

February 12, 2021

Financial Results for the Nine Months Ended December 31, 2020

Asahi Mutual Life Insurance Company (the “Company” ; President: Hiroki Kimura) announces financial results for the nine months ended December 31, 2020.

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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, 2020		As of December 31, 2020			
	Number of policies (Thousands)	Amount (100 millions of Yen)	Number of policies		Amount	
			(Thousands)	Changes (%, Pre-FYE)	(100 millions of Yen)	Changes (%, Pre-FYE)
Individual insurance	7,269	142,238	7,325	100.8	134,718	94.7
Individual annuities	531	21,936	513	96.6	20,919	95.4
Group insurance	—	14,536	—	—	14,604	100.5
Group annuities	—	162	—	—	156	96.4

Notes:

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

(ii) New Policies

	Nine months ended December 31, 2019			
	Number of policies (Thousands)	Amount (100 millions of Yen)		
			New policies	Net increase by conversion
Individual insurance	549	1,303	2,316	(1,013)
Individual annuities	—	(124)	—	(124)
Group insurance	—	72	72	—
Group annuities	—	—	—	—

	Nine months ended December 31, 2020					
	Number of policies (Thousands)	Changes (%, YoY)	Amount (100 millions of Yen)			Net increase by conversion
			Changes (%, YoY)	New policies		
Individual insurance	556	101.4	1,326	101.8	2,285	(959)
Individual annuities	—	—	(86)	—	—	(86)
Group insurance	—	—	282	390.2	282	—
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, 2020	As of December 31, 2020	
			Changes (%, Pre-FYE)
Individual insurance	3,916	3,893	99.4
Individual annuities	1,391	1,344	96.6
Total	5,307	5,237	98.7
Third-sector products	2,157	2,197	101.8

(ii) New Policies

(100 millions of Yen)

	Nine months ended December 31, 2019	Nine months ended December 31, 2020	Changes
			(%, YoY)
Individual insurance	193	190	98.8
Individual annuities	(2)	(1)	—
Total	190	189	99.1
Third-sector products	157	156	99.3

Notes:

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

2. Investment Results of General Account Assets

(1) Asset Composition

(Millions of Yen)

	As of March 31, 2020		As of December 31, 2020	
	Amount	Percentage	Amount	Percentage
Cash, deposits, call loans	109,934	2.0	118,759	2.2
Monetary claims bought	26,915	0.5	25,619	0.5
Securities	4,353,404	81.2	4,514,636	83.1
Domestic bonds	2,722,203	50.7	2,726,672	50.2
Domestic stocks	282,473	5.3	369,084	6.8
Foreign securities	1,285,061	24.0	1,337,621	24.6
Foreign bonds	1,063,892	19.8	1,040,530	19.2
Foreign stocks and other foreign securities	221,169	4.1	297,090	5.5
Other securities	63,666	1.2	81,258	1.5
Loans	377,913	7.0	310,141	5.7
Policy loans	40,553	0.8	36,242	0.7
Industrial and consumer loans	337,359	6.3	273,899	5.0
Real estate	377,871	7.0	376,778	6.9
Deferred tax assets	8,044	0.1	—	—
Others	110,577	2.1	85,048	1.6
Allowance for possible loan losses	(391)	(0.0)	(323)	(0.0)
Total	5,364,268	100.0	5,430,660	100.0
Foreign currency-denominated assets	1,394,173	26.0	1,430,269	26.3

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

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

(Millions of Yen)

