

May 28, 2020

Financial Results for the Fiscal Year Ended March 31, 2020

Asahi Mutual Life Insurance Company (the “Company”; President: Hiroki Kimura) announces financial results for the fiscal year ended March 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, 2019				As of March 31, 2020			
	Number of policies		Amount (100 millions of Yen)		Number of policies		Amount (100 millions of Yen)	
	(Thousands)	Changes (%, Pre-FYE)		Changes (%, Pre-FYE)	(Thousands)	Changes (%, Pre-FYE)		Changes (%, Pre-FYE)
Individual insurance	7,207	100.3	153,499	92.2	7,269	100.9	142,238	92.7
Individual annuities	557	95.3	23,432	93.6	531	95.4	21,936	93.6
Group insurance	-	-	14,778	111.7	-	-	14,536	98.4
Group annuities	-	-	170	95.2	-	-	162	95.3

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

	Year ended March 31, 2019					
	Number of policies		Amount (100 millions of Yen)			
	(Thousands)	Changes (%, YoY)		Changes (%, YoY)	New policies	Net increase by conversion
Individual insurance	680	97.0	1,590	124.1	3,053	(1,462)
Individual annuities	-	-	(165)	-	-	(165)
Group insurance	-	-	1,335	532.2	1,335	-
Group annuities	-	-	-	-	-	-

	Year ended March 31, 2020					
	Number of policies		Amount (100 millions of Yen)			
	(Thousands)	Changes (%, YoY)		Changes (%, YoY)	New policies	Net increase by conversion
Individual insurance	741	108.9	1,604	100.9	3,001	(1,397)
Individual annuities	-	-	(158)	-	-	(158)
Group insurance	-	-	124	9.3	124	-
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, 2019		As of March 31, 2020	
		Changes (%, Pre-FYE)		Changes (%, Pre-FYE)
Individual insurance	3,953	103.7	3,916	99.0
Individual annuities	1,451	96.0	1,391	95.9
Total	5,405	101.5	5,307	98.2
Third-sector products	2,102	101.9	2,157	102.6

(ii) New Policies

(100 millions of Yen)

	Year ended March 31, 2019		Year ended March 31, 2020	
		Changes (%, YoY)		Changes (%, YoY)
Individual insurance	418	128.9	253	60.6
Individual annuities	(3)	-	(3)	-
Total	414	129.3	250	60.3
Third-sector products	174	81.0	207	118.6

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).

(3) Selected Financial Data

(100 millions of Yen)

	Year ended March 31, 2019		Year ended March 31, 2020	
		Changes (%, YoY)		Changes (%, YoY)
Premium and other income	3,967	103.1	3,936	99.2
Investment income	1,526	91.6	1,397	91.6
Claims and other payments	4,182	95.3	4,065	97.2
Investment expenses	562	145.9	427	75.9
Ordinary profit	246	65.6	310	126.1

(4) Proposed Appropriation of Surplus

(100 millions of Yen)

	Year ended March 31, 2019		Year ended March 31, 2020	
		Changes (%, YoY)		Changes (%, YoY)
Unappropriated surplus	313	83.9	388	124.2
Reversal of voluntary surplus reserves	19	461.7	2	11.7
Reserve for dividends to policyholders	21	110.7	17	82.6
Net surplus	132	70.1	131	99.7
Surplus carried forward	178	105.5	241	135.1

(5) Total Assets

(100 millions of Yen)

	As of March 31, 2019		As of March 31, 2020	
		Changes (%, Pre-FYE)		Changes (%, Pre-FYE)
Total assets	53,563	99.3	53,886	100.6

2. Investment Results of General Account Assets

(1) Asset Composition

(Millions of Yen)

	As of March 31, 2019		As of March 31, 2020	
	Amount	Percentage	Amount	Percentage
Cash, deposits, call loans	174,143	3.3	109,934	2.0
Monetary claims bought	28,984	0.5	26,915	0.5
Securities	4,232,046	79.4	4,353,404	81.2
Domestic bonds	2,770,086	52.0	2,722,203	50.7
Domestic stocks	311,699	5.8	282,473	5.3
Foreign securities	1,078,849	20.2	1,285,061	24.0
Foreign bonds	893,733	16.8	1,063,892	19.8
Foreign stocks and other foreign securities	185,115	3.5	221,169	4.1
Other securities	71,411	1.3	63,666	1.2
Loans	426,804	8.0	377,913	7.0
Policy loans	44,272	0.8	40,553	0.8
Industrial and consumer loans	382,531	7.2	337,359	6.3
Real estate	383,194	7.2	377,871	7.0
Deferred tax assets	10,413	0.2	8,044	0.1
Others	73,596	1.4	110,577	2.1
Allowance for possible loan losses	(375)	(0.0)	(391)	(0.0)
Total	5,328,808	100.0	5,364,268	100.0
Foreign currency-denominated assets	1,212,135	22.7	1,394,173	26.0

(2) Changes(Increases/Decreases) in Assets

(Millions of Yen)

	Year ended March 31, 2019	Year ended March 31, 2020
	Amount	Amount
Cash, deposits, call loans	(20,158)	(64,209)
Monetary claims bought	(1,167)	(2,069)
Securities	70,994	121,357
Domestic bonds	(75,604)	(47,882)
Domestic stocks	(11,418)	(29,226)
Foreign securities	161,702	206,211
Foreign bonds	202,821	170,158
Foreign stocks and other foreign securities	(41,119)	36,053
Other securities	(3,685)	(7,745)
Loans	(57,365)	(48,891)
Policy loans	(5,364)	(3,719)
Industrial and consumer loans	(52,000)	(45,172)
Real estate	(11,437)	(5,323)
Deferred tax assets	(5,773)	(2,369)
Others	(13,488)	36,980
Allowance for possible loan losses	18	(15)
Total	(38,377)	35,459
Foreign currency-denominated assets	157,598	182,037

(3) Investment Income

(Millions of Yen)

	Year ended March 31, 2019	Year ended March 31, 2020
Interest, dividends and other income	107,892	108,705
Interest on deposits	0	0
Interest and dividends on securities	83,138	85,179
Interest on loans	7,096	5,949
Rent revenue from real estate	16,637	16,606
Other interest and dividends	1,019	970
Gains on sales of securities	34,648	23,852
Gains on sales of domestic bonds	32,424	21,832
Gains on sales of domestic stocks and other securities	1,685	2,018
Gains on sales of foreign securities	538	1
Others	-	-
Gains on redemption of securities	-	50
Gains on derivative financial instruments, net	-	-
Foreign exchange gains, net	2,258	-
Reversal of allowance for possible loan losses	14	-
Other investment income	7,476	7,167
Total	152,290	139,776

(4) Investment Expenses

(Millions of Yen)

	Year ended March 31, 2019	Year ended March 31, 2020
Interest expenses	4,700	4,526
Losses on sales of securities	12,520	2,810
Losses on sales of domestic bonds	2,224	690
Losses on sales of domestic stocks and other securities	800	2,120
Losses on sales of foreign securities	9,495	-
Others	-	-
Losses on valuation of securities	628	368
Losses on valuation of domestic bonds	-	-
Losses on valuation of domestic stocks and other securities	628	368
Losses on valuation of foreign securities	-	-
Others	-	-
Losses on redemption of securities	-	140
Losses on derivative financial instruments, net	22,923	16,588
Foreign exchange losses, net	-	2,057
Provision for allowance for possible loan losses	-	8
Write-offs of loans	0	0
Depreciation of rental real estate and other assets	5,361	5,327
Other investment expenses	10,104	9,761
Total	56,239	41,591

(5) Investment Indicators

(i) Rates of Return

(%)

	Year ended March 31, 2019	Year ended March 31, 2020
Cash, deposits, call loans	0.00	0.00
Monetary claims bought	2.27	2.33
Securities	2.05	2.07
Domestic bonds	2.42	2.16
Domestic stocks	5.45	4.53
Foreign securities	0.55	1.48
Loans	1.23	1.19
Industrial and consumer loans	0.87	0.83
Real estate	2.52	2.60
Total	1.80	1.86
Foreign Investments	0.54	1.48

Notes:

1. Rates of return above are calculated by dividing the net investment income by the average daily book value balance.
2. Foreign investments are the sum of assets denominated in foreign currencies and yen.

