

November 24, 2020

Financial Results for the Six Months Ended September 30, 2020

Asahi Mutual Life Insurance Company (the “Company”; President: Hiroki Kimura) announces financial results for the six months ended September 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 September 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 | 7,289 | 100.3 | 137,221 | 96.5 |
| Individual annuities | 531 | 21,936 | 520 | 97.9 | 21,312 | 97.2 |
| Group insurance | - | 14,536 | - | - | 14,624 | 100.6 |
| Group annuities | - | 162 | - | - | 157 | 97.1 |

Notes:

- 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.
- Policy amount in force for group annuities is equal to the amount of outstanding policy reserves.
- Number of policies includes number of each unit with regard to "Hoken-ou", "Hoken-ou Plus", etc.

(ii) New Policies

| | Six months ended September 30, 2019 | | | |
|----------------------|-------------------------------------|------------------------------|----------------------------|-------|
| | Number of policies (Thousands) | Amount (100 millions of Yen) | | |
| | | New policies | Net increase by conversion | |
| Individual insurance | 350 | 802 | 1,494 | (691) |
| Individual annuities | - | (72) | - | (72) |
| Group insurance | - | 46 | 46 | - |
| Group annuities | - | - | - | - |

| | Six months ended September 30, 2020 | | | | | |
|----------------------|-------------------------------------|---------------------|------------------------------|--------------|----------------------------|-------|
| | Number of policies | | Amount (100 millions of Yen) | | | |
| | (Thousands) | Changes (%, YoY) | Changes (%, YoY) | New policies | Net increase by conversion | |
| Individual insurance | 338 | 96.4 | 709 | 88.4 | 1,333 | (623) |
| Individual annuities | - | - | (45) | - | - | (45) |
| Group insurance | - | - | 185 | 396.6 | 185 | - |
| Group annuities | - | - | - | - | - | - |

Notes:

- Number of new policies is the sum of new policies and policies after conversion.
- 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.
- 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 September 30, 2020 | |
|-----------------------|----------------------|--------------------------|-------------------------|
| | | | Changes (%, Pre-FYE) |
| Individual insurance | 3,916 | 3,890 | 99.3 |
| Individual annuities | 1,391 | 1,362 | 98.0 |
| Total | 5,307 | 5,253 | 99.0 |
| Third-sector products | 2,157 | 2,176 | 100.9 |

(ii) New Policies

(100 millions of Yen)

| | Six months ended September 30, 2019 | Six months ended September 30, 2020 | |
|-----------------------|----------------------------------------|----------------------------------------|---------------------|
| | | | Changes (%, YoY) |
| Individual insurance | 122 | 111 | 91.2 |
| Individual annuities | (1) | (0) | - |
| Total | 120 | 110 | 91.5 |
| Third-sector products | 100 | 91 | 91.5 |

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 September 30, 2020 | |
|---------------------------------------------|----------------------|------------|--------------------------|------------|
| | Amount | Percentage | Amount | Percentage |
| Cash, deposits, call loans | 109,934 | 2.0 | 130,117 | 2.4 |
| Monetary claims bought | 26,915 | 0.5 | 26,058 | 0.5 |
| Securities | 4,353,404 | 81.2 | 4,482,161 | 82.7 |
| Domestic bonds | 2,722,203 | 50.7 | 2,738,845 | 50.6 |
| Domestic stocks | 282,473 | 5.3 | 344,556 | 6.4 |
| Foreign securities | 1,285,061 | 24.0 | 1,320,904 | 24.4 |
| Foreign bonds | 1,063,892 | 19.8 | 1,040,649 | 19.2 |
| Foreign stocks and other foreign securities | 221,169 | 4.1 | 280,255 | 5.2 |
| Other securities | 63,666 | 1.2 | 77,855 | 1.4 |
| Loans | 377,913 | 7.0 | 315,873 | 5.8 |
| Policy loans | 40,553 | 0.8 | 38,154 | 0.7 |
| Industrial and consumer loans | 337,359 | 6.3 | 277,718 | 5.1 |
| Real estate | 377,871 | 7.0 | 377,615 | 7.0 |
| Deferred tax assets | 8,044 | 0.1 | - | - |
| Others | 110,577 | 2.1 | 86,534 | 1.6 |
| Allowance for possible loan losses | (391) | (0.0) | (338) | (0.0) |
| Total | 5,364,268 | 100.0 | 5,418,022 | 100.0 |
| Foreign currency-denominated assets | 1,394,173 | 26.0 | 1,430,244 | 26.4 |

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

(2) Changes (Increases/Decreases) in Assets

(Millions of Yen)

| | Six months ended September 30, 2019 | Six months ended September 30, 2020 |
|---------------------------------------------|----------------------------------------|----------------------------------------|
| | Amount | Amount |
| Cash, deposits, call loans | (34,129) | 20,183 |
| Monetary claims bought | (1,293) | (857) |
| Securities | 180,996 | 128,757 |
| Domestic bonds | (33,848) | 16,641 |
| Domestic stocks | 13,480 | 62,083 |
| Foreign securities | 190,873 | 35,842 |
| Foreign bonds | 185,379 | (23,243) |
| Foreign stocks and other foreign securities | 5,494 | 59,086 |
| Other securities | 10,489 | 14,189 |
| Loans | (39,206) | (62,039) |
| Policy loans | (1,930) | (2,399) |
| Industrial and consumer loans | (37,275) | (59,640) |
| Real estate | (3,643) | (255) |
| Deferred tax assets | (10,413) | (8,044) |
| Others | 7,591 | (24,042) |
| Allowance for possible loan losses | 25 | 52 |
| Total | 99,926 | 53,754 |
| Foreign currency-denominated assets | 180,343 | 36,070 |

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

(3) Investment Income

(Millions of Yen)

| | Six months ended September 30, 2019 | Six months ended September 30, 2020 |
|--------------------------------------------------------|----------------------------------------|----------------------------------------|
| Interest, dividends and other income | 53,583 | 56,980 |
| Interest on deposits | 0 | 0 |
| Interest and dividends on securities | 41,636 | 45,614 |
| Interest on loans | 3,168 | 2,535 |
| Rent revenue from real estate | 8,295 | 8,238 |
| Other interest and dividends | 482 | 592 |
| Gains on sales of securities | 22,156 | 11,466 |
| Gains on sales of domestic bonds | 21,571 | 8,399 |
| Gains on sales of domestic stocks and other securities | 585 | 777 |
| Gains on sales of foreign securities | - | 2,289 |
| Others | - | - |
| Gains on redemptions of securities | 45 | 4 |
| Gains on derivative financial instruments, net | - | - |
| Foreign exchange gains, net | - | - |
| Reversal of allowance for possible loan losses | 23 | 57 |
| Other investment income | 3,589 | 3,459 |
| Total | 79,397 | 71,968 |

(4) Investment Expenses

(Millions of Yen)

| | Six months ended September 30, 2019 | Six months ended September 30, 2020 |
|-------------------------------------------------------------|----------------------------------------|----------------------------------------|
| Interest expenses | 2,264 | 2,210 |
| Losses on trading securities | - | 485 |
| Losses on sales of securities | 250 | 1,643 |
| Losses on sales of domestic bonds | 17 | 298 |
| Losses on sales of domestic stocks and other securities | 233 | 1,127 |
| Losses on sales of foreign securities | - | 217 |
| Others | - | - |
| Losses on valuation of securities | 70 | 125 |
| Losses on valuation of domestic bonds | - | - |
| Losses on valuation of domestic stocks and other securities | 70 | 123 |
| Losses on valuation of foreign securities | - | 1 |
| Others | - | - |
| Losses on redemptions of securities | 54 | 30 |
| Losses on derivative financial instruments, net | 8,173 | 5,134 |
| Foreign exchange losses, net | 1,853 | 623 |
| Provision for allowance for possible loan losses | - | - |
| Write-offs of loans | 0 | 0 |
| Depreciation of rental real estate and other assets | 2,645 | 2,727 |
| Other investment expenses | 5,094 | 5,211 |
| Total | 20,407 | 18,193 |