	As of March 31, 2020					As of December 31, 2020				
	Book value	Fair value	Gains/losses			Book value	Fair value	Gains/losses		
				Gains	Losses				Gains	Losses
Held-to-maturity debt securities	334,467	373,755	39,288	39,294	(5)	323,884	365,522	41,637	41,645	(7)
Policy-reserve-matching bonds	2,050,330	2,353,584	303,254	304,294	(1,040)	2,055,372	2,292,498	237,126	245,312	(8,186)
Stocks of subsidiaries	—	—	—	—	—	—	—	—	—	—
Available-for-sale securities	1,845,623	1,975,488	129,864	192,293	(62,429)	1,887,599	2,135,660	248,061	291,721	(43,660)
Domestic bonds	507,110	518,502	11,392	15,757	(4,364)	507,122	527,068	19,946	22,487	(2,541)
Domestic stocks	169,376	262,450	93,073	116,456	(23,382)	173,063	343,755	170,692	189,497	(18,805)
Foreign securities	1,093,700	1,129,950	36,249	59,561	(23,312)	1,126,164	1,182,611	56,446	76,478	(20,031)
Foreign bonds	862,807	908,792	45,984	58,080	(12,095)	826,567	885,530	58,963	68,462	(9,499)
Foreign stocks and other foreign securities	230,892	221,157	(9,735)	1,481	(11,216)	299,597	297,081	(2,516)	8,016	(10,532)
Other securities	74,595	63,666	(10,929)	439	(11,369)	80,348	81,258	910	3,192	(2,281)
Monetary claims bought	840	918	78	78	—	900	966	65	65	—
Negotiable certificates of deposit	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—
Total	4,230,421	4,702,828	472,407	535,882	(63,475)	4,266,856	4,793,681	526,825	578,679	(51,853)
Domestic bonds	2,710,810	3,033,735	322,924	328,335	(5,411)	2,706,726	2,971,177	264,451	275,186	(10,734)
Domestic stocks	169,376	262,450	93,073	116,456	(23,382)	173,063	343,755	170,692	189,497	(18,805)
Foreign securities	1,248,800	1,313,179	64,378	87,691	(23,312)	1,281,164	1,369,326	88,161	108,193	(20,031)
Foreign bonds	1,017,907	1,092,021	74,114	86,209	(12,095)	981,567	1,072,244	90,677	100,176	(9,499)
Foreign stocks and other foreign securities	230,892	221,157	(9,735)	1,481	(11,216)	299,597	297,081	(2,516)	8,016	(10,532)
Other securities	74,595	63,666	(10,929)	439	(11,369)	80,348	81,258	910	3,192	(2,281)
Monetary claims bought	26,837	29,796	2,959	2,959	—	25,554	28,164	2,610	2,610	—
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, 2020	As of December 31, 2020
Held-to-maturity debt securities	—	—
Unlisted foreign bonds	—	—
Others	—	—
Policy-reserve-matching bonds	—	—
Stocks of subsidiaries	6,694	12,094
Available-for-sale securities	13,340	13,245
Unlisted domestic stocks (except over-the-counter stocks)	13,327	13,234
Unlisted foreign stocks (except over-the-counter stocks)	12	11
Unlisted foreign bonds	—	—
Others	—	—
Total	20,035	25,340

(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, 2020					As of December 31, 2020				
	Book value	Fair value	Gains/losses			Book value	Fair value	Gains/losses		
				Gains	Losses				Gains	Losses
Held-to-maturity debt securities	334,467	373,755	39,288	39,294	(5)	323,884	365,522	41,637	41,645	(7)
Policy-reserve-matching bonds	2,050,330	2,353,584	303,254	304,294	(1,040)	2,055,372	2,292,498	237,126	245,312	(8,186)
Stocks of subsidiaries	6,694	6,694	—	—	—	12,094	12,094	—	—	—
Available-for-sale securities	1,858,964	1,988,827	129,863	192,293	(62,430)	1,900,845	2,148,904	248,059	291,721	(43,662)
Domestic bonds	507,110	518,502	11,392	15,757	(4,364)	507,122	527,068	19,946	22,487	(2,541)
Domestic stocks	182,704	275,778	93,073	116,456	(23,382)	186,297	356,989	170,692	189,497	(18,805)
Foreign securities	1,093,713	1,129,961	36,248	59,561	(23,313)	1,126,175	1,182,621	56,445	76,478	(20,033)
Foreign bonds	862,807	908,792	45,984	58,080	(12,095)	826,567	885,530	58,963	68,462	(9,499)
Foreign stocks and other foreign securities	230,905	221,169	(9,736)	1,481	(11,218)	299,608	297,090	(2,517)	8,016	(10,534)
Other securities	74,595	63,666	(10,929)	439	(11,369)	80,348	81,258	910	3,192	(2,281)
Monetary claims bought	840	918	78	78	—	900	966	65	65	—
Negotiable certificates of deposit	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—
Total	4,250,456	4,722,862	472,406	535,882	(63,476)	4,292,196	4,819,020	526,823	578,679	(51,855)
Domestic bonds	2,710,810	3,033,735	322,924	328,335	(5,411)	2,706,726	2,971,177	264,451	275,186	(10,734)
Domestic stocks	189,399	282,473	93,073	116,456	(23,382)	198,392	369,084	170,692	189,497	(18,805)
Foreign securities	1,248,813	1,313,190	64,377	87,691	(23,313)	1,281,175	1,369,335	88,159	108,193	(20,033)
Foreign bonds	1,017,907	1,092,021	74,114	86,209	(12,095)	981,567	1,072,244	90,677	100,176	(9,499)
Foreign stocks and other foreign securities	230,905	221,169	(9,736)	1,481	(11,218)	299,608	297,090	(2,517)	8,016	(10,534)
Other securities	74,595	63,666	(10,929)	439	(11,369)	80,348	81,258	910	3,192	(2,281)
Monetary claims bought	26,837	29,796	2,959	2,959	—	25,554	28,164	2,610	2,610	—
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) Fair Value Information on Money Held in Trust

