

August 7, 2020

Financial Results for the Three Months Ended June 30, 2020

Asahi Mutual Life Insurance Company (the “Company” ; President: Hiroki Kimura)
announces financial results for the three months ended June 30, 2020.

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1. Business Highlights

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

(i) Policies in Force

	As of March 31, 2020		As of June 30, 2020			
	Number of policies (Thousands)	Amount (100 millions of Yen)	Number of policies (Thousands)	Amount (100 millions of Yen)		
				Changes (%, Pre-FYE)	Changes (%, Pre-FYE)	
Individual insurance	7,269	142,238	7,245	99.7	139,483	98.1
Individual annuities	531	21,936	526	99.0	21,650	98.7
Group insurance	—	14,536	—	—	14,598	100.4
Group annuities	—	162	—	—	159	98.5

Notes:

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

(ii) New Policies

	Three months ended June 30, 2019			
	Number of policies (Thousands)	Amount (100 millions of Yen)		
		New policies	Net increase by conversion	
Individual insurance	173	350	696	(345)
Individual annuities	—	(27)	—	(27)
Group insurance	—	44	44	—
Group annuities	—	—	—	—

	Three months ended June 30, 2020					
	Number of policies (Thousands)	Changes (%, YoY)	Amount (100 millions of Yen)			
			Changes (%, YoY)	New policies	Net increase by conversion	
Individual insurance	135	78.3	315	89.9	539	(224)
Individual annuities	—	—	(8)	—	—	(8)
Group insurance	—	—	94	209.7	94	—
Group annuities	—	—	—	—	—	—

Notes:

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

(2) Annualized Premiums

(i) Policies in Force

(100 millions of Yen)

	As of March 31, 2020	As of June 30, 2020	
			Changes (%, Pre-FYE)
Individual insurance	3,916	3,879	99.1
Individual annuities	1,391	1,379	99.2
Total	5,307	5,259	99.1
Third-sector products	2,157	2,151	99.7

(ii) New Policies

(100 millions of Yen)

	Three months ended June 30, 2019	Three months ended June 30, 2020	Changes
			(%, YoY)
Individual insurance	57	43	75.3
Individual annuities	(0)	(0)	—
Total	57	43	75.7
Third-sector products	48	36	75.1

Notes:

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

2. Investment Results of General Account Assets

(1) Asset Composition

(Millions of Yen)

	As of March 31, 2020		As of June 30, 2020	
	Amount	Percentage	Amount	Percentage
Cash, deposits, call loans	109,934	2.0	151,000	2.8
Monetary claims bought	26,915	0.5	26,567	0.5
Securities	4,353,404	81.2	4,443,526	81.6
Domestic bonds	2,722,203	50.7	2,743,793	50.4
Domestic stocks	282,473	5.3	322,687	5.9
Foreign securities	1,285,061	24.0	1,308,016	24.0
Foreign bonds	1,063,892	19.8	1,040,666	19.1
Foreign stocks and other foreign securities	221,169	4.1	267,350	4.9
Other securities	63,666	1.2	69,028	1.3
Loans	377,913	7.0	359,874	6.6
Policy loans	40,553	0.8	40,578	0.7
Industrial and consumer loans	337,359	6.3	319,296	5.9
Real estate	377,871	7.0	376,856	6.9
Deferred tax assets	8,044	0.1	—	—
Others	110,577	2.1	86,042	1.6
Allowance for possible loan losses	(391)	(0.0)	(360)	(0.0)
Total	5,364,268	100.0	5,443,506	100.0
Foreign currency-denominated assets	1,394,173	26.0	1,423,808	26.2

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

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

(Millions of Yen)

