

November 22, 2018

## Financial Results for the Six Months Ended September 30, 2018

Asahi Mutual Life Insurance Company (the “Company”; President: Hiroki Kimura) announces financial results for the six months ended September 30, 2018

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## 1. Business Highlights

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

#### (i) Policies in Force

	As of March 31, 2018		As of September 30, 2018			
	Number of policies (Thousands)	Amount(100 millions of Yen)	Number of policies (Thousands)	Amount (100 millions of Yen)		
				Changes (%, Pre-FYE)	Changes (%, Pre-FYE)	
Individual insurance	7,186	166,410	7,165	99.7	159,422	95.8
Individual annuities	584	25,039	572	97.8	24,299	97.0
Group insurance	-	13,235	-	-	13,992	105.7
Group annuities	-	178	-	-	173	97.3

#### Notes:

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

#### (ii) New Policies

	Six months ended September 30, 2017			
	Number of policies (Thousands)	Amount (100 millions of Yen)		
		New policies	Net increase by conversion	
Individual insurance	337	590	1,587	(997)
Individual annuities	-	(79)	-	(79)
Group insurance	-	125	125	-
Group annuities	-	-	-	-

	Six months ended September 30, 2018					
	Number of policies		Amount (100 millions of Yen)			
	(Thousands)	Changes (%, YoY)	Changes (%, YoY)	New policies	Net increase by conversion	
Individual insurance	318	94.6	736	124.7	1,477	(740)
Individual annuities	-	-	(55)	-	-	(55)
Group insurance	-	-	891	708.6	891	-
Group annuities	-	-	-	-	-	-

#### Notes:

1. Number of new policies is the sum of new policies and policies after conversion.
2. Amount of new policies for individual annuities, both new policies and net increase by conversion, is equal to the funds to be held at the time annuity payments are to commence.
3. Number of policies includes number of each unit with regard to "Hoken-ou", "Hoken-ou Plus", etc.

## (2) Annualized Premiums

### (i) Policies in Force

(100 millions of Yen)

	As of March 31, 2018	As of September 30, 2018	
			Changes (%, Pre-FYE)
Individual insurance	3,813	3,882	101.8
Individual annuities	1,511	1,482	98.1
Total	5,324	5,365	100.8
Third-sector products	2,063	2,079	100.8

### (ii) New Policies

(100 millions of Yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018	Changes
			(%, YoY)
Individual insurance	131	212	161.8
Individual annuities	(1)	(1)	-
Total	129	210	163.0
Third-sector products	109	82	75.6

#### Notes:

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

## 2. Investment Results of General Account Assets

### (1) Asset Composition

(Millions of Yen)

	As of March 31, 2018		As of September 30, 2018	
	Amount	Percentage	Amount	Percentage
Cash, deposits, call loans	194,302	3.6	225,163	4.1
Monetary claims bought	30,151	0.6	29,980	0.5
Securities	4,161,052	77.5	4,333,063	78.3
Domestic bonds	2,845,690	53.0	2,806,695	50.7
Domestic stocks	323,118	6.0	339,846	6.1
Foreign securities	917,147	17.1	1,110,238	20.1
Foreign bonds	690,912	12.9	902,819	16.3
Foreign stocks and other foreign securities	226,235	4.2	207,418	3.7
Other securities	75,096	1.4	76,283	1.4
Loans	484,169	9.0	454,419	8.2
Policy loans	49,637	0.9	47,133	0.9
Industrial and consumer loans	434,532	8.1	407,286	7.4
Real estate	394,631	7.4	392,031	7.1
Deferred tax assets	16,187	0.3	13,357	0.2
Others	87,085	1.6	85,122	1.5
Allowance for possible loan losses	(394)	(0.0)	(399)	(0.0)
Total	5,367,186	100.0	5,532,740	100.0
Foreign currency-denominated assets	1,054,537	19.6	1,258,244	22.7

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

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

(Millions of Yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
	Amount	Amount
Cash, deposits, call loans	62,554	30,861
Monetary claims bought	(1,638)	(170)
Securities	146,376	172,011
Domestic bonds	19,089	(38,994)
Domestic stocks	34,644	16,728
Foreign securities	79,527	193,090
Foreign bonds	40,088	211,906
Foreign stocks and other foreign securities	39,438	(18,816)
Other securities	13,115	1,186
Loans	(45,528)	(29,749)
Policy loans	(3,937)	(2,503)
Industrial and consumer loans	(41,590)	(27,245)
Real estate	(2,248)	(2,599)
Deferred tax assets	(9,025)	(2,829)
Others	(4,327)	(1,962)
Allowance for possible loan losses	68	(5)
Total	146,231	165,554
Foreign currency-denominated assets	178,286	203,707

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

## (3) Investment Income

(Millions of Yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Interest, dividends and other income	54,358	54,732
Interest on deposits	0	0
Interest and dividends on securities	41,295	42,261
Interest on loans	4,469	3,711
Rent revenue from real estate	8,153	8,266
Other interest and dividends	439	493
Gains on sales of securities	26,863	25,909
Gains on sales of domestic bonds	25,670	25,451
Gains on sales of domestic stocks and other securities	1,014	455
Gains on sales of foreign securities	178	3
Others	-	-
Gains on derivative financial instruments, net	-	-
Foreign exchange gains, net	423	3,662
Reversal of allowance for possible loan losses	61	-
Other investment income	3,641	3,705
Total	85,349	88,010

## (4) Investment Expenses

(Millions of Yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Interest expenses	2,223	2,323
Losses on sales of securities	1,154	6,380
Losses on sales of domestic bonds	205	1,599
Losses on sales of domestic stocks and other securities	3	500
Losses on sales of foreign securities	945	4,279
Others	-	-
Losses on valuation of securities	49	32
Losses on valuation of domestic bonds	-	-
Losses on valuation of domestic stocks and other securities	49	32
Losses on valuation of foreign securities	-	-
Others	-	-
Losses on derivative financial instruments, net	7,531	12,240
Foreign exchange losses, net	-	-
Provision for allowance for possible loan losses	-	4
Write-offs of loans	0	0
Depreciation of rental real estate and other assets	2,799	2,779
Other investment expenses	5,042	5,388
Total	18,800	29,150

## (5) Net Valuation Gains/Losses on Trading Securities

(Millions of Yen)

	As of March 31, 2018		As of September 30, 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	-	-	-	-

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

(Millions of Yen)