The Company doesn't hold money held in trust.

3. Unaudited Non-consolidated Balance Sheets

(Millions of Yen)

	As of March 31, 2020	As of December 31, 2020
Assets:		
Cash and deposits	30,554	36,866
Call loans	82,000	83,000
Monetary claims bought	26,915	25,619
Securities:	4,373,776	4,540,298
National government bonds	1,728,003	1,679,815
Local government bonds	54,671	49,398
Corporate bonds	945,309	1,003,616
Domestic stocks	288,114	377,377
Foreign securities	1,294,012	1,348,832
Loans:	377,913	310,141
Policy loans	40,553	36,242
Industrial and consumer loans	337,359	273,899
Tangible fixed assets	382,722	381,492
Intangible fixed assets	25,541	25,407
Agency accounts receivable	11	11
Reinsurance receivables	446	748
Other assets	80,937	54,208
Prepaid pension cost	179	106
Deferred tax assets	8,044	—
Customers' liabilities under acceptances and guarantees	3	1
Allowance for possible loan losses	(391)	(323)
Total assets	5,388,655	5,457,580

(Millions of Yen)

	As of March 31, 2020	As of December 31, 2020
Liabilities:		
Policy reserves and other reserves:	4,529,448	4,481,977
Reserve for outstanding claims	29,378	27,362
Policy reserves	4,467,997	4,423,254
Reserve for dividends to policyholders	32,073	31,361
Reinsurance payables	563	291
Bonds payable	88,295	88,295
Other liabilities:	286,199	274,728
Income taxes payable	4,121	2,255
Lease obligations	1,963	1,647
Asset retirement obligations	263	853
Others	279,849	269,971
Reserve for employees' retirement benefits	32,533	31,704
Reserve for price fluctuation	43,230	45,010
Deferred tax liabilities	—	20,311
Deferred tax liabilities for land revaluation	16,838	16,811
Acceptances and guarantees	3	1
Total liabilities	4,997,112	4,959,133
Net assets:		
Foundation funds	91,000	91,000
Reserve for redemption of foundation funds	166,000	166,000
Reserve for revaluation	281	281
Surplus:	81,819	98,953
Reserve for future losses	310	328
Other surplus:	81,509	98,625
Reserve for fund redemption	35,300	44,400
Equalized reserve for dividends to policyholders	7,318	7,091
Unappropriated surplus (loss)	38,890	47,134
Total foundation funds and others	339,100	356,235
Net unrealized gains (losses) on available-for-sale securities, net of tax	97,625	187,465
Land revaluation differences	(45,183)	(45,254)
Total valuation and translation adjustments	52,442	142,211
Total net assets	391,543	498,447
Total liabilities and net assets	5,388,655	5,457,580

4. Unaudited Non-consolidated Statements of Income

(Millions of Yen)