	As of March 31, 2020					As of June 30, 2020				
	Book value	Fair value	Gains/losses			Book value	Fair value	Gains/losses		
				Gains	Losses				Gains	Losses
Held-to-maturity debt securities	334,467	373,755	39,288	39,294	(5)	329,305	370,083	40,778	40,787	(9)
Policy-reserve-matching bonds	2,050,330	2,353,584	303,254	304,294	(1,040)	2,047,418	2,298,497	251,079	257,220	(6,141)
Stocks of subsidiaries	—	—	—	—	—	—	—	—	—	—
Available-for-sale securities	1,845,623	1,975,488	129,864	192,293	(62,429)	1,879,091	2,073,371	194,279	240,823	(46,543)
Domestic bonds	507,110	518,502	11,392	15,757	(4,364)	530,635	547,769	17,133	20,442	(3,309)
Domestic stocks	169,376	262,450	93,073	116,456	(23,382)	173,793	302,698	128,905	147,580	(18,675)
Foreign securities	1,093,700	1,129,950	36,249	59,561	(23,312)	1,099,995	1,152,906	52,911	71,982	(19,071)
Foreign bonds	862,807	908,792	45,984	58,080	(12,095)	829,022	885,566	56,543	65,518	(8,974)
Foreign stocks and other foreign securities	230,892	221,157	(9,735)	1,481	(11,216)	270,973	267,340	(3,632)	6,464	(10,096)
Other securities	74,595	63,666	(10,929)	439	(11,369)	73,741	69,028	(4,713)	772	(5,485)
Monetary claims bought	840	918	78	78	—	924	968	43	46	(2)
Negotiable certificates of deposit	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—
Total	4,230,421	4,702,828	472,407	535,882	(63,475)	4,255,815	4,741,952	486,137	538,831	(52,694)
Domestic bonds	2,710,810	3,033,735	322,924	328,335	(5,411)	2,726,660	3,002,816	276,155	285,615	(9,459)
Domestic stocks	169,376	262,450	93,073	116,456	(23,382)	173,793	302,698	128,905	147,580	(18,675)
Foreign securities	1,248,800	1,313,179	64,378	87,691	(23,312)	1,255,095	1,338,096	83,000	102,071	(19,071)
Foreign bonds	1,017,907	1,092,021	74,114	86,209	(12,095)	984,122	1,070,755	86,632	95,607	(8,974)
Foreign stocks and other foreign securities	230,892	221,157	(9,735)	1,481	(11,216)	270,973	267,340	(3,632)	6,464	(10,096)
Other securities	74,595	63,666	(10,929)	439	(11,369)	73,741	69,028	(4,713)	772	(5,485)
Monetary claims bought	26,837	29,796	2,959	2,959	—	26,523	29,313	2,789	2,791	(2)
Negotiable certificates of deposit	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—

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

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

(Millions of Yen)

	As of March 31, 2020	As of June 30, 2020
Held-to-maturity debt securities	—	—
Unlisted foreign bonds	—	—
Others	—	—
Policy-reserve-matching bonds	—	—
Stocks of subsidiaries	6,694	6,694
Available-for-sale securities	13,340	13,305
Unlisted domestic stocks (except over-the-counter stocks)	13,327	13,294
Unlisted foreign stocks (except over-the-counter stocks)	12	11
Unlisted foreign bonds	—	—
Others	—	—
Total	20,035	19,999

(Reference)

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

(Millions of Yen)