(ii) Average Daily Balance

(Millions of Yen)

	Year ended March 31, 2019	Year ended March 31, 2020
Cash, deposits, call loans	189,972	98,121
Monetary claims bought	29,618	27,804
Securities	4,148,801	4,252,586
Domestic bonds	2,793,247	2,747,700
Domestic stocks	178,131	186,419
Foreign securities	1,100,243	1,240,474
Loans	458,826	403,658
Industrial and consumer loans	411,582	361,213
Real estate	396,407	384,306
Total	5,329,150	5,264,766
Foreign Investments	1,102,199	1,242,882

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

(iii) Net Valuation Gains/Losses on Trading Securities

(Millions of Yen)

	As of March 31, 2019		As of March 31, 2020	
	Amount	Net valuation gains(losses) included in the statements of income	Amount	Net valuation gains(losses) included in the statements of income
Trading securities	-	-	-	-

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

(Millions of Yen)

	As of March 31, 2019					As of March 31, 2020				
	Book value	Fair value	Gains/losses			Book value	Fair value	Gains/losses		
				Gains	Losses				Gains	Losses
Held-to-maturity debt securities	344,812	391,680	46,867	46,872	(5)	334,467	373,755	39,288	39,294	(5)
Policy-reserve-matching bonds	2,074,484	2,407,849	333,364	335,418	(2,053)	2,050,330	2,353,584	303,254	304,294	(1,040)
Stocks of subsidiaries	-	-	-	-	-	-	-	-	-	-
Available-for-sale securities	1,682,582	1,811,255	128,673	175,552	(46,878)	1,845,623	1,975,488	129,864	192,293	(62,429)
Domestic bonds	530,817	534,228	3,410	10,624	(7,213)	507,110	518,502	11,392	15,757	(4,364)
Domestic stocks	160,295	291,232	130,937	142,919	(11,982)	169,376	262,450	93,073	116,456	(23,382)
Foreign securities	916,943	913,737	(3,205)	21,317	(24,523)	1,093,700	1,129,950	36,249	59,561	(23,312)
Foreign bonds	736,455	738,633	2,177	20,629	(18,452)	862,807	908,792	45,984	58,080	(12,095)
Foreign stocks and other foreign securities	180,487	175,104	(5,383)	688	(6,071)	230,892	221,157	(9,735)	1,481	(11,216)
Other securities	73,912	71,411	(2,501)	657	(3,159)	74,595	63,666	(10,929)	439	(11,369)
Monetary claims bought	613	645	32	32	-	840	918	78	78	-
Negotiable certificates of deposit	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-
Total	4,101,879	4,610,785	508,906	557,843	(48,937)	4,230,421	4,702,828	472,407	535,882	(63,475)
Domestic bonds	2,766,675	3,114,133	347,458	356,731	(9,272)	2,710,810	3,033,735	322,924	328,335	(5,411)
Domestic stocks	160,295	291,232	130,937	142,919	(11,982)	169,376	262,450	93,073	116,456	(23,382)
Foreign securities	1,072,043	1,101,869	29,826	54,349	(24,523)	1,248,800	1,313,179	64,378	87,691	(23,312)
Foreign bonds	891,556	926,765	35,209	53,661	(18,452)	1,017,907	1,092,021	74,114	86,209	(12,095)
Foreign stocks and other foreign securities	180,487	175,104	(5,383)	688	(6,071)	230,892	221,157	(9,735)	1,481	(11,216)
Other securities	73,912	71,411	(2,501)	657	(3,159)	74,595	63,666	(10,929)	439	(11,369)
Monetary claims bought	28,952	32,137	3,185	3,185	-	26,837	29,796	2,959	2,959	-
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, 2019	As of March 31, 2020
Held-to-maturity debt securities	-	-
Unlisted foreign bonds	-	-
Others	-	-
Policy-reserve-matching bonds	-	-
Stocks of subsidiaries	6,649	6,694
Available-for-sale securities	23,829	13,340
Unlisted domestic stocks (except over-the-counter stocks)	13,817	13,327
Unlisted foreign stocks (except over-the-counter stocks)	10,012	12
Unlisted foreign bonds	-	-
Others	-	-
Total	30,479	20,035

(v) Fair Value Information on Money Held in Trust

The Company doesn't hold money held in trust.

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

(Millions of Yen)

	As of March 31, 2019			As of March 31, 2020		
	Book value	Fair value	Gains/losses	Book value	Fair value	Gains/losses
Land	230,624	270,345	39,720	228,777	289,812	61,034

Notes:

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

(Reference)

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

(Millions of Yen)

	As of March 31, 2019					As of March 31, 2020				
	Book value	Fair value	Gains/losses			Book value	Fair value	Gains/losses		
				Gains	Losses				Gains	Losses
Held-to-maturity debt securities	344,812	391,680	46,867	46,872	(5)	334,467	373,755	39,288	39,294	(5)
Policy-reserve-matching bonds	2,074,484	2,407,849	333,364	335,418	(2,053)	2,050,330	2,353,584	303,254	304,294	(1,040)
Stocks of subsidiaries	6,649	6,649	-	-	-	6,694	6,694	-	-	-
Available-for-sale securities	1,706,411	1,835,084	128,672	175,552	(46,879)	1,858,964	1,988,827	129,863	192,293	(62,430)
Domestic bonds	530,817	534,228	3,410	10,624	(7,213)	507,110	518,502	11,392	15,757	(4,364)
Domestic stocks	174,112	305,049	130,937	142,919	(11,982)	182,704	275,778	93,073	116,456	(23,382)
Foreign securities	926,956	923,749	(3,206)	21,317	(24,524)	1,093,713	1,129,961	36,248	59,561	(23,313)
Foreign bonds	736,455	738,633	2,177	20,629	(18,452)	862,807	908,792	45,984	58,080	(12,095)
Foreign stocks and other foreign securities	190,500	185,115	(5,384)	688	(6,072)	230,905	221,169	(9,736)	1,481	(11,218)
Other securities	73,912	71,411	(2,501)	657	(3,159)	74,595	63,666	(10,929)	439	(11,369)
Monetary claims bought	613	645	32	32	-	840	918	78	78	-
Negotiable certificates of deposit	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-
Total	4,132,358	4,641,264	508,905	557,843	(48,938)	4,250,456	4,722,862	472,406	535,882	(63,476)
Domestic bonds	2,766,675	3,114,133	347,458	356,731	(9,272)	2,710,810	3,033,735	322,924	328,335	(5,411)
Domestic stocks	180,761	311,699	130,937	142,919	(11,982)	189,399	282,473	93,073	116,456	(23,382)
Foreign securities	1,082,056	1,111,881	29,825	54,349	(24,524)	1,248,813	1,313,190	64,377	87,691	(23,313)
Foreign bonds	891,556	926,765	35,209	53,661	(18,452)	1,017,907	1,092,021	74,114	86,209	(12,095)
Foreign stocks and other foreign securities	190,500	185,115	(5,384)	688	(6,072)	230,905	221,169	(9,736)	1,481	(11,218)
Other securities	73,912	71,411	(2,501)	657	(3,159)	74,595	63,666	(10,929)	439	(11,369)
Monetary claims bought	28,952	32,137	3,185	3,185	-	26,837	29,796	2,959	2,959	-
Negotiable certificates of deposit	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-

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

3. Unaudited Non-consolidated Balance Sheets

(Millions of Yen)

	As of March 31, 2019	As of March 31, 2020
Assets:		
Cash and deposits:	36,102	30,554
Cash	219	18
Deposits	35,882	30,535
Call loans	140,000	82,000
Monetary claims bought	28,984	26,915
Securities:	4,257,457	4,373,776
National government bonds	1,790,446	1,728,003
Local government bonds	49,768	54,671
Corporate bonds	935,197	945,309
Domestic stocks	320,964	288,114
Foreign securities	1,089,669	1,294,012
Other securities	71,411	63,666
Loans:	426,804	377,913
Policy loans	44,272	40,553
Industrial and consumer loans	382,531	337,359
Tangible fixed assets:	388,821	382,722
Land	226,451	224,609
Buildings	156,225	152,646
Lease assets	2,922	1,963
Construction in progress	516	614
Other tangible fixed assets	2,703	2,887
Intangible fixed assets:	25,576	25,541
Software	19,599	19,463
Other intangible fixed assets	5,976	6,077
Agency accounts receivable	3	11
Reinsurance receivables	427	446
Other assets:	41,991	80,937
Accounts receivable	6,750	11,022
Prepaid expenses	3,439	3,619
Accrued income	19,277	20,367
Money on deposit	3,998	4,577
Derivative financial instruments	3,080	31,618
Cash collateral paid for financial instruments	3,677	6,570
Suspense payments	241	270
Other assets	1,525	2,890
Prepaid pension cost	145	179
Deferred tax assets	10,413	8,044
Customers' liabilities under acceptances and guarantees	6	3
Allowance for possible loan losses	(375)	(391)
Total assets	5,356,358	5,388,655

3. Unaudited Non-consolidated Balance Sheets (Continued)

(Millions of Yen)

	As of March 31, 2019	As of March 31, 2020
Liabilities:		
Policy reserves and other reserves:	4,605,062	4,529,448
Reserve for outstanding claims	27,580	29,378
Policy reserves	4,543,377	4,467,997
Reserve for dividends to policyholders	34,104	32,073
Reinsurance payables	397	563
Bonds payable	88,295	88,295
Other liabilities:	192,123	286,199
Payables under securities borrowing transactions	88,616	179,695
Loans payable	51,000	51,000
Income taxes payable	60	4,121
Accounts payable	19,796	4,782
Accrued expenses	7,785	7,868
Deferred income	222	171
Deposits received	482	585
Guarantee deposits received	17,221	17,647
Derivative financial instruments	2,314	10,367
Cash collateral received for financial instruments	1,320	7,526
Lease obligations	2,922	1,963
Asset retirement obligations	246	263
Suspense receipts	133	206
Reserve for employees' retirement benefits	33,640	32,533
Reserve for price fluctuation	40,890	43,230
Deferred tax liabilities for land revaluation	17,116	16,838
Acceptances and guarantees	6	3
Total liabilities	4,977,531	4,997,112
Net assets:		
Foundation funds	91,000	91,000
Reserve for redemption of foundation funds	166,000	166,000
Reserve for revaluation	281	281
Surplus:	67,073	81,819
Reserve for future losses	291	310
Other surplus:	66,782	81,509
Reserve for fund redemption	26,200	35,300
Equalized reserve for dividends to policyholders	9,258	7,318
Unappropriated surplus (loss)	31,324	38,890
Total foundation funds and others	324,355	339,100
Net unrealized gains (losses) on available-for-sale securities, net of tax	99,032	97,625
Land revaluation differences	(44,561)	(45,183)
Total valuation and translation adjustments	54,471	52,442
Total net assets	378,826	391,543
Total liabilities and net assets	5,356,358	5,388,655