	As of March 31, 2018					As of September 30, 2018				
	Book value	Fair value	Gains/losses			Book value	Fair value	Gains/losses		
				Gains	Losses				Gains	Losses
Held-to-maturity debt securities	353,761	397,636	43,874	43,900	(25)	344,174	383,662	39,488	39,534	(46)
Policy-reserve-matching bonds	2,094,251	2,397,856	303,605	313,125	(9,519)	2,081,775	2,308,825	227,050	251,095	(24,044)
Stocks of subsidiaries	-	-	-	-	-	-	-	-	-	-
Available-for-sale securities	1,563,573	1,667,178	103,604	174,341	(70,736)	1,777,847	1,896,630	118,782	181,247	(62,465)
Domestic bonds	588,848	583,152	(5,696)	8,594	(14,290)	572,632	565,438	(7,193)	7,440	(14,633)
Domestic stocks	151,964	304,117	152,153	159,772	(7,618)	159,478	319,392	159,914	167,622	(7,708)
Foreign securities	746,635	704,812	(41,823)	4,446	(46,270)	969,525	934,911	(34,614)	3,879	(38,493)
Foreign bonds	569,387	535,588	(33,799)	3,116	(36,915)	776,028	747,504	(28,523)	2,877	(31,401)
Foreign stocks and other foreign securities	177,247	169,223	(8,024)	1,329	(9,354)	193,497	187,406	(6,090)	1,001	(7,091)
Other securities	76,125	75,096	(1,028)	1,528	(2,557)	75,613	76,283	669	2,299	(1,630)
Monetary claims bought	-	-	-	-	-	597	603	5	5	-
Negotiable certificates of deposit	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-
Total	4,011,587	4,462,671	451,084	531,366	(80,282)	4,203,797	4,589,118	385,321	471,877	(86,556)
Domestic bonds	2,851,386	3,160,551	309,165	332,986	(23,821)	2,813,889	3,043,613	229,723	268,412	(38,688)
Domestic stocks	151,964	304,117	152,153	159,772	(7,618)	159,478	319,392	159,914	167,622	(7,708)
Foreign securities	901,959	889,570	(12,389)	33,880	(46,270)	1,124,840	1,117,077	(7,763)	30,730	(38,493)
Foreign bonds	724,711	720,347	(4,364)	32,551	(36,915)	931,343	929,670	(1,672)	29,728	(31,401)
Foreign stocks and other foreign securities	177,247	169,223	(8,024)	1,329	(9,354)	193,497	187,406	(6,090)	1,001	(7,091)
Other securities	76,125	75,096	(1,028)	1,528	(2,557)	75,613	76,283	669	2,299	(1,630)
Monetary claims bought	30,151	33,335	3,184	3,198	(14)	29,975	32,751	2,776	2,812	(36)
Negotiable certificates of deposit	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-

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

\* Book value of securities without fair value is as follows:

(Millions of Yen)

	As of March 31, 2018	As of September 30, 2018
Held-to-maturity debt securities	-	-
Unlisted foreign bonds	-	-
Others	-	-
Policy-reserve-matching bonds	-	-
Stocks of subsidiaries	5,063	6,596
Available-for-sale securities	70,950	33,869
Unlisted domestic stocks (except over-the-counter stocks)	13,937	13,856
Unlisted foreign stocks (except over-the-counter stocks)	57,012	20,012
Unlisted foreign bonds	-	-
Others	-	-
Total	76,013	40,466

(Reference)

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

(Millions of Yen)

	As of March 31, 2018					As of September 30, 2018				
	Book value	Fair value	Gains/losses			Book value	Fair value	Gains/losses		
				Gains	Losses				Gains	Losses
Held-to-maturity debt securities	353,761	397,636	43,874	43,900	(25)	344,174	383,662	39,488	39,534	(46)
Policy-reserve-matching bonds	2,094,251	2,397,856	303,605	313,125	(9,519)	2,081,775	2,308,825	227,050	251,095	(24,044)
Stocks of subsidiaries	5,063	5,063	-	-	-	6,596	6,596	-	-	-
Available-for-sale securities	1,634,524	1,738,127	103,603	174,341	(70,737)	1,811,717	1,930,498	118,781	181,247	(62,466)
Domestic bonds	588,848	583,152	(5,696)	8,594	(14,290)	572,632	565,438	(7,193)	7,440	(14,633)
Domestic stocks	165,901	318,054	152,153	159,772	(7,618)	173,334	333,249	159,914	167,622	(7,708)
Foreign securities	803,648	761,823	(41,824)	4,446	(46,271)	989,538	954,923	(34,614)	3,879	(38,494)
Foreign bonds	569,387	535,588	(33,799)	3,116	(36,915)	776,028	747,504	(28,523)	2,877	(31,401)
Foreign stocks and other foreign securities	234,260	226,235	(8,025)	1,329	(9,355)	213,509	207,418	(6,091)	1,001	(7,092)
Other securities	76,125	75,096	(1,028)	1,528	(2,557)	75,613	76,283	669	2,299	(1,630)
Monetary claims bought	-	-	-	-	-	597	603	5	5	-
Negotiable certificates of deposit	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-
Total	4,087,600	4,538,684	451,083	531,366	(80,283)	4,244,263	4,629,583	385,320	471,877	(86,557)
Domestic bonds	2,851,386	3,160,551	309,165	332,986	(23,821)	2,813,889	3,043,613	229,723	268,412	(38,688)
Domestic stocks	170,964	323,118	152,153	159,772	(7,618)	179,931	339,846	159,914	167,622	(7,708)
Foreign securities	958,972	946,582	(12,390)	33,880	(46,271)	1,144,853	1,137,089	(7,763)	30,730	(38,494)
Foreign bonds	724,711	720,347	(4,364)	32,551	(36,915)	931,343	929,670	(1,672)	29,728	(31,401)
Foreign stocks and other foreign securities	234,260	226,235	(8,025)	1,329	(9,355)	213,509	207,418	(6,091)	1,001	(7,092)
Other securities	76,125	75,096	(1,028)	1,528	(2,557)	75,613	76,283	669	2,299	(1,630)
Monetary claims bought	30,151	33,335	3,184	3,198	(14)	29,975	32,751	2,776	2,812	(36)
Negotiable certificates of deposit	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-

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

(7) Fair Value Information on Money Held in Trust

The Company doesn't hold money held in trust.

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

(Millions of Yen)

	As of March 31, 2018			As of September 30, 2018		
	Book value	Fair value	Gains/losses	Book value	Fair value	Gains/losses
Land	243,149	261,268	18,118	242,834	261,208	18,374

Notes:

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

### 3. Unaudited Non-consolidated Balance Sheets

(Millions of Yen)

	As of March 31, 2018	As of September 30, 2018
<b>Assets:</b>		
Cash and deposits	31,635	36,260
Call loans	164,000	190,000
Monetary claims bought	30,151	29,980
Securities:	4,188,869	4,361,908
National government bonds	1,866,902	1,841,199
Local government bonds	48,785	50,486
Corporate bonds	936,856	920,689
Domestic stocks	334,335	351,030
Foreign securities	926,893	1,122,218
Loans:	484,169	454,419
Policy loans	49,637	47,133
Industrial and consumer loans	434,532	407,286
Tangible fixed assets	401,011	398,063
Intangible fixed assets	34,355	33,774
Reinsurance receivables	812	352
Other assets	45,629	45,080
Prepaid pension cost	70	42
Deferred tax assets	16,187	13,357
Customers' liabilities under acceptances and guarantees	10	8
Allowance for possible loan losses	(394)	(399)
<b>Total assets</b>	<b>5,396,507</b>	<b>5,562,848</b>

(Millions of Yen)