	Nine months ended December 31, 2019	Nine months ended December 31, 2020
Ordinary income:	466,932	454,225
Premium and other income:	293,292	291,082
Insurance premiums	291,720	289,334
Investment income:	109,474	106,693
Interest, dividends and other income	79,292	84,885
Gains on sales of securities	22,829	12,468
Investment gains on separate accounts	1,844	3,930
Other ordinary income	64,165	56,449
Ordinary expenses:	439,973	421,055
Claims and other payments:	305,110	288,623
Claims	86,558	84,010
Annuities	95,865	92,454
Benefits	52,491	50,347
Surrender benefits	66,187	57,721
Other payments	2,817	2,519
Provision for policy reserves and other reserves:	2	2
Provision for interest on policyholders' dividend reserves	2	2
Investment expenses:	30,494	25,328
Interest expenses	3,396	3,253
Losses on trading securities	—	485
Losses on sales of securities	780	2,430
Losses on valuation of securities	70	19
Losses on derivative financial instruments	13,250	6,500
Operating expenses	79,311	81,424
Other ordinary expenses	25,055	25,676
Ordinary profit	26,958	33,170
Extraordinary gains:	56	216
Gains on disposal of fixed assets	56	98
Other extraordinary gains	—	117
Extraordinary losses:	2,161	3,428
Losses on disposal of fixed assets	270	311
Impairment losses	121	118
Provision for reserve for price fluctuation	1,770	1,780
Losses on reduction entry of real estate	—	5
Other extraordinary losses	—	1,213
Surplus before income taxes	24,853	29,957
Income taxes including deferred taxes	5,254	7,018
Total income taxes	5,254	7,018
Net surplus	19,598	22,939

Notes to Unaudited Non-consolidated Financial Statements

Notes to Unaudited Non-consolidated Balance Sheet

1. Securities Lent under Lending Agreements

The amount of securities lent under lending agreements was ¥281,675 million as of December 31, 2020.

2. Reserve for Dividends to Policyholders

The change in reserve for dividends to policyholders for the reporting period ended December 31, 2020 was as follows:

	<u>Millions of Yen</u>
	<u>Nine months ended December 31, 2020</u>
Balance at the beginning of the reporting period	¥ 32,073
Transfer to reserve from surplus in the previous fiscal year	1,794
Dividends to policyholders paid out during the reporting period	2,508
Increase in interest	2
Balance at the end of the reporting period	<u>¥ 31,361</u>

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

The Company issued U.S. dollar-denominated step-up callable perpetual subordinated bonds (the “Bonds”) on January 27, 2021.

Summary terms of the Bonds are as follows:

- (1) Type: U.S. dollar-denominated step-up callable perpetual subordinated bonds with interest deferral options
- (2) Issue price: 100% of principal amount
- (3) Principal amount: USD 380 million
- (4) Interest rate: Fixed rate of interest of 4.1% per annum until January, 2031 and a fixed rate reset with step-up thereafter (reset every 5 years).
- (5) Maturity: None (perpetual). The Bonds are callable on each interest payment date on or after January, 2031 at the discretion of the Company, subject to prior approval by the regulatory authority, etc.
- (6) Collateral and guarantee: The Bonds have no collateral and guarantee and there are no assets especially retained for the reimbursement of the Bonds.
- (7) Use of proceeds: The Company intends to use the net proceeds from the Bonds for general corporate purposes, and/or towards the repayment of the U.S. dollar-denominated perpetual subordinated bonds issued in 2017 subject to regulatory and other approvals.

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

Note to Unaudited Non-consolidated Statement of Income

Extraordinary Losses

The expenses related to salary guarantees for sales representatives and others as countermeasures to prevent the spread of COVID-19 for the reporting period ended December 31, 2020 were ¥1,091 million, which were included in extraordinary losses.

5. Breakdown of Ordinary Profit (Fundamental Profit)

(Millions of Yen)