4. Unaudited Non-consolidated Statements of Income

(Millions of Yen)

	Year ended March 31, 2019	Year ended March 31, 2020
Ordinary income:	638,402	622,094
Premium and other income:	396,726	393,639
Insurance premiums	394,963	391,600
Reinsurance revenue	1,763	2,038
Investment income:	152,631	139,776
Interest, dividends and other income:	107,892	108,705
Interest and dividends on securities	83,138	85,179
Interest on loans	7,096	5,949
Rent revenue from real estate	16,637	16,606
Other interest and dividends	1,019	970
Gains on sales of securities	34,648	23,852
Gains on redemption of securities	-	50
Foreign exchange gains	2,258	-
Reversal of allowance for possible loan losses	14	-
Other investment income	7,476	7,167
Investment gains on separate accounts	340	-
Other ordinary income:	89,044	88,678
Fund receipt from deposit of claims paid	11,145	10,355
Reversal of reserve for employees' retirement benefits	1,725	1,106
Reversal of reserve for outstanding claims	788	-
Reversal of policy reserves	73,541	75,380
Other ordinary income	1,842	1,836
Ordinary expenses:	613,765	591,037
Claims and other payments:	418,245	406,561
Claims	121,536	114,654
Annuities	128,425	126,889
Benefits	71,701	71,469
Surrender benefits	90,757	88,017
Other payments	4,672	3,744
Reinsurance premiums	1,151	1,786
Provision for policy reserves and other reserves:	3	1,801
Provision for reserve for outstanding claims	-	1,798
Provision for interest on policyholders' dividend reserves	3	3
Investment expenses:	56,239	42,702
Interest expenses	4,700	4,526
Losses on sales of securities	12,520	2,810
Losses on valuation of securities	628	368
Losses on redemption of securities	-	140
Losses on derivative financial instruments	22,923	16,588
Foreign exchange losses	-	2,057
Provision for allowance for possible loan losses	-	8
Depreciation of rental real estate and other assets	5,361	5,327
Other investment expenses	10,104	9,761
Investment losses on separate accounts	-	1,111
Operating expenses	105,845	106,323
Other ordinary expenses:	33,431	33,647
Claim deposit payments	12,675	11,510
Taxes	7,775	8,503
Depreciation	11,462	11,840
Other ordinary expenses	1,517	1,793
Ordinary profit	24,636	31,056
Extraordinary gains:	3,433	115
Gains on disposal of fixed assets	3,433	90
Other extraordinary gains	-	24
Extraordinary losses:	10,995	4,727
Losses on disposal of fixed assets	7,098	1,372
Impairment losses	1,235	966
Provision for reserve for price fluctuation	2,180	2,340
Losses on reduction entry of real estate	241	-
Other extraordinary losses	239	48
Surplus before income taxes	17,074	26,444
Income taxes-current	3,055	6,537
Income taxes-deferred	(2,202)	(505)
Total income taxes	853	6,031
Net surplus	16,221	20,412

I. Presentation of Unaudited Non-consolidated Financial Statements

Basis of Presentation

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

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

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

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

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

II. Notes to Unaudited Non-consolidated Balance Sheet

1. Significant Accounting Policies

(1) Valuation methods of securities

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

- i) Trading securities are stated at fair market value. Costs of sales are determined by the moving average method.
- ii) Held-to-maturity debt securities are stated at amortized cost (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 end of the fiscal year. 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 fiscal year. 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 considered 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.

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

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

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

(6) Foreign currency translation

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

(7) Allowance for possible loan losses

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

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

- iii) For credit to borrowers other than the above, the Company provides the amounts calculated by multiplying the 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 as of March 31, 2020 was ¥34 million.

- (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 prepaid expenses and amortized equally over five years.

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

(12) Policy reserves

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

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

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

(13) Software

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

2. Accounting Standards and Guidances Issued but Not Yet Effective

The accounting standards and relevant guidances issued by the fiscal year-end but not yet effective are as follows:

- “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, issued on July 4, 2019)
- “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, issued on July 4, 2019)
- “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, revised on July 4, 2019)

(i) Overview

In these accounting standards and guidances, the guidance on the methods for measuring fair values of financial instruments are set to enhance comparability between Japanese accounting standards and international accounting standards.

(ii) Schedule date of adoption

The above revisions are scheduled to be applied from the beginning of the fiscal year ending March 31, 2022.

(iii) Effects of application of the Accounting Standards and relevant guidances

The effects of the application are under assessment at the time of preparing these non-consolidated financial statements.

3. Financial Instruments

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

- For accumulation whole life with variable interest rates, accumulation insurance with variable interest rates and new single premium individual annuities which have an effective date on or after April 2, 2012, the Company mainly invests in domestic bonds, engaging in matching asset liability management, or Matching ALM, which aims at matching the duration to outstanding insurance liabilities to avoid interest rate fluctuation risks.
- For individual life insurance and individual annuities other than above, the Company holds yen-denominated fixed income investments, including bonds and loans, as the core of its asset portfolio. The Company also holds domestic stocks, foreign securities and real estate assets to enhance its profitability.

Derivatives are mainly used to hedge market price fluctuation risk and exchange rate fluctuation risk regarding securities and exchange rate fluctuation risk related to the foreign

currency-denominated bonds issued by the Company. As the major financial instruments, securities are exposed to market risk and credit risk, loans are exposed to credit risk and exchange rate fluctuation risk, and derivatives are exposed to market risk and credit risk.

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

In managing credit risks, the Company quantifies the credit risks of entire portfolio through VaR method and controls the amount of risks within an acceptable range. Furthermore, the Company assigns in-house credit ratings to our borrowers in accordance with the creditworthiness of each borrower. Strict credit research of each borrower before lending as well as following up on any changes of creditworthiness of each borrower after lending are implemented by Risk Management Department, which is independent of the departments executing investments and lending. Maximum limits of credit are set up for each borrower in accordance with its credit risks to avoid the concentration of credit risks on specific corporations and specific corporation groups. Through all these measures, the Company endeavors to develop high quality portfolio.

The balance sheet amounts, fair values and the differences between those of major financial assets and liabilities as of March 31, 2020 were as follows:

	Millions of Yen		
	As of March 31, 2020		
	Balance Sheet Amount	Fair Value	Difference
Cash and deposits	¥ 30,554	¥ 30,554	¥ -
Call loans	82,000	82,000	-
Monetary claims bought	26,915	29,796	2,881
Trading securities	-	-	-
Held-to-maturity debt securities	25,997	28,878	2,881
Policy-reserve-matching bonds	-	-	-
Available-for-sale securities	918	918	-
Securities	4,353,742	4,693,404	339,661
Trading securities	20,372	20,372	-
Held-to-maturity debt securities	308,469	344,876	36,406
Policy-reserve-matching bonds	2,050,330	2,353,584	303,254
Available-for-sale securities	1,974,569	1,974,569	-
Loans	377,913	386,550	8,637
Policy loans	40,553	40,553	-
Industrial and consumer loans	337,359	345,997	8,637
Total assets	4,871,125	5,222,305	351,180
Bonds payable	88,295	81,164	(7,130)
Payables under securities borrowing transactions	179,695	179,695	-
Loans payable	51,000	52,776	1,776
Total liabilities	318,990	313,636	(5,354)
Derivative financial instruments	21,251	21,251	-
Hedge accounting not applied	566	566	-
Hedge accounting applied	20,684	20,684	-

*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 fiscal year. Available-for-sale securities of which market value is readily available excluding the securities mentioned above are stated at the market value at the balance sheet date.

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

Unlisted stocks and others, 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 non-consolidated balance sheet was ¥20,034 million as of March 31, 2020.

(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 March 31, 2020.

(4) Payables under securities borrowing transactions

The Company considers book value as fair value with the assumption that fair value approximates book value.

(5) 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.

4. Investments and Rental Properties

The Company holds investment and rental properties such as office buildings in Tokyo and other areas. The carrying amount and the fair value of investment and rental properties were ¥249,504 million and ¥289,781 million as of March 31, 2020. The fair value is mainly based on the value (including some adjustments using the reference prices) of real estate appraisal report prepared by the external real-estate appraiser in accordance with real estate appraisal

standards.

5. Securities Lent under Lending Agreements

The amount of securities lent under lending agreements was ¥225,171 million as of March 31, 2020.

6. 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 ¥735 million as of March 31, 2020.

- i) Loans to bankrupt borrowers were ¥2 million as of March 31, 2020.
- ii) Delinquent loans were ¥589 million as of March 31, 2020.
- iii) Delinquent loans three or more months past due were ¥122 million as of March 31, 2020.
- iv) Restructured loans were ¥20 million as of March 31, 2020.

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 ¥3 million as of March 31, 2020.

In addition, the direct write-offs related to loans decreased the amount of delinquent loans described above by ¥31 million as of March 31, 2020.