	As of March 31, 2018	As of September 30, 2018
<b>Liabilities:</b>		
Policy reserves and other reserves:	4,682,246	4,651,314
Reserve for outstanding claims	28,368	26,785
Policy reserves	4,616,919	4,587,834
Reserve for dividends to policyholders	36,959	36,694
Reinsurance payables	311	133
Bonds payable	40,349	88,295
Other liabilities:	193,656	320,676
Income taxes payable	3,321	2,909
Lease obligations	3,946	3,458
Asset retirement obligations	243	245
Others	186,144	314,062
Reserve for employees' retirement benefits	35,365	34,706
Reserve for price fluctuation	38,710	39,860
Deferred tax liabilities for land revaluation	17,762	17,708
Acceptances and guarantees	10	8
<b>Total liabilities</b>	<b>5,008,412</b>	<b>5,152,703</b>
<b>Net assets:</b>		
Foundation funds	126,000	126,000
Reserve for redemption of foundation funds	131,000	131,000
Reserve for revaluation	281	281
Surplus:	95,901	105,676
Reserve for future losses	266	291
Other surplus:	95,635	105,385
Reserve for fund redemption	48,600	61,200
Equalized reserve for dividends to policyholders	9,678	9,258
Interim unappropriated surplus (loss)	37,356	34,927
Total foundation funds and others	353,183	362,958
Net unrealized gains (losses) on available-for-sale securities, net of tax	81,292	93,640
Land revaluation differences	(46,380)	(46,454)
Total valuation and translation adjustments	34,912	47,186
<b>Total net assets</b>	<b>388,095</b>	<b>410,145</b>
<b>Total liabilities and net assets</b>	<b>5,396,507</b>	<b>5,562,848</b>



#### 4. Unaudited Non-consolidated Statements of Income

(Millions of Yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
<b>Ordinary income:</b>	334,661	324,545
Premium and other income:	188,839	196,899
Insurance premiums	188,129	195,896
Investment income:	87,450	89,971
Interest, dividends and other income	54,358	54,732
Gains on sales of securities	26,863	25,909
Investment gains on separate accounts	2,100	1,961
Other ordinary income	58,372	37,673
<b>Ordinary expenses:</b>	301,583	300,883
Claims and other payments:	215,048	202,125
Claims	62,084	60,181
Annuities	61,025	60,554
Benefits	43,625	34,742
Surrender benefits	45,408	44,141
Other payments	2,695	2,084
Provision for policy reserves and other reserves:	2	1
Provision for interest on policyholders' dividend reserves	2	1
Investment expenses:	18,800	29,150
Interest expenses	2,223	2,323
Losses on sales of securities	1,154	6,380
Losses on valuation of securities	49	32
Losses on derivative financial instruments	7,531	12,240
Operating expenses	50,927	52,926
Other ordinary expenses	16,804	16,679
<b>Ordinary profit</b>	<b>33,078</b>	<b>23,661</b>
<b>Extraordinary gains</b>	<b>68</b>	<b>157</b>
<b>Extraordinary losses</b>	<b>1,387</b>	<b>1,589</b>
<b>Surplus before income taxes</b>	<b>31,758</b>	<b>22,229</b>
<b>Income taxes including deferred taxes</b>	<b>6,965</b>	<b>4,298</b>
<b>Total income taxes</b>	<b>6,965</b>	<b>4,298</b>
<b>Net surplus</b>	<b>24,793</b>	<b>17,931</b>

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

Six months ended September 30, 2017

(Millions of Yen)

	Foundation funds and others								Total foundation funds and others
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Surplus				Total surplus	
				Reserve for future losses	Other surplus				
					Reserve for fund redemption	Equalized reserve for dividends to policyholders	Interim unappropriated surplus (loss)		
Beginning balance	126,000	131,000	281	242	36,000	8,718	31,353	76,313	333,595
Changes in the interim period:									
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							24,793	24,793	24,793
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							98	98	98
Net changes, excluding foundation funds and others									
Net changes in the interim period	-	-	-	24	12,600	960	4,288	17,872	17,872
Ending balance	126,000	131,000	281	266	48,600	9,678	35,641	94,185	351,467

	Valuation and translation adjustments			Total net assets
	Net unrealized gains (losses) on available-for-sale securities, net of tax	Land revaluation differences	Total valuation and translation adjustments	
Beginning balance	71,104	(45,762)	25,341	358,937
Changes in the interim period:				
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				24,793
Additions to reserve for fund redemption				
Additions to equalized reserve for dividends to policyholders				
Reversal of land revaluation differences				98
Net changes, excluding foundation funds and others	31,747	(98)	31,648	31,648
Net changes in the interim period	31,747	(98)	31,648	49,521
Ending balance	102,851	(45,861)	56,990	408,458

Six months ended September 30, 2018

(Millions of Yen)

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

	Valuation and translation adjustments			Total net assets
	Net unrealized gains (losses) on available- for-sale securities, net of tax	Land revaluation differences	Total valuation and translation adjustments	
Beginning balance	81,292	(46,380)	34,912	388,095
Changes in the interim period:				
Additions to reserve for dividends to policyholders				(1,963)
Additions to reserve for future losses				
Payment of interest on foundation funds				(6,266)
Net surplus				17,931
Additions to reserve for fund redemption				
Reversal of equalized reserve for dividends to policyholders				
Reversal of land revaluation differences				73
Net changes, excluding foundation funds and others	12,347	(73)	12,273	12,273
Net changes in the interim period	12,347	(73)	12,273	22,049
Ending balance	93,640	(46,454)	47,186	410,145

## **I. Presentation of Unaudited Non-consolidated Financial Statements**

### **Basis of Presentation**

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

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

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

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

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

## **II. Notes to Unaudited Non-consolidated Balance Sheet**

### **1. Significant Accounting Policies**

#### **(1) Valuation methods of securities**

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

- i) Trading securities are stated at fair market value. Costs of sales are determined by the moving average method.
- ii) Held-to-maturity debt securities are stated at amortized cost (straight-line method) determined by the moving average method.
- iii) Policy-reserve-matching bonds, which are in accordance with “Temporary Treatment of Accounting and Auditing Concerning Policy-reserve-matching Bonds in Insurance Industry” (Industry Audit Committee Report No. 21 issued by the Japanese Institute

of Certified Public Accountants (“JICPA”)), are stated at amortized cost (straight-line method) determined by the moving average method.

- iv) Investments in subsidiaries and affiliates are stated at cost.
- v) Available-for-sale securities with fair market value except for the following are stated at fair market value based on the market prices at the balance sheet date. Available-for-sale securities with fair market value, of which domestic stocks, domestic stock exchange-traded funds, domestic listed real estate investment trusts, foreign stock exchange-traded funds for which hedge accounting is not applied, foreign bond exchange-traded funds for which hedge accounting is not applied and foreign currency-denominated bonds for which hedge accounting is not applied, are stated at fair market value based on the average of the market prices during the final month of the interim period. Costs of sales are determined by the moving average method. Available-for-sale securities with extreme difficulty of measuring fair market value, of which public and corporate bonds including foreign bonds with the difference between acquisition cost and face value recognized as an adjustment of interest, are stated at amortized cost (straight-line method) determined by the moving average method. The other securities are stated at cost determined by the moving average method. Net unrealized gains or losses on these available-for-sale securities, net of tax, are recorded as a separate component of net assets.

(2) Policy-reserve-matching bonds

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

(3) Valuation methods of derivative financial instruments

Derivative financial instruments are stated at fair market value.