(5) Net Valuation Gains/Losses on Trading Securities

(Millions of Yen)

| | As of March 31, 2020 | | As of September 30, 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 | - | - | - | - |

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

(Millions of Yen)

| | As of March 31, 2020 | | | | | As of September 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) | 326,673 | 367,934 | 41,261 | 41,269 | (7) |
| Policy-reserve-matching bonds | 2,050,330 | 2,353,584 | 303,254 | 304,294 | (1,040) | 2,046,827 | 2,296,433 | 249,605 | 255,451 | (5,845) |
| Stocks of subsidiaries | - | - | - | - | - | - | - | - | - | - |
| Available-for-sale securities | 1,845,623 | 1,975,488 | 129,864 | 192,293 | (62,429) | 1,890,415 | 2,114,762 | 224,347 | 270,758 | (46,411) |
| Domestic bonds | 507,110 | 518,502 | 11,392 | 15,757 | (4,364) | 525,973 | 545,519 | 19,546 | 22,289 | (2,742) |
| Domestic stocks | 169,376 | 262,450 | 93,073 | 116,456 | (23,382) | 174,295 | 324,610 | 150,314 | 169,560 | (19,246) |
| Foreign securities | 1,093,700 | 1,129,950 | 36,249 | 59,561 | (23,312) | 1,107,413 | 1,165,794 | 58,381 | 77,973 | (19,592) |
| Foreign bonds | 862,807 | 908,792 | 45,984 | 58,080 | (12,095) | 822,353 | 885,549 | 63,195 | 71,921 | (8,725) |
| Foreign stocks and other foreign securities | 230,892 | 221,157 | (9,735) | 1,481 | (11,216) | 285,060 | 280,245 | (4,814) | 6,051 | (10,866) |
| Other securities | 74,595 | 63,666 | (10,929) | 439 | (11,369) | 81,825 | 77,855 | (3,970) | 858 | (4,829) |
| Monetary claims bought | 840 | 918 | 78 | 78 | - | 906 | 983 | 76 | 76 | - |
| Negotiable certificates of deposit | - | - | - | - | - | - | - | - | - | - |
| Others | - | - | - | - | - | - | - | - | - | - |
| Total | 4,230,421 | 4,702,828 | 472,407 | 535,882 | (63,475) | 4,263,916 | 4,779,131 | 515,215 | 567,479 | (52,264) |
| Domestic bonds | 2,710,810 | 3,033,735 | 322,924 | 328,335 | (5,411) | 2,719,299 | 2,996,182 | 276,883 | 285,479 | (8,596) |
| Domestic stocks | 169,376 | 262,450 | 93,073 | 116,456 | (23,382) | 174,295 | 324,610 | 150,314 | 169,560 | (19,246) |
| Foreign securities | 1,248,800 | 1,313,179 | 64,378 | 87,691 | (23,312) | 1,262,513 | 1,351,736 | 89,223 | 108,815 | (19,592) |
| Foreign bonds | 1,017,907 | 1,092,021 | 74,114 | 86,209 | (12,095) | 977,453 | 1,071,491 | 94,037 | 102,763 | (8,725) |
| Foreign stocks and other foreign securities | 230,892 | 221,157 | (9,735) | 1,481 | (11,216) | 285,060 | 280,245 | (4,814) | 6,051 | (10,866) |
| Other securities | 74,595 | 63,666 | (10,929) | 439 | (11,369) | 81,825 | 77,855 | (3,970) | 858 | (4,829) |
| Monetary claims bought | 26,837 | 29,796 | 2,959 | 2,959 | - | 25,981 | 28,746 | 2,765 | 2,765 | - |
| 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 September 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 | 13,263 |
| Unlisted domestic stocks (except over-the-counter stocks) | 13,327 | 13,252 |
| Unlisted foreign stocks (except over-the-counter stocks) | 12 | 11 |
| Unlisted foreign bonds | - | - |
| Others | - | - |
| Total | 20,035 | 19,957 |

(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 September 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) | 326,673 | 367,934 | 41,261 | 41,269 | (7) |
| Policy-reserve-matching bonds | 2,050,330 | 2,353,584 | 303,254 | 304,294 | (1,040) | 2,046,827 | 2,296,433 | 249,605 | 255,451 | (5,845) |
| 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) | 1,903,678 | 2,128,024 | 224,346 | 270,758 | (46,412) |
| Domestic bonds | 507,110 | 518,502 | 11,392 | 15,757 | (4,364) | 525,973 | 545,519 | 19,546 | 22,289 | (2,742) |
| Domestic stocks | 182,704 | 275,778 | 93,073 | 116,456 | (23,382) | 187,547 | 337,862 | 150,314 | 169,560 | (19,246) |
| Foreign securities | 1,093,713 | 1,129,961 | 36,248 | 59,561 | (23,313) | 1,107,424 | 1,165,804 | 58,379 | 77,973 | (19,593) |
| Foreign bonds | 862,807 | 908,792 | 45,984 | 58,080 | (12,095) | 822,353 | 885,549 | 63,195 | 71,921 | (8,725) |
| Foreign stocks and other foreign securities | 230,905 | 221,169 | (9,736) | 1,481 | (11,218) | 285,071 | 280,255 | (4,816) | 6,051 | (10,867) |
| Other securities | 74,595 | 63,666 | (10,929) | 439 | (11,369) | 81,825 | 77,855 | (3,970) | 858 | (4,829) |
| Monetary claims bought | 840 | 918 | 78 | 78 | - | 906 | 983 | 76 | 76 | - |
| Negotiable certificates of deposit | - | - | - | - | - | - | - | - | - | - |
| Others | - | - | - | - | - | - | - | - | - | - |
| Total | 4,250,456 | 4,722,862 | 472,406 | 535,882 | (63,476) | 4,283,873 | 4,799,087 | 515,213 | 567,479 | (52,266) |
| Domestic bonds | 2,710,810 | 3,033,735 | 322,924 | 328,335 | (5,411) | 2,719,299 | 2,996,182 | 276,883 | 285,479 | (8,596) |
| Domestic stocks | 189,399 | 282,473 | 93,073 | 116,456 | (23,382) | 194,242 | 344,556 | 150,314 | 169,560 | (19,246) |
| Foreign securities | 1,248,813 | 1,313,190 | 64,377 | 87,691 | (23,313) | 1,262,524 | 1,351,746 | 89,221 | 108,815 | (19,593) |
| Foreign bonds | 1,017,907 | 1,092,021 | 74,114 | 86,209 | (12,095) | 977,453 | 1,071,491 | 94,037 | 102,763 | (8,725) |
| Foreign stocks and other foreign securities | 230,905 | 221,169 | (9,736) | 1,481 | (11,218) | 285,071 | 280,255 | (4,816) | 6,051 | (10,867) |
| Other securities | 74,595 | 63,666 | (10,929) | 439 | (11,369) | 81,825 | 77,855 | (3,970) | 858 | (4,829) |
| Monetary claims bought | 26,837 | 29,796 | 2,959 | 2,959 | - | 25,981 | 28,746 | 2,765 | 2,765 | - |
| Negotiable certificates of deposit | - | - | - | - | - | - | - | - | - | - |
| Others | - | - | - | - | - | - | - | - | - | - |

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

(7) Fair Value Information on Money Held in Trust

The Company doesn't hold money held in trust.

