monetary claims bought | 36,983 | 31,662 |
| Securities | 4,119,824 | 4,096,722 |
| Domestic bonds | 2,887,111 | 2,887,050 |
| Domestic stocks | 174,089 | 174,274 |
| Foreign securities | 980,680 | 956,123 |
| Loans | 590,917 | 522,116 |
| Industrial and consumer loans | 527,797 | 468,209 |
| Real estate | 411,436 | 403,495 |
| Total | 5,449,967 | 5,350,715 |
| Foreign Investments | 980,680 | 956,247 |

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, 2017 | | As of March 31, 2018 | |
|---|---|---|---|---|
| | 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, 2017 | | | | | As of March 31, 2018 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Book value | Fair value | Gains/losses | | | Book value | Fair value | Gains/losses | | |
| | | | | Gains | Losses | | | | Gains | Losses |
| Held-to-maturity debt securities | 371,278 | 416,896 | 45,617 | 45,701 | (83) | 353,761 | 397,636 | 43,874 | 43,900 | (25) |
| Policy-reserve-matching bonds | 2,161,957 | 2,494,257 | 332,299 | 348,124 | (15,824) | 2,094,251 | 2,397,856 | 303,605 | 313,125 | (9,519) |
| Stocks of subsidiaries | － | － | － | － | － | － | － | － | － | － |
| Available-for-sale securities | 1,417,128 | 1,503,956 | 86,828 | 131,145 | (44,316) | 1,563,573 | 1,667,178 | 103,604 | 174,341 | (70,736) |
| Domestic bonds | 550,475 | 551,345 | 870 | 8,259 | (7,388) | 588,848 | 583,152 | (5,696) | 8,594 | (14,290) |
| Domestic stocks | 152,037 | 263,893 | 111,855 | 117,840 | (5,984) | 151,964 | 304,117 | 152,153 | 159,772 | (7,618) |
| Foreign securities | 636,825 | 611,229 | (25,595) | 2,440 | (28,035) | 746,635 | 704,812 | (41,823) | 4,446 | (46,270) |
| Foreign bonds | 506,871 | 486,287 | (20,584) | 1,744 | (22,329) | 569,387 | 535,588 | (33,799) | 3,116 | (36,915) |
| Foreign stocks and other foreign securities | 129,953 | 124,942 | (5,010) | 695 | (5,706) | 177,247 | 169,223 | (8,024) | 1,329 | (9,354) |
| Other securities | 77,789 | 77,487 | (302) | 2,605 | (2,907) | 76,125 | 75,096 | (1,028) | 1,528 | (2,557) |
| Monetary claims bought | － | － | － | － | － | － | － | － | － | － |
| Negotiable certificates of deposit | － | － | － | － | － | － | － | － | － | － |
| Others | － | － | － | － | － | － | － | － | － | － |
| Total | 3,950,364 | 4,415,109 | 464,745 | 524,970 | (60,225) | 4,011,587 | 4,462,671 | 451,084 | 531,366 | (80,282) |
| Domestic bonds | 2,894,765 | 3,240,626 | 345,860 | 369,135 | (23,274) | 2,851,386 | 3,160,551 | 309,165 | 332,986 | (23,821) |
| Domestic stocks | 152,037 | 263,893 | 111,855 | 117,840 | (5,984) | 151,964 | 304,117 | 152,153 | 159,772 | (7,618) |
| Foreign securities | 792,568 | 796,222 | 3,653 | 31,689 | (28,035) | 901,959 | 889,570 | (12,389) | 33,880 | (46,270) |
| Foreign bonds | 662,615 | 671,279 | 8,664 | 30,993 | (22,329) | 724,711 | 720,347 | (4,364) | 32,551 | (36,915) |
| Foreign stocks and other foreign securities | 129,953 | 124,942 | (5,010) | 695 | (5,706) | 177,247 | 169,223 | (8,024) | 1,329 | (9,354) |
| Other securities | 77,789 | 77,487 | (302) | 2,605 | (2,907) | 76,125 | 75,096 | (1,028) | 1,528 | (2,557) |
| Monetary claims bought | 33,202 | 36,880 | 3,677 | 3,699 | (21) | 30,151 | 33,335 | 3,184 | 3,198 | (14) |
| 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, 2017 | As of March 31, 2018 |
|---|---|---|
| Held-to-maturity debt securities | － | － |
| Unlisted foreign bonds | － | － |
| Others | － | － |
| Policy-reserve-matching bonds | － | － |
| Stocks of subsidiaries | 5,093 | 5,063 |
| Available-for-sale securities | 116,024 | 70,950 |
| Unlisted domestic stocks (except over-the-counter stocks) | 13,972 | 13,937 |
| Unlisted foreign stocks (except over-the-counter stocks) | 102,051 | 57,012 |
| Unlisted foreign bonds | － | － |
| Others | － | － |
| Total | 121,117 | 76,013 |

(ｖ) Fair Value Information on Money Held in Trust

The Company doesn't hold money held in trust.

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

(Millions of Yen)

| | As of March 31, 2017 | | | As of March 31, 2018 | | |
|---|---|---|---|---|---|---|
| | Book value | Fair value | Gains/losses | Book value | Fair value | Gains/losses |
| Land | 245,232 | 244,851 | (380) | 243,149 | 261,268 | 18,118 |

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

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

(Millions of Yen)

| | As of March 31, 2017 | | | | | As of March 31, 2018 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Book value | Fair value | Gains/losses | | | Book value | Fair value | Gains/losses | | |
| | | | | Gains | Losses | | | | Gains | Losses |
| Held-to-maturity debt securities | 371,278 | 416,896 | 45,617 | 45,701 | (83) | 353,761 | 397,636 | 43,874 | 43,900 | (25) |
| Policy-reserve-matching bonds | 2,161,957 | 2,494,257 | 332,299 | 348,124 | (15,824) | 2,094,251 | 2,397,856 | 303,605 | 313,125 | (9,519) |
| Stocks of subsidiaries | 5,093 | 5,093 | − | − | − | 5,063 | 5,063 | − | − | − |
| Available-for-sale securities | 1,533,152 | 1,619,979 | 86,827 | 131,145 | (44,317) | 1,634,524 | 1,738,127 | 103,603 | 174,341 | (70,737) |
| Domestic bonds | 550,475 | 551,345 | 870 | 8,259 | (7,388) | 588,848 | 583,152 | (5,696) | 8,594 | (14,290) |
| Domestic stocks | 166,010 | 277,865 | 111,855 | 117,840 | (5,984) | 165,901 | 318,054 | 152,153 | 159,772 | (7,618) |
| Foreign securities | 738,876 | 713,280 | (25,596) | 2,440 | (28,036) | 803,648 | 761,823 | (41,824) | 4,446 | (46,271) |
| Foreign bonds | 506,871 | 486,287 | (20,584) | 1,744 | (22,329) | 569,387 | 535,588 | (33,799) | 3,116 | (36,915) |
| Foreign stocks and other foreign securities | 232,004 | 226,993 | (5,011) | 695 | (5,707) | 234,260 | 226,235 | (8,025) | 1,329 | (9,355) |
| Other securities | 77,789 | 77,487 | (302) | 2,605 | (2,907) | 76,125 | 75,096 | (1,028) | 1,528 | (2,557) |
| Monetary claims bought | − | − | − | − | − | − | − | − | − | − |
| Negotiable certificates of deposit | − | − | − | − | − | − | − | − | − | − |
| Others | − | − | − | − | − | − | − | − | − | − |
| Total | 4,071,481 | 4,536,226 | 464,744 | 524,970 | (60,226) | 4,087,600 | 4,538,684 | 451,083 | 531,366 | (80,283) |
| Domestic bonds | 2,894,765 | 3,240,626 | 345,860 | 369,135 | (23,274) | 2,851,386 | 3,160,551 | 309,165 | 332,986 | (23,821) |
| Domestic stocks | 171,103 | 282,959 | 111,855 | 117,840 | (5,984) | 170,964 | 323,118 | 152,153 | 159,772 | (7,618) |
| Foreign securities | 894,620 | 898,273 | 3,652 | 31,689 | (28,036) | 958,972 | 946,582 | (12,390) | 33,880 | (46,271) |
| Foreign bonds | 662,615 | 671,279 | 8,664 | 30,993 | (22,329) | 724,711 | 720,347 | (4,364) | 32,551 | (36,915) |
| Foreign stocks and other foreign securities | 232,004 | 226,993 | (5,011) | 695 | (5,707) | 234,260 | 226,235 | (8,025) | 1,329 | (9,355) |
| Other securities | 77,789 | 77,487 | (302) | 2,605 | (2,907) | 76,125 | 75,096 | (1,028) | 1,528 | (2,557) |
| Monetary claims bought | 33,202 | 36,880 | 3,677 | 3,699 | (21) | 30,151 | 33,335 | 3,184 | 3,198 | (14) |
| 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, 2017 | As of March 31, 2018 |
|---|---|---|
| **Assets:** | | |
| Cash and deposits: | 32,100 | 31,635 |
| Cash | 260 | 242 |
| Deposits | 31,840 | 31,392 |
| Call loans | 122,000 | 164,000 |
| Monetary claims bought | 33,202 | 30,151 |
| Securities: | 4,152,349 | 4,188,869 |
| National government bonds | 1,929,361 | 1,866,902 |
| Local government bonds | 55,807 | 48,785 |
| Corporate bonds | 916,978 | 936,856 |
| Domestic stocks | 293,841 | 334,335 |
| Foreign securities | 878,872 | 926,893 |
| Other securities | 77,487 | 75,096 |
| Loans: | 557,761 | 484,169 |
| Policy loans | 57,577 | 49,637 |
| Industrial and consumer loans | 500,184 | 434,532 |
| Tangible fixed assets: | 406,105 | 401,011 |
| Land | 232,995 | 230,913 |
| Buildings | 167,527 | 162,583 |
| Lease assets | 2,015 | 3,946 |
| Construction in progress | 1,033 | 1,134 |
| Other tangible fixed assets | 2,531 | 2,432 |
| Intangible fixed assets: | 33,521 | 34,355 |
| Software | 14,647 | 21,295 |
| Other intangible fixed assets | 18,874 | 13,059 |
| Reinsurance receivables | 194 | 812 |
| Other assets: | 38,719 | 45,629 |
| Accounts receivable | 3,307 | 4,029 |
| Prepaid expenses | 3,046 | 3,418 |
| Accrued income | 17,040 | 17,198 |
| Money on deposit | 3,423 | 3,408 |
| Derivative financial instruments | 8,005 | 12,525 |
| Cash collateral paid for financial instruments | 2,482 | 3,748 |
| Suspense payments | 194 | 238 |
| Other assets | 1,218 | 1,061 |
| Prepaid pension expenses | – | 70 |
| Deferred tax assets | 22,725 | 16,187 |
| Customers' liabilities under acceptances and guarantees | 14 | 10 |
| Allowance for possible loan losses | (487) | (394) |
| Total assets | 5,398,207 | 5,396,507 |