(4) Revaluation of land

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

■ Date of revaluation: March 31, 2001

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

The calculation is based on the publicly announced appraisal value with certain

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

(5) Depreciation of tangible fixed assets

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

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

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

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

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

(6) Foreign currency translation

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

(7) Allowance for possible loan losses

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

- i) For credit to borrowers who are legally bankrupt such as being in bankruptcy proceedings or civil rehabilitation (hereinafter "legally bankrupt borrowers") and who are substantially bankrupt (hereinafter "substantially bankrupt borrowers"), the Company provides the remaining amount of credits after the direct write-off described below and the deductions of the amount expected to be collected through the disposal of collateral or the execution of guarantees.
- ii) For credit to borrowers who are not currently bankrupt but have a high risk of bankruptcy (hereinafter "not currently bankrupt borrowers"), the Company provides the amounts deemed as necessary considering the borrowers' ability to pay, within the amounts after deductions of the amount expected to be collected through the disposal of collateral or the execution of guarantees.

- iii) For credit to borrowers other than the above, the Company provides the amounts calculated by multiplying the book value by the actual ratio of bad debt losses on defaults during a certain past period.

All credit is assessed by the relevant departments in accordance with the Company's standards of self-assessment on credit quality. The results of the assessment are reviewed by the audit department, which is independent of business-related divisions. Subsequently, allowance for possible loan losses is provided based on the results of these assessments.

For credit to legally bankrupt borrowers and substantially bankrupt borrowers, the amounts remaining after deductions of collateral value or the amounts collectible through the execution of guarantees are written-off directly from the book value as the estimated uncollectible amounts. The amount written-off was ¥58 million as of September 30, 2018.

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

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

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

- The retirement benefit obligation is attributed to each period by the benefit formula method.
- Actuarial differences are amortized under the straight-line method over a period of seven years starting the following year.
- Prior service cost is charged to income when incurred.

- (9) Reserve for price fluctuation

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

- (10) Accounting for hedging activities

Hedging activities are accounted for in accordance with the "Accounting Standards for Financial Instruments" (Accounting Standards Board of Japan ("ASBJ") Statement No. 10).

The Company mainly applies the following hedging activities:

The Company applies deferred hedge accounting and the exceptional accounting treatment ("Tokurei-shori") for interest rate swaps used to hedge the cash flow volatility of certain loans.

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

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

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

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

(11) Accounting for consumption taxes

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

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

(12) Policy reserves

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

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

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

(13) Software

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



## 2. Financial Instruments

The balance sheet amounts, fair values and the differences between those of major financial assets and liabilities as of September 30, 2018 were as follows:

	Millions of Yen		
	As of September 30, 2018		
	Balance Sheet Amount	Fair Value	Difference
Cash and deposits	¥ 36,260	¥ 36,260	¥ -
Call loans	190,000	190,000	-
Monetary claims bought	29,980	32,751	2,770
Trading securities	-	-	-
Held-to-maturity debt securities	29,377	32,147	2,770
Policy-reserve-matching bonds	-	-	-
Available-for-sale securities	603	603	-
Securities	4,321,442	4,585,211	263,768
Trading securities	28,844	28,844	-
Held-to-maturity debt securities	314,797	351,514	36,717
Policy-reserve-matching bonds	2,081,775	2,308,825	227,050
Available-for-sale securities	1,896,026	1,896,026	-
Loans	454,419	462,679	8,259
Policy loans	47,133	47,133	-
Industrial and consumer loans	407,286	415,546	8,259
Total assets	5,032,104	5,306,903	274,798
Bonds payable	88,295	90,504	2,209
Loans payable	94,000	92,064	(1,935)
Total liabilities	182,295	182,568	273
Derivative financial instruments	(15,058)	(15,058)	-
Hedge accounting not applied	(1,766)	(1,766)	-
Hedge accounting applied	(13,292)	(13,292)	-

\*Assets and liabilities generated by derivative financial instruments are offset and presented net.  
Net liabilities in total are presented in parentheses.

- (1) Securities including deposits and monetary claims bought which are treated as securities based on “Accounting Standards for Financial Instruments” (ASBJ Statement No. 10).

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

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

Unlisted stocks and others, including investments in subsidiaries and affiliates, of which market value is not readily available are not subject to fair value disclosure and are therefore not included in the table above because it is regarded as extremely difficult to

determine their fair value.

The amount of the unlisted stocks and others, including investments in subsidiaries and affiliates, reported in the interim non-consolidated balance sheets was ¥40,465 million as of September 30, 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 values, etc. as of September 30, 2018.

(4) Derivative financial instruments

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

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

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

### **3. Investments and Rental Properties**

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

### **4. Securities Lent under Lending Agreements**

The amount of securities lent under lending agreements was ¥231,476 million as of September 30, 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 ¥777 million as of September 30, 2018.

- i) Loans to bankrupt borrowers were ¥0 million as of September 30, 2018.
- ii) Delinquent loans were ¥647 million as of September 30, 2018.
- iii) Delinquent loans three or more months past due were ¥101 million as of September 30, 2018.
- iv) Restructured loans were ¥27 million as of September 30, 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 amount of loans to bankrupt borrowers described above by ¥13 million as of September 30, 2018.

In addition, the direct write-offs related to loans decreased the amount of delinquent loans described above by ¥44 million as of September 30, 2018.

## 6. Separate Accounts

Total assets in separate accounts provided for in Article 118 of the Insurance Business Act were ¥30,136 million as of September 30, 2018. The amount of separate account liabilities was the same as separate account assets.

## 7. Reserve for Dividends to Policyholders

The change in reserve for dividends to policyholders for the interim period ended September 30, 2018 was as follows:

	Millions of Yen
	Six months ended September 30, 2018
Balance at the beginning of the interim period	¥ 36,959
Transfer to reserve from surplus in the previous fiscal year	1,963
Dividends to policyholders paid out during the interim period	2,229
Increase in interest	1
Balance at the end of the interim period	¥ 36,694

## 8. Stocks of Subsidiaries and Affiliates

The amount of stocks of subsidiaries and affiliates the Company held was ¥6,596 million as of September 30, 2018.

## 9. Pledged Assets

Assets pledged as collateral were securities in the amount of ¥23,559 million as of September 30, 2018.

## 10. 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 ¥137 million as of September 30, 2018.

## 11. Assets with Rights to Sell

The Company has the legal right to sell or collateralize securities borrowed under loan agreements. The market value of these assets that were not sold or pledged as collateral was ¥67,879 million as of September 30, 2018. No assets were pledged as collateral as of September 30, 2018.

## 12. Commitment Line

As of September 30, 2018, there were unused commitment line agreements under which the Company is the lender of ¥4,101 million.

### 13. Subordinated Bonds Payable

As of September 30, 2018, bonds payable are subordinated bonds payable, for which the repayments are subordinated to other obligations.

### 14. Subordinated Loans Payable

As of September 30, 2018, other liabilities included subordinated loans payable of ¥94,000 million, for which the repayments are subordinated to other obligations.

### 15. Contributions to Policyholders Protection Corporation

The estimated future contributions to the Life Insurance Policyholders Protection Corporation of Japan under Article 259 of the Insurance Business Act were ¥8,899 million as of September 30, 2018. These contributions are charged as operating expenses in the reporting period in which they are paid.