	As of March 31, 2020					As of June 30, 2020				
	Book value	Fair value	Gains/losses			Book value	Fair value	Gains/losses		
				Gains	Losses				Gains	Losses
Held-to-maturity debt securities	334,467	373,755	39,288	39,294	(5)	329,305	370,083	40,778	40,787	(9)
Policy-reserve-matching bonds	2,050,330	2,353,584	303,254	304,294	(1,040)	2,047,418	2,298,497	251,079	257,220	(6,141)
Stocks of subsidiaries	6,694	6,694	—	—	—	6,694	6,694	—	—	—
Available-for-sale securities	1,858,964	1,988,827	129,863	192,293	(62,430)	1,892,397	2,086,675	194,278	240,823	(46,544)
Domestic bonds	507,110	518,502	11,392	15,757	(4,364)	530,635	547,769	17,133	20,442	(3,309)
Domestic stocks	182,704	275,778	93,073	116,456	(23,382)	187,087	315,993	128,905	147,580	(18,675)
Foreign securities	1,093,713	1,129,961	36,248	59,561	(23,313)	1,100,006	1,152,916	52,909	71,982	(19,072)
Foreign bonds	862,807	908,792	45,984	58,080	(12,095)	829,022	885,566	56,543	65,518	(8,974)
Foreign stocks and other foreign securities	230,905	221,169	(9,736)	1,481	(11,218)	270,984	267,350	(3,633)	6,464	(10,098)
Other securities	74,595	63,666	(10,929)	439	(11,369)	73,741	69,028	(4,713)	772	(5,485)
Monetary claims bought	840	918	78	78	—	924	968	43	46	(2)
Negotiable certificates of deposit	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—
Total	4,250,456	4,722,862	472,406	535,882	(63,476)	4,275,815	4,761,951	486,136	538,831	(52,695)
Domestic bonds	2,710,810	3,033,735	322,924	328,335	(5,411)	2,726,660	3,002,816	276,155	285,615	(9,459)
Domestic stocks	189,399	282,473	93,073	116,456	(23,382)	193,782	322,687	128,905	147,580	(18,675)
Foreign securities	1,248,813	1,313,190	64,377	87,691	(23,313)	1,255,106	1,338,105	82,999	102,071	(19,072)
Foreign bonds	1,017,907	1,092,021	74,114	86,209	(12,095)	984,122	1,070,755	86,632	95,607	(8,974)
Foreign stocks and other foreign securities	230,905	221,169	(9,736)	1,481	(11,218)	270,984	267,350	(3,633)	6,464	(10,098)
Other securities	74,595	63,666	(10,929)	439	(11,369)	73,741	69,028	(4,713)	772	(5,485)
Monetary claims bought	26,837	29,796	2,959	2,959	—	26,523	29,313	2,789	2,791	(2)
Negotiable certificates of deposit	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—

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

(3) Fair Value Information on Money Held in Trust

The Company doesn't hold money held in trust.

3. Unaudited Non-consolidated Balance Sheets

(Millions of Yen)

	As of March 31, 2020	As of June 30, 2020
Assets:		
Cash and deposits	30,554	56,583
Call loans	82,000	99,000
Monetary claims bought	26,915	26,567
Securities:	4,373,776	4,464,212
National government bonds	1,728,003	1,692,363
Local government bonds	54,671	55,331
Corporate bonds	945,309	1,001,845
Domestic stocks	288,114	328,995
Foreign securities	1,294,012	1,316,649
Loans:	377,913	359,874
Policy loans	40,553	40,578
Industrial and consumer loans	337,359	319,296
Tangible fixed assets	382,722	381,402
Intangible fixed assets	25,541	24,983
Agency accounts receivable	11	11
Reinsurance receivables	446	349
Other assets	80,937	56,058
Prepaid pension cost	179	155
Deferred tax assets	8,044	-
Customers' liabilities under acceptances and guarantees	3	2
Allowance for possible loan losses	(391)	(360)
Total assets	5,388,655	5,468,839

(Millions of Yen)