## 3. Unaudited Non-consolidated Balance Sheets (Continued)

(Millions of Yen)

| | As of March 31, 2017 | As of March 31, 2018 |
|---|---|---|
| **Liabilities:** | | |
| Policy reserves and other reserves: | 4,768,371 | 4,682,246 |
| Reserve for outstanding claims | 27,364 | 28,368 |
| Policy reserves | 4,700,145 | 4,616,919 |
| Reserve for dividends to policyholders | 40,861 | 36,959 |
| Reinsurance payables | 127 | 311 |
| Bonds payable | 40,349 | 40,349 |
| Other liabilities: | 138,429 | 193,656 |
| Payables under securities borrowing transactions | － | 44,967 |
| Loans payable | 97,000 | 97,000 |
| Income taxes payable | 1,435 | 3,321 |
| Accounts payable | 5,143 | 6,869 |
| Accrued expenses | 8,053 | 8,889 |
| Deferred income | 192 | 184 |
| Deposits received | 364 | 454 |
| Guarantee deposits received | 18,171 | 17,433 |
| Derivative financial instruments | 1,382 | 2,544 |
| Cash collateral received for financial instruments | 4,190 | 7,630 |
| Lease obligations | 2,015 | 3,946 |
| Asset retirement obligations | 240 | 243 |
| Suspense receipts | 238 | 171 |
| Reserve for employees' retirement benefits | 37,307 | 35,365 |
| Reserve for price fluctuation | 36,580 | 38,710 |
| Deferred tax liabilities for land revaluation | 18,091 | 17,762 |
| Acceptances and guarantees | 14 | 10 |
| Total liabilities | 5,039,270 | 5,008,412 |
| **Net assets:** | | |
| Foundation funds | 126,000 | 126,000 |
| Reserve for redemption of foundation funds | 131,000 | 131,000 |
| Reserve for revaluation | 281 | 281 |
| Surplus: | 76,313 | 95,901 |
| Reserve for future losses | 242 | 266 |
| Other surplus: | 76,071 | 95,635 |
| Reserve for fund redemption | 36,000 | 48,600 |
| Equalized reserve for dividends to policyholders | 8,718 | 9,678 |
| Unappropriated surplus (loss) | 31,353 | 37,356 |
| Total foundation funds and others | 333,595 | 353,183 |
| Net unrealized gains (losses) on available-for-sale securities, net of tax | 71,104 | 81,292 |
| Land revaluation differences | (45,762) | (46,380) |
| Total valuation and translation adjustments | 25,341 | 34,912 |
| Total net assets | 358,937 | 388,095 |
| Total liabilities and net assets | 5,398,207 | 5,396,507 |

## 4. Unaudited Non-consolidated Statements of Income

(Millions of Yen)

| | Year ended March 31, 2017 | Year ended March 31, 2018 |
|---|---|---|
| **Ordinary income:** | 679,996 | 652,225 |
| Premium and other income: | 383,776 | 384,953 |
| Insurance premiums | 383,514 | 383,422 |
| Reinsurance revenue | 262 | 1,531 |
| Investment income: | 161,263 | 166,597 |
| Interest, dividends and other income: | 111,199 | 109,978 |
| Interest and dividends on securities | 83,449 | 84,322 |
| Interest on loans | 10,250 | 8,371 |
| Rent revenue from real estate | 16,485 | 16,354 |
| Other interest and dividends | 1,013 | 929 |
| Gains on sales of securities | 40,389 | 46,779 |
| Reversal of allowance for possible loan losses | 85 | 74 |
| Other investment income | 7,268 | 7,379 |
| Investment gains on separate accounts | 2,320 | 2,384 |
| Other ordinary income: | 134,956 | 100,674 |
| Fund receipt from deposit of claims paid | 16,427 | 13,793 |
| Reversal of reserve for employees' retirement benefits | 1,789 | 1,942 |
| Reversal of reserve for outstanding claims | 585 | - |
| Reversal of policy reserves | 114,500 | 83,226 |
| Other ordinary income | 1,653 | 1,713 |
| **Ordinary expenses:** | 641,009 | 614,681 |
| Claims and other payments: | 463,808 | 438,966 |
| Claims | 135,234 | 124,809 |
| Annuities | 128,659 | 129,879 |
| Benefits | 97,962 | 82,264 |
| Surrender benefits | 94,226 | 95,710 |
| Other payments | 7,378 | 5,656 |
| Reinsurance premiums | 346 | 645 |
| Provision for policy reserves and other reserves: | 33 | 1,008 |
| Provision for reserve for outstanding claims | - | 1,003 |
| Provision for interest on policyholders' dividend reserves | 33 | 4 |
| Investment expenses: | 41,737 | 38,542 |
| Interest expenses | 4,042 | 4,449 |
| Losses on sales of securities | 11,025 | 2,285 |
| Losses on valuation of securities | 16 | 145 |
| Losses on derivative financial instruments | 11,264 | 13,891 |
| Foreign exchange losses | 326 | 2,530 |
| Write-offs of loans | 0 | 1 |
| Depreciation of rental real estate and other assets | 5,500 | 5,596 |
| Other investment expenses | 9,561 | 9,641 |
| Operating expenses | 101,452 | 102,337 |
| Other ordinary expenses: | 33,977 | 33,827 |
| Claim deposit payments | 15,456 | 14,767 |
| Taxes | 7,293 | 7,405 |
| Depreciation | 10,126 | 10,354 |
| Other ordinary expenses | 1,101 | 1,299 |
| **Ordinary profit** | 38,986 | 37,543 |
| **Extraordinary gains:** | 1,243 | 194 |
| Gains on disposal of fixed assets | 1,243 | 194 |
| **Extraordinary losses:** | 5,361 | 5,446 |
| Losses on disposal of fixed assets | 1,633 | 1,538 |
| Impairment losses | 1,333 | 1,778 |
| Provision for reserve for price fluctuation | 2,050 | 2,130 |
| Other extraordinary losses | 344 | - |
| **Surplus before income taxes** | 34,869 | 32,291 |
| Income taxes-current | 3,777 | 6,680 |
| Income taxes-deferred | 1,828 | (377) |
| **Total income taxes** | 5,605 | 6,303 |
| **Net surplus** | 29,263 | 25,988 |

# I. Presentation of Unaudited Non-consolidated Financial Statements

**Basis of Presentation**

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

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

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

The Insurance Business Act shall prescribe the disclosure of a single fiscal year. The Company provides the disclosure of comparative financial information corresponding to each comparative fiscal year in the presented financial statements for use by readers outside Japan.