## III. Notes to Unaudited Non-consolidated Statement of Income

### 1. Investment Income and Expenses

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

	Millions of Yen	
	Six months ended	
	September 30, 2018	
Domestic bonds	¥	25,451
Domestic stocks and other securities		455
Foreign securities		3

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

	Millions of Yen	
	Six months ended	
	September 30, 2018	
Domestic bonds	¥	1,599
Domestic stocks and other securities		500
Foreign securities		4,279

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

	Millions of Yen	
	Six months ended	
	September 30, 2018	
Domestic stocks and other securities	¥	32

## 2. Policy Reserves for the Reinsurance Contracts

Reversal of policy reserves for ceded reinsurance considered in calculating reversal of policy reserves for the interim periods ended September 30, 2018 was ¥39 million.

## 3. Interest and Dividend Income

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

	Millions of Yen	
	Six months ended	
	September 30, 2018	
Interest on deposits	¥	0
Interest and dividends on securities		42,261
Interest on loans		3,711
Rental revenue from real estate		8,266
Other interest and dividends		493
Total	¥	<u>54,732</u>

## 4. Income Tax Expense

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

## 6. Breakdown of Ordinary Profit (Fundamental Profit)

(Millions of Yen)

		Six months ended September 30, 2017	Six months ended September 30, 2018
Fundamental profit	A	14,764	12,966
Capital gains		27,287	29,572
Gains on money held in trust		-	-
Gains on trading securities		-	-
Gains on sales of securities		26,863	25,909
Gains on derivative financial instruments		-	-
Foreign exchange gains		423	3,662
Other capital gains		-	-
Capital losses		8,734	18,653
Losses on money held in trust		-	-
Losses on trading securities		-	-
Losses on sales of securities		1,154	6,380
Losses on valuation of securities		49	32
Losses on derivative financial instruments		7,531	12,240
Foreign exchange losses		-	-
Other capital losses		-	-
Net capital gains (losses)	B	18,553	10,918
Fundamental profit plus net capital gains (losses)	A+B	33,317	23,885
Other one-time gains		60	26
Reinsurance revenue		-	-
Reversal of contingency reserve		-	-
Reversal of specific allowance for possible loan losses		60	26
Others		-	-
Other one-time losses		300	250
Reinsurance premiums		-	-
Provision for contingency reserve		300	250
Provision for specific allowance for possible loan losses		-	-
Provision for allowance for specified overseas loans		-	-
Write-offs of loans		0	0
Others		-	-
Net other one-time gains (losses)	C	(239)	(223)
Ordinary profit	A+B+C	33,078	23,661

## 7. Disclosed Claims Based on Categories of Obligors

(Millions of Yen, %)

	As of March 31, 2018	As of September 30, 2018
Claims against bankrupt and quasi-bankrupt obligors	529	446
Claims with collection risk	237	217
Claims for special attention	161	133
Subtotal	928	796
(Percentage of total)	(0.15)	(0.12)
Claims against normal obligors	606,280	686,832
Total	607,208	687,628

Notes:

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



## 8. Risk-monitored Loans

(Millions of Yen, %)

	As of March 31, 2018	As of September 30, 2018
Loans to bankrupt borrowers	0	0
Delinquent loans	748	647
Delinquent loans three or more months past due	120	101
Restructured loans	36	27
Total	906	777
(Percentage of total loans)	(0.19)	(0.17)

Notes:

1. For credit to legally bankrupt borrowers and substantially bankrupt borrowers, the amounts remaining after the deductions of amount expected to be collected through the disposal of collateral or the execution of guarantees are written-off directly from the book value as the estimated uncollectible amounts. The amounts written-off related to loans to bankrupt borrowers were ¥13 million as of September 30, 2018 and ¥13 million as of March 31, 2018. The amounts written-off related to delinquent loans were ¥44 million as of September 30, 2018 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 or interest on these loans is unlikely to be collected due to the significant delay in repayment of principal or interest repayments or for other reasons.
3. Delinquent loans are loans whose accruing interest is not recorded as income and exclude loans to bankrupt borrowers and loans for which interest payments have been suspended and rescheduled to assist and support the borrowers in the restructuring of their business.
4. Delinquent loans three or more months past due are loans for which interest payments or repayments of principal are delinquent for three months or more from the due dates under the terms of the related loan agreements, excluding those loans classified as loans to bankrupt borrowers or delinquent loans.
5. Restructured loans are loans for which certain concessions favorable to borrowers, such as interest reduction or exemptions, rescheduling of due dates of principal or interest payments, waivers of claim or other terms, have been negotiated for the purpose of assisting and supporting the borrowers in the restructuring of their businesses. This category excludes loans classified as loans to bankrupt borrowers, delinquent loans and delinquent loans three or more months past due.

## 9. Solvency Margin Ratio

(Millions of Yen)

		As of March 31, 2018	As of September 30, 2018
Total solvency margin	(A)	787,114	872,544
Foundation funds and surplus		344,953	359,918
Reserve for price fluctuation		38,710	39,860
Contingency reserve		50,682	50,932
General allowance for possible loan losses		17	49
(Net unrealized gains on available-for-sale securities (before tax effect) and deferred hedge gains (before tax effect)) × 90% (in case of losses: × 100%)		93,243	106,903
Net unrealized gains on land × 85% (in case of losses: × 100%)		(10,499)	(10,371)
Excess amount of policy reserves based on full-time Zillmer method		122,802	127,642
Qualifying subordinated debt		136,949	181,495
Excess amount of policy reserves based on full-time Zillmer method and qualifying subordinated debt excluded from the calculation of solvency margin		-	-
Deduction		-	-
Others		10,256	16,114
Total amount of risk	$\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$ (B)	194,693	200,182
Insurance risk	$R_1$	14,415	14,122
Third sector insurance risk	$R_8$	9,450	9,530
Risk of assumed yield	$R_2$	78,490	77,170
Minimum guarantee risk	$R_7$	1,076	1,076
Investment risk	$R_3$	109,368	116,141
Operational risk	$R_4$	4,256	4,360
Solvency margin ratio	$(A) / \{(1/2) \times (B)\} \times 100$	808.5%	871.7%

### Notes:

- 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.
- "Excess amount of policy reserves based on full-time Zillmer method", "Qualifying subordinated debt" and "Excess amount of policy reserves based on full-time Zillmer method and qualifying subordinated debt excluded from the calculation of solvency margin" are calculated based on the Public Notice No.25 of the Financial Services Agency of 2011.
- "Minimum guarantee risk" is calculated by standard method.