	As of March 31, 2020	As of June 30, 2020
Liabilities:		
Policy reserves and other reserves:	4,529,448	4,518,350
Reserve for outstanding claims	29,378	28,530
Policy reserves	4,467,997	4,456,646
Reserve for dividends to policyholders	32,073	33,173
Reinsurance payables	563	257
Bonds payable	88,295	88,295
Other liabilities:	286,199	318,754
Income taxes payable	4,121	2,191
Lease obligations	1,963	1,720
Asset retirement obligations	263	256
Others	279,849	314,585
Reserve for employees' retirement benefits	32,533	32,278
Reserve for price fluctuation	43,230	43,820
Deferred tax liabilities	-	7,777
Deferred tax liabilities for land revaluation	16,838	16,821
Acceptances and guarantees	3	2
Total liabilities	4,997,112	5,026,358
Net assets:		
Foundation funds	91,000	91,000
Reserve for redemption of foundation funds	166,000	166,000
Reserve for revaluation	281	281
Surplus:	81,819	84,208
Reserve for future losses	310	328
Other surplus:	81,509	83,880
Reserve for fund redemption	35,300	44,400
Equalized reserve for dividends to policyholders	7,318	7,091
Unappropriated surplus (loss)	38,890	32,389
Total foundation funds and others	339,100	341,490
Net unrealized gains (losses) on available-for-sale securities, net of tax	97,625	146,218
Land revaluation differences	(45,183)	(45,228)
Total valuation and translation adjustments	52,442	100,990
Total net assets	391,543	442,481
Total liabilities and net assets	5,388,655	5,468,839

4. Unaudited Non-consolidated Statements of Income

(Millions of Yen)

	Three months ended June 30, 2019	Three months ended June 30, 2020
Ordinary income:	164,431	151,645
Premium and other income:	97,303	95,769
Insurance premiums	96,719	95,194
Investment income:	48,811	40,788
Interest, dividends and other income	25,322	26,772
Gains on sales of securities	21,677	10,763
Investment gains on separate accounts	-	1,483
Other ordinary income	18,317	15,086
Ordinary expenses:	140,248	138,843
Claims and other payments:	96,213	91,619
Claims	27,410	27,378
Annuities	27,540	26,726
Benefits	17,320	17,165
Surrender benefits	22,730	19,288
Other payments	893	626
Provision for policy reserves and other reserves:	1	0
Provision for interest on policyholders' dividend reserves	1	0
Investment expenses:	9,181	12,026
Interest expenses	1,130	1,131
Losses on trading securities	-	757
Losses on sales of securities	1	1,311
Losses on valuation of securities	70	19
Losses on derivative financial instruments	2,526	3,915
Investment losses on separate accounts	56	-
Operating expenses	26,463	26,502
Other ordinary expenses	8,388	8,694
Ordinary profit	24,182	12,801
Extraordinary gains:	9	11
Gains on disposal of fixed assets	9	11
Extraordinary losses:	713	1,080
Losses on disposal of fixed assets	40	82
Impairment losses	73	118
Provision for reserve for price fluctuation	600	590
Losses on reduction entry of real estate	-	5
Other extraordinary losses	-	283
Surplus before income taxes	23,478	11,732
Income taxes including deferred taxes	6,527	3,511
Total income taxes	6,527	3,511
Net surplus	16,950	8,220

Notes to Unaudited Non-consolidated Financial Statements

Notes to Unaudited Non-consolidated Balance Sheet

1. Accounting Procedures Specific to Quarterly Financial Statements

As the proposed appropriation of surplus for the fiscal year ended March 31, 2020 was approved at the annual meeting of representative policyholders held on July 2, 2020, it is included in the non-consolidated balance sheet as of June 30, 2020.

2. Securities Lent under Lending Agreements

The amount of securities lent under lending agreements was ¥282,087 million as of June 30, 2020.

3. Reserve for Dividends to Policyholders

The change in reserve for dividends to policyholders for the reporting period ended June 30, 2020 was as follows:

	Millions of Yen
	Three months ended June 30, 2020
Balance at the beginning of the reporting period	¥ 32,073
Transfer to reserve from surplus in the previous fiscal year	1,794
Dividends to policyholders paid out during the reporting period	695
Increase in interest	0
Balance at the end of the reporting period	¥ 33,173

5. Breakdown of Ordinary Profit (Fundamental Profit)

(Millions of Yen)