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

# II. Notes to Unaudited Non-consolidated Balance Sheet

## 1. Significant Accounting Policies

(1) Valuation methods of securities

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

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

ii) Held-to-maturity debt securities are stated at amortized cost 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, foreign bond exchange-traded funds for which hedge accounting is not applied and foreign currency-denominated bonds for which hedge accounting is not applied. Such securities are stated based on the average of the market value during the final month of the fiscal year. Costs of sales are determined by the moving average method. Net unrealized gains or losses on these available-for-sale securities, net of tax, are recorded as a separate component of net assets.

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

(2) Policy-reserve-matching bonds

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

(3) Valuation methods of derivative financial instruments

Derivative financial instruments are stated at fair market value.

(4) Revaluation of land

The Company revalued the land for business purposes based on the Act on Revaluation of Land (Act No. 34 promulgated on March 31, 1998). The difference between fair value and book value resulting from the revaluation, net of related taxes, is recorded as land revaluation differences as a separate component of net assets and the related tax is recorded as deferred tax liabilities for revaluation.

■ Date of revaluation: March 31, 2001

■ Method of revaluation as prescribed for in Article 3, Paragraph 3 of the said Act:

The calculation is based on the publicly announced appraisal value with certain adjustments set forth in Article 2, Item 1 of the Enforcement Ordinance of the Act on Revaluation of Land (Government Ordinance No. 119 promulgated on March 31, 1998) or the appraisal value determined by the real-estate appraiser set forth in Article 2, Item 5 of the said Ordinance with certain reasonable adjustments.

(5) Depreciation of tangible fixed assets

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

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

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

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

(6) Foreign currency translation

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

(7) Allowance for possible loan losses

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

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

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

iii) For credit to borrowers other than the above, the Company provides the amounts calculated by multiplying the 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, 2018 was ¥60 million.

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

Reserve for employees' retirement benefits and prepaid pension expenses are presented for the employees' retirement benefits based on projected benefit obligation and pension plan assets at the balance sheet date.

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

- The retirement benefit obligation is attributed to each period by the benefit formula method.

- Actuarial differences are amortized under the straight-line method over a period of seven years starting 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 the foreign currency-denominated transactions other than the above.

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

(11) Accounting for consumption taxes

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

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

(12) Policy reserves

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

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

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

(13) Software

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

## 2. Financial Instruments

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

■ For accumulation whole life with 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 quantifies the credit risks of entire portfolio through VaR method and controls the amount of risks within an acceptable range. Furthermore, the Company assigns in-house credit ratings to our borrowers in accordance with the creditworthiness of each borrower. Strict credit research of each borrower before lending as well as following up on any changes of creditworthiness of each borrower after lending are implemented. Maximum limits of credit are set up for each borrower in accordance with its credit risks to avoid the concentration of credit risks on specific corporations and specific corporation groups. Through all these measures, the Company endeavors to develop high quality portfolio.

The balance sheet amounts, fair values and the differences between them of major financial assets and liabilities as of March 31, 2018 were as follows:

| | Balance Sheet Amount | Fair Value | Difference |
|---|---|---|---|
| | Millions of Yen | | |
| | As of March 31, 2018 | | |
| Cash and deposits | ¥ 31,635 | ¥ 31,635 | ¥ – |
| Call loans | 164,000 | 164,000 | – |
| Monetary claims bought | 30,151 | 33,335 | 3,184 |
| Trading securities | – | – | – |
| Held-to-maturity debt securities | 30,151 | 33,335 | 3,184 |
| Policy-reserve-matching bonds | – | – | – |
| Available-for-sale securities | – | – | – |
| Securities | 4,112,857 | 4,457,152 | 344,295 |
| Trading securities | 27,816 | 27,816 | – |
| Held-to-maturity debt securities | 323,610 | 364,300 | 40,690 |
| Policy-reserve-matching bonds | 2,094,251 | 2,397,856 | 303,605 |
| Available-for-sale securities | 1,667,178 | 1,667,178 | – |
| Loans | 484,169 | 494,561 | 10,391 |
| Policy loans | 49,637 | 49,637 | – |
| Industrial and consumer loans | 434,532 | 444,924 | 10,391 |
| Total assets | 4,822,813 | 5,180,685 | 357,871 |
| Bonds payable | 40,349 | 43,585 | 3,236 |
| Loans payable | 97,000 | 96,768 | (231) |
| Total liabilities | 137,349 | 140,354 | 3,005 |
| Derivative financial instruments | 9,980 | 9,980 | – |
| Hedge accounting not applied | 1,811 | 1,811 | – |
| Hedge accounting applied | 8,169 | 8,169 | – |

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

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

Unlisted stocks and others 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 ¥76,012 million as of March 31, 2018.

(2) Loans and loans payable

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

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

(3) Bonds payable

The fair value of bonds payable is based on the market value, etc. as of March 31, 2018.

(4) Derivative financial instruments

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

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

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

## 3. Investments and Rental Properties

The Company holds investment and rental properties such as office buildings in Tokyo and other areas. The carrying amount and the fair value of investment and rental properties were ¥268,270 million and ¥265,583 million, respectively, as of March 31, 2018. The fair value is mainly based on the value (including some adjustments using the reference prices) of real estate appraisal report prepared by the external real-estate appraiser in accordance with real estate appraisal standards.

## 4. Securities Lent under Lending Agreements

The amount of securities lent under lending agreements was ¥121,177 million as of March 31, 2018.

## 5. Loans

The total amount of loans to bankrupt borrowers, delinquent loans, delinquent loans three or more months past due and restructured loans, which were included in loans, was ¥906 million as of March 31, 2018.

i) Loans to bankrupt borrowers were ¥0 million as of March 31, 2018.

ii) Delinquent loans were ¥748 million as of March 31, 2018.

iii) Delinquent loans three or more months past due were ¥120 million as of March 31, 2018.

iv) Restructured loans were ¥36 million as of March 31, 2018.

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 ¥13 million as of March 31, 2018.

In addition, the direct write-offs related to loans decreased delinquent loans described above by ¥46 million as of March 31, 2018.

## 6. Accumulated Depreciation of Tangible Fixed Assets

Accumulated depreciation of tangible fixed assets totaled ¥279,518 million as of March 31, 2018.

## 7. Separate Accounts

Total assets in separate accounts provided for in Article 118 of the Insurance Business Act were ¥29,382 million as of March 31, 2018. The amounts of separate account liabilities were the same as separate account assets.

## 8. Receivables from/Payables to Subsidiaries

The total amounts of receivables from/payables to subsidiaries were ¥285 million and ¥991 million, respectively, as of March 31, 2018.

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

There were no receivables from directors and audit board members as of March 31, 2018. The total amount of payables to directors and audit board members was ¥15 million as of March 31, 2018.

## 10. Deferred Taxes

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

| | Millions of Yen<br>As of<br>March 31,2018 |
|---|---|
| Deferred tax assets | ¥ 61,219 |
| Valuation allowance for deferred tax assets | 21,488 |
| Subtotal | 39,730 |
| Deferred tax liabilities | 23,543 |
| Net deferred tax assets (liabilities) | ¥ 16,187 |

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

| | Millions of Yen<br>As of<br>March 31, 2018 |
|---|---|
| Deferred tax assets | |
| Contingency reserve | ¥ 14,140 |
| Reserve for price fluctuation | 10,800 |
| Reserve for employees' retirement benefits | 9,866 |
| Impairment losses | 8,526 |
| Losses on valuation of securities | 5,542 |
| Net unrealized losses on available-for-sale securities | 3,988 |
| Deferred tax liabilities | |
| Net unrealized gains on available-for-sale securities | ¥ 22,605 |

(2) The statutory tax rate was 28.1% for the fiscal year ended March 31, 2018. The main

factors causing the differences between the statutory tax rate and the actual effective tax rate after considering deferred taxes were as follows:

| | Year ended March 31, 2018 |
|---|---|
| Interest on foundation funds | (4.8)% |
| Change of valuation allowance for deferred tax assets | (3.8)% |

## 11. Reserve for Dividends to Policyholders

| | Millions of Yen<br>Year ended March 31, 2018 |
|---|---|
| Balance at the beginning of the fiscal year | ¥ 40,861 |
| Transfer to reserve from surplus in the previous fiscal year | 1,519 |
| Dividends to policyholders paid out during the fiscal year | 5,426 |
| Increase in interest | 58 |
| Decrease in others | 53 |
| Balance at the end of the fiscal year | ¥ 36,959 |

## 12. Stocks of Subsidiaries and Affiliates

The amount of stocks of subsidiaries and affiliates the Company held as of March 31, 2018 was ¥5,063 million.