## 10. Status of Separate Account

### (1) Separate Account Assets by Products

(Millions of Yen)

	As of March 31, 2018	As of September 30, 2018
	Amount	Amount
Individual variable insurance	29,382	30,136
Individual variable annuities	-	-
Group annuity products	-	-
Total	29,382	30,136

### (2) Sum Insured of Policies in Force

	As of March 31, 2018		As of September 30, 2018	
	Number of policies (Thousands)	Amount (Millions of Yen)	Number of policies (Thousands)	Amount (Millions of Yen)
Individual variable insurance (fixed term)	0	5	-	-
Individual variable insurance (whole life)	14	98,383	14	97,018
Total	14	98,388	14	97,018

	As of March 31, 2018		As of September 30, 2018	
	Number of policies (Thousands)	Amount (Millions of Yen)	Number of policies (Thousands)	Amount (Millions of Yen)
Individual variable annuities	-	-	-	-
Total	-	-	-	-

## 11. Status of the Company, Subsidiaries and Affiliates

### (1) Selected Financial Data

(Millions of Yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Ordinary income	336,542	326,406
Ordinary profit	32,993	23,300
Net surplus attributable to the Parent Company	24,709	17,675
Comprehensive income	56,752	30,314

(Millions of Yen)

	As of March 31, 2018	As of September 30, 2018
Total assets	5,397,841	5,563,545
Solvency margin ratio	815.4%	879.8%

## (2) Unaudited Consolidated Balance Sheets

(Millions of Yen)

	As of March 31, 2018	As of September 30, 2018
<b>Assets:</b>		
Cash and deposits	36,143	40,284
Call loans	164,000	190,000
Monetary claims bought	30,151	29,980
Securities	4,185,104	4,357,842
Loans	484,169	454,419
Tangible fixed assets	401,061	398,122
Intangible fixed assets	33,735	33,173
Reinsurance receivables	812	352
Other assets	46,632	46,066
Net defined benefit assets	351	286
Deferred tax assets	16,062	13,407
Customers' liabilities under acceptances and guarantees	10	8
Allowance for possible loan losses	(394)	(399)
<b>Total assets</b>	<b>5,397,841</b>	<b>5,563,545</b>
<b>Liabilities:</b>		
Policy reserves and other reserves:	4,682,246	4,651,314
Reserve for outstanding claims	28,368	26,785
Policy reserves	4,616,919	4,587,834
Reserve for dividends to policyholders	36,959	36,694
Reinsurance payables	311	133
Bonds payable	40,349	88,295
Other liabilities	194,908	321,604
Net defined benefit liabilities	35,056	34,088
Reserve for price fluctuation	38,710	39,860
Deferred tax liabilities for land revaluation	17,762	17,708
Acceptances and guarantees	10	8
<b>Total liabilities</b>	<b>5,009,355</b>	<b>5,153,013</b>
<b>Net assets:</b>		
Foundation funds	126,000	126,000
Reserve for redemption of foundation funds	131,000	131,000
Reserve for revaluation	281	281
Consolidated surplus	95,832	105,351
Total foundation funds and others	353,114	362,633
Net unrealized gains (losses) on available-for-sale securities, net of tax	81,293	93,642
Land revaluation differences	(46,380)	(46,454)
Accumulated remeasurements of defined benefit plans	377	646
Total accumulated other comprehensive income	35,290	47,834
Non-controlling interests	81	63
<b>Total net assets</b>	<b>388,486</b>	<b>410,532</b>
<b>Total liabilities and net assets</b>	<b>5,397,841</b>	<b>5,563,545</b>

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

(Millions of Yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
<b>Ordinary income:</b>	336,542	326,406
Premium and other income	188,839	196,899
Investment income:	87,210	89,430
Interest, dividends and other income	54,131	54,204
Gains on sales of securities	26,864	25,909
Investment gains on separate accounts	2,100	1,961
Other ordinary income	60,491	40,076
<b>Ordinary expenses:</b>	303,548	303,106
Claims and other payments:	215,048	202,125
Claims	62,084	60,181
Annuities	61,025	60,554
Benefits	43,625	34,742
Surrender benefits	45,408	44,141
Other payments	2,695	2,084
Provision for policy reserves and other reserves:	2	1
Provision for interest on policyholders' dividend reserves	2	1
Investment expenses:	18,800	29,150
Interest expenses	2,223	2,323
Losses on sales of securities	1,154	6,380
Losses on valuation of securities	49	32
Losses on derivative financial instruments	7,531	12,240
Operating expenses	52,927	55,217
Other ordinary expenses	16,769	16,611
<b>Ordinary profit</b>	32,993	23,300
<b>Extraordinary gains</b>	68	157
<b>Extraordinary losses</b>	1,387	1,589
<b>Surplus before income taxes</b>	31,674	21,868
<b>Income taxes including deferred taxes</b>	6,945	4,171
<b>Total income taxes</b>	6,945	4,171
<b>Net surplus</b>	24,728	17,696
<b>Net surplus attributable to non-controlling interests</b>	19	21
<b>Net surplus attributable to the Parent Company</b>	24,709	17,675

(Unaudited Consolidated Statements of Comprehensive Income)

(Millions of Yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
<b>Net surplus</b>	24,728	17,696
<b>Other comprehensive income:</b>	32,023	12,618
Net unrealized gains (losses) on available-for-sale securities, net of tax	31,747	12,348
Remeasurements of defined benefit plans	276	269
<b>Comprehensive income:</b>	56,752	30,314
Comprehensive income attributable to the Parent Company	56,733	30,293
Comprehensive income attributable to non-controlling interests	19	21

## (4) Unaudited Consolidated Statements of Cash Flows

(Millions of Yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
<b>I. Cash flows from operating activities</b>		
Surplus before income taxes	31,674	21,868
Depreciation of rental real estate and other assets	2,799	2,779
Depreciation	4,854	5,631
Impairment losses	157	328
Increase (decrease) in reserve for outstanding claims	(619)	(1,583)
Increase (decrease) in policy reserves	(49,300)	(29,084)
Provision for interest on policyholders' dividend reserves	2	1
Increase (decrease) in allowance for possible loan losses	(61)	4
Increase (decrease) in net defined benefit liabilities	(651)	(659)
Increase (decrease) in reserve for price fluctuation	1,100	1,150
Interest, dividends and other income	(54,131)	(54,204)
(Gains) losses on securities	(27,761)	(21,458)
(Gains) losses on derivative financial instruments	7,531	12,240
Interest expenses	2,223	2,323
Foreign exchange (gains) losses, net	(423)	(3,661)
(Gains) losses on tangible fixed assets	(63)	(116)
Others, net	(3,724)	(12,747)
Subtotal	(86,394)	(77,187)
Interest, dividends and other income received	56,747	56,172
Interest paid	(2,531)	(2,532)
Dividends to policyholders paid	(2,435)	(2,229)
Income taxes (paid) refunded	(2,690)	(5,015)
Net cash provided by (used in) operating activities	(37,304)	(30,792)
<b>II. Cash flows from investing activities</b>		
Purchases of monetary claims bought	(500)	(1,099)
Proceeds from sales and redemptions of monetary claims bought	2,135	1,272
Purchases of securities	(352,898)	(492,159)
Proceeds from sales and redemptions of securities	328,920	383,383
Disbursements for loans	(26,094)	(18,528)
Proceeds from collections of loans	70,643	51,023
Proceeds from derivative financial instruments	3,005	(23,324)
Increase (decrease) in payables under securities borrowing transactions	88,803	126,085
①Total of investing activities	114,015	26,653
[ I + ① ]	76,711	(4,138)
Purchases of tangible fixed assets	(2,494)	(2,378)
Proceeds from sales of tangible fixed assets	161	249
Others, net	(5,870)	(2,407)
Net cash provided by (used in) investing activities	105,812	22,116
<b>III. Cash flows from financing activities</b>		
Redemption of debt borrowing	-	(3,000)
Proceeds from issuance of bonds	-	47,946
Payment of interest on foundation funds	(5,499)	(5,551)
Dividends paid to non-controlling interests	(31)	(39)
Others, net	(458)	(537)
Net cash provided by (used in) financing activities	(5,989)	38,817
<b>IV. Net increase (decrease) in cash and cash equivalents</b>	62,518	30,141
<b>V. Cash and cash equivalents at the beginning of the interim period</b>	157,511	200,143
<b>VI. Cash and cash equivalents at the end of the interim period</b>	220,029	230,284