7. Accumulated Depreciation of Tangible Fixed Assets

Accumulated depreciation of tangible fixed assets totaled ¥283,126 million as of March 31, 2020.

8. Separate Accounts

Total assets in separate accounts provided for in Article 118 of the Insurance Business Act were ¥24,381 million as of March 31, 2020. The amounts of separate account liabilities were the same as separate account assets.

9. Receivables from/Payables to Subsidiaries

The total amounts of receivables from/payables to subsidiaries were ¥322 million and ¥1,712 million as of March 31, 2020.

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

There were no receivables from directors and audit board members as of March 31, 2020. The total amount of payables to directors and audit board members was ¥15 million as of March 31, 2020.

11. Deferred Taxes

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

	<u>Millions of Yen</u>
	<u>As of</u>
	<u>March 31, 2020</u>
Deferred tax assets	¥ 68,319
Valuation allowance for deferred tax assets	<u>22,481</u>
Subtotal	<u>45,838</u>
Deferred tax liabilities	<u>37,794</u>
Net deferred tax assets (liabilities)	<u>¥ 8,044</u>

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

	<u>Millions of Yen</u>
	As of
	<u>March 31, 2020</u>
Deferred tax assets	
Contingency reserve	¥ 14,447
Reserve for price fluctuation	12,061
Losses on valuation of securities	9,639
Reserve for employees' retirement benefits	9,076
Impairment losses	7,743
Net unrealized losses on available-for-sale securities	<u>6,279</u>
Deferred tax liabilities	
Net unrealized gains on available-for-sale securities	<u>¥ 36,552</u>

- (2) The statutory tax rate was 27.9% for the fiscal year ended March 31, 2020. The main factors causing the difference between the statutory tax rate and the actual effective tax rate after considering deferred taxes were as follows:

	<u>Year ended</u>
	<u>March 31, 2020</u>
Interest on foundation funds	(4.3)%
Reserve for dividends to policyholders	(1.9)%

12. Reserve for Dividends to Policyholders

	<u>Millions of Yen</u>
	Year ended
	<u>March 31, 2020</u>
Balance at the beginning of the fiscal year	¥ 34,104
Transfer to reserve from surplus in the previous fiscal year	2,173
Dividends to policyholders paid out during the fiscal year	4,208
Increase in interest	131
Decrease in others	128
Balance at the end of the fiscal year	<u>¥ 32,073</u>

13. Stocks of Subsidiaries and Affiliates

The amount of stocks of subsidiaries and affiliates the Company held as of March 31, 2020 was ¥6,694 million.

14. Pledged Assets

Assets pledged as collateral as of March 31, 2020 were securities in the amount of ¥7,030 million.

15. Policy Reserves for the Reinsurance Contracts

Reserve for outstanding claims for the reinsurance contracts provided in accordance with Article 73, Paragraph 3 of the Enforcement Regulation of the Insurance Business Act which applies mutatis mutandis to Article 71, Paragraph 1 of the Enforcement Regulation of the Insurance Business Act (hereinafter “reserve for outstanding claims for ceded reinsurance”) was ¥6 million as of March 31, 2020.

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 ¥366 million as of March 31, 2020.

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

The total amount of adjustment to redemption of foundation funds and appropriation of net surplus defined in Article 30, Paragraph 2 of the Enforcement Regulation of the Insurance Business Act was ¥97,907 million as of March 31, 2020.

17. 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 as of March 31, 2020 was ¥72,765 million. No assets were pledged as collateral as of March 31, 2020.

18. Commitment Line

As of March 31, 2020, there were unused commitment line agreements under which the Company is the lender of ¥9,418 million.

19. Subordinated Bonds Payable

As of March 31, 2020, bonds payable are subordinated bonds payable, for which the repayments are subordinated to other obligations.

20. Subordinated Loans Payable

As of March 31, 2020, loans payable are subordinated loans payable, for which the repayments are subordinated to other obligations.

21. Contributions to Policyholders Protection Corporation

The estimated future contributions to the Life Insurance Policyholders Protection Corporation of Japan under Article 259 of the Insurance Business Act as of March 31, 2020 were ¥8,609 million. These contributions are charged as operating expenses in the fiscal years in which they are paid.

22. Reserve for Employees' Retirement Benefits

(1) Summary of retirement benefit plans

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

(2) Defined benefit plan

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

	<u>Millions of Yen</u>
	Year ended
	<u>March 31, 2020</u>
Retirement benefit obligations at the beginning of the fiscal year	¥ 43,586
Service cost	1,779
Interest cost	435
Actuarial difference occurred during the fiscal year	(235)
Retirement benefit payments	<u>(4,275)</u>
Retirement benefit obligations at the end of the fiscal year	¥ 41,291

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

	<u>Millions of Yen</u>
	Year ended
	<u>March 31, 2020</u>
Pension plan assets at the beginning of the fiscal year	¥ 7,407
Expected return on pension plan assets	63
Actuarial difference occurred during the fiscal year	(877)
Contributions by the employer	148
Retirement benefit payments	<u>(233)</u>
Pension plan assets at the end of the fiscal year	¥ 6,507

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

	Millions of Yen
	As of
	March 31, 2020
a. Funded plan retirement benefit obligation	¥ 41,291
b. Pension plan assets	(6,507)
c. (a + b)	34,783
d. Unrecognized actuarial differences	(2,429)
e. Net amount of liabilities and assets presented on the non-consolidated balance sheet	32,353
f. Reserve for employees' retirement benefits	32,533
g. Prepaid pension cost	(179)
h. Net amount of liabilities and assets presented on the non-consolidated balance sheet	¥ 32,353

- iv) Breakdown of retirement benefit expenses

	Millions of Yen
	Year ended
	March 31, 2020
Service cost	¥ 1,779
Interest cost	435
Expected return on pension plan assets	(63)
Amortization of actuarial differences	896
Retirement benefit expenses related to defined benefit plan	¥ 3,049

- v) Breakdown of main pension plan assets

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

	As of
	March 31, 2020
Stocks	38%
Bonds	9%
Others	53%
Total	100%

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

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

vii) Underlying actuarial assumptions

The main underlying actuarial assumptions were as follows:

	<u>As of</u> <u>March 31, 2020</u>
Discount rate	1.0%
Expected long-term rate of return on pension plan assets	0.9%
Defined benefit corporate pension plans	1.7%

III. Notes to Unaudited Non-consolidated Statement of Income

1. Transactions with Subsidiaries and Affiliates

The total amounts of revenues and expenditures in connection with subsidiaries and affiliates were ¥381 million and ¥9,483 million for the fiscal year ended March 31, 2020.

2. Investment Income and Expenses

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

	<u>Millions of Yen</u> <u>Year ended</u> <u>March 31, 2020</u>
Domestic bonds	¥ 21,832
Domestic stocks and other securities	2,018
Foreign securities	1

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

	<u>Millions of Yen</u> <u>Year ended</u> <u>March 31, 2020</u>
Domestic bonds	¥ 690
Domestic stocks and other securities	2,120

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

	<u>Millions of Yen</u> <u>Year ended</u> <u>March 31, 2020</u>
Domestic stocks and other securities	¥ 368

Losses on derivative financial instruments included net valuation losses of ¥1,456 million for the fiscal year ended March 31, 2020.

3. Policy Reserves for the Reinsurance Contracts

Provision for reserve for outstanding claims for ceded reinsurance, which was deducted in calculating provision for reserve for outstanding claims for the fiscal year ended March 31, 2020 was ¥2 million.

Provision for policy reserves for ceded reinsurance, which was added in calculating reversal of policy reserves for the fiscal year ended March 31, 2020 was ¥96 million.

5. Breakdown of Ordinary Profit (Fundamental Profit)

(Millions of Yen)

		Year ended March 31, 2019	Year ended March 31, 2020
Fundamental profit	A	24,258	29,641
Capital gains		36,907	23,852
Gains on money held in trust		-	-
Gains on trading securities		-	-
Gains on sales of securities		34,648	23,852
Gains on derivative financial instruments		-	-
Foreign exchange gains		2,258	-
Other capital gains		-	-
Capital losses		36,073	21,826
Losses on money held in trust		-	-
Losses on trading securities		-	-
Losses on sales of securities		12,520	2,810
Losses on valuation of securities		628	368
Losses on derivative financial instruments		22,923	16,588
Foreign exchange losses		-	2,057
Other capital losses		-	-
Net capital gains (losses)	B	833	2,025
Fundamental profit plus net capital gains (losses)	A+B	25,092	31,667
Other one-time gains		44	-
Reinsurance revenue		-	-
Reversal of contingency reserve		-	-
Reversal of specific allowance for possible loan losses		44	-
Others		-	-
Other one-time losses		500	610
Reinsurance premiums		-	-
Provision for contingency reserve		500	600
Provision for specific allowance for possible loan losses		-	10
Provision for allowance for specified overseas loans		-	-
Write-offs of loans		0	0
Others		-	-
Net other one-time gains (losses)	C	(455)	(610)
Ordinary profit	A+B+C	24,636	31,056