## 13. Pledged Assets

Assets pledged as collateral as of March 31, 2018 were securities in the amount of ¥4,325 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 ¥177 million as of March 31, 2018.

## 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 ¥81,574 million as of March 31, 2018.

## 16. 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, 2018 was ¥73,317 million. No assets were mortgaged as of March 31, 2018.

### 17. Commitment Line

As of March 31, 2018, there were unused commitment line agreements under which the Company is the lender of ¥4,101 million.

### 18. Subordinated Bonds

As of March 31, 2018, bonds payable are subordinated bonds, for which the repayments are subordinated to other obligations.

### 19. Subordinated Loans

As of March 31, 2018, loans payable are subordinated loans, for which the repayments are subordinated to other obligations.

### 20. Contributions to Policyholders Protection Corporation

The estimated future contributions to the Life Insurance Policyholders Protection Corporation of Japan under Article 259 of the Insurance Business Act as of March 31, 2018 were ¥9,750 million. These contributions are charged as operating expenses in the fiscal years in which they are paid.

### 21. Reserve for Employees' Retirement Benefits

(1) Summary of retirement benefit plans

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

(2) Defined benefit plan

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

| | Millions of Yen<br>Year ended<br>March 31, 2018 |
|---|---|
| Retirement benefit obligations at the beginning of the current fiscal year | ¥ 46,250 |
| Service cost | 1,970 |
| Interest cost | 462 |
| Actuarial difference occurred during the fiscal year | 1,471 |
| Retirement benefit payments | (4,986) |
| Retirement benefit obligations at the end of the fiscal year | ¥ 45,167 |

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

| | Millions of Yen<br>Year ended<br>March 31, 2018 |
|---|---|
| Pension plan assets at the beginning of the fiscal year | ¥ 8,493 |
| Expected return on pension plan assets | 60 |
| Actuarial difference occurred during the fiscal year | 1,928 |
| Contributions by the employer | 129 |
| Retirement benefit payments | (192) |
| Pension plan assets at the end of the fiscal year | ¥ 10,418 |

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

| | Millions of Yen<br>As of<br>March 31, 2018 |
|---|---|
| a. Funded plan retirement benefit obligation | ¥ 45,167 |
| b. Pension plan assets | (10,418) |
| c. ( a + b ) | 34,749 |
| d. Unrecognized actuarial differences | 546 |
| e. Net amount of liabilities and assets presented on the non−consolidated balance sheet | 35,295 |
| f. Reserve for employees' retirement benefits | 35,365 |
| g. Prepaid pension expenses | (70) |
| h. Net amount of liabilities and assets presented on the non−consolidated balance sheet | ¥ 35,295 |

iv) Breakdown of retirement benefit expenses

| | Millions of Yen<br>Year ended<br>March 31, 2018 |
|---|---|
| Service cost | ¥ 1,970 |
| Interest cost | 462 |
| Expected return on pension plan assets | (60) |
| Amortization of actuarial differences | 538 |
| Retirement benefit expenses related to defined benefit plan | ¥ 2,910 |

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<br>March 31,2018 |
|---|---|
| Stocks | 62% |
| Bonds | 6% |
| Others | 32% |
| 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, 2018 |
|---|---|
| Discount rate | 1.0% |
| Expected long-term rate of return on pension plan assets | 0.7% |
| Defined benefit corporate pension plans | 1.7% |

## 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 ¥442 million and ¥10,245 million, respectively, for the fiscal year ended March 31, 2018.

### 2. Investment Income and Expenses

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

| | Millions of Yen<br>Year ended March 31, 2018 |
|---|---|
| Domestic bonds | ¥ 44,891 |
| Domestic stocks and other securities | 1,709 |
| Foreign securities | 178 |

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

| | Millions of Yen<br>Year ended March 31, 2018 |
|---|---|
| Domestic bonds | ¥ 549 |
| Domestic stocks and other securities | 487 |
| Foreign securities | 1,249 |

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

| | Millions of Yen<br>Year ended March 31, 2018 |
|---|---|
| Domestic stocks and other securities | ¥ 49 |
| Foreign securities | 96 |

Losses on derivative financial instruments included net valuation losses of ¥76 million for the fiscal year ended March 31, 2018.

### 3. Policy Reserves for the Reinsurance Contracts

Provision for policy reserves for ceded reinsurance considered in calculating reversal of policy reserves for the fiscal year ended March 31, 2018 was ¥47 million.

### 4. Impairment Losses of Fixed Assets

For the fiscal year ended March 31, 2018, 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<br>Year ended<br>March 31, 2018 |
|---|---|
| Real estate for rent: | |
| Land | ¥ 518 |
| Building | 699 |
| Total real estate for rent (i) | 1,217 |
| Unused real estate: | |
| Land | 369 |
| Building | 191 |
| Total unused real estate (ii) | 560 |
| Total: | |
| Land | 888 |
| Building | 890 |
| Total (i) + (ii) | ¥ 1,778 |

(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 fiscal year ended March 31, 2018. 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, 2017 | Year ended March 31, 2018 |
|---|---|---|---|
| Fundamental profit | A | 22,049 | 30,139 |
| Capital gains | | 40,389 | 46,779 |
| Gains on money held in trust | | − | − |
| Gains on trading securities | | − | − |
| Gains on sales of securities | | 40,389 | 46,779 |
| Gains on derivative financial instruments | | − | − |
| Foreign exchange gains | | − | − |
| Other capital gains | | − | − |
| Capital losses | | 22,631 | 18,852 |
| Losses on money held in trust | | − | − |
| Losses on trading securities | | − | − |
| Losses on sales of securities | | 11,025 | 2,285 |
| Losses on valuation of securities | | 16 | 145 |
| Losses on derivative financial instruments | | 11,264 | 13,891 |
| Foreign exchange losses | | 326 | 2,530 |
| Other capital losses | | − | − |
| Net capital gains (losses) | B | 17,757 | 27,927 |
| Fundamental profit plus net capital gains (losses) | A＋B | 39,807 | 58,066 |
| Other one-time gains | | 80 | 78 |
| Reinsurance revenue | | − | − |
| Reversal of contingency reserve | | − | − |
| Reversal of specific allowance for possible loan losses | | 80 | 78 |
| Others | | − | − |
| Other one-time losses | | 900 | 20,601 |
| Reinsurance premiums | | − | − |
| Provision for contingency reserve | | 900 | 20,600 |
| Provision for specific allowance for possible loan losses | | − | − |
| Provision for allowance for specified overseas loans | | − | − |
| Write-offs of loans | | 0 | 1 |
| Others | | − | − |
| Other one-time gains (losses) | C | (820) | (20,523) |
| Ordinary profit | A＋B＋C | 38,986 | 37,543 |

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

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) | | |
| Reversal of 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 | | | |
|---|---|---|---|---|
| | Net unrealized gains (losses) on available-for-sale securities, net of tax | Land revaluation differences | Total valuation and translation adjustments | Total net assets |
| 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 | | | | |
| Reversal of 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 |

Year ended March 31, 2018 (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 | 131,000 | 281 | 242 | 36,000 | 8,718 | 31,353 | 76,313 | 333,595 |
| Changes in the fiscal year: | | | | | | | | | |
| Additions to reserve for dividends to policyholders | | | | | | | (1,519) | (1,519) | (1,519) |
| Additions to reserve for future losses | | | | 24 | | | (24) | | |
| Payment of interest on foundation funds | | | | | | | (5,499) | (5,499) | (5,499) |
| Net surplus | | | | | | | 25,988 | 25,988 | 25,988 |
| Additions to reserve for fund redemption | | | | | 12,600 | | (12,600) | | |
| Additions to equalized reserve for dividends to policyholders | | | | | | 960 | (960) | | |
| Reversal of land revaluation differences | | | | | | | 617 | 617 | 617 |
| Net changes, excluding foundation funds and others | | | | | | | | | |
| Net changes in the fiscal year | – | – | – | 24 | 12,600 | 960 | 6,003 | 19,587 | 19,587 |
| Ending balance | 126,000 | 131,000 | 281 | 266 | 48,600 | 9,678 | 37,356 | 95,901 | 353,183 |

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

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

(Millions of Yen)

| | Year ended March 31, 2017 | Year ended March 31, 2018 |
|---|---|---|
| Unappropriated surplus (loss) | 31,353 | 37,356 |
| Reversal of voluntary surplus reserves | - | 420 |
| Reversal of equalized reserve for dividends to policyholders | - | 420 |
| Total | 31,353 | 37,777 |
| Appropriation of surplus (loss) | 20,603 | 20,854 |
| Reserve for dividends to policyholders | 1,519 | 1,963 |
| Net surplus (loss) | 19,083 | 18,891 |
| Reserve for future losses | 24 | 25 |
| Interest on foundation funds | 5,499 | 6,266 |
| Voluntary surplus reserves | 13,560 | 12,600 |
| Reserve for fund redemption | 12,600 | 12,600 |
| Equalized reserve for dividends to policyholders | 960 | - |
| Surplus (loss) carried forward | 10,750 | 16,922 |