		Nine months ended December 31, 2019	Nine months ended December 31, 2020
Fundamental profit	A	20,037	31,627
Capital gains		22,829	12,468
Gains on money held in trust		—	—
Gains on trading securities		—	—
Gains on sales of securities		22,829	12,468
Gains on derivative financial instruments		—	—
Foreign exchange gains		—	—
Other capital gains		—	—
Capital losses		15,498	10,449
Losses on money held in trust		—	—
Losses on trading securities		—	485
Losses on sales of securities		780	2,430
Losses on valuation of securities		70	19
Losses on derivative financial instruments		13,250	6,500
Foreign exchange losses		1,397	1,012
Other capital losses		—	—
Net capital gains (losses)	B	7,330	2,019
Fundamental profit plus net capital gains (losses)	A+B	27,368	33,646
Other one-time gains		40	49
Reinsurance revenue		—	—
Reversal of contingency reserve		—	—
Reversal of specific allowance for possible loan losses		40	49
Others		—	—
Other one-time losses		450	525
Reinsurance premiums		—	—
Provision for contingency reserve		450	525
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	(409)	(476)
Ordinary profit	A+B+C	26,958	33,170

6. Solvency Margin Ratio

(Millions of Yen)

		As of March 31, 2020	As of December 31, 2020
Total solvency margin	(A)	860,443	987,294
Foundation funds and surplus		333,225	351,822
Reserve for price fluctuation		43,230	45,010
Contingency reserve		51,782	52,307
General allowance for possible loan losses		46	22
(Net unrealized gains on available-for-sale securities (before tax effect) and deferred hedge gains (before tax effect)) × 90% (in case of losses: × 100%)		116,876	223,253
Net unrealized gains on land × 85% (in case of losses: × 100%)		27,786	27,698
Excess amount of policy reserves based on full-time Zillmer method		137,190	140,214
Qualifying subordinated debt		138,095	127,695
Excess amount of policy reserves based on full-time Zillmer method and qualifying subordinated debt excluded from the calculation of solvency margin		—	—
Deduction		—	—
Others		12,211	19,270
Total amount of risk	$\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$ (B)	182,513	199,658
Insurance risk	R_1	13,155	12,732
Third-sector insurance risk	R_8	9,974	10,316
Risk of assumed yield	R_2	72,246	70,072
Minimum guarantee risk	R_7	1,055	1,048
Investment risk	R_3	103,703	122,832
Operational risk	R_4	4,002	4,340
Solvency margin ratio	(A) / {(1/2) × (B)} × 100	942.8%	988.9%

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.

7. Status of Separate Account

(1) Separate Account Assets by Products

(Millions of Yen)

	As of March 31, 2020	As of December 31, 2020
Individual variable insurance	24,381	26,863
Individual variable annuities	—	—
Group annuity products	—	—
Total	24,381	26,863

(2) Sum Insured of Policies in Force

(i) Individual Variable Insurance

	As of March 31, 2020		As of December 31, 2020	
	Number of policies (Thousands)	Amount (Millions of Yen)	Number of policies (Thousands)	Amount (Millions of Yen)
Individual variable insurance (fixed term)	—	—	—	—
Individual variable insurance (whole life)	13	92,623	13	90,596
Total	13	92,623	13	90,596

(ii) Individual Variable Annuities

	As of March 31, 2020		As of December 31, 2020	
	Number of policies (Thousands)	Amount (Millions of Yen)	Number of policies (Thousands)	Amount (Millions of Yen)
Individual variable annuities	—	—	—	—
Total	—	—	—	—

8. Status of the Company, Subsidiaries and Affiliates

(1) Selected Financial Data

(Millions of Yen)

	Nine months ended December 31, 2019	Nine months ended December 31, 2020
Ordinary income	470,094	456,363
Ordinary profit	26,843	31,560
Net surplus attributable to the Parent Company	19,529	21,311
Comprehensive income	70,783	111,260

(Millions of Yen)

	As of March 31, 2020	As of December 31, 2020
Total assets	5,390,941	5,456,806
Solvency margin ratio	948.7%	1,001.6%

(2) Scope of Consolidation and Application of Equity Method

Number of consolidated subsidiaries: 4

Changes in important subsidiaries during the reporting period ended December 31, 2020

Asahi NewCo Preparatory Co., Ltd. was newly included in scope of consolidation.