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

(Millions of Yen)

| | As of March 31, 2020 | | | As of September 30, 2020 | | |
|------|----------------------|------------|--------------|--------------------------|------------|--------------|
| | Book value | Fair value | Gains/losses | Book value | Fair value | Gains/losses |
| Land | 228,777 | 289,812 | 61,034 | 228,707 | 289,779 | 61,072 |

Notes:

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

3. Unaudited Non-consolidated Balance Sheets

(Millions of Yen)

| | As of March 31, 2020 | As of September 30, 2020 |
|---------------------------------------------------------|----------------------|--------------------------|
| Assets: | | |
| Cash and deposits | 30,554 | 49,101 |
| Call loans | 82,000 | 83,000 |
| Monetary claims bought | 26,915 | 26,058 |
| Securities: | 4,373,776 | 4,505,633 |
| National government bonds | 1,728,003 | 1,672,292 |
| Local government bonds | 54,671 | 53,969 |
| Corporate bonds | 945,309 | 1,018,753 |
| Domestic stocks | 288,114 | 351,911 |
| Foreign securities | 1,294,012 | 1,330,852 |
| Loans: | 377,913 | 315,873 |
| Policy loans | 40,553 | 38,154 |
| Industrial and consumer loans | 337,359 | 277,718 |
| Tangible fixed assets | 382,722 | 382,178 |
| Intangible fixed assets | 25,541 | 24,872 |
| Agency accounts receivable | 11 | 10 |
| Reinsurance receivables | 446 | 256 |
| Other assets | 80,937 | 56,821 |
| Prepaid pension cost | 179 | 130 |
| Deferred tax assets | 8,044 | - |
| Customers' liabilities under acceptances and guarantees | 3 | 2 |
| Allowance for possible loan losses | (391) | (338) |
| Total assets | 5,388,655 | 5,443,599 |

(Millions of Yen)

| | As of March 31, 2020 | As of September 30, 2020 |
|----------------------------------------------------------------------------|----------------------|--------------------------|
| Liabilities: | | |
| Policy reserves and other reserves: | 4,529,448 | 4,504,783 |
| Reserve for outstanding claims | 29,378 | 28,329 |
| Policy reserves | 4,467,997 | 4,444,336 |
| Reserve for dividends to policyholders | 32,073 | 32,116 |
| Reinsurance payables | 563 | 268 |
| Bonds payable | 88,295 | 88,295 |
| Other liabilities: | 286,199 | 267,777 |
| Income taxes payable | 4,121 | 3,619 |
| Lease obligations | 1,963 | 1,485 |
| Asset retirement obligations | 263 | 858 |
| Others | 279,849 | 261,813 |
| Reserve for employees' retirement benefits | 32,533 | 31,909 |
| Reserve for price fluctuation | 43,230 | 44,410 |
| Deferred tax liabilities | - | 14,999 |
| Deferred tax liabilities for land revaluation | 16,838 | 16,819 |
| Acceptances and guarantees | 3 | 2 |
| Total liabilities | 4,997,112 | 4,969,265 |
| 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 | 93,220 |
| Reserve for future losses | 310 | 328 |
| Other surplus: | 81,509 | 92,892 |
| Reserve for fund redemption | 35,300 | 44,400 |
| Equalized reserve for dividends to policyholders | 7,318 | 7,091 |
| Unappropriated surplus (loss) | 38,890 | 41,400 |
| Total foundation funds and others | 339,100 | 350,502 |
| Net unrealized gains (losses) on available-for-sale securities, net of tax | 97,625 | 169,064 |
| Land revaluation differences | (45,183) | (45,233) |
| Total valuation and translation adjustments | 52,442 | 123,831 |
| Total net assets | 391,543 | 474,333 |
| Total liabilities and net assets | 5,388,655 | 5,443,599 |

4. Unaudited Non-consolidated Statements of Income

(Millions of Yen)

| | Six months ended September 30, 2019 | Six months ended September 30, 2020 |
|------------------------------------------------------------|----------------------------------------|----------------------------------------|
| Ordinary income: | 313,255 | 298,190 |
| Premium and other income: | 195,510 | 193,212 |
| Insurance premiums | 194,506 | 192,284 |
| Investment income: | 79,745 | 74,158 |
| Interest, dividends and other income | 53,583 | 56,980 |
| Gains on sales of securities | 22,156 | 11,466 |
| Investment gains on separate accounts | 347 | 2,190 |
| Other ordinary income | 37,998 | 30,819 |
| Ordinary expenses: | 287,161 | 273,412 |
| Claims and other payments: | 197,067 | 184,573 |
| Claims | 55,783 | 53,977 |
| Annuities | 60,166 | 57,901 |
| Benefits | 34,721 | 32,921 |
| Surrender benefits | 43,836 | 37,222 |
| Other payments | 1,839 | 1,579 |
| Provision for policy reserves and other reserves: | 312 | 1 |
| Provision for reserve for outstanding claims | 311 | - |
| Provision for interest on policyholders' dividend reserves | 1 | 1 |
| Investment expenses: | 20,407 | 18,193 |
| Interest expenses | 2,264 | 2,210 |
| Losses on trading securities | - | 485 |
| Losses on sales of securities | 250 | 1,643 |
| Losses on valuation of securities | 70 | 125 |
| Losses on derivative financial instruments | 8,173 | 5,134 |
| Operating expenses | 52,732 | 53,504 |
| Other ordinary expenses | 16,641 | 17,139 |
| Ordinary profit | 26,093 | 24,777 |
| Extraordinary gains | 56 | 33 |
| Extraordinary losses | 1,528 | 2,270 |
| Surplus before income taxes | 24,621 | 22,540 |
| Income taxes including deferred taxes | 5,163 | 5,313 |
| Total income taxes | 5,163 | 5,313 |
| Net surplus | 19,458 | 17,227 |

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

Six months ended September 30, 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 | 91,000 | 166,000 | 281 | 291 | 26,200 | 9,258 | 31,324 | 67,073 | 324,355 |
| Changes in the interim period: | | | | | | | | | |
| 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 | | | | | | | 19,458 | 19,458 | 19,458 |
| 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 | | | | | | | 159 | 159 | 159 |
| Net changes, excluding foundation funds and others | | | | | | | | | |
| Net changes in the interim period | - | - | - | 19 | 9,100 | (1,939) | 6,148 | 13,327 | 13,327 |
| Ending balance | 91,000 | 166,000 | 281 | 310 | 35,300 | 7,318 | 37,472 | 80,401 | 337,683 |

| | 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 interim period: | | | | |
| 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 | | | | 19,458 |
| Additions to reserve for fund redemption | | | | |
| Reversal of equalized reserve for dividends to policyholders | | | | |
| Reversal of land revaluation differences | | | | 159 |
| Net changes, excluding foundation funds and others | 30,741 | (159) | 30,582 | 30,582 |
| Net changes in the interim period | 30,741 | (159) | 30,582 | 43,909 |
| Ending balance | 129,773 | (44,720) | 85,053 | 422,736 |