## 8. Disclosed Claims Based on Categories of Obligors

(Millions of Yen, %)

| | As of March 31, 2017 | As of March 31, 2018 |
|---|---|---|
| Claims against bankrupt and quasi-bankrupt obligors | 733 | 529 |
| Claims with collection risk | 307 | 237 |
| Claims for special attention | 155 | 161 |
| Subtotal | 1,196 | 928 |
| (Percentage of total) | (0.21) | (0.15) |
| Claims against normal obligors | 558,825 | 606,280 |
| Total | 560,022 | 607,208 |

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, 2017 | | As of March 31, 2018 | |
|---|---|---|---|---|
| | Write-offs, provision for allowance | | Write-offs, provision for allowance | |
| | Before | After | Before | After |
| Category II | 8,927 | 8,927 | 6,625 | 6,625 |
| Category III | 307 | 91 | 237 | 102 |
| Category IV | 252 | − | 89 | − |

## 9. Risk-monitored Loans

(Millions of Yen, %)

| | As of March 31, 2017 | As of March 31, 2018 |
|---|---|---|
| Loans to bankrupt borrowers | 0 | 0 |
| Delinquent loans | 1,015 | 748 |
| Delinquent loans three or more months past due | 112 | 120 |
| Restructured loans | 38 | 36 |
| Total | 1,166 | 906 |
| (Percentage of total loans) | (0.21) | (0.19) |

Notes:

1.For credit to legally bankrupt borrowers and substantially bankrupt borrowers, the amounts remaining after the deductions of amount expected to be collected through the disposal of collateral or the execution of guarantees are written-off directly from the borrower's balance as the estimated uncollectible amounts. The amounts written-off related to loans to bankrupt borrowers were ¥22 million as of March 31, 2017 and ¥13 million as of March 31, 2018. The amounts written-off related to delinquent loans were ¥193 million as of March 31, 2017 and ¥46 million as of March 31, 2018.

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

## 10. Solvency Margin Ratio

(Millions of Yen)

| | | As of March 31, 2017 | As of March 31, 2018 |
|---|---|---|---|
| Total solvency margin | (A) | 700,120 | 787,114 |
| Foundation funds and surplus | | 326,576 | 344,953 |
| Reserve for price fluctuation | | 36,580 | 38,710 |
| Contingency reserve | | 30,082 | 50,682 |
| General allowance for possible loan losses | | 14 | 17 |
| (Net unrealized gains on available-for-sale securities (before tax effect) and deferred hedge gains (before tax effect)) × 90% (in case of losses: × 100%) | | 78,144 | 93,243 |
| Net unrealized gains on land × 85% (in case of losses: × 100%) | | (28,052) | (10,499) |
| Excess amount of policy reserves based on full-time Zillmer method | | 111,415 | 122,802 |
| Qualifying subordinated debt | | 137,349 | 136,949 |
| Excess amount of policy reserves based on full-time Zillmer method and qualifying subordinated debt excluded from the calculation of solvency margin | | – | – |
| Deduction | | – | – |
| Others | | 8,011 | 10,256 |
| Total amount of risk | $\sqrt{(R_1+R_8)^2+(R_2+R_3+R_7)^2}+R_4$ (B) | 188,516 | 194,693 |
| Insurance risk | $R_1$ | 15,177 | 14,415 |
| Third sector insurance risk | $R_8$ | 9,176 | 9,450 |
| Risk of assumed yield | $R_2$ | 82,034 | 78,490 |
| Minimum guarantee risk | $R_7$ | 1,096 | 1,076 |
| Investment risk | $R_3$ | 99,628 | 109,368 |
| Operational risk | $R_4$ | 4,142 | 4,256 |
| Solvency margin ratio | (A) / {(1/2)×(B)} × 100 | 742.7% | 808.5% |

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, 2017 | As of March 31,2018 |
|---|---|---|
| | Amount | Amount |
| Individual variable insurance | 29,199 | 29,382 |
| Individual variable annuities | − | − |
| Group annuity products | − | − |
| Total | 29,199 | 29,382 |

(2) Individual Variable Insurance (Separate Account)

( i )Policies in Force

| | As of March 31,2017 | | As of March 31,2018 | |
|---|---|---|---|---|
| | Number of policies (Thousands) | Amount (Millions of Yen) | Number of policies (Thousands) | Amount (Millions of Yen) |
| Individual variable insurance (fixed-term) | 0 | 9 | 0 | 5 |
| Individual variable insurance (whole life) | 14 | 102,134 | 14 | 98,383 |
| Total | 14 | 102,143 | 14 | 98,388 |

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

(Millions of Yen)

| | As of March 31,2017 | | As of March 31,2018 | |
|---|---|---|---|---|
| | Amount | Percentage | Amount | Percentage |
| Cash, deposits, call loans | 1,620 | 5.6 | 1,332 | 4.5 |
| Securities | 27,242 | 93.3 | 27,816 | 94.7 |
| Domestic bonds | 6,510 | 22.3 | 6,854 | 23.3 |
| Domestic stocks | 10,882 | 37.3 | 11,216 | 38.2 |
| Foreign securities | 9,848 | 33.7 | 9,745 | 33.2 |
| Foreign bonds | 2,984 | 10.2 | 2,979 | 10.1 |
| Foreign stocks and other foreign securities | 6,863 | 23.5 | 6,766 | 23.0 |
| Other securities | – | – | – | – |
| Loans | – | – | – | – |
| Others | 336 | 1.2 | 233 | 0.8 |
| Allowance for possible loan losses | – | – | – | – |
| Total | 29,199 | 100.0 | 29,382 | 100.0 |

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

(Millions of Yen)

| | Year ended March 31, 2017 | Year ended March 31, 2018 |
|---|---|---|
| | Amount | Amount |
| Interest, dividends and other income | 600 | 651 |
| Gains on sales of securities | 2,357 | 3,189 |
| Gains on redemptions of securities | – | – |
| Gains on valuation of securities | 3,417 | 2,337 |
| Foreign exchange gains | 33 | 21 |
| Gains on derivative financial instruments | – | – |
| Other investment income | 1 | 1 |
| Losses on sales of securities | 1,659 | 960 |
| Losses on redemptions of securities | 13 | 11 |
| Losses on valuation of securities | 2,383 | 2,816 |
| Foreign exchange losses | 31 | 28 |
| Losses on derivative financial instruments | – | – |
| Other investment expenses | 0 | 0 |
| Net Investment Income | 2,320 | 2,385 |

(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, 2017 | Year ended March 31, 2018 |
|---|---|---|
| Ordinary income | 683,715 | 656,971 |
| Ordinary profit | 39,245 | 38,088 |
| Net surplus attributable to the Parent Company | 29,282 | 26,168 |
| Comprehensive income | 39,526 | 37,132 |

(Millions of Yen)

| | As of March 31, 2017 | As of March 31, 2018 |
|---|---|---|
| Total assets | 5,398,884 | 5,397,841 |
| Solvency margin ratio | 748.0% | 815.4% |

(2) Unaudited Consolidated Balance Sheets

(Millions of Yen)