Unconsolidated subsidiaries 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) Unaudited Consolidated Balance Sheets

(Millions of Yen)

	As of March 31, 2020	As of December 31, 2020
Assets:		
Cash and deposits	35,227	42,268
Call loans	82,000	83,000
Monetary claims bought	26,915	25,619
Securities	4,369,302	4,530,425
Loans	377,913	310,141
Tangible fixed assets	382,776	381,555
Intangible fixed assets	24,731	26,927
Agency accounts receivable	11	11
Reinsurance receivables	446	748
Other assets	82,963	56,148
Net defined benefit assets	178	67
Deferred tax assets	8,863	213
Customers' liabilities under acceptances and guarantees	3	1
Allowance for possible loan losses	(391)	(323)
Total assets	5,390,941	5,456,806

(Millions of Yen)

	As of March 31, 2020	As of December 31, 2020
Liabilities:		
Policy reserves and other reserves:	4,529,448	4,481,977
Reserve for outstanding claims	29,378	27,362
Policy reserves	4,467,997	4,423,254
Reserve for dividends to policyholders	32,073	31,361
Reinsurance payables	563	291
Bonds payable	88,295	88,295
Other liabilities	288,156	275,983
Net defined benefit liabilities	34,985	34,030
Reserve for price fluctuation	43,230	45,010
Deferred tax liabilities	—	19,638
Deferred tax liabilities for land revaluation	16,838	16,811
Acceptances and guarantees	3	1
Total liabilities	5,001,521	4,962,040
Net assets:		
Foundation funds	91,000	91,000
Reserve for redemption of foundation funds	166,000	166,000
Reserve for revaluation	281	281
Consolidated surplus	81,429	96,934
Total foundation funds and others	338,711	354,216
Net unrealized gains (losses) on available-for-sale securities, net of tax	97,625	187,465
Land revaluation differences	(45,183)	(45,254)
Accumulated remeasurements of defined benefit plans	(1,814)	(1,731)
Total accumulated other comprehensive income	50,627	140,480
Non-controlling interests	81	68
Total net assets	389,420	494,765
Total liabilities and net assets	5,390,941	5,456,806

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

【Unaudited Consolidated Statements of Income】

(Millions of Yen)

	Nine months ended December 31, 2019	Nine months ended December 31, 2020
Ordinary income:	470,094	456,363
Premium and other income	293,292	291,082
Investment income:	109,214	106,512
Interest, dividends and other income	79,048	84,724
Gains on sales of securities	22,831	12,469
Investment gains on separate accounts	1,844	3,930
Other ordinary income	67,588	58,767
Ordinary expenses:	443,251	424,802
Claims and other payments:	305,110	288,623
Claims	86,558	84,010
Annuities	95,865	92,454
Benefits	52,491	50,347
Surrender benefits	66,187	57,721
Other payments	2,817	2,519
Provision for policy reserves and other reserves:	2	2
Provision for interest on policyholders' dividend reserves	2	2
Investment expenses:	30,494	25,328
Interest expenses	3,396	3,253
Losses on trading securities	—	485
Losses on sales of securities	780	2,430
Losses on valuation of securities	70	19
Losses on derivative financial instruments	13,250	6,500
Operating expenses	82,717	85,173
Other ordinary expenses	24,926	25,674
Ordinary profit	26,843	31,560
Extraordinary gains:	56	216
Gains on disposal of fixed assets	56	98
Other extraordinary gains	—	117
Extraordinary losses:	2,163	3,432
Losses on disposal of fixed assets	271	314
Impairment losses	121	118
Provision for reserve for price fluctuation	1,770	1,780
Losses on reduction entry of real estate	—	5
Other extraordinary losses	—	1,213
Surplus before income taxes	24,736	28,344
Income taxes including deferred taxes	5,177	7,007
Total income taxes	5,177	7,007
Net surplus	19,558	21,337
Net surplus attributable to non-controlling interests	29	25
Net surplus attributable to the Parent Company	19,529	21,311

【Unaudited Consolidated Statements of Comprehensive Income】

(Millions of Yen)

	Nine months ended December 31, 2019	Nine months ended December 31, 2020
Net surplus	19,558	21,337
Other comprehensive income:	51,225	89,923
Net unrealized gains (losses) on available-for-sale securities, net of tax	50,537	89,840
Remeasurements of defined benefit plans	687	83
Comprehensive income:	70,783	111,260
Comprehensive income attributable to the Parent Company	70,754	111,234
Comprehensive income attributable to non-controlling interests	29	25

Notes to Unaudited Consolidated Financial Statements

I. Scope of consolidation

Asahi NewCo Preparatory Co., Ltd., which was newly established during the reporting period ended December 31, 2020, was included in scope of consolidation.