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

Year ended March 31, 2019

(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	
					Reserve for fund redemption	Equalized reserve for dividends to policyholders	Unappropriated surplus (loss)		
Beginning balance	126,000	131,000	281	266	48,600	9,678	37,356	95,901	353,183
Changes in the fiscal year:									
Additions to reserve for dividends to policyholders							(1,963)	(1,963)	(1,963)
Additions to reserve for future losses				25			(25)		
Additions to reserve for redemption of foundation funds		35,000			(35,000)			(35,000)	
Payment of interest on foundation funds							(6,266)	(6,266)	(6,266)
Net surplus							16,221	16,221	16,221
Redemption of foundation funds	(35,000)								(35,000)
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							(1,819)	(1,819)	(1,819)
Net changes, excluding foundation funds and others									
Net changes in the fiscal year	(35,000)	35,000	-	25	(22,400)	(420)	(6,032)	(28,827)	(28,827)
Ending balance	91,000	166,000	281	291	26,200	9,258	31,324	67,073	324,355

	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 fiscal year:				
Additions to reserve for dividends to policyholders				(1,963)
Additions to reserve for future losses				
Additions to reserve for redemption of foundation funds				
Payment of interest on foundation funds				(6,266)
Net surplus				16,221
Redemption of foundation funds				(35,000)
Additions to reserve for fund redemption				
Reversal of equalized reserve for dividends to policyholders				
Reversal of land revaluation differences				(1,819)
Net changes, excluding foundation funds and others	17,739	1,819	19,559	19,559
Net changes in the fiscal year	17,739	1,819	19,559	(9,268)
Ending balance	99,032	(44,561)	54,471	378,826

Year ended March 31, 2020

(Millions of Yen)

	Foundation funds and others									
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Surplus					Total surplus	Total foundation funds and others
				Reserve for future losses	Other surplus					
					Reserve for fund redemption	Equalized reserve for dividends to policyholders	Unappropriated surplus (loss)			
Beginning balance	91,000	166,000	281	291	26,200	9,258	31,324	67,073	324,355	
Changes in the fiscal year:										
Additions to reserve for dividends to policyholders							(2,173)	(2,173)	(2,173)	
Additions to reserve for future losses				19			(19)			
Payment of interest on foundation funds							(4,116)	(4,116)	(4,116)	
Net surplus							20,412	20,412	20,412	
Additions to reserve for fund redemption					9,100		(9,100)			
Reversal of equalized reserve for dividends to policyholders						(1,939)	1,939			
Reversal of land revaluation differences							622	622	622	
Net changes, excluding foundation funds and others										
Net changes in the fiscal year	-	-	-	19	9,100	(1,939)	7,566	14,745	14,745	
Ending balance	91,000	166,000	281	310	35,300	7,318	38,890	81,819	339,100	

	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	99,032	(44,561)	54,471	378,826
Changes in the fiscal year:				
Additions to reserve for dividends to policyholders				(2,173)
Additions to reserve for future losses				
Payment of interest on foundation funds				(4,116)
Net surplus				20,412
Additions to reserve for fund redemption				
Reversal of equalized reserve for dividends to policyholders				
Reversal of land revaluation differences				622
Net changes, excluding foundation funds and others	(1,406)	(622)	(2,029)	(2,029)
Net changes in the fiscal year	(1,406)	(622)	(2,029)	12,716
Ending balance	97,625	(45,183)	52,442	391,543

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

(Millions of Yen)

	Year ended March 31, 2019	Year ended March 31, 2020
Unappropriated surplus (loss)	31,324	38,890
Reversal of voluntary surplus reserves	1,939	227
Reversal of equalized reserve for dividends to policyholders	1,939	227
Total	33,264	39,117
Appropriation of surplus (loss)	15,408	14,993
Reserve for dividends to policyholders	2,173	1,794
Net surplus (loss)	13,235	13,199
Reserve for future losses	19	18
Interest on foundation funds	4,116	4,081
Voluntary surplus reserves	9,100	9,100
Reserve for fund redemption	9,100	9,100
Surplus (loss) carried forward	17,855	24,123

8. Disclosed Claims Based on Categories of Obligors

(Millions of Yen, %)

	As of March 31, 2019	As of March 31, 2020
Claims against bankrupt and quasi-bankrupt obligors	437	452
Claims with collection risk	197	154
Claims for special attention	141	147
Subtotal	776	753
(Percentage of total)	(0.13)	(0.12)
Claims against normal obligors	584,761	603,722
Total	585,538	604,476

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.

(Reference)

Amount of loans based on self-assessment categories

(Millions of Yen)

	As of March 31, 2019		As of March 31, 2020	
	Write-offs, provision for allowance		Write-offs, provision for allowance	
	Before	After	Before	After
Category II	5,843	5,843	342	342
Category III	197	112	164	60
Category IV	79	-	70	-

9. Risk-monitored Loans

(Millions of Yen, %)

	As of March 31, 2019	As of March 31, 2020
Loans to bankrupt borrowers	0	2
Delinquent loans	619	589
Delinquent loans three or more months past due	110	122
Restructured loans	27	20
Total	757	735
(Percentage of total loans)	(0.18)	(0.19)

Notes:

1. For credit to legally bankrupt borrowers and substantially bankrupt borrowers, the amounts remaining after the deductions of amount expected to be collected through the disposal of collateral or the execution of guarantees are written-off directly from the book value as the estimated uncollectible amounts. The amounts written-off related to loans to bankrupt borrowers were ¥3 million as of March 31, 2019 and ¥3 million as of March 31, 2020. The amounts written-off related to delinquent loans were ¥43 million as of March 31, 2019 and ¥31 million as of March 31, 2020.
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.

10. Solvency Margin Ratio

(Millions of Yen)

	As of March 31, 2019	As of March 31, 2020
Total solvency margin (A)	816,808	860,443
Foundation funds and surplus	318,065	333,225
Reserve for price fluctuation	40,890	43,230
Contingency reserve	51,182	51,782
General allowance for possible loan losses	48	46
(Net unrealized gains on available-for-sale securities (before tax effect) and deferred hedge gains (before tax effect)) × 90% (in case of losses: × 100%)	115,805	116,876
Net unrealized gains on land × 85% (in case of losses: × 100%)	10,434	27,786
Excess amount of policy reserves based on full-time Zillmer method	132,013	137,190
Qualifying subordinated debt	138,495	138,095
Excess amount of policy reserves based on full-time Zillmer method and qualifying subordinated debt excluded from the calculation of solvency margin	-	-
Deduction	-	-
Others	9,873	12,211
Total amount of risk $\sqrt{(R_1+R_8)^2+(R_2+R_3+R_7)^2}+R_4$ (B)	189,712	182,513
Insurance risk R_1	13,779	13,155
Third sector insurance risk R_8	9,622	9,974
Risk of assumed yield R_2	75,362	72,246
Minimum guarantee risk R_7	1,069	1,055
Investment risk R_3	107,649	103,703
Operational risk R_4	4,149	4,002
Solvency margin ratio (A) / {(1/2)×(B)} × 100	861.1%	942.8%

Notes:

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

11. Status of Separate Account

(1) Separate Account Assets by Products

(Millions of Yen)

	As of March 31, 2019	As of March 31, 2020
	Amount	Amount
Individual variable insurance	27,560	24,381
Individual variable annuities	-	-
Group annuity products	-	-
Total	27,560	24,381

(2) Individual Variable Insurance (Separate Account)

(i) Sum Insured of Policies in Force

	As of March 31, 2019		As of March 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	95,691	13	92,623
Total	13	95,691	13	92,623

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

(Millions of Yen)

	As of March 31, 2019		As of March 31, 2020	
	Amount	Percentage	Amount	Percentage
Cash, deposits, call loans	1,958	7.1	2,619	10.7
Securities	25,410	92.2	20,372	83.6
Domestic bonds	5,326	19.3	5,780	23.7
Domestic stocks	9,265	33.6	5,641	23.1
Foreign securities	10,819	39.3	8,950	36.7
Foreign bonds	4,032	14.6	3,415	14.0
Foreign stocks and other foreign securities	6,786	24.6	5,534	22.7
Other securities	-	-	-	-
Loans	-	-	-	-
Others	190	0.7	1,389	5.7
Allowance for possible loan losses	-	-	-	-
Total	27,560	100.0	24,381	100.0

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

(Millions of Yen)

	Year ended	Year ended
	March 31, 2019	March 31, 2020
	Amount	Amount
Interest, dividends and other income	624	567
Gains on sales of securities	2,015	2,290
Gains on redemptions of securities	-	-
Gains on valuation of securities	2,371	1,889
Foreign exchange gains	21	50
Gains on derivative financial instruments	-	-
Other investment income	0	1
Losses on sales of securities	2,091	2,441
Losses on redemptions of securities	8	13
Losses on valuation of securities	2,566	3,407
Foreign exchange losses	27	48
Losses on derivative financial instruments	0	-
Other investment expenses	0	0
Net Investment Income	340	(1,111)

(3) Individual Variable Annuities (Separate Account)

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

12. Status of the Company, Subsidiaries and Affiliates

(1) Selected Financial Data

	(Millions of Yen)	
	Year ended March 31, 2019	Year ended March 31, 2020
Ordinary income	642,637	626,362
Ordinary profit	24,532	31,040
Net surplus attributable to the Parent Company	16,018	20,294
Comprehensive income	31,432	19,101

	(Millions of Yen)	
	As of March 31, 2019	As of March 31, 2020
Total assets	5,357,677	5,390,941
Solvency margin ratio	865.7%	948.7%

(2) Unaudited Consolidated Balance Sheets

(Millions of Yen)