| | As of March 31, 2017 | As of March 31, 2018 |
|---|---|---|
| **Assets:** | | |
| Cash and deposits | 35,511 | 36,143 |
| Call loans | 122,000 | 164,000 |
| Monetary claims bought | 33,202 | 30,151 |
| Securities | 4,148,686 | 4,185,104 |
| Loans | 557,761 | 484,169 |
| Tangible fixed assets: | 406,159 | 401,061 |
| Land | 232,995 | 230,913 |
| Buildings | 167,538 | 162,593 |
| Lease assets | 2,015 | 3,946 |
| Construction in progress | 1,033 | 1,134 |
| Other tangible fixed assets | 2,575 | 2,473 |
| Intangible fixed assets: | 33,285 | 33,735 |
| Software | 14,130 | 20,691 |
| Other intangible fixed assets | 19,154 | 13,044 |
| Reinsurance receivables | 194 | 812 |
| Other assets | 39,595 | 46,632 |
| Net defined benefit assets | 11 | 351 |
| Deferred tax assets | 22,947 | 16,062 |
| Customers' liabilities under acceptances and guarantees | 14 | 10 |
| Allowance for possible loan losses | (487) | (394) |
| Total assets | 5,398,884 | 5,397,841 |
| **Liabilities:** | | |
| Policy reserves and other reserves: | 4,768,371 | 4,682,246 |
| Reserve for outstanding claims | 27,364 | 28,368 |
| Policy reserves | 4,700,145 | 4,616,919 |
| Reserve for dividends to policyholders | 40,861 | 36,959 |
| Reinsurance payables | 127 | 311 |
| Bonds payable | 40,349 | 40,349 |
| Other liabilities | 139,189 | 194,908 |
| Net defined benefit liabilities | 37,757 | 35,056 |
| Reserve for price fluctuation | 36,580 | 38,710 |
| Deferred tax liabilities for land revaluation | 18,091 | 17,762 |
| Acceptances and guarantees | 14 | 10 |
| Total liabilities | 5,040,479 | 5,009,355 |
| **Net assets:** | | |
| Foundation funds | 126,000 | 126,000 |
| Reserve for redemption of foundation funds | 131,000 | 131,000 |
| Reserve for revaluation | 281 | 281 |
| Consolidated surplus | 76,065 | 95,832 |
| Total foundation funds and others | 333,347 | 353,114 |
| Net unrealized gains (losses) on available-for-sale securities, net of tax | 71,105 | 81,293 |
| Land revaluation differences | (45,762) | (46,380) |
| Accumulated remeasurements of defined benefit plans | (358) | 377 |
| Total accumulated other comprehensive income | 24,983 | 35,290 |
| Non-controlling interests | 73 | 81 |
| Total net assets | 358,404 | 388,486 |
| Total liabilities and net assets | 5,398,884 | 5,397,841 |

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

(Unaudited Consolidated Statements of Income)

(Millions of Yen)

| | Year ended March 31, 2017 | Year ended March 31, 2018 |
|---|---|---|
| **Ordinary income:** | 683,715 | 656,971 |
| Premium and other income | 383,776 | 384,953 |
| Investment income: | 160,986 | 166,318 |
| Interest, dividends and other income | 110,945 | 109,723 |
| Gains on sales of securities | 40,391 | 46,779 |
| Reversal of allowance for possible loan losses | 85 | 74 |
| Other investment income | 7,244 | 7,355 |
| Investment gains on separate accounts | 2,320 | 2,384 |
| Other ordinary income | 138,951 | 105,698 |
| **Ordinary expenses:** | 644,469 | 618,883 |
| Claims and other payments: | 463,808 | 438,966 |
| Claims | 135,234 | 124,809 |
| Annuities | 128,659 | 129,879 |
| Benefits | 97,962 | 82,264 |
| Surrender benefits | 94,226 | 95,710 |
| Other payments | 7,725 | 6,302 |
| Provision for policy reserves and other reserves: | 33 | 1,008 |
| Provision for reserve for outstanding claims | – | 1,003 |
| Provision for interest on policyholders’ dividend reserves | 33 | 4 |
| Investment expenses: | 41,737 | 38,542 |
| Interest expenses | 4,042 | 4,449 |
| Losses on sales of securities | 11,025 | 2,285 |
| Losses on valuation of securities | 16 | 145 |
| Losses on derivative financial instruments | 11,264 | 13,891 |
| Foreign exchange losses | 325 | 2,530 |
| Write-offs of loans | 0 | 1 |
| Depreciation of rental real estate and other assets | 5,500 | 5,596 |
| Other investment expenses | 9,561 | 9,641 |
| Operating expenses | 105,072 | 106,653 |
| Other ordinary expenses | 33,818 | 33,712 |
| Ordinary profit | 39,245 | 38,088 |
| **Extraordinary gains:** | 1,243 | 194 |
| Gains on disposal of fixed assets | 1,243 | 194 |
| **Extraordinary losses:** | 5,363 | 5,446 |
| Losses on disposal of fixed assets | 1,635 | 1,538 |
| Impairment losses | 1,333 | 1,778 |
| Provision for reserve for price fluctuation | 2,050 | 2,130 |
| Other extraordinary losses | 344 | – |
| **Surplus before income taxes** | 35,126 | 32,836 |
| Income taxes-current | 3,859 | 6,946 |
| Income taxes-deferred | 1,952 | (318) |
| **Total income taxes** | 5,812 | 6,628 |
| **Net surplus** | 29,313 | 26,207 |
| Net surplus attributable to non-controlling interests | 31 | 39 |
| **Net surplus attributable to the Parent Company** | 29,282 | 26,168 |

(Unaudited Consolidated Statements of Comprehensive Income)

(Millions of Yen)

| | Year ended March 31, 2017 | Year ended March 31, 2018 |
|---|---|---|
| **Net surplus** | 29,313 | 26,207 |
| **Other comprehensive income:** | 10,212 | 10,924 |
| Net unrealized gains (losses) on available-for-sale securities, net of tax | 8,150 | 10,188 |
| Remeasurements of defined benefit plans | 2,061 | 735 |
| **Comprehensive income:** | 39,526 | 37,132 |
| Comprehensive income attributable to the Parent Company | 39,494 | 37,092 |
| Comprehensive income attributable to non-controlling interests | 31 | 39 |

(4) Unaudited Consolidated Statements of Cash Flows

(Millions of Yen)

| | Year ended March 31, 2017 | Year ended March 31, 2018 |
|---|---|---|
| **I. Cash flows from operating activities** | | |
| Surplus before income taxes | 35,126 | 32,836 |
| Depreciation of rental real estate and other assets | 5,500 | 5,596 |
| Depreciation | 9,881 | 10,133 |
| Impairment losses | 1,333 | 1,778 |
| Increase (decrease) in reserve for outstanding claims | (585) | 1,003 |
| Increase (decrease) in policy reserves | (114,500) | (83,226) |
| Provision for interest on policyholders' dividend reserves | 33 | 4 |
| Increase (decrease) in allowance for possible loan losses | (85) | (74) |
| Increase (decrease) in net defined benefit liabilities | (1,789) | (1,942) |
| Increase (decrease) in reserve for price fluctuation | 2,050 | 2,130 |
| Interest, dividends and other income | (110,945) | (109,723) |
| (Gains) losses on securities | (31,669) | (46,733) |
| (Gains) losses on derivative financial instruments | 11,264 | 13,891 |
| Interest expenses | 4,042 | 4,449 |
| Foreign exchange (gains) losses, net | 325 | 2,530 |
| (Gains) losses on tangible fixed assets | (84) | 970 |
| (Increase) decrease in reinsurance receivables | (161) | (617) |
| (Increase) decrease in other assets except from investing and financing activities | (1,385) | (903) |
| Increase (decrease) in reinsurance payables | 31 | 184 |
| Increase (decrease) in other liabilities except from investing and financing activities | 520 | 1,612 |
| Others, net | 7,296 | 6,606 |
| Subtotal | (183,802) | (159,491) |
| Interest, dividends and other income received | 116,136 | 113,182 |
| Interest paid | (3,957) | (4,446) |
| Dividends to policyholders paid | (5,660) | (5,426) |
| Income taxes (paid) refunded | (185) | (4,827) |
| Net cash provided by (used in) operating activities | (77,469) | (61,010) |
| **II. Cash flows from investing activities** | | |
| Purchases of monetary claims bought | (500) | (500) |
| Proceeds from sales and redemptions of monetary claims bought | 9,198 | 3,544 |
| Proceeds from decreases in money held in trust | 9 | - |
| Purchases of securities | (968,725) | (643,165) |
| Proceeds from sales and redemptions of securities | 993,520 | 632,895 |
| Disbursements for loans | (66,526) | (52,331) |
| Proceeds from collections of loans | 125,897 | 120,479 |
| Proceeds from derivative financial instruments | (20,059) | 17,673 |
| Increase (decrease) in payables under securities borrowing transactions | (53,610) | 44,967 |
| ①Total of investing activities | 19,204 | 123,564 |
| [ I + ① ] | (58,265) | 62,554 |
| Purchases of tangible fixed assets | (7,447) | (6,603) |
| Proceeds from sales of tangible fixed assets | 8,341 | 1,782 |
| Others, net | (7,903) | (8,611) |
| Net cash provided by (used in) investing activities | 12,194 | 110,132 |
| **III. Cash flows from financing activities** | | |
| Proceeds from debt borrowing | 2,000 | - |
| Redemption of debt borrowing | (30,000) | - |
| Proceeds from issuance of bonds | 40,349 | - |
| Proceeds from issuance of foundation funds | 11,000 | - |
| Redemption of foundation funds | (11,000) | - |
| Payment of interest on foundation funds | (5,787) | (5,499) |
| Dividends paid to non-controlling interests | (37) | (31) |
| Others, net | (871) | (958) |
| Net cash provided by (used in) financing activities | 5,652 | (6,490) |
| **IV.Net increase (decrease) in cash and cash equivalents** | (59,622) | 42,631 |
| **V.Cash and cash equivalents at the beginning of the year** | 217,133 | 157,511 |
| **VI. Cash and cash equivalents at the end of the year** | 157,511 | 200,143 |

(5) Unaudited Consolidated Statements of Changes in Net Assets

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 |

Year ended March 31, 2018 (Millions of Yen)

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

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

# I. Presentation of Unaudited Consolidated Financial Statements

## 1. Basis of Presentation

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

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

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

The Insurance Business Act shall prescribe the disclosure of a single fiscal year. The Company provides the disclosure of comparative financial information corresponding to each comparative fiscal year in the presented financial statements for use by readers outside Japan.