		Three months ended June 30, 2019	Three months ended June 30, 2020
Fundamental profit	A	6,654	8,534
Capital gains		21,677	10,763
Gains on money held in trust		—	—
Gains on trading securities		—	—
Gains on sales of securities		21,677	10,763
Gains on derivative financial instruments		—	—
Foreign exchange gains		—	—
Other capital gains		—	—
Capital losses		4,062	6,379
Losses on money held in trust		—	—
Losses on trading securities		—	757
Losses on sales of securities		1	1,311
Losses on valuation of securities		70	19
Losses on derivative financial instruments		2,526	3,915
Foreign exchange losses		1,464	376
Other capital losses		—	—
Net capital gains (losses)	B	17,615	4,384
Fundamental profit plus net capital gains (losses)	A+B	24,270	12,918
Other one-time gains		12	7
Reinsurance revenue		—	—
Reversal of contingency reserve		—	—
Reversal of specific allowance for possible loan losses		12	7
Others		—	—
Other one-time losses		100	125
Reinsurance premiums		—	—
Provision for contingency reserve		100	125
Provision for specific allowance for possible loan losses		—	—
Provision for allowance for specified overseas loans		—	—
Write-offs of loans		0	0
Others		—	—
Net other one-time gains (losses)	C	(87)	(117)
Ordinary profit	A+B+C	24,182	12,801

6. Solvency Margin Ratio

(Millions of Yen)

		As of March 31, 2020	As of June 30, 2020
Total solvency margin	(A)	860,443	919,135
Foundation funds and surplus		333,225	340,020
Reserve for price fluctuation		43,230	43,820
Contingency reserve		51,782	51,907
General allowance for possible loan losses		46	23
(Net unrealized gains on available-for-sale securities (before tax effect) and deferred hedge gains (before tax effect)) × 90% (in case of losses: × 100%)		116,876	174,850
Net unrealized gains on land × 85% (in case of losses: × 100%)		27,786	27,765
Excess amount of policy reserves based on full-time Zillmer method		137,190	138,240
Qualifying subordinated debt		138,095	127,695
Excess amount of policy reserves based on full-time Zillmer method and qualifying subordinated debt excluded from the calculation of solvency margin		—	—
Deduction		—	—
Others		12,211	14,813
Total amount of risk	$\sqrt{(R_1+R_8)^2+(R_2+R_3+R_7)^2}+R_4$ (B)	182,513	189,198
Insurance risk	R_1	13,155	13,031
Third-sector insurance risk	R_8	9,974	9,996
Risk of assumed yield	R_2	72,246	71,778
Minimum guarantee risk	R_7	1,055	1,051
Investment risk	R_3	103,703	110,797
Operational risk	R_4	4,002	4,133
Solvency margin ratio	$(A) / \{(1/2) \times (B)\} \times 100$	942.8%	971.6%

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

7. Status of Separate Account

(1) Separate Account Assets by Products

(Millions of Yen)

	As of March 31, 2020	As of June 30, 2020
Individual variable insurance	24,381	25,291
Individual variable annuities	—	—
Group annuity products	—	—
Total	24,381	25,291

(2) Sum Insured of Policies in Force

(i) Individual Variable Insurance

	As of March 31, 2020		As of June 30, 2020	
	Number of policies (Thousands)	Amount (Millions of Yen)	Number of policies (Thousands)	Amount (Millions of Yen)
Individual variable insurance (fixed term)	—	—	—	—
Individual variable insurance (whole life)	13	92,623	13	91,817
Total	13	92,623	13	91,817

(ii) Individual Variable Annuities

	As of March 31, 2020		As of June 30, 2020	
	Number of policies (Thousands)	Amount (Millions of Yen)	Number of policies (Thousands)	Amount (Millions of Yen)
Individual variable annuities	—	—	—	—
Total	—	—	—	—

8. Status of the Company, Subsidiaries and Affiliates

(1) Selected Financial Data

(Millions of Yen)

	Three months ended June 30, 2019	Three months ended June 30, 2020
Ordinary income	165,337	152,467
Ordinary profit	23,983	12,637
Net surplus attributable to the Parent Company	16,822	8,106
Comprehensive income	22,277	56,734