Note:

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



## (5) Unaudited Consolidated Statements of Changes in Net Assets

Six months ended September 30, 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	131,000	281	76,065	333,347
Changes in the interim period:					
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				24,709	24,709
Reversal of land revaluation differences				98	98
Net changes, excluding foundation funds and others					
Net changes in the interim period	-	-	-	17,788	17,788
Ending balance	126,000	131,000	281	93,854	351,136

	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 interim period:						
Additions to reserve for dividends to policyholders						(1,519)
Payment of interest on foundation funds						(5,499)
Net surplus attributable to the Parent Company						24,709
Reversal of land revaluation differences						98
Net changes, excluding foundation funds and others	31,747	(98)	276	31,925	(12)	31,912
Net changes in the interim period	31,747	(98)	276	31,925	(12)	49,701
Ending balance	102,852	(45,861)	(82)	56,909	60	408,106

Six months ended September 30, 2018

(Millions of Yen)

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

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Net unrealized gains (losses) on available-for-sale securities, net of tax	Land revaluation differences	Accumulated remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Beginning balance	81,293	(46,380)	377	35,290	81	388,486
Changes in the interim period:						
Additions to reserve for dividends to policyholders						(1,963)
Payment of interest on foundation funds						(6,266)
Net surplus attributable to the Parent Company						17,675
Reversal of land revaluation differences						73
Net changes, excluding foundation funds and others	12,348	(73)	269	12,544	(17)	12,526
Net changes in the interim period	12,348	(73)	269	12,544	(17)	22,046
Ending balance	93,642	(46,454)	646	47,834	63	410,532

## **I. Presentation of Unaudited Consolidated Financial Statements**

### **1. Basis of Presentation**

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

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

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

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

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

### **2. Principles of Consolidation**

#### **(1) Scope of consolidation**

The consolidated subsidiaries as of September 30, 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.

Each non-consolidated subsidiary is small in scale in terms of total assets, amount of sales, net income and surplus for the interim period. As such non-consolidated subsidiaries are not considered to materially affect any reasonable determination as to the financial position and results of operation of the Company’s group, these companies are excluded from the consolidation.

#### **(2) Application of equity method**

Unconsolidated subsidiaries and affiliates (such as Asahi Real Estate Management Co.,

Ltd, etc.) are immaterial in terms of their impact on consolidated net income and surplus, and also immaterial as a whole, therefore, the equity method is not applied.

(3) Interim period-end of consolidated subsidiaries

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

## II. Notes to Unaudited Consolidated Balance Sheet

### 1. Significant Accounting Policies

(1) Valuation methods of securities

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

- i) Trading securities are stated at fair market value. Costs of sales are determined by the moving average method.
- ii) Held-to-maturity debt securities are stated at amortized cost (straight-line method) determined by the moving average method.
- iii) Policy-reserve-matching bonds, which are in accordance with “Temporary Treatment of Accounting and Auditing Concerning Policy-reserve-matching Bonds in Insurance Industry” (Industry Audit Committee Report No. 21 issued by the Japanese Institute of Certified Public Accountants (“JICPA”)), are stated at amortized cost (straight-line method) determined by the moving average method.
- iv) Investments in unconsolidated subsidiaries and affiliates not accounted for under the equity method are stated at cost.
- v) Available-for-sale securities with fair market value except for the following are stated at fair market value based on the market prices at the balance sheet date. Available-for-sale securities with fair market value, of which domestic stocks, domestic stock exchange-traded funds, domestic listed real estate investment trusts, foreign stock exchange-traded funds for which hedge accounting is not applied, foreign bond exchange-traded funds for which hedge accounting is not applied and foreign currency-denominated bonds for which hedge accounting is not applied, are stated at fair market value based on the average of the market prices during the final month of the interim period. Costs of sales are determined by the moving average method. Available-for-sale securities with extreme difficulty of measuring fair market value, of which public and corporate bonds including foreign bonds with the difference between acquisition cost and face value recognized as an adjustment of interest, are stated at amortized cost (straight-line method) determined by the moving average method. The other securities are stated at cost determined by the moving average method. Net unrealized gains or losses on these available-for-sale securities, net of tax, are recorded as a separate component of net assets.

(2) Policy-reserve-matching bonds

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

(3) Revaluation of land

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

■ Date of revaluation: March 31, 2001

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

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

(4) Depreciation of tangible fixed assets

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

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

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

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

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

(5) Foreign currency translation

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

available-for-sale securities with fair market value. Such securities are translated into Japanese yen at the average of the effective exchange rate during the final month of the interim period.

(6) Allowance for possible loan losses

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

- i) For credit to borrowers who are legally bankrupt such as being in bankruptcy proceedings or civil rehabilitation (hereinafter "legally bankrupt borrowers") and who are substantially bankrupt (hereinafter "substantially bankrupt borrowers"), the Company provides the remaining amount of credits after the direct write-off described below and the deductions of the amount expected to be collected through the disposal of collateral or the execution of guarantees.
- ii) For credit to borrowers who are not currently bankrupt but have a high risk of bankruptcy (hereinafter "not currently bankrupt borrowers"), the Company provides the amounts deemed as necessary considering the borrowers' ability to pay, within the amounts after deductions of the amount expected to be collected through the disposal of collateral or the execution of guarantees.
- iii) For credit to borrowers other than the above, the Company provides the amounts calculated by multiplying the book value by the actual ratio of bad debt losses on defaults during a certain past period.

All credit is assessed by the relevant departments in accordance with the Company's standards of self-assessment on credit quality. The results of the assessment are reviewed by the audit department, which is independent of business-related divisions. Subsequently, allowance for possible loan losses is provided based on the results of these assessments.

For consolidated subsidiaries, the Company records the allowance amounts deemed necessary in accordance mainly with the Company's standards of self-assessment and write-offs and reserves on credit quality.

For credit to legally bankrupt borrowers and substantially bankrupt borrowers, the amounts remaining after deductions of collateral value or the amounts collectible through the execution of guarantees are written-off directly from the book value as the estimated uncollectible amounts. The amount written-off was ¥58 million as of September 30, 2018.

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

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

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

- The retirement benefit obligation is attributed to each period by the benefit formula method.
- Actuarial differences are amortized under the straight-line method over a period of seven years starting the following year.
- Prior service cost is charged to income when incurred.

(8) Accounting for hedging activities

Hedging activities are accounted for in accordance with the “Accounting Standards for Financial Instruments” (Accounting Standards Board of Japan (“ASBJ”) Statement No. 10).

The Company mainly applies the following hedging activities:

The Company applies deferred hedge accounting and the exceptional accounting treatment (“Tokurei-shori”) for interest rate swaps used to hedge the cash flow volatility of certain loans.

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

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

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

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

(9) Valuation methods of derivative financial instruments

Derivative financial instruments are stated at fair market value.

(10) Reserve for price fluctuation

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

(11) Accounting for consumption taxes

The Company and its subsidiaries account for consumption tax and local consumption tax by the tax-exclusion method. The consumption taxes on certain assets, which are not

deductible from consumption taxes withheld and that are stipulated to be deferred under the Corporation Tax Act of Japan, are deferred as other assets and amortized equally over five years.