Six months ended September 30, 2020

(Millions of Yen)

| | Foundation funds and others | | | | | | | | Total foundation funds and others |
|--------------------------------------------------------------|-----------------------------|--------------------------------------------|-------------------------|---------------------------|-----------------------------|--------------------------------------------------|-------------------------------|---------------|-----------------------------------|
| | Foundation funds | Reserve for redemption of foundation funds | Reserve for revaluation | Reserve for future losses | Surplus | | | Total surplus | |
| | | | | | Other surplus | | Unappropriated surplus (loss) | | |
| | | | | | Reserve for fund redemption | Equalized reserve for dividends to policyholders | | | |
| Beginning balance | 91,000 | 166,000 | 281 | 310 | 35,300 | 7,318 | 38,890 | 81,819 | 339,100 |
| Changes in the interim period: | | | | | | | | | |
| Additions to reserve for dividends to policyholders | | | | | | | (1,794) | (1,794) | (1,794) |
| Additions to reserve for future losses | | | | 18 | | | (18) | | |
| Payment of interest on foundation funds | | | | | | | (4,081) | (4,081) | (4,081) |
| Net surplus | | | | | | | 17,227 | 17,227 | 17,227 |
| Additions to reserve for fund redemption | | | | | 9,100 | | (9,100) | | |
| Reversal of equalized reserve for dividends to policyholders | | | | | | (227) | 227 | | |
| Reversal of land revaluation differences | | | | | | | 49 | 49 | 49 |
| Net changes, excluding foundation funds and others | | | | | | | | | |
| Net changes in the interim period | - | - | - | 18 | 9,100 | (227) | 2,510 | 11,401 | 11,401 |
| Ending balance | 91,000 | 166,000 | 281 | 328 | 44,400 | 7,091 | 41,400 | 93,220 | 350,502 |

| | 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 | 97,625 | (45,183) | 52,442 | 391,543 |
| Changes in the interim period: | | | | |
| Additions to reserve for dividends to policyholders | | | | (1,794) |
| Additions to reserve for future losses | | | | |
| Payment of interest on foundation funds | | | | (4,081) |
| Net surplus | | | | 17,227 |
| Additions to reserve for fund redemption | | | | |
| Reversal of equalized reserve for dividends to policyholders | | | | |
| Reversal of land revaluation differences | | | | 49 |
| Net changes, excluding foundation funds and others | 71,439 | (49) | 71,389 | 71,389 |
| Net changes in the interim period | 71,439 | (49) | 71,389 | 82,790 |
| Ending balance | 169,064 | (45,233) | 123,831 | 474,333 |

I. Presentation of Unaudited Non-consolidated Financial Statements

Basis of Presentation

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

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

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

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

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

II. Notes to Unaudited Non-consolidated Balance Sheet

1. Significant Accounting Policies

(1) Valuation methods of securities

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

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

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

- iv) Investments in subsidiaries and affiliates are stated at cost.
- v) Available-for-sale securities with fair market value except for the following are stated at fair market value based on the market prices at the balance sheet date. Available-for-sale securities with fair market value, of which domestic stocks, domestic stock exchange-traded funds, domestic listed real estate investment trusts, foreign stock exchange-traded funds for which hedge accounting is not applied, foreign bond exchange-traded funds for which hedge accounting is not applied and foreign currency-denominated bonds for which hedge accounting is not applied, are stated at fair market value based on the average of the market prices during the final month of the interim period. Costs of sales are determined by the moving average method. Available-for-sale securities with extreme difficulty of measuring fair market value, of which public and corporate bonds including foreign bonds with the difference between acquisition cost and face value 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.

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

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

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

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

(6) Foreign currency translation

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

(7) Allowance for possible loan losses

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

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

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

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

For credit to legally bankrupt borrowers and substantially bankrupt borrowers, the amounts remaining after deductions of collateral value or the amounts collectible through the execution of guarantees are written-off directly from the book value as the estimated uncollectible amounts. The amount written-off was ¥29 million as of September 30, 2020.

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

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

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

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

(9) Reserve for price fluctuation

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

(10) Accounting for hedging activities

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

The Company mainly applies the following hedging activities:

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

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

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

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

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

(11) Accounting for consumption taxes

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

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

(12) Policy reserves

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

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

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

(13) Software

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

2. Accounting Standards Issued but Not Yet Effective

The accounting standards and relevant implementation guidance issued by the interim period-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 relevant implementation guidance, 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 application

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 implementation guidance

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

3. Financial Instruments

The balance sheet amounts, fair values and the differences between those of major financial assets and liabilities as of September 30, 2020 were as follows:

| | Millions of Yen | | |
|--------------------------------------------------|--------------------------|------------|------------|
| | As of September 30, 2020 | | |
| | Balance Sheet Amount | Fair Value | Difference |
| Cash and deposits | ¥ 49,101 | ¥ 49,101 | ¥ - |
| Call loans | 83,000 | 83,000 | - |
| Monetary claims bought | 26,058 | 28,746 | 2,688 |
| Trading securities | - | - | - |
| Held-to-maturity debt securities | 25,075 | 27,763 | 2,688 |
| Policy-reserve-matching bonds | - | - | - |
| Available-for-sale securities | 983 | 983 | - |
| Securities | 4,485,677 | 4,773,856 | 288,178 |
| Trading securities | 23,472 | 23,472 | - |
| Held-to-maturity debt securities | 301,598 | 340,171 | 38,572 |
| Policy-reserve-matching bonds | 2,046,827 | 2,296,433 | 249,605 |
| Available-for-sale securities | 2,113,779 | 2,113,779 | - |
| Loans | 315,873 | 323,730 | 7,857 |
| Policy loans | 38,154 | 38,154 | - |
| Industrial and consumer loans | 277,718 | 285,576 | 7,857 |
| Total assets | 4,959,710 | 5,258,435 | 298,724 |
| Bonds payable | 88,295 | 89,055 | 759 |
| Payables under securities borrowing transactions | 179,256 | 179,256 | - |
| Loans payable | 41,000 | 42,276 | 1,276 |
| Total liabilities | 308,552 | 310,588 | 2,035 |
| Derivative financial instruments | 6,237 | 6,237 | - |
| Hedge accounting not applied | 315 | 315 | - |
| Hedge accounting applied | 5,921 | 5,921 | - |

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

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

Unlisted stocks and others, including investments in subsidiaries and affiliates, of which market value is not readily available are not subject to fair value disclosure and are

therefore not included in the table above because it is regarded as extremely difficult to determine their fair value.

The amount of the unlisted stocks and others, including investments in subsidiaries and affiliates, reported in the interim non-consolidated balance sheet was ¥19,956 million as of September 30, 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 value, etc. as of September 30, 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 fair value of investment and rental properties is omitted because there have been no significant changes compared with the corresponding fair value at the end of the previous fiscal year.

5. Securities Lent under Lending Agreements

The amount of securities lent under lending agreements was ¥256,192 million as of September 30, 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 ¥706 million as of September 30, 2020.

- i) Loans to bankrupt borrowers were ¥2 million as of September 30, 2020.
- ii) Delinquent loans were ¥595 million as of September 30, 2020.
- iii) Delinquent loans three or more months past due were ¥88 million as of September 30, 2020.
- iv) Restructured loans were ¥20 million as of September 30, 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 September 30, 2020.

In addition, the direct write-offs related to loans decreased the amount of delinquent loans described above by ¥26 million as of September 30, 2020.

7. Separate Accounts

Total assets in separate accounts provided for in Article 118 of the Insurance Business Act were ¥25,521 million as of September 30, 2020. The amounts of separate account liabilities were the same as separate account assets.

8. Reserve for Dividends to Policyholders

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

| | <u>Millions of Yen</u> |
|---------------------------------------------------------------|------------------------------------------------|
| | <u>Six months ended September 30, 2020</u> |
| Balance at the beginning of the interim period | ¥ 32,073 |
| Transfer to reserve from surplus in the previous fiscal year | 1,794 |
| Dividends to policyholders paid out during the interim period | 1,752 |
| Increase in interest | 1 |
| Balance at the end of the interim period | ¥ 32,116 |

9. Stocks of Subsidiaries and Affiliates

The amount of stocks of subsidiaries and affiliates the Company held was ¥6,694 million as of September 30, 2020.