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

## 2. Principles of Consolidation

(1) Scope of consolidation

The consolidated subsidiaries as of March 31, 2018 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, foreign bond exchange-traded funds for which hedge accounting is not applied and foreign currency-denominated bonds for which hedge accounting is not applied. Such securities are stated based on the average of the market value during the final month of the fiscal year. Costs of sales are determined by the moving average method. Net unrealized gains or losses on these available-for-sale securities, net of tax, are recorded as a separate component of net assets.

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

(2) Policy-reserve-matching bonds

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

(3) Valuation methods of derivative financial instruments

Derivative financial instruments are stated at fair market value.

(4) Revaluation of land

The Company revalued the land for business purposes based on the Act on Revaluation of Land (Act No. 34 promulgated on March 31, 1998). The difference between fair value and book value resulting from the revaluation, net of related taxes, is recorded as land revaluation differences as a separate component of net assets and the related tax is recorded as deferred tax liabilities for revaluation.

■ Date of revaluation: March 31, 2001

■ Method of revaluation as prescribed for in Article 3, Paragraph 3 of the said Act:

The calculation is based on the publicly announced appraisal value with certain adjustments set forth in Article 2, Item 1 of the Enforcement Ordinance of the Act on Revaluation of Land (Government Ordinance No. 119 promulgated on March 31, 1998) or the appraisal value determined by the real-estate appraiser set forth in Article 2, Item 5 of the said Ordinance with certain reasonable adjustments.

(5) Depreciation of tangible fixed assets

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

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

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

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

(6) Foreign currency translation

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

(7) Allowance for possible loan losses

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

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

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

iii) For credit to borrowers other than the above, the Company provides the amounts calculated by multiplying the 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, 2018 was ¥60 million.

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

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

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

- The retirement benefit obligation is attributed to each period by the benefit formula method.
- Actuarial differences are amortized under the straight-line method over a period of seven years starting 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 the foreign currency-denominated transactions other than the above.

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

(11) Accounting for consumption taxes

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

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

(12) Policy reserves

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

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

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

(13) Software

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

## 2. Financial Instruments

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

- ■ For accumulation whole life with 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 quantifies the credit risks of entire portfolio through VaR method and controls the amount of risks within an acceptable range. Furthermore, the Company assigns in-house credit ratings to our borrowers in accordance with the creditworthiness of each borrower. Strict credit research of each borrower before lending as well as following up on any changes of creditworthiness of each borrower after lending are implemented. Maximum limits of credit are set up for each borrower in accordance with its credit risks to avoid the concentration of credit risks on specific corporations and specific corporation groups. Through all these measures, the Company endeavors to develop high quality portfolio.

The balance sheet amounts, fair values and the differences between them of major financial assets and liabilities as of March 31, 2018 were as follows:

| | Millions of Yen | | |
|---|---|---|---|
| | As of March 31, 2018 | | |
| | Balance Sheet Amount | Fair Value | Difference |
| Cash and deposits | ¥ 36,143 | ¥ 36,143 | ¥ − |
| Call loans | 164,000 | 164,000 | − |
| Monetary claims bought | 30,151 | 33,335 | 3,184 |
| Trading securities | − | − | − |
| Held-to-maturity debt securities | 30,151 | 33,335 | 3,184 |
| Policy-reserve-matching bonds | − | − | − |
| Available-for-sale securities | − | − | − |
| Securities | 4,113,581 | 4,457,878 | 344,297 |
| Trading securities | 27,816 | 27,816 | − |
| Held-to-maturity debt securities | 324,314 | 365,006 | 40,692 |
| Policy-reserve-matching bonds | 2,094,251 | 2,397,856 | 303,605 |
| Available-for-sale securities | 1,667,198 | 1,667,198 | − |
| Loans | 484,169 | 494,561 | 10,391 |
| Policy loans | 49,637 | 49,637 | − |
| Industrial and consumer loans | 434,532 | 444,924 | 10,391 |
| Total assets | 4,828,046 | 5,185,919 | 357,873 |
| Bonds payable | 40,349 | 43,585 | 3,236 |
| Loans payable | 97,000 | 96,768 | (231) |
| Total liabilities | 137,349 | 140,354 | 3,005 |
| Derivative financial instruments | 9,980 | 9,980 | − |
| Hedge accounting not applied | 1,811 | 1,811 | − |
| Hedge accounting applied | 8,169 | 8,169 | − |

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

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

Unlisted stocks and others 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 ¥71,523 million as of March 31, 2018.

(2) Loans and loans payable

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

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

(3) Bonds payable

The fair value of bonds payable is based on the market value, etc. as of March 31, 2018.

(4) Derivative financial instruments

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

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

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

### 3. Investments and Rental Properties

The Company holds investment and rental properties such as office buildings in Tokyo and other areas. The carrying amount and the fair value of investment and rental properties were ¥267,163 million and ¥264,669 million, respectively, as of March 31, 2018. The fair value is mainly based on the value (including some adjustments using the reference prices) of real estate appraisal report prepared by the external real-estate appraiser in accordance with real estate appraisal standards.

### 4. Securities Lent under Lending Agreements

The amount of securities lent under lending agreements was ¥121,177 million as of March 31, 2018.

### 5. Loans

The total amount of loans to bankrupt borrowers, delinquent loans, delinquent loans three or more months past due and restructured loans, which were included in loans, was ¥906 million as of March 31, 2018.

i) Loans to bankrupt borrowers were ¥0 million as of March 31, 2018.

ii) Delinquent loans were ¥748 million as of March 31, 2018.

iii) Delinquent loans three or more months past due were ¥120 million as of March 31, 2018.

iv) Restructured loans were ¥36 million as of March 31, 2018.

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 ¥13 million as of March 31, 2018.

In addition, the direct write-offs related to loans decreased delinquent loans described above by ¥46 million as of March 31, 2018.

## 6. Accumulated Depreciation of Tangible Fixed Assets

Accumulated depreciation of tangible fixed assets totaled ¥279,695 million as of March 31, 2018.

## 7. Separate Accounts

Total assets in separate accounts provided for in Article 118 of the Insurance Business Act were ¥29,382 million as of March 31, 2018. The amounts of separate account liabilities were the same as separate account assets.

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

There were no receivables from directors and audit board members as of March 31, 2018. The total amount of payables to directors and audit board members was ¥15 million as of March 31, 2018.

## 9. Reserve for Dividends to Policyholders

| | Millions of Yen<br>Year ended<br>March 31, 2018 |
|---|---|
| Balance at the beginning of the fiscal year | ¥ 40,861 |
| Transfer to reserve from surplus in the previous fiscal year | 1,519 |
| Dividends to policyholders paid out during the fiscal year | 5,426 |
| Increase in interest | 58 |
| Decrease in others | 53 |
| Balance at the end of the fiscal year | ¥ 36,959 |

## 10. Stocks of Unconsolidated Subsidiaries and affiliates

The amount of stocks of unconsolidated subsidiaries and affiliates the Company held as of March 31, 2018 was ¥574 million.

### 11. Pledged Assets

Assets pledged as collateral as of March 31, 2018 were securities in the amount of ¥4,325 million.

### 12. 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, 2018 was ¥73,317 million. No assets were mortgaged as of March 31, 2018.

### 13. Commitment Line

As of March 31, 2018, there were unused commitment line agreements under which the Company is the lender of ¥4,101 million.

### 14. Subordinated Bonds

As of March 31, 2018, bonds payable are subordinated bonds, for which the repayments are subordinated to other obligations.

### 15. Subordinated Loans

As of March 31, 2018, other liabilities included subordinated loans of ¥97,000 million, for which the repayments are subordinated to other obligations.

### 16. Contributions to Policyholders Protection Corporation

The estimated future contributions to the Life Insurance Policyholders Protection Corporation of Japan under Article 259 of the Insurance Business Act as of March 31, 2018 were ¥9,750 million. These contributions are charged as operating expenses in the fiscal years in which they are paid.