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

(12) Policy reserves

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

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

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

(13) Software

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



## 2. Financial Instruments

The balance sheet amounts, fair values and the differences between those of major financial assets and liabilities as of September 30, 2018 were as follows:

	Millions of Yen		
	As of September 30, 2018		
	Balance Sheet Amount	Fair Value	Difference
Cash and deposits	¥ 40,284	¥ 40,284	¥ -
Call loans	190,000	190,000	-
Monetary claims bought	29,980	32,751	2,770
Trading securities	-	-	-
Held-to-maturity debt securities	29,377	32,147	2,770
Policy-reserve-matching bonds	-	-	-
Available-for-sale securities	603	603	-
Securities	4,321,865	4,585,634	263,768
Trading securities	28,844	28,844	-
Held-to-maturity debt securities	315,199	351,917	36,718
Policy-reserve-matching bonds	2,081,775	2,308,825	227,050
Available-for-sale securities	1,896,047	1,896,047	-
Loans	454,419	462,679	8,259
Policy loans	47,133	47,133	-
Industrial and consumer loans	407,286	415,546	8,259
Total assets	5,036,551	5,311,351	274,799
Bonds payable	88,295	90,504	2,209
Loans payable	94,000	92,064	(1,935)
Total liabilities	182,295	182,568	273
Derivative financial instruments	(15,058)	(15,058)	-
Hedge accounting not applied	(1,766)	(1,766)	-
Hedge accounting applied	(13,292)	(13,292)	-

\* Assets and liabilities generated by derivative financial instruments are offset and presented net. Net liabilities in total are presented in parentheses.

- (1) Securities including deposits and monetary claims bought which are treated as securities based on “Accounting Standards for Financial Instruments” (ASBJ Statement No. 10).

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

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

Unlisted stocks and others, including investments in subsidiaries and affiliates, of which

market value is not readily available are not subject to fair value disclosure and are therefore not included in the table above because it is regarded as extremely difficult to determine their fair value.

The amount of the unlisted stocks and others, including investments in subsidiaries and affiliates, reported in the interim consolidated balance sheets was ¥35,976 million as of September 30, 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 September 30, 2018.

(4) Derivative financial instruments

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

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

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

### 3. Investments and Rental Properties

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

#### 4. Loans

The total amount of loans to bankrupt borrowers, delinquent loans, delinquent loans three or more months past due and restructured loans, which were included in loans, was ¥777 million as of September 30, 2018.

- i) Loans to bankrupt borrowers were ¥0 million as of September 30, 2018.
- ii) Delinquent loans were ¥647 million as of September 30, 2018.
- iii) Delinquent loans three or more months past due were ¥101 million as of September 30, 2018.
- iv) Restructured loans were ¥27 million as of September 30, 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 amount of loans to bankrupt borrowers described above by ¥13 million as of September 30, 2018.

In addition, the direct write-offs related to loans decreased the amount of delinquent loans described above by ¥44 million as of September 30, 2018.

## 5. Separate Accounts

Total assets in separate accounts provided for in Article 118 of the Insurance Business Act were ¥30,136 million as of September 30, 2018. The amount of separate account liabilities was the same as separate account assets.

## 6. Reserve for Dividends to Policyholders

The change in reserve for dividends to policyholders for the interim period ended September 30, 2018 was as follows:

	Millions of Yen
	Six months ended September 30, 2018
Balance at the beginning of the interim period	¥ 36,959
Transfer to reserve from surplus in the previous fiscal year	1,963
Dividends to policyholders paid out during the interim period	2,229
Increase in interest	1
Balance at the end of the interim period	¥ 36,694

## 7. Pledged Assets

Assets pledged as collateral were securities in the amount of ¥23,559 million as of September 30, 2018.

## 8. Securities Lent under Lending Agreements

The amount of securities lent under lending agreements was ¥231,476 million as of September 30, 2018.

## 9. Assets with Rights to Sell

The Company has the legal right to sell or collateralize securities borrowed under loan agreements. The market value of these assets that were not sold or pledged as collateral was ¥67,879 million as of September 30, 2018. No assets were pledged as collateral as of September 30, 2018.

## 10. Commitment Line

As of September 30, 2018, there were unused commitment line agreements under which the Company is the lender of ¥4,101 million.

## 11. Subordinated Bonds Payable

As of September 30, 2018, bonds payable are subordinated bonds payable, for which the repayments are subordinated to other obligations.

## 12. Subordinated Loans Payable

As of September 30, 2018, other liabilities included subordinated loans payable of ¥94,000 million, for which the repayments are subordinated to other obligations.

## 13. Contributions to Policyholders Protection Corporation

The estimated future contributions to the Life Insurance Policyholders Protection Corporation of Japan under Article 259 of the Insurance Business Act were ¥8,899 million as of September 30, 2018. These contributions are charged as operating expenses in the reporting period in which they are paid.

### III. Notes to Unaudited Consolidated Statement of Income

#### 1. Investment Income and Expenses

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

	Millions of Yen	
	Six months ended	
	September 30, 2018	
Domestic bonds	¥	25,451
Domestic stocks and other securities		455
Foreign securities		3

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

	Millions of Yen	
	Six months ended	
	September 30, 2018	
Domestic bonds	¥	1,599
Domestic stocks and other securities		500
Foreign securities		4,279

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

	Millions of Yen	
	Six months ended	
	September 30, 2018	
Domestic stocks and other securities	¥	32

#### 2. Income Tax Expense

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

## (6) Consolidated Solvency Margin Ratio

(Millions of yen)

		As of March 31, 2018	As of September 30, 2018
Total solvency margin (A)		788,037	872,401
Foundation funds and surplus		345,401	358,981
Reserve for price fluctuation		38,710	39,860
Contingency reserve		50,682	50,932
Catastrophe loss reserve		-	-
General allowance for possible loan losses		19	51
(Net unrealized gains on available-for-sale securities (before tax effect) and deferred hedge gains (before tax effect)) × 90% (in case of losses: × 100%)		93,244	106,905
Net unrealized gains on land × 85% (in case of losses: × 100%)		(10,499)	(10,371)
Sum of unrealized actuarial differences and unrealized past service cost		521	790
Excess amount of policy reserves based on full-time Zillmer method		122,802	127,642
Qualifying subordinated debt		136,949	181,495
Excess amount of policy reserves based on full-time Zillmer method and qualifying subordinated debt excluded from the calculation of solvency margin		-	-
Deduction		(50)	-
Others		10,256	16,114
Total amount of risk $\sqrt{(\sqrt{R_1^2 + R_2^2 + R_3^2 + R_4^2})^2 + (R_5 + R_6 + R_7)^2} + R_8 + R_9$ (B)		193,282	198,307
Insurance risk $R_1$		14,415	14,122
Ordinary insurance risk $R_5$		-	-
Disaster insurance risk $R_6$		-	-
Third sector insurance risk $R_8$		9,450	9,530
Small amount short-term insurance provider insurance risk $R_9$		-	-
Risk of assumed yield $R_2$		78,490	77,170
Minimum guarantee risk $R_7$		1,076	1,076
Investment risk $R_3$		107,974	114,289
Operational risk $R_4$		4,228	4,323
Solvency margin ratio $(A) / \{(1/2) \times (B)\} \times 100$		815.4%	879.8%

## Notes:

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

## (7) Segment information

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