10. Pledged Assets

Assets pledged as collateral were securities in the amount of ¥6,281 million as of September 30, 2020.

11. Policy Reserves for the Reinsurance Contracts

Reserves 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”) were ¥10 million as of September 30, 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 ¥289 million as of September 30, 2020.

12. Assets with Rights to Sell

The Company has the legal right to sell or collateralize securities borrowed under loan agreements. The market value of these assets that were not sold or pledged as collateral was ¥83,647 million as of September 30, 2020. No assets were pledged as collateral as of September 30, 2020.

13. Commitment Line

As of September 30, 2020, there were unused commitment line agreements under which the Company is the lender of ¥8,313 million.

14. Subordinated Bonds Payable

As of September 30, 2020, bonds payable are subordinated bonds payable, for which the repayments are subordinated to other obligations.

15. Subordinated Loans Payable

As of September 30, 2020, other liabilities included subordinated loans payable of ¥41,000 million, for which the repayments are subordinated to other obligations.

16. Contributions to Policyholders Protection Corporation

The estimated future contributions to the Life Insurance Policyholders Protection Corporation of Japan under Article 259 of the Insurance Business Act were ¥8,016 million as of September 30, 2020. These contributions are charged as operating expenses in the reporting period in which they are paid.

III. Notes to Unaudited Non-consolidated Statement of Income

1. Investment Income and Expenses

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

| | <u>Millions of Yen</u> | |
|--------------------------------------|---------------------------|-------|
| | <u>Six months ended</u> | |
| | <u>September 30, 2020</u> | |
| Domestic bonds | ¥ | 8,399 |
| Domestic stocks and other securities | | 777 |
| Foreign securities | | 2,289 |

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

| | Millions of Yen | |
|--------------------------------------|--------------------|-------|
| | Six months ended | |
| | September 30, 2020 | |
| Domestic bonds | ¥ | 298 |
| Domestic stocks and other securities | | 1,127 |
| Foreign securities | | 217 |

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

| | Millions of Yen | |
|--------------------------------------|--------------------|-----|
| | Six months ended | |
| | September 30, 2020 | |
| Domestic stocks and other securities | ¥ | 123 |
| Foreign securities | | 1 |

2. Policy Reserves for the Reinsurance Contracts

Provision for reserve for outstanding claims for ceded reinsurance, which was added in calculating reversal of reserve for outstanding claims for the interim period ended September 30, 2020 was ¥3 million.

Reversal of policy reserves for ceded reinsurance, which was deducted in calculating reversal of policy reserves for the interim period ended September 30, 2020 was ¥77 million.

3. Interest and Dividend Income

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

| | Millions of Yen | |
|--------------------------------------|--------------------|--------|
| | Six months ended | |
| | September 30, 2020 | |
| Interest on deposits | ¥ | 0 |
| Interest and dividends on securities | | 45,614 |
| Interest on loans | | 2,535 |
| Rental revenue from real estate | | 8,238 |
| Other interest and dividends | | 592 |
| Total | ¥ | 56,980 |

4. Income Tax Expense

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

5. Extraordinary Losses

The expenses related to salary guarantees for sales representatives and others as countermeasures to prevent the spread of COVID-19 for the interim period ended September 30, 2020 were ¥723 million, which were included in extraordinary losses.

6. Breakdown of Ordinary Profit (Fundamental Profit)

(Millions of Yen)

| | | Six months ended September 30, 2019 | Six months ended September 30, 2020 |
|-----------------------------------------------------------|-------|----------------------------------------|----------------------------------------|
| Fundamental profit | A | 14,511 | 21,590 |
| Capital gains | | 22,156 | 11,466 |
| Gains on money held in trust | | - | - |
| Gains on trading securities | | - | - |
| Gains on sales of securities | | 22,156 | 11,466 |
| Gains on derivative financial instruments | | - | - |
| Foreign exchange gains | | - | - |
| Other capital gains | | - | - |
| Capital losses | | 10,348 | 8,013 |
| Losses on money held in trust | | - | - |
| Losses on trading securities | | - | 485 |
| Losses on sales of securities | | 250 | 1,643 |
| Losses on valuation of securities | | 70 | 125 |
| Losses on derivative financial instruments | | 8,173 | 5,134 |
| Foreign exchange losses | | 1,853 | 623 |
| Other capital losses | | - | - |
| Net capital gains (losses) | B | 11,808 | 3,453 |
| Fundamental profit plus net capital gains (losses) | A+B | 26,320 | 25,043 |
| Other one-time gains | | 23 | 34 |
| Reinsurance revenue | | - | - |
| Reversal of contingency reserve | | - | - |
| Reversal of specific allowance for possible loan losses | | 23 | 34 |
| Others | | - | - |
| Other one-time losses | | 250 | 300 |
| Reinsurance premiums | | - | - |
| Provision for contingency reserve | | 250 | 300 |
| 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 | (226) | (266) |
| Ordinary profit | A+B+C | 26,093 | 24,777 |

7. Disclosed Claims Based on Categories of Obligors

(Millions of Yen, %)

| | As of March 31, 2020 | As of September 30, 2020 |
|-----------------------------------------------------|----------------------|--------------------------|
| Claims against bankrupt and quasi-bankrupt obligors | 452 | 458 |
| Claims with collection risk | 154 | 154 |
| Claims for special attention | 147 | 111 |
| Subtotal | 753 | 723 |
| (Percentage of total) | (0.12) | (0.13) |
| Claims against normal obligors | 603,722 | 572,622 |
| Total | 604,476 | 573,346 |

Notes:

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

8. Risk-monitored Loans

(Millions of Yen, %)

| | As of March 31, 2020 | As of September 30, 2020 |
|------------------------------------------------|----------------------|--------------------------|
| Loans to bankrupt borrowers | 2 | 2 |
| Delinquent loans | 589 | 595 |
| Delinquent loans three or more months past due | 122 | 88 |
| Restructured loans | 20 | 20 |
| Total | 735 | 706 |
| (Percentage of total loans) | (0.19) | (0.22) |

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 September 30, 2020 and ¥3 million as of March 31, 2020. The amounts written-off related to delinquent loans were ¥26 million as of September 30, 2020 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.

9. Solvency Margin Ratio

(Millions of Yen)

| | | As of March 31, 2020 | As of September 30, 2020 |
|------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------|----------------------|--------------------------|
| Total solvency margin | (A) | 860,443 | 958,611 |
| Foundation funds and surplus | | 333,225 | 347,560 |
| Reserve for price fluctuation | | 43,230 | 44,410 |
| Contingency reserve | | 51,782 | 52,082 |
| General allowance for possible loan losses | | 46 | 22 |
| (Net unrealized gains on available-for-sale securities (before tax effect) and deferred hedge gains (before tax effect)) × 90% (in case of losses: × 100%) | | 116,876 | 201,911 |
| Net unrealized gains on land × 85% (in case of losses: × 100%) | | 27,786 | 27,759 |
| Excess amount of policy reserves based on full-time Zillmer method | | 137,190 | 139,496 |
| 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 | 17,673 |
| Total amount of risk | $\sqrt{(R_1+R_8)^2+(R_2+R_3+R_7)^2}+R_4$ (B) | 182,513 | 194,831 |
| Insurance risk | R_1 | 13,155 | 12,904 |
| Third sector insurance risk | R_8 | 9,974 | 10,169 |
| Risk of assumed yield | R_2 | 72,246 | 71,040 |
| Minimum guarantee risk | R_7 | 1,055 | 1,051 |
| Investment risk | R_3 | 103,703 | 117,092 |
| Operational risk | R_4 | 4,002 | 4,245 |
| Solvency margin ratio | $(A) / \{(1/2) \times (B)\} \times 100$ | 942.8% | 984.0% |

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.