	As of March 31, 2019	As of March 31, 2020
Assets:		
Cash and deposits	40,630	35,227
Call loans	140,000	82,000
Monetary claims bought	28,984	26,915
Securities	4,252,984	4,369,302
Loans	426,804	377,913
Tangible fixed assets:	388,875	382,776
Land	226,451	224,609
Buildings	156,234	152,653
Lease assets	2,922	1,963
Construction in progress	516	614
Other tangible fixed assets	2,749	2,933
Intangible fixed assets:	24,836	24,731
Software	18,933	18,735
Other intangible fixed assets	5,903	5,995
Agency accounts receivable	3	11
Reinsurance receivables	427	446
Other assets	42,947	82,963
Net defined benefit assets	292	178
Deferred tax assets	11,262	8,863
Customers' liabilities under acceptances and guarantees	6	3
Allowance for possible loan losses	(378)	(391)
Total assets	5,357,677	5,390,941
Liabilities:		
Policy reserves and other reserves:	4,605,062	4,529,448
Reserve for outstanding claims	27,580	29,378
Policy reserves	4,543,377	4,467,997
Reserve for dividends to policyholders	34,104	32,073
Reinsurance payables	397	563
Bonds payable	88,295	88,295
Other liabilities	192,779	288,156
Net defined benefit liabilities	36,480	34,985
Reserve for price fluctuation	40,890	43,230
Deferred tax liabilities for land revaluation	17,116	16,838
Acceptances and guarantees	6	3
Total liabilities	4,981,027	5,001,521
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	66,801	81,429
Total foundation funds and others	324,083	338,711
Net unrealized gains (losses) on available-for-sale securities, net of tax	99,034	97,625
Land revaluation differences	(44,561)	(45,183)
Accumulated remeasurements of defined benefit plans	(1,990)	(1,814)
Total accumulated other comprehensive income	52,482	50,627
Non-controlling interests	83	81
Total net assets	376,650	389,420
Total liabilities and net assets	5,357,677	5,390,941

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

(Millions of Yen)

	Year ended March 31, 2019	Year ended March 31, 2020
Ordinary income:	642,637	626,362
Premium and other income	396,726	393,639
Investment income:	152,045	139,494
Interest, dividends and other income	107,335	108,447
Gains on sales of securities	34,648	23,854
Gains on redemption of securities	-	50
Foreign exchange gains	2,257	-
Reversal of allowance for possible loan losses	11	-
Other investment income	7,452	7,143
Investment gains on separate accounts	340	-
Other ordinary income	93,865	93,228
Ordinary expenses:	618,104	595,321
Claims and other payments:	418,245	406,561
Claims	121,536	114,654
Annuities	128,425	126,889
Benefits	71,701	71,469
Surrender benefits	90,757	88,017
Other payments	5,823	5,530
Provision for policy reserves and other reserves:	3	1,801
Provision for reserve for outstanding claims	-	1,798
Provision for interest on policyholders' dividend reserves	3	3
Investment expenses:	56,239	42,703
Interest expenses	4,700	4,526
Losses on sales of securities	12,521	2,810
Losses on valuation of securities	628	368
Losses on redemption of securities	-	140
Losses on derivative financial instruments	22,923	16,588
Foreign exchange losses	-	2,058
Provision for allowance for possible loan losses	-	8
Depreciation of rental real estate and other assets	5,361	5,327
Other investment expenses	10,104	9,761
Investment losses on separate accounts	-	1,111
Operating expenses	110,327	110,795
Other ordinary expenses	33,288	33,458
Ordinary profit	24,532	31,040
Extraordinary gains:	3,433	115
Gains on disposal of fixed assets	3,433	90
Other extraordinary gains	-	24
Extraordinary losses:	10,995	4,728
Losses on disposal of fixed assets	7,098	1,373
Impairment losses	1,235	966
Provision for reserve for price fluctuation	2,180	2,340
Losses on reduction entry of real estate	241	-
Other extraordinary losses	239	48
Surplus before income taxes	16,970	26,427
Income taxes-current	3,160	6,635
Income taxes-deferred	(2,250)	(542)
Total income taxes	910	6,093
Net surplus	16,060	20,333
Net surplus attributable to non-controlling interests	41	38
Net surplus attributable to the Parent Company	16,018	20,294

(Unaudited Consolidated Statements of Comprehensive Income)

(Millions of Yen)

	Year ended March 31, 2019	Year ended March 31, 2020
Net surplus	16,060	20,333
Other comprehensive income:	15,372	(1,232)
Net unrealized gains (losses) on available-for-sale securities, net of tax	17,740	(1,408)
Remeasurements of defined benefit plans	(2,367)	176
Comprehensive income:	31,432	19,101
Comprehensive income attributable to the Parent Company	31,391	19,062
Comprehensive income attributable to non-controlling interests	41	38

(4) Unaudited Consolidated Statements of Cash Flows

(Millions of Yen)

	Year ended March 31, 2019	Year ended March 31, 2020
I. Cash flows from operating activities		
Surplus before income taxes	16,970	26,427
Depreciation of rental real estate and other assets	5,361	5,327
Depreciation	11,263	11,586
Impairment losses	1,235	966
Increase (decrease) in reserve for outstanding claims	(788)	1,798
Increase (decrease) in policy reserves	(73,541)	(75,380)
Provision for interest on policyholders' dividend reserves	3	3
Increase (decrease) in allowance for possible loan losses	(11)	8
Increase (decrease) in net defined benefit liabilities	(1,725)	(1,106)
Increase (decrease) in reserve for price fluctuation	2,180	2,340
Interest, dividends and other income	(107,335)	(108,447)
(Gains) losses on securities	(21,839)	(19,473)
(Gains) losses on derivative financial instruments	22,923	16,588
Interest expenses	4,700	4,526
Foreign exchange (gains) losses, net	(2,257)	2,058
(Gains) losses on tangible fixed assets	(957)	1,053
(Increase) decrease in reinsurance receivables	384	(19)
(Increase) decrease in other assets except from investing and financing activities	(2,271)	(3,849)
Increase (decrease) in reinsurance payables	85	165
Increase (decrease) in other liabilities except from investing and financing activities	(910)	907
Others, net	1,917	5,549
Subtotal	(144,612)	(128,967)
Interest, dividends and other income received	110,216	114,322
Interest paid	(5,309)	(4,531)
Dividends to policyholders paid	(4,821)	(4,208)
Income taxes (paid) refunded	(7,830)	(1,387)
Net cash provided by (used in) operating activities	(52,357)	(24,771)
II. Cash flows from investing activities		
Purchases of monetary claims bought	(1,170)	(281)
Proceeds from sales and redemptions of monetary claims bought	2,354	2,373
Purchases of securities	(628,864)	(553,820)
Proceeds from sales and redemptions of securities	624,046	371,280
Disbursements for loans	(40,838)	(41,128)
Proceeds from collections of loans	98,573	87,509
Proceeds from derivative financial instruments	(23,572)	21,760
Increase (decrease) in payables under securities borrowing transactions	43,649	91,078
①Total of investing activities	74,177	(21,228)
[I + ①]	21,820	(46,000)
Purchases of tangible fixed assets	(7,404)	(7,464)
Proceeds from sales of tangible fixed assets	9,597	1,814
Others, net	(3,224)	(6,575)
Net cash provided by (used in) investing activities	73,145	(33,453)
III. Cash flows from financing activities		
Redemption of debt borrowing	(46,000)	-
Proceeds from issuance of bonds	47,946	-
Redemption of foundation funds	(35,000)	-
Payment of interest on foundation funds	(6,134)	(4,116)
Dividends paid to non-controlling interests	(39)	(41)
Others, net	(1,074)	(1,019)
Net cash provided by (used in) financing activities	(40,301)	(5,177)
IV. Net increase (decrease) in cash and cash equivalents	(19,512)	(63,402)
V. Cash and cash equivalents at the beginning of the year	200,143	180,630
VI. Cash and cash equivalents at the end of the year	180,630	117,227

(5) Unaudited Consolidated Statements of Changes in Net Assets

Year ended March 31, 2019

(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 fiscal year:					
Additions to reserve for dividends to policyholders				(1,963)	(1,963)
Additions to reserve for redemption of foundation funds		35,000		(35,000)	
Payment of interest on foundation funds				(6,266)	(6,266)
Net surplus attributable to the Parent Company				16,018	16,018
Redemption of foundation funds	(35,000)				(35,000)
Reversal of land revaluation differences				(1,819)	(1,819)
Net changes, excluding foundation funds and others					
Net changes in the fiscal year	(35,000)	35,000	-	(29,030)	(29,030)
Ending balance	91,000	166,000	281	66,801	324,083

	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 fiscal year:						
Additions to reserve for dividends to policyholders						(1,963)
Additions to reserve for redemption of foundation funds						
Payment of interest on foundation funds						(6,266)
Net surplus attributable to the Parent Company						16,018
Redemption of foundation funds						(35,000)
Reversal of land revaluation differences						(1,819)
Net changes, excluding foundation funds and others	17,740	1,819	(2,367)	17,192	2	17,194
Net changes in the fiscal year	17,740	1,819	(2,367)	17,192	2	(11,835)
Ending balance	99,034	(44,561)	(1,990)	52,482	83	376,650