(Millions of Yen)

	As of March 31, 2020	As of June 30, 2020
Total assets	5,390,941	5,470,833
Solvency margin ratio	948.7%	977.4%

(2) Scope of Consolidation and Application of Equity Method

Number of consolidated subsidiaries: 3

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

(3) Unaudited Consolidated Balance Sheets

(Millions of Yen)

	As of March 31, 2020	As of June 30, 2020
Assets:		
Cash and deposits	35,227	60,913
Call loans	82,000	99,000
Monetary claims bought	26,915	26,567
Securities	4,369,302	4,459,738
Loans	377,913	359,874
Tangible fixed assets	382,776	381,451
Intangible fixed assets	24,731	24,184
Agency accounts receivable	11	11
Reinsurance receivables	446	349
Other assets	82,963	58,750
Net defined benefit assets	178	141
Deferred tax assets	8,863	208
Customers' liabilities under acceptances and guarantees	3	2
Allowance for possible loan losses	(391)	(360)
Total assets	5,390,941	5,470,833

(Millions of Yen)

	As of March 31, 2020	As of June 30, 2020
Liabilities:		
Policy reserves and other reserves:	4,529,448	4,518,350
Reserve for outstanding claims	29,378	28,530
Policy reserves	4,467,997	4,456,646
Reserve for dividends to policyholders	32,073	33,173
Reinsurance payables	563	257
Bonds payable	88,295	88,295
Other liabilities	288,156	321,251
Net defined benefit liabilities	34,985	34,691
Reserve for price fluctuation	43,230	43,820
Deferred tax liabilities	-	7,102
Deferred tax liabilities for land revaluation	16,838	16,821
Acceptances and guarantees	3	2
Total liabilities	5,001,521	5,030,593
Net assets:		
Foundation funds	91,000	91,000
Reserve for redemption of foundation funds	166,000	166,000
Reserve for revaluation	281	281
Consolidated surplus	81,429	83,704
Total foundation funds and others	338,711	340,986
Net unrealized gains (losses) on available-for-sale securities, net of tax	97,625	146,218
Land revaluation differences	(45,183)	(45,228)
Accumulated remeasurements of defined benefit plans	(1,814)	(1,786)
Total accumulated other comprehensive income	50,627	99,203
Non-controlling interests	81	50
Total net assets	389,420	440,239
Total liabilities and net assets	5,390,941	5,470,833

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

【Unaudited Consolidated Statements of Income】

(Millions of Yen)

	Three months ended June 30, 2019	Three months ended June 30, 2020
Ordinary income:	165,337	152,467
Premium and other income	97,303	95,769
Investment income:	48,590	40,668
Interest, dividends and other income	25,107	26,657
Gains on sales of securities	21,677	10,763
Investment gains on separate accounts	-	1,483
Other ordinary income	19,443	16,029
Ordinary expenses:	141,354	139,830
Claims and other payments:	96,213	91,619
Claims	27,410	27,378
Annuities	27,540	26,726
Benefits	17,320	17,165
Surrender benefits	22,730	19,288
Other payments	893	626
Provision for policy reserves and other reserves:	1	0
Provision for interest on policyholders' dividend reserves	1	0
Investment expenses:	9,181	12,026
Interest expenses	1,130	1,131
Losses on trading securities	-	757
Losses on sales of securities	1	1,311
Losses on valuation of securities	70	19
Losses on derivative financial instruments	2,526	3,915
Investment losses on separate accounts	56	-
Operating expenses	27,609	27,539
Other ordinary expenses	8,347	8,644
Ordinary profit	23,983	12,637
Extraordinary gains:	9	11
Gains on disposal of fixed assets	9	11
Extraordinary losses:	713	1,080
Losses on disposal of fixed assets	40	82
Impairment losses	73	118
Provision for reserve for price fluctuation	600	590
Losses on reduction entry of real estate	-	5
Other extraordinary losses	-	283
Surplus before income taxes	23,278	11,568
Income taxes including deferred taxes	6,446	3,455
Total income taxes	6,446	3,455
Net surplus	16,832	8,113
Net surplus attributable to non-controlling interests	9	7
Net surplus attributable to the Parent Company	16,822	8,106