10. Status of Separate Account

(1) Separate Account Assets by Products

(Millions of Yen)

| | As of March 31, 2020 | As of September 30, 2020 |
|-------------------------------|----------------------|--------------------------|
| | Amount | Amount |
| Individual variable insurance | 24,381 | 25,521 |
| Individual variable annuities | - | - |
| Group annuity products | - | - |
| Total | 24,381 | 25,521 |

(2) Sum Insured of Policies in Force

| | As of March 31,2020 | | As of September 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 | 91,322 |
| Total | 13 | 92,623 | 13 | 91,322 |

| | As of March 31,2020 | | As of September 30, 2020 | |
|-------------------------------|-----------------------------------|-----------------------------|-----------------------------------|-----------------------------|
| | Number of policies (Thousands) | Amount (Millions of Yen) | Number of policies (Thousands) | Amount (Millions of Yen) |
| Individual variable annuities | - | - | - | - |
| Total | - | - | - | - |

11. Status of the Company, Subsidiaries and Affiliates

(1) Selected Financial Data

(Millions of Yen)

| | Six months ended September 30, 2019 | Six months ended September 30, 2020 |
|------------------------------------------------|----------------------------------------|----------------------------------------|
| Ordinary income | 315,274 | 300,033 |
| Ordinary profit | 25,920 | 24,600 |
| Net surplus attributable to the Parent Company | 19,324 | 17,114 |
| Comprehensive income | 50,544 | 88,626 |

(Millions of Yen)

| | As of March 31, 2020 | As of September 30, 2020 |
|-----------------------|----------------------|--------------------------|
| Total assets | 5,390,941 | 5,445,912 |
| Solvency margin ratio | 948.7% | 990.0% |

(2) Unaudited Consolidated Balance Sheets

(Millions of Yen)

| | As of March 31, 2020 | As of September 30, 2020 |
|----------------------------------------------------------------------------|----------------------|--------------------------|
| Assets: | | |
| Cash and deposits | 35,227 | 53,610 |
| Call loans | 82,000 | 83,000 |
| Monetary claims bought | 26,915 | 26,058 |
| Securities | 4,369,302 | 4,501,159 |
| Loans | 377,913 | 315,873 |
| Tangible fixed assets | 382,776 | 382,223 |
| Intangible fixed assets | 24,731 | 24,101 |
| Agency accounts receivable | 11 | 10 |
| Reinsurance receivables | 446 | 256 |
| Other assets | 82,963 | 59,605 |
| Net defined benefit assets | 178 | 104 |
| Deferred tax assets | 8,863 | 245 |
| Customers' liabilities under acceptances and guarantees | 3 | 2 |
| Allowance for possible loan losses | (391) | (338) |
| Total assets | 5,390,941 | 5,445,912 |
| Liabilities: | | |
| Policy reserves and other reserves: | 4,529,448 | 4,504,783 |
| Reserve for outstanding claims | 29,378 | 28,329 |
| Policy reserves | 4,467,997 | 4,444,336 |
| Reserve for dividends to policyholders | 32,073 | 32,116 |
| Reinsurance payables | 563 | 268 |
| Bonds payable | 88,295 | 88,295 |
| Other liabilities | 288,156 | 270,595 |
| Net defined benefit liabilities | 34,985 | 34,280 |
| Reserve for price fluctuation | 43,230 | 44,410 |
| Deferred tax liabilities | - | 14,326 |
| Deferred tax liabilities for land revaluation | 16,838 | 16,819 |
| Acceptances and guarantees | 3 | 2 |
| Total liabilities | 5,001,521 | 4,973,781 |
| 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 | 92,717 |
| Total foundation funds and others | 338,711 | 349,999 |
| Net unrealized gains (losses) on available-for-sale securities, net of tax | 97,625 | 169,065 |
| Land revaluation differences | (45,183) | (45,233) |
| Accumulated remeasurements of defined benefit plans | (1,814) | (1,759) |
| Total accumulated other comprehensive income | 50,627 | 122,073 |
| Non-controlling interests | 81 | 59 |
| Total net assets | 389,420 | 472,131 |
| Total liabilities and net assets | 5,390,941 | 5,445,912 |

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

(Millions of Yen)

| | Six months ended September 30, 2019 | Six months ended September 30, 2020 |
|--------------------------------------------------------------|----------------------------------------|----------------------------------------|
| Ordinary income: | 315,274 | 300,033 |
| Premium and other income | 195,510 | 193,212 |
| Investment income: | 79,503 | 74,017 |
| Interest, dividends and other income | 53,353 | 56,850 |
| Gains on sales of securities | 22,156 | 11,467 |
| Investment gains on separate accounts | 347 | 2,190 |
| Other ordinary income | 40,259 | 32,803 |
| Ordinary expenses: | 289,354 | 275,433 |
| Claims and other payments: | 197,067 | 184,573 |
| Claims | 55,783 | 53,977 |
| Annuities | 60,166 | 57,901 |
| Benefits | 34,721 | 32,921 |
| Surrender benefits | 43,836 | 37,222 |
| Other payments | 1,839 | 1,579 |
| Provision for policy reserves and other reserves: | 312 | 1 |
| Provision for reserve for outstanding claims | 311 | - |
| Provision for interest on policyholders' dividend reserves | 1 | 1 |
| Investment expenses: | 20,408 | 18,193 |
| Interest expenses | 2,264 | 2,210 |
| Losses on trading securities | - | 485 |
| Losses on sales of securities | 250 | 1,643 |
| Losses on valuation of securities | 70 | 125 |
| Losses on derivative financial instruments | 8,173 | 5,134 |
| Operating expenses | 55,004 | 55,621 |
| Other ordinary expenses | 16,560 | 17,042 |
| Ordinary profit | 25,920 | 24,600 |
| Extraordinary gains | 56 | 33 |
| Extraordinary losses | 1,528 | 2,270 |
| Surplus before income taxes | 24,448 | 22,363 |
| Income taxes including deferred taxes | 5,103 | 5,232 |
| Total income taxes | 5,103 | 5,232 |
| Net surplus | 19,344 | 17,131 |
| Net surplus attributable to non-controlling interests | 19 | 16 |
| Net surplus attributable to the Parent Company | 19,324 | 17,114 |

(Unaudited Consolidated Statements of Comprehensive Income)

(Millions of Yen)

| | Six months ended September 30, 2019 | Six months ended September 30, 2020 |
|----------------------------------------------------------------------------|----------------------------------------|----------------------------------------|
| Net surplus | 19,344 | 17,131 |
| Other comprehensive income: | 31,199 | 71,495 |
| Net unrealized gains (losses) on available-for-sale securities, net of tax | 30,741 | 71,439 |
| Remeasurements of defined benefit plans | 458 | 55 |
| Comprehensive income: | 50,544 | 88,626 |
| Comprehensive income attributable to the Parent Company | 50,524 | 88,609 |
| Comprehensive income attributable to non-controlling interests | 19 | 16 |