## 17. Deferred Taxes

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

| | Millions of Yen<br>As of<br>March 31, 2018 |
|---|---|
| Deferred tax assets | ¥ 61,321 |
| Valuation allowance for deferred tax assets | 21,494 |
| Subtotal | 39,827 |
| Deferred tax liabilities | 23,765 |
| Net deferred tax assets (liabilities) | ¥ 16,062 |

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

| | Millions of Yen<br>As of<br>March 31,2018 |
|---|---|
| Deferred tax assets | |
| Contingency reserve | ¥ 14,140 |
| Reserve for price fluctuation | 10,800 |
| Net defined benefit liabilities | 9,780 |
| Impairment losses | 8,526 |
| Losses on valuation of securities | 5,546 |
| Net unrealized losses on available-for-sale securities | 3,988 |
| Deferred tax liabilities | |
| Net unrealized gains on available-for-sale securities | ¥ 22,605 |

(2) The statutory tax rate was 28.1% for the fiscal year ended March 31, 2018. The main factors causing the differences between the statutory tax rate and the actual effective tax rate after considering deferred taxes were as follows:

| | Year ended<br>March 31, 2018 |
|---|---|
| Interest on foundation funds | (4.7)% |
| Change of valuation allowance for deferred tax assets | (3.7)% |

## 18. Accrued Retirement Benefits and Net Defined Benefit Liabilities

(1) Summary of retirement benefit plans

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

(2) Defined benefit plan

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

| | Millions of Yen<br>Year ended<br>March 31, 2018 |
|---|---|
| Retirement benefit obligations at the beginning of the current fiscal year | ¥ 46,769 |
| Service cost | 2,029 |
| Interest cost | 468 |
| Actuarial difference occurred during the fiscal year | 1,473 |
| Retirement benefit payments | (4,998) |
| Retirement benefit obligations at the end of the fiscal year | ¥ 45,743 |

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

| | Millions of Yen<br>Year ended<br>March 31, 2018 |
|---|---|
| Pension plan assets at the beginning of the fiscal year | ¥ 9,024 |
| Expected return on pension plan assets | 70 |
| Actuarial difference occurred during the fiscal year | 1,944 |
| Contributions by the employer | 203 |
| Retirement benefit payments | (204) |
| Pension plan assets at the end of the fiscal year | ¥ 11,038 |

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

| | Millions of Yen<br>As of<br>March 31,2018 |
|---|---|
| a. Funded plan retirement benefit obligation | ¥ 45,743 |
| b. Pension plan assets | (11,038) |
| c. Net amount of liabilities and assets presented on the consolidated balance sheet | 34,704 |
| d. Net defined benefit liabilities | 35,056 |
| e. Net defined benefit assets | (351) |
| f. Net amount of liabilities and assets presented on the consolidated balance sheet | ¥ 34,704 |

iv) Breakdown of retirement benefit expenses

| | Millions of Yen Year ended March 31, 2018 |
|---|---|
| Service cost | ¥ 2,029 |
| Interest cost | 468 |
| Expected return on pension plan assets | (70) |
| Amortization of actuarial differences | 545 |
| Amortization of prior service cost | 6 |
| Retirement benefit expenses related to defined benefit plan | ¥ 2,979 |

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, 2018 |
|---|---|
| Amortization of actuarial differences | ¥ 1,015 |
| Amortization of prior service cost | 6 |
| Total | ¥ 1,022 |

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, 2018 |
|---|---|
| Unrecognized actuarial differences | ¥ (534) |
| Unrecognized prior service cost | 13 |
| Total | ¥ (521) |

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 31,2018 |
|---|---|
| Stocks | 60% |
| Bonds | 9% |
| Others | 31% |
| 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, 2018 |
|---|---|
| Discount rate | 1.0% |
| Expected long-term rate of return on pension plan assets | 0.7% |
| Defined benefit corporate pension plans | 1.7% |

## 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, 2018 |
|---|---|
| Domestic bonds | ¥ 44,891 |
| Domestic stocks and other securities | 1,709 |
| Foreign securities | 178 |

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

| | Millions of Yen Year ended March 31, 2018 |
|---|---|
| Domestic bonds | ¥ 549 |
| Domestic stocks and other securities | 487 |
| Foreign securities | 1,249 |

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

| | Millions of Yen Year ended March 31, 2018 |
|---|---|
| Domestic stocks and other securities | ¥ 49 |
| Foreign securities | 96 |

Losses on derivative financial instruments included net valuation losses of ¥76 million for the fiscal year ended March 31, 2018.

### 2. Impairment Losses of Fixed Assets

For the fiscal year ended March 31, 2018, 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<br>Year ended<br>March 31, 2018 |
|---|---|
| Real estate for rent: | |
| Land | ¥ 518 |
| Building | 699 |
| Total real estate for rent (i) | 1,217 |
| Unused real estate: | |
| Land | 369 |
| Building | 191 |
| Total unused real estate (ii) | 560 |
| Total: | |
| Land | 888 |
| Building | 890 |
| Total (i) + (ii) | ¥ 1,778 |

(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 fiscal year ended March 31, 2018. 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<br>Year ended March 31, 2018 |
|---|---|
| Net unrealized gains on available-for-sale securities, net of tax | |
| Amount incurred during the fiscal year | ¥ 18,028 |
| Reclassification adjustments | (1,251) |
| Before tax adjustment | 16,776 |
| Tax effects | (6,587) |
| Net unrealized gains on available-for-sale securities, net of tax | 10,188 |
| Accumulated remeasurements of defined benefit plans | |
| Amount incurred during the fiscal year | 470 |
| Reclassification adjustments | 552 |
| Before tax adjustment | 1,022 |
| Tax effects | (286) |
| Accumulated remeasurements of defined benefit plans | 735 |
| Total other comprehensive income | ¥ 10,924 |

## V. Notes to Unaudited Consolidated Statement of Cash Flows

### Scope of Cash and Cash Equivalents

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

(6) Risk-monitored Loans

(Millions of Yen, %)

| | As of March 31, 2017 | As of March 31, 2018 |
|---|---|---|
| Loans to bankrupt borrowers | 0 | 0 |
| Delinquent loans | 1,015 | 748 |
| Delinquent loans three or more months past due | 112 | 120 |
| Restructured loans | 38 | 36 |
| Total | 1,166 | 906 |
| (Percentage of total loans) | (0.21) | (0.19) |

Notes:

1.For credit to legally bankrupt borrowers and substantially bankrupt borrowers, the amounts remaining after the deductions of amount expected to be collected through the disposal of collateral or the execution of guarantees are written-off directly from the borrower's balance as the estimated uncollectible amounts. The amounts written-off related to loans to bankrupt borrowers were ¥22 million as of March 31, 2017 and ¥13 million as of March 31, 2018. The amounts written-off related to delinquent loans were ¥193 million as of March 31, 2017 and ¥46 million as of March 31, 2018.

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

(7) Consolidated Solvency Margin Ratio

(Millions of yen)

| | | As of March 31, 2017 | As of March 31, 2018 |
|---|---|---|---|
| Total solvency margin | (A) | 699,823 | 788,037 |
| Foundation funds and surplus | | 326,828 | 345,401 |
| Reserve for price fluctuation | | 36,580 | 38,710 |
| Contingency reserve | | 30,082 | 50,682 |
| Catastrophe loss reserve | | − | − |
| General allowance for possible loan losses | | 15 | 19 |
| (Net unrealized gains on available-for-sale securities (before tax effect) and deferred hedge gains (before tax effect)) × 90% (in case of losses: × 100%) | | 78,145 | 93,244 |
| Net unrealized gains on land × 85% (in case of losses: × 100%) | | (28,052) | (10,499) |
| Sum of unrealized actuarial differences and unrealized past service cost | | (501) | 521 |
| Excess amount of policy reserves based on full-time Zillmer method | | 111,415 | 122,802 |
| Qualifying subordinated debt | | 137,349 | 136,949 |
| 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 | | 8,011 | 10,256 |
| Total amount of risk $\sqrt{(\sqrt{R_1^2+R_5^2}+R_8+R_9)^2+(R_2+R_3+R_7)^2}+R_4+R_6$ | (B) | 187,100 | 193,282 |
| Insurance risk | $R_1$ | 15,177 | 14,415 |
| Ordinary insurance risk | $R_5$ | − | − |
| Disaster insurance risk | $R_6$ | − | − |
| Third sector insurance risk | $R_8$ | 9,176 | 9,450 |
| Small amount short-term insurance provider insurance risk | $R_9$ | − | − |
| Risk of assumed yield | $R_2$ | 82,034 | 78,490 |
| Minimum guarantee risk | $R_7$ | 1,096 | 1,076 |
| Investment risk | $R_3$ | 98,227 | 107,974 |
| Operational risk | $R_4$ | 4,114 | 4,228 |
| Solvency margin ratio | (A) / {(1/2)×(B)} × 100 | 748.0% | 815.4% |

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.

(8) Segment information

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