【Unaudited Consolidated Statements of Comprehensive Income】

(Millions of Yen)

	Three months ended June 30, 2019	Three months ended June 30, 2020
Net surplus	16,832	8,113
Other comprehensive income:	5,445	48,620
Net unrealized gains (losses) on available-for-sale securities, net of tax	5,216	48,592
Remeasurements of defined benefit plans	229	27
Comprehensive income:	22,277	56,734
Comprehensive income attributable to the Parent Company	22,267	56,726
Comprehensive income attributable to non-controlling interests	9	7

Notes to Unaudited Consolidated Financial Statements

I. Notes to Unaudited Consolidated Balance Sheet

1. Accounting Procedures Specific to Quarterly Financial Statements

As the proposed appropriation of surplus for the fiscal year ended March 31, 2020 was approved at the annual meeting of representative policyholders held on July 2, 2020, it is included in the consolidated balance sheet as of June 30, 2020.

2. Securities Lent under Lending Agreements

The amount of securities lent under lending agreements was ¥282,087 million as of June 30, 2020.

3. Reserve for Dividends to Policyholders

The change in reserve for dividends to policyholders for the reporting period ended June 30, 2020 was as follows:

	Millions of Yen
	Three months ended June 30, 2020
Balance at the beginning of the reporting period	¥ 32,073
Transfer to reserve from surplus in the previous fiscal year	1,794
Dividends to policyholders paid out during the reporting period	695
Increase in interest	0
Balance at the end of the reporting period	¥ 33,173

II. Note to Unaudited Consolidated Statement of Income

Depreciation

For the reporting period ended June 30, 2020, the total amount of depreciation and depreciation of rental real estate and other assets was ¥4,384 million.

(5) Consolidated Solvency Margin Ratio

(Millions of yen)

		As of March 31, 2020	As of June 30, 2020
Total solvency margin	(A)	856,773	915,380
Foundation funds and surplus		332,078	338,760
Reserve for price fluctuation		43,230	43,820
Contingency reserve		51,782	51,907
Catastrophe loss reserve		—	—
General allowance for possible loan losses		47	24
(Net unrealized gains on available-for-sale securities (before tax effect) and deferred hedge gains (before tax effect)) × 90% (in case of losses: × 100%)		116,877	174,850
Net unrealized gains on land × 85% (in case of losses: × 100%)		27,786	27,765
Sum of unrealized actuarial differences and unrealized past service cost		(2,524)	(2,497)
Excess amount of policy reserves based on full-time Zillmer method		137,190	138,240
Qualifying subordinated debt		138,095	127,695
Excess amount of policy reserves based on full-time Zillmer method and qualifying subordinated debt excluded from the calculation of solvency margin		—	—
Deduction		—	—
Others		12,211	14,813
Total amount of risk	$\sqrt{(\sqrt{R_1^2 + R_5^2 + R_8 + R_9})^2 + (R_2 + R_3 + R_7)^2} + R_4 + R_6$ (B)	180,611	187,295
Insurance risk	R ₁	13,155	13,031
Ordinary insurance risk	R ₅	—	—
Disaster insurance risk	R ₆	—	—
Third-sector insurance risk	R ₈	9,974	9,996
Small amount short-term insurance provider insurance risk	R ₉	—	—
Risk of assumed yield	R ₂	72,246	71,778
Minimum guarantee risk	R ₇	1,055	1,051
Investment risk	R ₃	101,822	108,916
Operational risk	R ₄	3,965	4,095
Solvency margin ratio	(A) / {(1/2) × (B)} × 100	948.7%	977.4%

Notes:

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

(6) Segment Information

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