Year ended March 31, 2020

(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	91,000	166,000	281	66,801	324,083
Changes in the fiscal year:					
Additions to reserve for dividends to policyholders				(2,173)	(2,173)
Payment of interest on foundation funds				(4,116)	(4,116)
Net surplus attributable to the Parent Company				20,294	20,294
Reversal of land revaluation differences				622	622
Net changes, excluding foundation funds and others					
Net changes in the fiscal year	-	-	-	14,627	14,627
Ending balance	91,000	166,000	281	81,429	338,711

	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	99,034	(44,561)	(1,990)	52,482	83	376,650
Changes in the fiscal year:						
Additions to reserve for dividends to policyholders						(2,173)
Payment of interest on foundation funds						(4,116)
Net surplus attributable to the Parent Company						20,294
Reversal of land revaluation differences						622
Net changes, excluding foundation funds and others	(1,408)	(622)	176	(1,854)	(2)	(1,857)
Net changes in the fiscal year	(1,408)	(622)	176	(1,854)	(2)	12,770
Ending balance	97,625	(45,183)	(1,814)	50,627	81	389,420

I. Presentation of Unaudited Consolidated Financial Statements

1. Basis of Presentation

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

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

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

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

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

2. Principles of Consolidation

(1) Scope of consolidation

The consolidated subsidiaries as of March 31, 2020 are listed below:

Info Techno Asahi Co., Ltd.
Asahi Life Asset Management Co., Ltd.
Asahi Natixis Investment Managers Co., Ltd.
(former 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 fiscal year ended March 31, 2020. As such non-consolidated subsidiaries are not considered to materially affect any reasonable determination as to the financial position and result of operation of the Company’s group, these companies are excluded from the consolidation.

(2) Application of equity method

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

(3) Fiscal year-end of consolidated subsidiaries

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

(4) Amortization of goodwill

Goodwill is fully expensed as incurred.

II. Notes to Unaudited Consolidated Balance Sheet

1. Significant Accounting Policies

(1) Valuation methods of securities

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

- i) Trading securities are stated at fair market value. Costs of sales are determined by the moving average method.
- ii) Held-to-maturity debt securities are stated at amortized cost (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 end of the fiscal year. 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 fiscal year. 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 considered 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.

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

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

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

(6) Foreign currency translation

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

(7) Allowance for possible loan losses

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

- i) For credit to borrowers who are legally bankrupt such as being in bankruptcy proceedings or civil rehabilitation (hereinafter "legally bankrupt borrowers") and who are substantially bankrupt (hereinafter "substantially bankrupt borrowers"), the Company provides the remaining amount of credits after the direct write-off described below and the deductions of the amount expected to be collected through the disposal of collateral or the execution of guarantees.
- ii) For credit to borrowers who are not currently bankrupt but have a high risk of bankruptcy (hereinafter "not currently bankrupt borrowers"), the Company provides the amounts deemed as necessary considering the borrowers' ability to pay, within the amounts after deductions of the amount expected to be collected through the disposal of collateral or the execution of guarantees.
- iii) For credit to borrowers other than the above, the Company provides the amounts calculated by multiplying the 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 as of March 31, 2020 was ¥34 million.

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

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

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

- The retirement benefit obligation is attributed to each period by the benefit formula method.
- Actuarial differences are amortized under the straight-line method over a period of seven years starting 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 and its subsidiaries account for consumption tax and local consumption tax by the tax-exclusion method. The consumption taxes on certain assets, which are not deductible from consumption taxes withheld and that are stipulated to be deferred under the Corporation Tax Act of Japan, are deferred as prepaid expenses and amortized equally over five years.

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

(12) Policy reserves

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

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

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

(13) Software

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

2. Accounting Standards and Guidances Issued but Not Yet Effective

The accounting standards and relevant guidances issued by the fiscal year-end but not yet effective are as follows:

- “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, issued on July 4, 2019)
- “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, issued on July 4, 2019)
- “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, revised on July 4, 2019)

(i) Overview

In these accounting standards and guidances, the guidance on the methods for measuring fair values of financial instruments are set to enhance comparability between Japanese accounting standards and international accounting standards.

(ii) Schedule date of adoption

The above revisions are scheduled to be applied from the beginning of the fiscal year ending March 31, 2022.

(iii) Effects of application of the Accounting Standards and relevant guidances

The effects of the application are under assessment at the time of preparing these consolidated financial statements.

3. Financial Instruments

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

- For accumulation whole life with variable interest rates, accumulation insurance with variable interest rates and new single premium individual annuities which have an effective date on or after April 2, 2012, the Company mainly invests in domestic bonds, engaging in matching asset liability management, or Matching ALM, which aims at matching the duration to outstanding insurance liabilities to avoid interest rate fluctuation risks.
- For individual life insurance and individual annuities other than above, the Company holds yen-denominated fixed income investments, including bonds and loans, as the core of its asset portfolio. The Company also holds domestic stocks, foreign securities and real estate assets to enhance its profitability.

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

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

In managing credit risks, the Company quantifies the credit risks of entire portfolio through VaR method and controls the amount of risks within an acceptable range. Furthermore, the Company assigns in-house credit ratings to our borrowers in accordance with the creditworthiness of each borrower. Strict credit research of each borrower before lending as well as following up on any changes of creditworthiness of each borrower after lending are implemented by Risk Management Department, which is independent of the departments executing investments and lending. Maximum limits of credit are set up for each borrower in accordance with its credit risks to avoid the concentration of credit risks on specific corporations and specific corporation groups. Through all these measures, the Company

endeavors to develop high quality portfolio.

The balance sheet amounts, fair values and the differences between those of major financial assets and liabilities as of March 31, 2020 were as follows:

	Millions of Yen		
	As of March 31, 2020		
	Balance Sheet Amount	Fair Value	Difference
Cash and deposits	¥ 35,227	¥ 35,227	¥ -
Call loans	82,000	82,000	-
Monetary claims bought	26,915	29,796	2,881
Trading securities	-	-	-
Held-to-maturity debt securities	25,997	28,878	2,881
Policy-reserve-matching bonds	-	-	-
Available-for-sale securities	918	918	-
Securities	4,353,757	4,693,418	339,661
Trading securities	20,372	20,372	-
Held-to-maturity debt securities	308,469	344,876	36,406
Policy-reserve-matching bonds	2,050,330	2,353,584	303,254
Available-for-sale securities	1,974,584	1,974,584	-
Loans	377,913	386,550	8,637
Policy loans	40,553	40,553	-
Industrial and consumer loans	337,359	345,997	8,637
Total assets	4,875,813	5,226,993	351,180
Bonds payable	88,295	81,164	(7,130)
Payables under securities borrowing transactions	179,695	179,695	-
Loans payable	51,000	52,776	1,776
Total liabilities	318,990	313,636	(5,354)
Derivative financial instruments	21,251	21,251	-
Hedge accounting not applied	566	566	-
Hedge accounting applied	20,684	20,684	-

* 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 fiscal year. Available-for-sale securities of which market value is readily available excluding the securities mentioned above are stated at the market value at the balance sheet date.

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

Unlisted stocks and others, 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 consolidated balance sheet was ¥15,544 million as of March 31, 2020.

(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 values, etc. as of March 31, 2020.

(4) Payables under securities borrowing transactions

The Company considers book value as fair value with the assumption that fair value approximates book value.

(5) 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.

4. Investments and Rental Properties

The Company holds investment and rental properties such as office buildings in Tokyo and other areas. The carrying amount and the fair value of investment and rental properties were ¥248,380 million and ¥288,820 million as of March 31, 2020. The fair value is mainly based on the value (including some adjustments using the reference prices) of real estate appraisal report prepared by the external real-estate appraiser in accordance with real estate appraisal standards.

5. Securities Lent under Lending Agreements

The amount of securities lent under lending agreements was ¥225,171 million as of March 31, 2020.

6. 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 ¥735 million as of March 31, 2020.

- i) Loans to bankrupt borrowers were ¥2 million as of March 31, 2020.
- ii) Delinquent loans were ¥589 million as of March 31, 2020.
- iii) Delinquent loans three or more months past due were ¥122 million as of March 31, 2020.
- iv) Restructured loans were ¥20 million as of March 31, 2020.

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 ¥3 million as of March 31, 2020.

In addition, the direct write-offs related to loans decreased the amount of delinquent loans

described above by ¥31 million as of March 31, 2020.

7. Accumulated Depreciation of Tangible Fixed Assets

Accumulated depreciation of tangible fixed assets totaled ¥283,301 million as of March 31, 2020.

8. Separate Accounts

Total assets in separate accounts provided for in Article 118 of the Insurance Business Act were ¥24,381 million as of March 31, 2020. The amounts of separate account liabilities were the same as separate account assets.

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

There were no receivables from directors and audit board members as of March 31, 2020. The total amount of payables to directors and audit board members was ¥15 million as of March 31, 2020.

10. Reserve for Dividends to Policyholders

	<u>Millions of Yen</u>
	<u>Year ended</u>
	<u>March 31, 2020</u>
Balance at the beginning of the fiscal year	¥ 34,104
Transfer to reserve from surplus in the previous fiscal year	2,173
Dividends to policyholders paid out during the fiscal year	4,208
Increase in interest	131
Decrease in others	128
Balance at the end of the fiscal year	<u>¥ 32,073</u>

11. Stocks of Unconsolidated Subsidiaries and affiliates

The amount of stocks of unconsolidated subsidiaries and affiliates the Company held as of March 31, 2020 was ¥2,205 million.