(4) Unaudited Consolidated Statements of Cash Flows

(Millions of Yen)

| | Six months ended September 30, 2019 | Six months ended September 30, 2020 |
|----------------------------------------------------------------------------|----------------------------------------|----------------------------------------|
| I. Cash flows from operating activities | | |
| Surplus before income taxes | 24,448 | 22,363 |
| Depreciation of rental real estate and other assets | 2,645 | 2,727 |
| Depreciation | 5,671 | 6,061 |
| Impairment losses | 104 | 118 |
| Increase (decrease) in reserve for outstanding claims | 311 | (1,048) |
| Increase (decrease) in policy reserves | (31,076) | (23,660) |
| Provision for interest on policyholders' dividend reserves | 1 | 1 |
| Increase (decrease) in allowance for possible loan losses | (23) | (57) |
| Increase (decrease) in net defined benefit liabilities | (383) | (624) |
| Increase (decrease) in reserve for price fluctuation | 1,170 | 1,180 |
| Interest, dividends and other income | (53,353) | (56,850) |
| (Gains) losses on securities | (22,174) | (11,376) |
| (Gains) losses on derivative financial instruments | 8,173 | 5,134 |
| Interest expenses | 2,264 | 2,210 |
| Foreign exchange (gains) losses, net | 1,855 | 623 |
| (Gains) losses on tangible fixed assets | 125 | (10) |
| Others, net | (3,054) | (6,805) |
| Subtotal | (63,294) | (60,010) |
| Interest, dividends and other income received | 57,603 | 62,669 |
| Interest paid | (2,434) | (2,431) |
| Dividends to policyholders paid | (1,906) | (1,752) |
| Income taxes (paid) refunded | (7) | (5,876) |
| Net cash provided by (used in) operating activities | (10,039) | (7,402) |
| II. Cash flows from investing activities | | |
| Purchases of monetary claims bought | - | (93) |
| Proceeds from sales and redemptions of monetary claims bought | 1,300 | 937 |
| Purchases of securities | (400,615) | (249,815) |
| Proceeds from sales and redemptions of securities | 224,409 | 244,961 |
| Disbursements for loans | (14,136) | (16,377) |
| Proceeds from collections of loans | 51,598 | 77,392 |
| Proceeds from derivative financial instruments | 30,637 | (8,134) |
| Increase (decrease) in payables under securities borrowing transactions | 90,886 | (438) |
| Others, net | - | (485) |
| ① Total of investing activities | (15,919) | 47,947 |
| [I + ①] | (25,959) | 40,545 |
| Purchases of tangible fixed assets | (1,641) | (2,911) |
| Proceeds from sales of tangible fixed assets | 904 | 29 |
| Others, net | (2,720) | (3,681) |
| Net cash provided by (used in) investing activities | (19,376) | 41,383 |
| III. Cash flows from financing activities | | |
| Redemption of debt borrowing | - | (10,000) |
| Payment of interest on foundation funds | (4,116) | (4,081) |
| Dividends paid to non-controlling interests | (41) | (38) |
| Others, net | (525) | (477) |
| Net cash provided by (used in) financing activities | (4,683) | (14,598) |
| IV. Net increase (decrease) in cash and cash equivalents | (34,098) | 19,383 |
| V. Cash and cash equivalents at the beginning of the interim period | 180,630 | 117,227 |
| VI. Cash and cash equivalents at the end of the interim period | 146,531 | 136,610 |

Note:

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

(5) Unaudited Consolidated Statements of Changes in Net Assets

Six months ended September 30, 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 | 91,000 | 166,000 | 281 | 66,801 | 324,083 |
| Changes in the interim period: | | | | | |
| 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 | | | | 19,324 | 19,324 |
| Reversal of land revaluation differences | | | | 159 | 159 |
| Net changes, excluding foundation funds and others | | | | | |
| Net changes in the interim period | - | - | - | 13,194 | 13,194 |
| Ending balance | 91,000 | 166,000 | 281 | 79,996 | 337,278 |

| | 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 interim period: | | | | | | |
| Additions to reserve for dividends to policyholders | | | | | | (2,173) |
| Payment of interest on foundation funds | | | | | | (4,116) |
| Net surplus attributable to the Parent Company | | | | | | 19,324 |
| Reversal of land revaluation differences | | | | | | 159 |
| Net changes, excluding foundation funds and others | 30,741 | (159) | 458 | 31,040 | (21) | 31,019 |
| Net changes in the interim period | 30,741 | (159) | 458 | 31,040 | (21) | 44,213 |
| Ending balance | 129,775 | (44,720) | (1,532) | 83,523 | 62 | 420,863 |

Six months ended September 30, 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 | 81,429 | 338,711 |
| Changes in the interim period: | | | | | |
| Additions to reserve for dividends to policyholders | | | | (1,794) | (1,794) |
| Payment of interest on foundation funds | | | | (4,081) | (4,081) |
| Net surplus attributable to the Parent Company | | | | 17,114 | 17,114 |
| Reversal of land revaluation differences | | | | 49 | 49 |
| Net changes, excluding foundation funds and others | | | | | |
| Net changes in the interim period | - | - | - | 11,287 | 11,287 |
| Ending balance | 91,000 | 166,000 | 281 | 92,717 | 349,999 |

| | 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 | 97,625 | (45,183) | (1,814) | 50,627 | 81 | 389,420 |
| Changes in the interim period: | | | | | | |
| Additions to reserve for dividends to policyholders | | | | | | (1,794) |
| Payment of interest on foundation funds | | | | | | (4,081) |
| Net surplus attributable to the Parent Company | | | | | | 17,114 |
| Reversal of land revaluation differences | | | | | | 49 |
| Net changes, excluding foundation funds and others | 71,439 | (49) | 55 | 71,445 | (22) | 71,423 |
| Net changes in the interim period | 71,439 | (49) | 55 | 71,445 | (22) | 82,711 |
| Ending balance | 169,065 | (45,233) | (1,759) | 122,073 | 59 | 472,131 |

I. Presentation of Unaudited Consolidated Financial Statements

1. Basis of Presentation

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

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

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

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

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

2. Principles of Consolidation

(1) Scope of consolidation

The consolidated subsidiaries as of September 30, 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 interim period. As such non-consolidated subsidiaries are not considered to materially affect any reasonable determination as to the financial position and results of operation of the Company’s group, these companies are excluded from the consolidation.

(2) Application of equity method

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

(3) Interim period-end of consolidated subsidiaries

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

II. Notes to Unaudited Consolidated Balance Sheet

1. Significant Accounting Policies

(1) Valuation methods of securities

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

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

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

■ Date of revaluation: March 31, 2001

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

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

(4) Depreciation of tangible fixed assets

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

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

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

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

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

(5) Foreign currency translation

Foreign currency-denominated assets and liabilities (excluding the shares of unconsolidated subsidiaries and affiliates) are translated into Japanese yen at the effective exchange rate prevailing at the balance sheet date, except for foreign stock

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

(6) Allowance for possible loan losses

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

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

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

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

For credit to legally bankrupt borrowers and substantially bankrupt borrowers, the amounts remaining after deductions of collateral value or the amounts collectible through the execution of guarantees are written-off directly from the book value as the estimated uncollectible amounts. The amount written-off was ¥29 million as of September 30, 2020.

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

Net defined benefit liabilities and assets are presented for the employees' retirement

benefits after deducting pension plan assets from retirement benefit obligations, based on estimated amounts as of the balance sheet date.

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

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

(8) Accounting for hedging activities

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

The Company mainly applies the following hedging activities:

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

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

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

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

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

(9) Valuation methods of derivative financial instruments

Derivative financial instruments are stated at fair market value.