II. Notes to Unaudited Consolidated Balance Sheet

1. Securities Lent under Lending Agreements

The amount of securities lent under lending agreements was ¥281,675 million as of December 31, 2020.

2. Reserve for Dividends to Policyholders

The change in reserve for dividends to policyholders for the reporting period ended December 31, 2020 was as follows:

	Millions of Yen
	Nine months ended December 31, 2020
Balance at the beginning of the reporting period	¥ 32,073
Transfer to reserve from surplus in the previous fiscal year	1,794
Dividends to policyholders paid out during the reporting period	2,508
Increase in interest	2
Balance at the end of the reporting period	¥ 31,361

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

The Company issued U.S. dollar-denominated step-up callable perpetual subordinated bonds (the "Bonds") on January 27, 2021.

Summary terms of the Bonds are as follows:

- (1) Type: U.S. dollar-denominated step-up callable perpetual subordinated bonds with interest deferral options
- (2) Issue price: 100% of principal amount
- (3) Principal amount: USD 380 million
- (4) Interest rate: Fixed rate of interest of 4.1% per annum until January, 2031 and a fixed rate reset with step-up thereafter (reset every 5 years).
- (5) Maturity: None (perpetual). The Bonds are callable on each interest payment date on or after January, 2031 at the discretion of the Company, subject to prior approval by the regulatory authority, etc.
- (6) Collateral and guarantee: The Bonds have no collateral and guarantee and there are no assets

especially retained for the reimbursement of the Bonds.

(7) Use of proceeds: The Company intends to use the net proceeds from the Bonds for general corporate purposes, and/or towards the repayment of the U.S. dollar-denominated perpetual subordinated bonds issued in 2017 subject to regulatory and other approvals.

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

III. Notes to Unaudited Consolidated Statement of Income

1. Extraordinary Losses

The expenses related to salary guarantees for sales representatives and others as countermeasures to prevent the spread of COVID-19 for the reporting period ended December 31, 2020 were ¥1,091 million, which were included in extraordinary losses.

2. Depreciation

For the reporting period ended December 31, 2020, the total amount of depreciation and depreciation of rental real estate and other assets was ¥13,118 million.

(5) Consolidated Solvency Margin Ratio

(Millions of Yen)

		As of March 31, 2020	As of December 31, 2020
Total solvency margin	(A)	856,773	982,212
Foundation funds and surplus		332,078	349,180
Reserve for price fluctuation		43,230	45,010
Contingency reserve		51,782	52,307
Catastrophe loss reserve		—	—
General allowance for possible loan losses		47	24
(Net unrealized gains on available-for-sale securities (before tax effect) and deferred hedge gains (before tax effect)) × 90% (in case of losses: × 100%)		116,877	223,253
Net unrealized gains on land × 85% (in case of losses: × 100%)		27,786	27,698
Sum of unrealized actuarial differences and unrealized past service cost		(2,524)	(2,441)
Excess amount of policy reserves based on full-time Zillmer method		137,190	140,214
Qualifying subordinated debt		138,095	127,695
Excess amount of policy reserves based on full-time Zillmer method and qualifying subordinated debt excluded from the calculation of solvency margin		—	—
Deduction		—	—
Others		12,211	19,270
Total amount of risk	$\sqrt{(\sqrt{R_1^2 + R_5^2 + R_6^2 + R_8^2} + (R_2 + R_3 + R_7)^2 + R_4 + R_9)} \quad (B)$	180,611	196,124
Insurance risk	R_1	13,155	12,732
Ordinary insurance risk	R_5	—	—
Disaster insurance risk	R_6	—	—
Third-sector insurance risk	R_8	9,974	10,316
Small amount short-term insurance provider insurance risk	R_9	—	—
Risk of assumed yield	R_2	72,246	70,072
Minimum guarantee risk	R_7	1,055	1,048
Investment risk	R_3	101,822	119,344
Operational risk	R_4	3,965	4,270
Solvency margin ratio	$(A) / \{(1/2) \times (B)\} \times 100$	948.7%	1,001.6%

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.

(6) Segment Information

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