12. Pledged Assets

Assets pledged as collateral as of March 31, 2020 were securities in the amount of ¥7,030 million.

13. 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 as of March 31,

2020 was ¥72,765 million. No assets were pledged as collateral as of March 31, 2020.

14. Commitment Line

As of March 31, 2020, there were unused commitment line agreements under which the Company is the lender of ¥9,418 million.

15. Subordinated Bonds Payable

As of March 31, 2020, bonds payable are subordinated bonds payable, for which the repayments are subordinated to other obligations.

16. Subordinated Loans Payable

As of March 31, 2020, other liabilities included subordinated loans payable of ¥51,000 million, for which the repayments are subordinated to other obligations.

17. Contributions to Policyholders Protection Corporation

The estimated future contributions to the Life Insurance Policyholders Protection Corporation of Japan under Article 259 of the Insurance Business Act as of March 31, 2020 were ¥8,609 million. These contributions are charged as operating expenses in the fiscal years in which they are paid.

18. Deferred Taxes

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

	<u>Millions of Yen</u>
	<u>As of</u>
	<u>March 31, 2020</u>
Deferred tax assets	¥ 69,173
Valuation allowance for deferred tax assets	22,487
Subtotal	<u>46,685</u>
Deferred tax liabilities	<u>37,822</u>
Net deferred tax assets (liabilities)	<u>¥ 8,863</u>

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

	<u>Millions of Yen</u>
	<u>As of</u>
	<u>March 31, 2020</u>
Deferred tax assets	
Contingency reserve	¥ 14,447
Reserve for price fluctuation	12,061
Net defined benefit liabilities	9,762
Losses on valuation of securities	9,642
Impairment losses	7,743
Net unrealized losses on available-for-sale securities	<u>6,279</u>
Deferred tax liabilities	
Net unrealized gains on available-for-sale securities	<u>¥ 36,552</u>

(2) The statutory tax rate was 27.9% for the fiscal year ended March 31, 2020. The main factors causing the difference between the statutory tax rate and the actual effective tax rate after considering deferred taxes were as follows:

	<u>Year ended</u>
	<u>March 31, 2020</u>
Interest on foundation funds	(4.3)%
Reserve for dividends to policyholders	(1.9)%

19. Accrued Retirement Benefits and Net Defined Benefit Liabilities

(1) Summary of retirement benefit plans

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

(2) Defined benefit plan

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

	<u>Millions of Yen</u>
	<u>Year ended</u>
	<u>March 31, 2020</u>
Retirement benefit obligations at the beginning of the fiscal year	¥ 44,293
Service cost	1,852
Interest cost	439
Actuarial difference occurred during the fiscal year	(231)
Retirement benefit payments	(4,288)
Retirement benefit obligations at the end of the fiscal year	¥ 42,065

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

	<u>Millions of Yen</u>
	<u>Year ended</u>
	<u>March 31, 2020</u>
Pension plan assets at the beginning of the fiscal year	¥ 8,106
Expected return on pension plan assets	76
Actuarial difference occurred during the fiscal year	(905)
Contributions by the employer	226
Retirement benefit payments	(246)
Pension plan assets at the end of the fiscal year	¥ 7,258

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

	<u>Millions of Yen</u>
	<u>As of</u>
	<u>March 31, 2020</u>
a. Funded plan retirement benefit obligation	¥ 42,065
b. Pension plan assets	(7,258)
c. Net amount of liabilities and assets presented on the consolidated balance sheet	34,806
d. Net defined benefit liabilities	34,985
e. Net defined benefit assets	(178)
f. Net amount of liabilities and assets presented on the consolidated balance sheet	¥ 34,806

iv) Breakdown of retirement benefit expenses

	<u>Millions of Yen</u>
	Year ended
	<u>March 31, 2020</u>
Service cost	¥ 1,852
Interest cost	439
Expected return on pension plan assets	(76)
Amortization of actuarial differences	909
Amortization of prior service cost	6
Retirement benefit expenses related to defined benefit plan	<u>¥ 3,130</u>

v) Breakdown of items included in other comprehensive income

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

	<u>Millions of Yen</u>
	Year ended
	<u>March 31, 2020</u>
Amortization of actuarial differences	¥ 236
Amortization of prior service cost	6
Total	<u>¥ 243</u>

vi) Breakdown of items included in accumulated other comprehensive income

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

	<u>Millions of Yen</u>
	Year ended
	<u>March 31, 2020</u>
Unrecognized actuarial differences	¥ 2,524
Total	<u>¥ 2,524</u>

vii) Breakdown of main pension plan assets

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

	<u>As of</u>
	<u>March 31, 2020</u>
Stocks	36%
Bonds	16%
Others	48%
Total	<u>100%</u>

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

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

ix) Underlying actuarial assumptions

The main underlying actuarial assumptions were as follows:

	<u>As of</u> <u>March 31, 2020</u>
Discount rate	1.0%
Expected long-term rate of return on pension plan assets	0.9%
Defined benefit corporate pension plans	1.7%

III. Notes to Unaudited Consolidated Statement of Income

1. Investment Income and Expenses

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

	<u>Millions of Yen</u>
	Year ended
	<u>March 31, 2020</u>
Domestic bonds	¥ 21,832
Domestic stocks and other securities	2,020
Foreign securities	1

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

	<u>Millions of Yen</u>
	Year ended
	<u>March 31, 2020</u>
Domestic bonds	¥ 690
Domestic stocks and other securities	2,120

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

	<u>Millions of Yen</u>
	Year ended
	<u>March 31, 2020</u>
Domestic stocks and other securities	¥ 368

Losses on derivative financial instruments included net valuation losses of ¥1,456 million for the fiscal year ended March 31, 2020.

IV. Notes to Unaudited Consolidated Statement of Comprehensive Income

Other Comprehensive Income

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

	<u>Millions of Yen</u>
	<u>Year ended</u>
	<u>March 31, 2020</u>
Net unrealized gains on available-for-sale securities, net of tax	
Amount incurred during the fiscal year	¥ (65)
Reclassification adjustments	<u>1,253</u>
Before tax adjustment	1,188
Tax effects	<u>(2,596)</u>
Net unrealized losses on available-for-sale securities, net of tax	<u>(1,408)</u>
Accumulated remeasurements of defined benefit plans	
Amount incurred during the fiscal year	(673)
Reclassification adjustments	<u>916</u>
Before tax adjustment	243
Tax effects	<u>(67)</u>
Accumulated remeasurements of defined benefit plans	176
Total other comprehensive income	<u>¥ (1,232)</u>

V. Notes to Unaudited Consolidated Statement of Cash Flows

Scope of Cash and Cash Equivalents

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

(6) Risk-monitored Loans

(Millions of Yen, %)

	As of March 31, 2019	As of March 31, 2020
Loans to bankrupt borrowers	0	2
Delinquent loans	619	589
Delinquent loans three or more months past due	110	122
Restructured loans	27	20
Total	757	735
(Percentage of total loans)	(0.18)	(0.19)

Notes:

1. For credit to legally bankrupt borrowers and substantially bankrupt borrowers, the amounts remaining after the deductions of amount expected to be collected through the disposal of collateral or the execution of guarantees are written-off directly from the book value as the estimated uncollectible amounts. The amounts written-off related to loans to bankrupt borrowers were ¥3 million as of March 31, 2019 and ¥3 million as of March 31, 2020. The amounts written-off related to delinquent loans were ¥43 million as of March 31, 2019 and ¥31 million as of March 31, 2020.
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.

(7) Consolidated Solvency Margin Ratio

(Millions of Yen)

	As of March 31, 2019	As of March 31, 2020
Total solvency margin (A)	813,038	856,773
Foundation funds and surplus	317,059	332,078
Reserve for price fluctuation	40,890	43,230
Contingency reserve	51,182	51,782
Catastrophe loss reserve	-	-
General allowance for possible loan losses	50	47
(Net unrealized gains on available-for-sale securities (before tax effect) and deferred hedge gains (before tax effect)) × 90% (in case of losses: × 100%)	115,807	116,877
Net unrealized gains on land × 85% (in case of losses: × 100%)	10,434	27,786
Sum of unrealized actuarial differences and unrealized past service cost	(2,768)	(2,524)
Excess amount of policy reserves based on full-time Zillmer method	132,013	137,190
Qualifying subordinated debt	138,495	138,095
Excess amount of policy reserves based on full-time Zillmer method and qualifying subordinated debt excluded from the calculation of solvency margin	-	-
Deduction	-	-
Others	9,873	12,211
Total amount of risk $\sqrt{(\sqrt{R_1^2 + R_5^2 + R_8 + R_9})^2 + (R_2 + R_3 + R_7)^2} + R_4 + R_6$ (B)	187,822	180,611
Insurance risk R_1	13,779	13,155
Ordinary insurance risk R_5	-	-
Disaster insurance risk R_6	-	-
Third sector insurance risk R_8	9,622	9,974
Small amount short-term insurance provider insurance risk R_9	-	-
Risk of assumed yield R_2	75,362	72,246
Minimum guarantee risk R_7	1,069	1,055
Investment risk R_3	105,782	101,822
Operational risk R_4	4,112	3,965
Solvency margin ratio $(A) / \{(1/2) \times (B)\} \times 100$	865.7%	948.7%

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

(8) Segment information

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