(10) Reserve for price fluctuation

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

(11) Accounting for consumption taxes

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

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

(12) Policy reserves

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

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

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

(13) Software

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

2. Accounting Standards Issued but Not Yet Effective

The accounting standards and relevant implementation guidance issued by the interim period-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 relevant implementation guidance, 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 application

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 implementation guidance

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

3. Financial Instruments

The balance sheet amounts, fair values and the differences between those of major financial assets and liabilities as of September 30, 2020 were as follows:

| | Millions of Yen | | |
|--------------------------------------------------|--------------------------|------------|------------|
| | As of September 30, 2020 | | |
| | Balance Sheet Amount | Fair Value | Difference |
| Cash and deposits | ¥ 53,610 | ¥ 53,610 | ¥ - |
| Call loans | 83,000 | 83,000 | - |
| Monetary claims bought | 26,058 | 28,746 | 2,688 |
| Trading securities | - | - | - |
| Held-to-maturity debt securities | 25,075 | 27,763 | 2,688 |
| Policy-reserve-matching bonds | - | - | - |
| Available-for-sale securities | 983 | 983 | - |
| Securities | 4,485,692 | 4,773,871 | 288,178 |
| Trading securities | 23,472 | 23,472 | - |
| Held-to-maturity debt securities | 301,598 | 340,171 | 38,572 |
| Policy-reserve-matching bonds | 2,046,827 | 2,296,433 | 249,605 |
| Available-for-sale securities | 2,113,794 | 2,113,794 | - |
| Loans | 315,873 | 323,730 | 7,857 |
| Policy loans | 38,154 | 38,154 | - |
| Industrial and consumer loans | 277,718 | 285,576 | 7,857 |
| Total assets | 4,964,234 | 5,262,959 | 298,724 |
| Bonds payable | 88,295 | 89,055 | 759 |
| Payables under securities borrowing transactions | 179,256 | 179,256 | - |
| Loans payable | 41,000 | 42,276 | 1,276 |
| Total liabilities | 308,552 | 310,588 | 2,035 |
| Derivative financial instruments | 6,237 | 6,237 | - |
| Hedge accounting not applied | 315 | 315 | - |
| Hedge accounting applied | 5,921 | 5,921 | - |

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

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

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

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

The amount of the unlisted stocks and others, including investments in subsidiaries and affiliates, reported in the interim consolidated balance sheet was ¥15,466 million as of September 30, 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 value, etc. as of September 30, 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 fair value of investment and rental properties is omitted because there have been no significant changes compared with the corresponding fair value at the end of the previous fiscal year.

5. Loans

The total amount of loans to bankrupt borrowers, delinquent loans, delinquent loans three or more months past due and restructured loans, which were included in loans was ¥706 million as of September 30, 2020.

- i) Loans to bankrupt borrowers were ¥2 million as of September 30, 2020.
- ii) Delinquent loans were ¥595 million as of September 30, 2020.
- iii) Delinquent loans three or more months past due were ¥88 million as of September 30, 2020.
- iv) Restructured loans were ¥20 million as of September 30, 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 September 30, 2020.

In addition, the direct write-offs related to loans decreased the amount of delinquent loans described above by ¥26 million as of September 30, 2020.

6. Separate Accounts

Total assets in separate accounts provided for in Article 118 of the Insurance Business Act were ¥25,521 million as of September 30, 2020. The amounts of separate account liabilities were the same as separate account assets.

7. Reserve for Dividends to Policyholders

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

| | <u>Millions of Yen</u> |
|---------------------------------------------------------------|----------------------------------------|
| | Six months ended September 30, 2020 |
| Balance at the beginning of the interim period | ¥ 32,073 |
| Transfer to reserve from surplus in the previous fiscal year | 1,794 |
| Dividends to policyholders paid out during the interim period | 1,752 |
| Increase in interest | 1 |
| Balance at the end of the interim period | <u>¥ 32,116</u> |

8. Pledged Assets

Assets pledged as collateral were securities in the amount of ¥6,281 million as of September 30, 2020.

9. Securities Lent under Lending Agreements

The amount of securities lent under lending agreements was ¥256,192 million as of September 30, 2020.

10. Assets with Rights to Sell

The Company has the legal right to sell or collateralize securities borrowed under loan agreements. The market value of these assets that were not sold or pledged as collateral was ¥83,647 million as of September 30, 2020. No assets were pledged as collateral as of September 30, 2020.

11. Commitment Line

As of September 30, 2020, there were unused commitment line agreements under which the Company is the lender of ¥8,313 million.

12. Subordinated Bonds Payable

As of September 30, 2020, bonds payable are subordinated bonds payable, for which the repayments are subordinated to other obligations.

13. Subordinated Loans Payable

As of September 30, 2020, other liabilities included subordinated loans payable of ¥41,000 million, for which the repayments are subordinated to other obligations.

14. Contributions to Policyholders Protection Corporation

The estimated future contributions to the Life Insurance Policyholders Protection Corporation of Japan under Article 259 of the Insurance Business Act were ¥8,016 million as of September 30, 2020. These contributions are charged as operating expenses in the reporting period in which they are paid.

III. Notes to Unaudited Consolidated Statement of Income

1. Investment Income and Expenses

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

| | Millions of Yen | |
|--------------------------------------|--------------------|-------|
| | Six months ended | |
| | September 30, 2020 | |
| Domestic bonds | ¥ | 8,399 |
| Domestic stocks and other securities | | 778 |
| Foreign securities | | 2,289 |

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

| | Millions of Yen | |
|--------------------------------------|--------------------|-------|
| | Six months ended | |
| | September 30, 2020 | |
| Domestic bonds | ¥ | 298 |
| Domestic stocks and other securities | | 1,127 |
| Foreign securities | | 217 |

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

| | Millions of Yen | |
|--------------------------------------|--------------------|-----|
| | Six months ended | |
| | September 30, 2020 | |
| Domestic stocks and other securities | ¥ | 123 |
| Foreign securities | | 1 |

2. Income Tax Expense

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

3. Extraordinary Losses

The expenses related to salary guarantees for sales representatives and others as countermeasures to prevent the spread of COVID-19 for the interim period ended September 30, 2020 were ¥723 million, which were included in extraordinary losses.

(6) Consolidated Solvency Margin Ratio

(Millions of yen)

| | | As of March 31, 2020 | As of September 30, 2020 |
|------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|----------------------|--------------------------|
| Total solvency margin | (A) | 856,773 | 955,008 |
| Foundation funds and surplus | | 332,078 | 346,423 |
| Reserve for price fluctuation | | 43,230 | 44,410 |
| Contingency reserve | | 51,782 | 52,082 |
| 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 | 201,912 |
| Net unrealized gains on land × 85% (in case of losses: × 100%) | | 27,786 | 27,759 |
| Sum of unrealized actuarial differences and unrealized past service cost | | (2,524) | (2,469) |
| Excess amount of policy reserves based on full-time Zillmer method | | 137,190 | 139,496 |
| 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 | 17,673 |
| 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 | 192,927 |
| Insurance risk | R ₁ | 13,155 | 12,904 |
| Ordinary insurance risk | R ₅ | - | - |
| Disaster insurance risk | R ₆ | - | - |
| Third sector insurance risk | R ₈ | 9,974 | 10,169 |
| Small amount short-term insurance provider insurance risk | R ₉ | - | - |
| Risk of assumed yield | R ₂ | 72,246 | 71,040 |
| Minimum guarantee risk | R ₇ | 1,055 | 1,051 |
| Investment risk | R ₃ | 101,822 | 115,212 |
| Operational risk | R ₄ | 3,965 | 4,207 |
| Solvency margin ratio | (A) / {(1/2) × (B)} × 100 | 948.7% | 990.0% |

Notes:

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

(7) Segment information

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